Docket #0577 Date Filed: 10/9/2015

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
COLT HOLDING COMPANY LLC, *et al.*,[1]	Case No. 15-11296 (LSS)
Debtors.	Jointly Administered

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

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[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are Colt Holding Company LLC (0094); Colt Security LLC (4276); Colt Defense LLC (1950); Colt Finance Corp. (7687); New Colt Holding Corp. (6913); Colt's Manufacturing Company LLC (9139); Colt Defense Technical Services LLC (8809); Colt Canada Corporation (5534); Colt International Coöperatief U.A. (6822); and CDH II Holdco Inc. (1782). The address of the Debtors' corporate headquarters is: 547 New Park Avenue, West Hartford, Connecticut 06110.

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DISCLAIMER

THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS BEING DISTRIBUTED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE "DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE" (THE "PLAN"). THE INFORMATION IN THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO SOLICITATION OF VOTES TO ACCEPT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE"). NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT PROVIDES INFORMATION REGARDING THE JOINT PLAN OF REORGANIZATION OF COLT HOLDING COMPANY LLC, COLT SECURITY LLC, COLT DEFENSE LLC, COLT CANADA CORPORATION, COLT'S MANUFACTURING COMPANY LLC, NEW COLT HOLDING CORP., COLT FINANCE CORP., COLT DEFENSE TECHNICAL SERVICES LLC, COLT INTERNATIONAL COÖPERATIEF U.A., AND CDH II HOLDCO INC., AS DEBTORS AND DEBTORS IN POSSESSION IN THE ABOVE-CAPTIONED CHAPTER 11 CASES, THAT SUCH DEBTORS ARE SEEKING TO HAVE CONFIRMED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN DOCUMENTS RELATING TO THE PLAN. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF, OR ARE INCONSISTENT WITH, SUCH DOCUMENTS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS

DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY FEDERAL, STATE, PROVINCIAL, LOCAL, CANADIAN OR OTHER FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER SUCH AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES HOLDING OR TRADING IN, OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING, SECURITIES OR CLAIMS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT MAY BE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES AND REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER UNKNOWN FACTORS THAT COULD IMPACT THE DEBTORS' PLAN OR DISTRIBUTIONS THEREUNDER. IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "INTENDS," "ANTICIPATES," "PLANS," OR SIMILAR TERMS TO BE UNCERTAIN AND FORWARD-LOOKING. CREDITORS AND OTHER INTERESTED PARTIES SHOULD ALSO SEE THE SECTION OF THIS DISCLOSURE STATEMENT ENTITLED "CERTAIN FACTORS TO BE CONSIDERED" FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY AFFECT THE PLAN AND DISTRIBUTIONS THEREUNDER.

NOTE: THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN DESCRIBED IN THIS DOCUMENT IS IN THE BEST INTERESTS OF THE DEBTORS' ESTATES, THEIR CREDITORS, AND ALL OTHER PARTIES IN INTEREST. ACCORDINGLY, THE DEBTORS RECOMMEND THAT YOU VOTE IN FAVOR OF THE PLAN.

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I.

INTRODUCTION

Colt Holding Company LLC, Colt Security LLC, Colt Defense LLC, Colt Canada Corporation, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., Colt Defense Technical Services LLC, Colt International Coöperatief U.A., and CDH II Holdco Inc. (collectively, the "**Debtors**" or the "**Company**"), submit this Disclosure Statement pursuant to section 1125 of Title 11 of the United States Code (the "**Bankruptcy Code**") in connection with the solicitation of acceptances of the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "**Plan**"). A copy of the Plan is attached hereto as **Exhibit A**.

The Debtors are proposing the Plan following extensive discussions with certain of their key stakeholders. These discussions have resulted in significant majorities of the Debtors' stakeholders agreeing to support the restructuring and vote to accept the Plan pursuant to a Restructuring Support Agreement, dated September 25, 2015 (as it may be amended from time to time, the "**Restructuring Support Agreement**"), among the Debtors and the Plan Support Parties. The Plan Support Parties include:

- certain lenders (solely in such capacity, the "**Consenting DIP Senior Lenders**") under the DIP Senior Loan;
- certain Holders of Senior Notes Claims (solely in such capacity, the "**Consenting Senior Noteholders**");
- Sciens Capital Management LLC ("**Sciens**") and each of its affiliates (to the extent that Sciens Capital Management LLC or an investment advisor under common control with Sciens Capital Management LLC retains voting control over such affiliate) (collectively, the "**Sciens Group**"); and
- NPA Hartford LLC ("**NPA**"), in its capacity as landlord under the West Hartford Facility Lease.

A copy of the Restructuring Support Agreement is attached hereto as **Exhibit B**. The Term Loan Exit Term Sheet and the treatment of the Term Loan Claims and the DIP Term Loan Claims under the Plan have been approved by the lenders under the Debtors' prepetition Term Loan and DIP Term Loan (the "**Term Loan Lenders**"), although the Term Loan Lenders are not party to the RSA.

Except as otherwise set forth herein, capitalized terms used in this Disclosure Statement but not defined herein have the meanings ascribed to them in the Plan. **Please note that to the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan shall govern.**

This Disclosure Statement sets forth certain information regarding the prepetition operating and financial history of the Debtors, the events leading up to the commencement of the Chapter 11 Cases, material events that have occurred during the Chapter 11 Cases, and the anticipated organization, operations and capital structure of the Reorganized Debtors if the Plan is confirmed and becomes effective. This Disclosure Statement also describes terms and provisions of the Plan, including certain effects of confirmation of the Plan, certain risk factors (including those associated with securities

to be issued under the Plan), the manner in which distributions will be made under the Plan, and certain alternatives to the Plan.

On [_____], 2015, the Bankruptcy Court entered an order approving this Disclosure Statement as containing "adequate information," *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the Holders of Claims or Equity Interests to make an informed judgment about the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN NOR AN ENDORSEMENT OF THE MERITS OF THE PLAN BY THE BANKRUPTCY COURT.

On [_____], 2015, the Canadian Court recognized the Disclosure Statement Order. There will be no separate voting process for Canadian Holders of Claims or Equity Interests, and Canadian Holders of Claims or Equity Interests will be subject to the voting process set forth in the Disclosure Statement Order as recognized by the Canadian Court.

A. Material Terms of the Plan

The Plan is the product of extensive and vigorous negotiations both before and after the filing of these Chapter 11 Cases among the Debtors and certain of the Debtors' largest secured and unsecured creditor constituencies. The Plan Support Parties believe that absent a consensual resolution of their complex Claims, these bankruptcy cases would require extensive and potentially prohibitively expensive litigation to the detriment of the Debtors' estates, creditors, and all parties in interest. Through the settlement of these Claims and all other disputed issues among the Plan Support Parties, the Plan will allow the Debtors to strengthen their balance sheet by converting $250 million of Senior Notes Claims into equity and will allow the Debtors to avoid the incurrence of significant litigation costs and delays and exit bankruptcy with the liquidity necessary to execute their business plan. The Plan, if confirmed, would also ensure that the Company continues to operate out of its West Hartford Facility for the foreseeable future and would preserve the jobs of over 700 existing employees.

THE PLAN SUPPORT PARTIES BELIEVE THAT THE IMPLEMENTATION OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR STAKEHOLDERS. FOR ALL OF THE REASONS DESCRIBED IN THIS DISCLOSURE STATEMENT, THE PLAN SUPPORT PARTIES URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN BY THE VOTING DEADLINE (I.E., THE DATE BY WHICH YOUR BALLOT MUST BE ACTUALLY RECEIVED), WHICH IS DECEMBER [7], 2015, AT 4:00 P.M. (PREVAILING EASTERN TIME). AS DISCUSSED IN SECTION IV.K (*363 SALE PROCESS*) OF THIS DISCLOSURE STATEMENT, IN THE EVENT THAT THE PLAN IS NOT CONFIRMED, THE DEBTORS WILL PURSUE AN ASSET SALE UNDER SECTION 363 OF THE BANKRUPTCY CODE THAT MAY PROVIDE RECOVERIES ON ACCOUNT OF EXISTING CLAIMS AND INTERESTS THAT ARE MATERIALLY WORSE THAN THE RECOVERIES IN CONNECTION WITH THE PLAN.

The following table summarizes the material terms of the Plan. For a complete explanation, please refer to the discussion in Section V of this Disclosure Statement, entitled "THE PLAN," and the Plan itself:

Treatment of Claims and Interests	As further detailed in the Plan, the Plan contemplates the following treatment of Claims and Interests:

	• Administrative Expense Claims – Allowed Administrative Expense Claims will be paid either in full in Cash or on such other terms as agreed between the Debtors and each Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. These Claims are unclassified under the Plan. • Priority Tax Claims – Allowed Priority Tax Claims will receive deferred Cash payments equal to the full Allowed amount of such Claims over a period of not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors and each Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. These Claims are unclassified under the Plan. • DIP Facility Claims – All DIP Facility Claims will be repaid on the Effective Date through the Exit Facilities in accordance with the terms of the Senior Loan Exit Term Sheet and the Term Loan Exit Term Sheet, as appropriate, and subject to compliance with the Restructuring Support Agreement. These claims are unclassified under the Plan. • Priority Non-Tax Claims – Allowed Priority Non-Tax Claims will be paid either in full in Cash or on such other terms as agreed between the Debtors and each Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. These Claims are Unimpaired under the Plan. • Term Loan Claims – All Term Loan Claims will be repaid through the Exit Facilities in accordance with the terms of the Term Loan Exit Term Sheet. These Claims are Impaired under the Plan. • Other Secured Claims – Allowed Other Secured Claims will either (i) be paid in full in Cash, (ii) receive delivery of the collateral securing any such Allowed Other Secured Claim and payment of any interest requested under section 506(b) of the Bankruptcy Code, or (iii) be treated on such other terms as agreed between the Debtors and the Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. These Claims are Unimpaired under the Plan. • Senior Notes Claims – Each Holder of an Allowed Senior Notes Claim will receive its Pro Rata Share of the New Class B LLC Units. These Claims are Impaired under the Plan. • Qualified Unsecured Trade Claims – Each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full in Cash on account of such Allowed Qualified Unsecured Trade

	Claim upon the later of (i) the Effective Date (for any portion of the Allowed Qualified Unsecured Trade Claim that is due on or prior to the Effective Date), (ii) the date such Allowed Qualified Unsecured Trade Claim (for any portion thereof that is due after the Effective Date) comes due in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date, and (iii) the date on which a Disputed Qualified Unsecured Trade Claim is deemed to be Allowed; *provided*, *however*, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims. These Claims are Impaired under the Plan. • General Unsecured Claims – Each Holder of an Allowed General Unsecured Claim will receive a note (subordinate to the Exit Facilities) or other consideration as reasonably agreed upon by the Debtors, the RSA Creditor Parties, and the Term Loan Exit Lenders, such consideration to represent a percentage of recovery that is reasonably equivalent to the percentage of recovery realized by the Holders of Allowed Senior Notes Claims. These Claims are Impaired under the Plan. • Intercompany Claims – All Allowed Intercompany Claims will either be (i) reinstated, in full or in part, and treated in the ordinary course of business or (ii) cancelled and discharged, consistent with the Reorganized Debtors' business plan. These Claims are Unimpaired under the Plan. • Equity Interests in Debtor Subsidiaries – All Allowed Equity Interests in Debtor Subsidiaries will be reinstated and otherwise unaffected by the Plan. Equity interests in Debtor Subsidiaries will be Unimpaired solely to preserve the Debtors' corporate structure and Holders of those Equity Interests will not otherwise receive or retain any property on account of such Equity Interests. • Equity Interests in Parent – All Equity Interests in the Parent will be cancelled without further notice to, approval of, or action by, any Entity. These Equity Interests are Impaired under the Plan.
West Hartford Facility	In accordance with and subject to the terms of the West Hartford Facility Term Sheet, as of the Effective Date the Debtors will either purchase the West Hartford Facility from NPA or will enter into an extension of the West Hartford Facility Lease.

Settlement and Compromise	As further detailed in Section 10.4 (*Releases*) and Section 10.7 (*Settlement of Claims Against the Sciens Group and NPA*) of the Plan, the Plan contains and effects a compromise and settlement of Claims among the Debtors, the Consortium, the Sciens Group, and NPA pursuant to section 1123(b)(3) and Rule 9019 of the Federal Rules of Bankruptcy Procedure.
Exit Financing	As further detailed in Section V.C (*Indebtedness and Securities to Be Issued Pursuant to the Plan*), the Plan authorizes entry into certain Exit Facilities to, among other things, convert all DIP Facility Claims to claims and obligations thereunder.
Offering	As further detailed in Section V.C.4 (*Equity Interests*), the Debtors will raise $50 million in new capital from the private Offering of Offering Units consisting of (i) third lien secured debt to be issued pursuant to a third lien exit facility and (ii) 100% of the New Class A LLC Units (subject to dilution by New Class A LLC Units granted under the New Management Incentive Plan and by New Class A LLC Units issued to NPA in accordance with the West Hartford Facility Term Sheet and the Restructuring Term Sheet). Participants in the private Offering consist of the Sciens Group, certain members of the Consortium, and Eligible Holders of Senior Notes Claims. The aggregate new capital raised through the Offering may be increased by up to $5 million as detailed in the Restructuring Term Sheet regarding the Additional Offering Amount.
Means of Implementation	The Plan contains standard means of implementation, including provisions for the continued corporate existence of the Reorganized Debtors, the cancellation of certain prepetition debt and debt agreements, the cancellation of prepetition equity interests in Parent, the issuance of Equity Interests in Reorganized Parent, and the revesting of the Debtors' assets in the Reorganized Debtors.
New Management Incentive Plan	On or after the Effective Date, the New Board will adopt the New Management Incentive Plan, which will provide for grants of equity-based compensation of up to 10% of the New Class A LLC Units in Reorganized Parent to members of the Reorganized Debtors' management team, including New Class A LLC Units which will dilute the New Class A LLC Units issued in the Offering and the New Class B LLC Units as described in the Restructuring Term Sheet. The selection of participants in the New Management Incentive Plan, the number of New Class A LLC Units granted to those participants, and the vesting and other terms of the grants under the New Management Incentive Plan will be determined by the New Board.
Releases	The Plan provides certain customary release provisions for the benefit of the Debtors, their directors, officers, and agents, and their respective attorneys, financial advisors, or other specified professionals, the Term Loan Agent, the DIP Agents, the Term Loan Lenders, the DIP Lenders, the Committee, the Consortium and each member thereof, each other Holder of a Claim or Equity Interest who votes in favor of the Plan, the Senior

	Notes Indenture Trustee, the Sciens Group, and NPA, among others, and their respective agents, and each of their respective attorneys, financial advisors, or other specified professionals to the extent permitted by applicable law.
Exculpation	The Plan provides certain customary exculpation provisions, which include a full exculpation from liability in favor of the Debtors, the Term Loan Agent, the DIP Agents, the Term Loan Lenders, the DIP Lenders, the Committee, the Sciens Group, NPA, and all of the foregoing parties' respective current and former officers, directors, members, employees, advisors, attorneys, professionals, accountants, investment bankers, consultants, agents, or other representatives (including their respective officers, directors, employees, members, and professionals) from any and all Claims and Causes of Action arising on or after the Petition Date and any and all Claims and Causes of Action relating to any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, soliciting, confirming, or consummating the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with or in contemplation of the Chapter 11 Cases or the restructuring of the Debtors, with the exception of fraud, willful misconduct, or gross negligence.

B. Voting on the Plan

The Disclosure Statement Order approved certain procedures governing the solicitation of votes on the Plan from holders of Claims against and Equity Interests in the Debtors, including setting the deadline for voting, which Holders of Claims or Equity Interests are eligible to receive Ballots to vote on the Plan, and certain other voting procedures. There will be no separate voting process for Canadian Holders of Claims or Equity Interests, and Canadian Holders of Claims or Equity Interests will be subject to the voting process set forth in the Disclosure Statement Order, as recognized by the Canadian Court.

THE DISCLOSURE STATEMENT ORDER IS HEREBY INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN. YOU SHOULD READ THE DISCLOSURE STATEMENT ORDER, THE CONFIRMATION HEARING NOTICE, AND THE INSTRUCTIONS ATTACHED TO YOUR BALLOT IN CONNECTION WITH THIS SECTION, AS THEY SET FORTH IN DETAIL, AMONG OTHER THINGS, PROCEDURES GOVERNING VOTING DEADLINES AND OBJECTION DEADLINES.

1. Parties Entitled to Vote on the Plan

Under the Bankruptcy Code, only Holders of Claims or Equity Interests in Impaired Classes are entitled to vote on the Plan (unless, for reasons discussed in more detail below, such Holders are presumed to accept or deemed to reject the Plan). Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is deemed to be Impaired under the Plan unless (a) the Plan leaves unaltered the legal, equitable, and contractual rights to which such Claim or Equity Interest entitles the Holder thereof, ascertained with regard to applicable law, including any provisions of the Bankruptcy Code that may limit the allowed amount of such Claim or Equity Interest or (b) notwithstanding any legal right to an accelerated payment of such Claim or Equity Interest, the Plan cures all existing defaults (other

than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such Claim or Equity Interest as it existed before the default.

The following table sets forth a simplified summary of which Classes are entitled to vote on the Plan and which are not, and sets forth the estimated Allowed amount, the estimated recovery and/or the impairment status for each of the separate Classes of Claims provided for in the Plan.

Class	Designation	Entitled to Vote	Estimated Amount	Estimated Recovery
1	Priority Non-Tax Claims	No (presumed to accept)		
2	Term Loan Claims	Yes		
3	Other Secured Claims	No (presumed to accept)		
4	Senior Notes Claims	Yes		
5	Qualified Unsecured Trade Claims	Yes		
6	General Unsecured Claims	Yes		
7	Intercompany Claims	No (presumed to accept)		
8	Equity Interests in Debtor Subsidiaries	No (presumed to accept)		
9	Equity Interests in Parent	No (presumed to reject)		

The Bankruptcy Code defines acceptance of a plan by a Class of Claims as acceptance by Holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the Claims of that Class that cast ballots for acceptance or rejection of the plan. Thus, acceptance by a Class of Claims occurs only if at least two-thirds (⅔) in dollar amount and a majority in number of the Holders of Claims voting cast their ballots to accept the plan.

Your vote on the Plan is important. The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan votes to accept such plan, unless the plan is being confirmed under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan of reorganization, notwithstanding the nonacceptance of the plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept a proposed plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

2. Solicitation Package

The package of materials (the "**Solicitation Package**") to be sent to Holders of Claims and Interests entitled to vote on the Plan will contain:

- a copy of the notice of the Confirmation Hearing (the "**Confirmation Hearing Notice**");

- a copy of the Disclosure Statement together with the exhibits thereto, including the Plan, that have been filed with the Bankruptcy Court before the date of the mailing;

- a copy of the order entered by the Bankruptcy Court (D.I. [__]) (the "**Disclosure Statement Order**") that, among other things, established the voting procedures, scheduled a Confirmation Hearing, and set the voting deadline and the deadline for objecting to Confirmation of the Plan; and

- for Holders of Claims in voting Classes (*i.e.*, Classes 2, 4, 5, and 6), an appropriate form of Ballot, instructions on how to complete the Ballot, and a Ballot return envelope and such other materials as the Bankruptcy Court may direct.

In addition, the Plan, the Disclosure Statement, and, once they are filed, all exhibits to both documents will be made available online at no charge at the website maintained by the Debtors' voting agent, Kurtzman Carson Consultants LLC (the "**Voting Agent**") at http://www.kccllc.net/coltdefense, and the website maintained by the foreign representative at http://www.gowlings.com/colt/. The Debtors will provide parties in interest (at no charge) with hard copies of the Plan and/or Disclosure Statement upon written request to Colt Holding Company LLC, c/o KCC LLC, 2335 Alaska Avenue El Segundo, CA 90245.

3. Voting Procedures, Ballots, and Voting Deadline

If you are entitled to vote to accept or reject the Plan, a Ballot(s) has been enclosed in your Solicitation Package for the purpose of voting on the Plan. Please vote and return your Ballot(s) to the Voting Agent at Colt Ballot Processing, c/o KCC LLC, 2335 Alaska Avenue, El Segundo, California 90245, unless you are (i) a beneficial owner of a security who receives a Ballot from a broker, bank, dealer, or other agent or nominee (each, a "**Master Ballot Agent**"), in which case you must return the Ballot to that Master Ballot Agent (or as otherwise instructed by your Master Ballot Agent), or (ii) a Master Ballot Agent, in which case you must return your Ballot to the Voting Agent at Colt Ballot Processing, c/o KCC LLC, 1290 Avenue of the Americas, 9th Floor, New York, New York 10104. Ballots should not be sent directly to the Debtors or their agents (other than the Voting Agent).

After carefully reviewing (1) the Plan, (2) this Disclosure Statement, (3) the Disclosure Statement Order, and (4) the detailed instructions accompanying your Ballot, please indicate on your Ballot your vote to accept or reject the Plan. In order for your vote to be counted, you must complete and sign your original Ballot (copies will not be accepted) and return it to the appropriate recipient (*i.e.*, either a Master Ballot Agent or the Voting Agent) so that it is actually received by the Voting Deadline by the Voting Agent.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

If you (1) hold Claims in more than one voting Class, or (2) hold multiple Claims within one Class, including if you (a) are the beneficial owner of Senior Notes held in street name through more than one Master Ballot Agent or (b) are the beneficial owner of Senior Notes registered in your own name

as well as the beneficial owner of Senior Notes registered in street name, you may receive more than one Ballot.

If you are the beneficial owner of Senior Notes held in street name through more than one Master Ballot Agent, for your votes with respect to such Senior Notes to be counted, your Ballots must be mailed to the appropriate Master Ballot Agents at the addresses on the envelopes enclosed with your Ballots so that such Master Ballot Agent has sufficient time to record the votes of such beneficial owner on a Master Ballot and return such Master Ballot so it is actually received by the Voting Agent by the Voting Deadline.

All other ballots, in order to be counted, must be properly completed in accordance with the voting instructions on the ballot and **actually received** no later than the Voting Deadline (i.e., **December [7], 2015, at 4:00 p.m. (prevailing Eastern time)**) by the Voting Agent via regular mail, overnight courier, or personal delivery at the appropriate address. Except with respect to Ballots used by Master Ballot Agents for recording votes cast by beneficial owners holding securities (each, a "**Master Ballot**"), no Ballots may be submitted by electronic mail or any other means of electronic transmission, and any Ballots submitted by electronic mail or other means of electronic transmission will not be accepted by the Voting Agent. Ballots should not be sent directly to the Debtors.

If a Holder of a Claim delivers to the Voting Agent more than one timely, properly completed Ballot with respect to such Claim prior to the Voting Deadline, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the timely, properly completed Ballot determined by the Voting Agent to have been received last from such Holder with respect to such Claim.

If you are a Holder of a Claim who is entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan, the Ballot, or the procedures for voting on the Plan, please contact the Voting Agent by toll-free telephone for U.S. callers at +1 (888) 251-3076 and for international callers at +1 (310) 751-2617, by e-mail at Coltinfo@kccllc.com, or by writing to Colt Holding Company LLC, c/o KCC LLC, 2335 Alaska Avenue, El Segundo, CA 90245.

Before voting on the Plan, each Holder of a Claim in Classes 2, 4, 5, and 6 should read, in its entirety, this Disclosure Statement, the Plan, the Disclosure Statement Order, the Confirmation Hearing Notice, and the instructions accompanying the Ballots. These documents contain important information concerning how Claims are classified for voting purposes and how votes will be tabulated. Holders of Claims entitled to vote are also encouraged to review the relevant provisions of the Bankruptcy Code and Bankruptcy Rules and/or consult their own attorney.

C. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for **December [16], 2015, at 10:00 a.m.**, prevailing Eastern time, before the Honorable Judge Laurie Selber Silverstein, United States Bankruptcy Judge for the District of Delaware, in the United States Bankruptcy Court for the District of Delaware, located at 824 North Market Street, 6th Floor, Courtroom #2, Wilmington, Delaware. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice. Any objection to Confirmation must (1) be in writing, (2) state the name and address of the objecting party and the nature of the Claim or Interest of such party, and (3) state with particularity the basis and nature of such

objection. Any such objections must be filed and served upon the persons designated in the Confirmation Hearing Notice in the manner and by the deadline described therein.

The Debtors anticipate seeking recognition of the Confirmation Order from the Canadian Court as promptly as practicable after entry of the Confirmation Order.

D. Advisors

The Debtors' legal advisors are O'Melveny & Myers LLP and Richards, Layton & Finger, P.A. The Debtors' financial advisor is Perella Weinberg Partners LP. The Debtors advisors can be contacted at:

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Peter Friedman, Esq.
Joseph Zujkowski, Esq.
Diana Perez, Esq.

-and-

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767 Fifth Avenue
New York, NY 10153
Phone: (212) 287-3200
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Attn: Nikhil Menon

II.

GENERAL INFORMATION

A. Description of the Debtors

The Debtors in the Chapter 11 Cases include the following direct and indirect subsidiaries of Colt Holding Company LLC:

- Colt Security LLC;
- Colt Defense LLC;
- Colt Finance Corp.;
- New Colt Holding Corp.;
- Colt's Manufacturing Company LLC;
- Colt Defense Technical Services LLC;

- Colt Canada Corporation;
- Colt International Coöperatief U.A.; and
- CDH II Holdco Inc.

1. The Debtors' Businesses

The Company is one of the oldest and most renowned designers, developers, and manufacturers of firearms for military, law enforcement, personal defense, and recreational purposes. The Company's founder, Samuel Colt, patented the first commercially successful revolving cylinder firearm in 1836 and, in 1847, began supplying U.S. and international military customers with firearms that have set the standards of their era.

Today, the Company's end customers encompass every segment of the worldwide firearms market, including U.S., Canadian, and foreign military forces, global law enforcement and security agencies, consumers seeking personal protection, the hunting and sporting community, and collectors. From the Model P ''Peacemaker'' revolver to the 1911 automatic pistol, the M16 rifle and the M4 carbine, "Colt'' defines iconic firearms that first established worldwide military standards and then become the guns every law enforcement officer and serious recreational shooter wants to own. The Colt-designed M16 rifle and M4 carbine have also served as the principal battle rifles of the U.S. Armed Forces for the last 50 years and are currently in military and law enforcement service in more than 80 countries around the world.

The Debtors are uniquely dependent on relationships with foreign and domestic military customers. For example, during 2014, 8% of the Debtors' consolidated revenues were attributable to the U.S. Government, with 32% attributable to sales to international customers and 59% attributable to domestic commercial and law enforcement customers.

2. Corporate Governance

As of the date hereof, set forth below are the names and position(s) of the Governing Board of Colt Defense LLC (the "**Governing Board**") and the Executive Management Team.

Management Team

Position	Name
Dennis Veilleux	President and CEO
Scott B. Flaherty	Senior Vice President, and CFO
John Coghlin	Secretary, Senior Vice President, and General Counsel
Kevin G. Green	Corporate Controller
Keith A. Maib	Chief Restructuring Officer
Kenneth Juergens	Senior Vice President, Government & Military Programs
Paul Spitale	Senior Vice President, Commercial Programs
Kevin Langevin	Executive Director, Product Engineering
Jeffrey Macleod	General Manager, Colt Canada

Governing Board

Position	Name
Daniel J. Standen	Chairman of the Governing Board
General George W. Casey Jr.	Manager
Field Marshal the Lord Guthrie of Craigiebank	Manager
Michael Holmes	Manager
Alan Miller	Manager
John P. Rigas	Manager
Philip A. Wheeler	Manager
Dennis Veilleux	President and CEO

Prior to the commencement of these cases, the Governing Board appointed a committee of independent Directors (the "**Independent Committee**") consisting of Alan Miller, General George Casey, and Lord Charles Guthrie. The Independent Committee was vested by the Governing Board with full decision making authority on all matters related to the 363 Sale Process discussed below but has also made decisions on behalf of the Governing Board during the Chapter 11 Cases on other matters where Sciens affiliated members of the Governing Board have been conflicted.

3. Consulting Agreements

The Company is party to two consulting agreements with the Sciens Group. Under a July 2007 financial advisory agreement, the Company paid Sciens Capital Management LLC an annual aggregate retainer of $330,000, which was payable monthly in advance. Under a July 2013 consulting service agreement, the Company paid Sciens Institutional Services LLC an annual aggregate fee of $650,000, which was payable quarterly in advance.

4. Corporate History

a. 1992 Chapter 11 Proceeding

In 1992, Colt Manufacturing Company ("**CMC**"), at the time the Company's principal operating subsidiary, filed chapter 11 petitions in the U.S. Bankruptcy Court for the District of Connecticut. In 1994, an investment by Zilkha & Co. allowed CMC to confirm a chapter 11 plan and emerge from bankruptcy. Sometime after 1994, majority ownership of the Company transitioned from Zilkha & Co. to Sciens Capital Management, a New York City investment firm founded by John P. Rigas, who was a partner at Zilkha & Co. at the time of the 1994 investment.

b. 2013 Merger

On July 12, 2013, the Company acquired 100% ownership (the "**Merger**") of New Colt Holding Corp. ("**New Colt**"), at the time a privately-held affiliate manufacturing Colt's commercial handguns and providing a sales channel to Colt Defense LLC ("**Colt Defense**") for commercial rifles. New Colt and its subsidiary CMC had been separated in 2003 from Colt Defense, which manufactured rifles and other products for military and law enforcement customers. As a result of the Merger, the two manufacturers of Colt firearms were consolidated into a single enterprise providing the Company direct access to the commercial market for its rifles and carbines, ownership of the Colt brand name and other related trademarks, certain technology, and production capabilities for the full line of Colt handguns.

c. Prior Reorganization

In March 2015, the Governing Board authorized the Company to undertake certain steps to create a more cost effective and efficient organizational structure for tax and other corporate purposes (the "**Prior Reorganization**"). Prior to the Prior Reorganization, Colt Defense, the Company's principal operating subsidiary, was required to make tax distributions to its members at the highest individual marginal tax rate. As a result of the Prior Reorganization, Colt Defense became a wholly owned subsidiary of CDH II Holdco, Inc., which has enabled the Company to reduce its obligation to make tax distributions because they are now based on a corporate effective tax rate of approximately 40% (as compared to approximately a 51% effective tax rate paid historically). Other objectives of the Prior Reorganization were to enable the Company to reduce administrative costs relating to its Canadian operations, to provide a more acceptable structure for capital raises, and to facilitate the use of management equity compensation.

5. Employees

As of the Petition Date, the Debtors employ approximately 729 employees across North America, of whom 715 are full-time employees, 12 are part-time employees, and two are temporary employees. Of the Debtors' full-time employees located in the United States, approximately (i) 132 employees are salaried, of whom eight hold the position of senior vice president or higher, (ii) 36 employees are non-union employees paid on an hourly basis; and (iii) 462 employees (the "**Union Employees**") are paid on an hourly basis and are represented by United Automobile, Aerospace, and Agricultural Implement Workers of America- UAW on behalf of its Amalgamated Local No. 376 (the "**Union**" or "**UAW**") under a collective bargaining agreement dated April 1, 2014 (the "**CBA**"). Of the Debtors' full-time employees located in Canada, approximately (i) 42 employees are salaried, of whom one holds a position of senior vice president or higher and (ii) 43 employees are paid on an hourly basis.

Of the Debtors' 10 part-time employees located in the United States, approximately four are non-Union Employees paid on an hourly basis and six are non-Union Employees paid on a per diem basis. The Debtors also employ approximately (i) two part-time employees in Canada who are paid on an hourly basis and (ii) two temporary employees in Canada, one of whom is paid on an hourly basis and another of whom is salaried.

Prior to the Petition Date, the Debtors offered the following bonus and incentive programs to their eligible employees.

- **High Performance Plan**. The Debtors offered an annual bonus to certain U.S. full-time non-Union Employees to provide an incentive for continued employment with the Debtors and to perform at a high level throughout the calendar year.

- **Signing Bonus**. The Debtors offered a signing bonus to certain U.S. full-time non-Union Employees to provide an incentive for new employees to join the company.

- **Colt Defense Long Term Incentive Plan**. The Debtors offered U.S. executives an option to purchase common equity of Colt Defense LLC pursuant to an equity participation program (the "**Colt Defense Long Term Incentive Plan**").

- **Canadian Bonus Plan**. The Debtors offered performance bonuses (the "**Canadian Bonus Plan**") to reward management level Canadian employees and executives for achieving performance objectives, and to provide an incentive for those Canadian employees and executives to continue their employment with the Debtors. As of the

Petition Date, eight Canadian employees and one executive were eligible to participate in the Canadian Bonus Plan.

Prior to the Petition Date, Colt Defense LLC also maintained a profit sharing plan for Union Employees who had 1,000 hours of service during each plan year and were at least 21 years old prior to September 1, 1997, the date the ability to participate in the Colt Holding Corp. Profit Sharing Plan was frozen (the "**Colt Defense Profit Sharing Plan**"). Employees may no longer join the Colt Defense Profit Sharing Plan or accrue additional benefits. The Colt Defense Profit Sharing Plan provides that active participants may elect to take a distribution any time after reaching age 65; however, as long as a participant is employed they are not required to take a distribution. Terminated participants may receive a distribution within a reasonable amount of time after termination; however, upon reaching age 70.5 terminated participants must take their distribution.

The Debtors' contributions to the Colt Defense Profit Sharing Plan are discretionary and are determined by the Governing Board. The Debtors made no contributions to the Colt Defense Profit Sharing Plan during the years ended December 31, 2014, 2013, and 2012. As of December 31, 2013, the plan had $1,082,555 in net assets available for benefits. The Debtors pay for all administrative expenses of the Colt Defense Profit Sharing Plan. In 2014, the Debtors paid approximately $12,000 in administrative and legal fees on account of the Colt Defense Profit Sharing Plan. The Debtors estimate that as of the Petition Date they have approximately $10,000, inclusive of administrative fees, outstanding in connection with the Colt Defense Profit Sharing Plan, all of which will become due and owing prior to entry of the Final Order.

New Colt Holding Corp. maintains a profit sharing plan for Union Employees who had 1,000 hours of service during each plan year and were at least 21 years old prior to September 1, 1997, the date the plan was frozen (the "**New Colt Profit Sharing Plan**"). Employees may no longer join the New Colt Profit Sharing Plan or accrue additional benefits. The New Colt Profit Sharing Plan provides that active participants may elect to take a distribution any time after reaching age 65; however, as long as a participant is employed they are not required to take a distribution. Terminated participants may receive a distribution within a reasonable amount of time after termination; however, upon reaching age 70.5 terminated participants must take their distribution.

The Debtors' contributions to the New Colt Profit Sharing Plan are discretionary and are determined by the board of directors of New Colt Holding Corp. The Debtors made no contributions to the New Colt Profit Sharing Plan during the years ended December 31, 2014, 2013, and 2012. As of December 31, 2013, the plan had $109,063 in net assets available for benefits. The Debtors pay for all administrative expenses of the New Colt Profit Sharing Plan. In 2014, the Debtors paid approximately $5,000 in administrative and legal fees on account of the New Colt Profit Sharing Plan. The Debtors estimate that as of the Petition Date they have $2,500 in administrative and legal fees outstanding in connection with the New Colt Profit Sharing Plan, all of which will become due and owing prior to entry of the Final Order.

In addition to the employee benefits described above, the Debtors maintain various savings and retirement benefits plans under which many of the Debtors' U.S. and Canadian employees participate. The Debtors, for example, sponsor a 401(k) retirement investment plan and maintain a qualified non-contributory defined benefit plan administered by USA Consulting Group for its eligible U.S. employees. The Debtors also provide eligible Canadian employees with a mandatory defined contribution pension plan and a voluntary group registered retirement savings plan. These benefit plans will be assumed under the Plan as of the Effective Date.

B. Prepetition Indebtedness and Capital Structure

As of the Petition Date, the Debtors had funded debt outstanding of approximately $357,900,000, consisting of the principal balance under the Senior Loan Credit Agreement, the Term Loan Agreement, and the Senior Notes Indenture. The primary components of the Debtors' consolidated funded debt obligations as of the Petition Date are described below.

1. The Term Loan Facility

On November 17, 2014, the Company entered into a new term loan (the "**Term Loan**") governed by that certain Term Loan Agreement, dated November 17, 2014 (the "**Term Loan Agreement**"), among Colt Defense, Colt Finance Corp., New Colt Holding Corp., Colt's Manufacturing Company, LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, Wilmington Savings Fund Society, FSB, as agent, and the lenders party thereto (the "**Term Loan Lenders**").

The total principal amount outstanding under the Term Loan Agreement as of the Petition Date was $72,900,000. Obligations under the Term Loan Agreement are guaranteed by all subsidiaries of Colt Defense that are not also borrowers and are secured by a first lien on intellectual property and a second lien on all other assets of the borrowers and guarantors.

Proceeds from the Term Loan Agreement were used to repay all amounts outstanding under the Company's prior term loan agreement and provided additional liquidity that allowed the Company to make the $10.9 million interest payment due on November 17, 2014, to holders of the Senior Notes. The Term Loan Agreement also contained less restrictive financial covenants and amortization provisions than the credit agreement governing the term loan it refinanced.

As discussed below, the DIP Term Loan approved under the Final DIP Order provided for the "roll-up" of $20 million of the principal balance of the Term Loan into the DIP Term Loan. As a result, the current principal amount outstanding under the Term Loan Agreement was reduced to $52.9 million.

2. Senior Loan Facility

On February 9, 2015, the Company entered into a refinancing of an existing ABL facility through a new senior loan (the "**Senior Loan**") governed by that certain Credit Agreement dated February 9, 2015 (the "**Senior Loan Credit Agreement**"), among Colt Defense, Colt's Manufacturing Company, LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, Cortland Capital Market Services LLC, as agent, and the lenders party thereto (the "**Senior Loan Lenders**" and together with the Term Loan Lenders, the "**Prepetition Secured Lenders**"). Obligations under the Senior Loan Agreement were guaranteed by all subsidiaries of Colt Defense that were not also borrowers and secured by a second lien on intellectual property and a first lien on all other assets of the borrowers and guarantors. Proceeds from the Senior Loan Credit Facility were used to repay all amounts outstanding under the Company's prior ABL credit agreement and fees related to the refinancing of such agreement, for cash collateral for certain letters of credit, for additional liquidity, and for general working capital.

The total principal amount outstanding under the Senior Loan as of the Petition Date was $35,000,000. As discussed below, the DIP Senior Loan approved under the Final DIP Order provided for the "roll-up" of the entirety of the Senior Loan into the DIP Senior Loan.

3. Unsecured Senior Notes

On November 10, 2009, the Debtors issued $250 million in 8.75% notes (the "**Senior Notes**") due 2017 pursuant to that certain Indenture (the "**8.75% Indenture**"), among Colt Defense LLC, Colt Finance Corp., certain subsidiary guarantors, and Wilmington Trust FSB, as indenture trustee.

On May 18, 2015, the Company announced that it had entered into a 30-day permitted grace period with respect to the approximately $10.9 million interest payment due on May 15, 2015, on account of the Senior Notes.

The full original principal amount of the Senior Notes remains outstanding.

4. Equity Interests

Affiliates of Sciens Management LLC own approximately 88% of the equity interests in Colt Holding Company LLC ("**Parent**"). The Colt Defense Profit Sharing Plan owns 1% of the equity interests of Parent. Finally, certain individual investors and other entities own the remaining 11% of the equity interests of Parent.

C. Production and Research Facilities

The Company operates out of facilities located in the U.S. and Canada. U.S. operations occur primarily at a facility located in West Hartford, Connecticut, that is leased to the Company by NPA pursuant to a Net Lease agreement dated October 26, 2005 (as amended from time to time, the "**West Hartford Facility Lease**"). The term of the West Hartford Facility Lease was extended on three separate occasions during the Chapter 11 Cases. Pursuant to these extensions, the term of the West Hartford Facility Lease expires on January 31, 2016.

Certain principals of Sciens, through a separate limited liability company (NPA Management LLC), own 30.16% of the membership interests in NPA. The remaining 69.84% of NPA's membership interests are held by parties unaffiliated with Sciens. Additionally, while NPA has historically been managed by NPA Management LLC, sole final decision making authority with respect to the West Hartford Facility Lease has been delegated to VALNIC Capital Real Estate Fund I LLC, the largest member of NPA with no ownership interest in Sciens or the Company.

The Company's Canadian operations occur at a facility owned by one of the Debtors' Canadian subsidiaries. Additionally, the Company leases a small facility in Ottawa, Ontario, that houses approximately five employees and is used primarily for research and development.

III.

KEY EVENTS LEADING TO THE DECISION TO COMMENCE THE VOLUNTARY CHAPTER 11 CASES

A number of factors contributed to the Debtors' decision to seek relief under chapter 11 of the Bankruptcy Code, including, among other things, the Debtors' unsustainable capital structure.

A. Liquidity Issues

The Debtors' prepetition liquidity issues are the result of business trends impacting the Company's recent historical, current, and forecasted revenues and cash flows. These trends, as described

in further detail below, include a decline in modern sporting rifle sales from 2013 peak levels as well as declines in aggregate handgun demand, and delays in anticipated timing of U.S. Government sales, which includes foreign military sales through the U.S. Government and certain international sales.

During the second half of 2014 the Company experienced slow sales across all of its core business channels (commercial, U.S. Government, and international). Commercial sales were down from a commercial sales bubble in 2013 driven by fears of increased future regulation. International sales were also impacted by the maturation of a large contract with a Malaysian customer and relatively soft sales to the Canadian government. U.S. Government sales slowed due to production issues Colt was experiencing with the M240 medium machine gun and the lack of a M4 carbine contract.

Liquidity pressures continued to grow in the second half of 2014 as lower sales volumes did not cover the Company's fixed overhead costs. In order to service the Company's $11 million Senior Notes interest payment due in November, Colt was forced to draw down on a large portion of an existing ABL facility and stretch out payments to critical raw material and parts suppliers. A byproduct of extending out payments to trade creditors in the second half of 2014 was a dampening of the Company's 2015 projected growth as suppliers slowed sales to Colt to manage their credit risk profile.

Management attempted to mitigate the business risk associated with the increased liquidity challenges through implementation of a number of initiatives, which included: (i) seeking revenue growth across all sales channels, (ii) executing initiatives designed to optimize performance and reduce costs, (iii) managing inventory levels for positive cash flow by focusing the production schedule on the backlog of firm commitments, and (iv) working closely with U.S. Government regulators to obtain timely approval of international sales. While liquidity was improved by these initiatives, the Company could not continue to pay approximately $22 million in annual interest payments on the Senior Notes on a go forward basis and continue to operate as a going concern. As a result, a restructuring of the Senior Notes became a top priority of the Company.

B. Secured Debt Refinancings

As of October 2014, the Company's secured obligations included an ABL facility and a term loan. In November 2014, the Company first sought and obtained a refinancing and expansion of the existing term loan through entry into the Term Loan Agreement. The Term Loan, which closed on November 17, 2014, provided the Company with additional liquidity, allowed it to make the November 17, 2014 interest payment due to the holders of the Senior Notes, and provided the Company with covenant flexibility in several respects under the Term Loan Agreement.

Following the November 17, 2014 refinancing, the Company remained subject to borrowing base restraints under the agreement governing the ABL facility. The Company, therefore, sought and obtained a refinancing of the ABL facility through entry into the Senior Loan Credit Agreement. The Senior Loan Credit Agreement removed the existing borrowing base restrictions of the ABL facility and generally provided the Company with additional liquidity.

C. Launch of the Offer to Exchange and Disclosure Statement

After completion of the February 9, 2015 refinancing, the Company began the process of attempting to restructure its Senior Notes in light of the $22 million in annual cash interest payments and the 2017 maturity of $250 million.

On April 14, 2015, the Company launched the Offer to Exchange and Disclosure Statement (the "**Offer to Exchange and Disclosure Statement**"), pursuant to which it solicited

acceptances for a prepackaged chapter 11 plan of reorganization (the "**Initial Prepackaged Plan**"). Under this document, the Debtors offered to exchange new secured notes for the existing Senior Notes. The exchange rate was set above then current market trading prices for the Senior Notes and was dictated heavily by the financial projections attached to the Offer to Exchange and Disclosure Statement. The initial deadline for tendering Senior Notes into the exchange offer and voting on the Initial Prepackaged Plan was set at May 11, 2015. Approximately $12.7 million or 5.1%, of the outstanding principal amount of Senior Notes validly tendered into the exchange offer and voted in favor of the Initial Prepackaged Plan.

D. Prepetition Efforts to Restructure Senior Notes

Following launch of the Offer to Exchange and Disclosure Statement, the Debtors commenced negotiations with a steering committee of institutional holders (the "**Steering Committee**") representing over 60% of the Senior Notes. The Company entered into non-disclosure agreements with certain members of the Steering Committee, provided hundreds of documents in response to due diligence request lists, hosted members of the Steering Committee and their advisors on multiple visits to the West Hartford Facility, and extended considerable time and effort reviewing due diligence memoranda prepared by the Steering Committee Advisors.

Following launch of the Offer to Exchange and Disclosure Statement, the Debtors also engaged their prepetition secured lenders in intensive discussions seeking their support for an amended plan of reorganization. As a result of these discussions, a restructuring support agreement (the "**Prepetition RSA**") was executed by the Company, its Prepetition Secured Lenders, Sciens, and NPA. The restructuring term sheet attached to the Prepetition RSA set forth the terms of debtor in possession loans and exit facilities, contained an indication from Sciens to contribute $5 million in incremental capital in the form of preferred equity, increased the amount of new secured notes offered to the Senior Noteholders by approximately $34 million, and incorporated other features intended to address the requests of the Steering Committee.

The terms of the Prepetition RSA were incorporated into the amended Offer to Exchange and Disclosure Statement (the "**Amended Offer to Exchange and Disclosure Statement**") pursuant to a supplement filed on June 1, 2015. The voting deadline for the amended plan described in Amended Offer to Exchange and Disclosure Statement (the "**Amended Prepackaged Plan**") expired on June 12, 2015. The Amended Prepackaged Plan was rejected by a similar percentage of holders of the Senior Notes that voted on the Initial Prepackaged Plan.

E. 363 Sale Process

Following the rejection of the Amended Prepackaged Plan, the Company directed Perella Weinberg Partners LP ("**PWP**") to prepare a list of potential buyers for the Company's assets and to prepare an informational package for interested parties and non-disclosure agreement for interested parties requiring additional information. The goal of these marketing efforts was to facilitate the launch of a robust and transparent sales process upon the commencement of these Chapter 11 Cases. Additional information regarding the 363 sale process is provided below.

IV.

CHAPTER 11 CASES

A. Voluntary Petitions

On June 14, 2015 (the "**Petition Date**"), the Debtors commenced these cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. All of the Debtors' Chapter 11 Cases have been consolidated for procedural purposes only and are being administered jointly. The Debtors have continued, and will continue until the Effective Date, to manage their properties as debtors-in-possession.

B. First Day Relief

On the Petition Date, the Debtors filed a number of motions and other pleadings (the "**First Day Motions**"), the most significant of which are described below. The First Day Motions were proposed to ensure the Debtors' orderly transition into chapter 11.

The First Day Motions included:

- a motion for joint administration of the Chapter 11 Cases;
- a motion to file a consolidated list of creditors;
- an application to employ Kurtzman Carson Consultants LLC as Claims and Noticing Agent;
- a motion to authorize Colt Holding Company LLC to act as foreign representative on behalf of the Debtors' estates;
- a motion for approval of the Debtors' payment of certain prepetition taxes;
- a motion for approval of the Debtors' ability to renew or extend its insurance policies and make related payments;
- a motion to prohibit utility companies from discontinuing service and to approve the form of adequate assurance of payment to utility companies;
- a motion to approve the payment of certain employee wages and benefits;
- a motion relating to the continued use of the Debtors' existing cash management system;
- a motion for approval of the Debtors' payment of certain prepetition claims of critical vendors; and
- a motion to authorize the Debtors to obtain post-petition financing and use cash collateral.

C. Canadian Proceedings

On June 17, 2015, Colt Holding Company LLC, as foreign representative of itself and the other Debtors, obtained an order from the Canadian Court, recognizing the Chapter 11 Cases as a "foreign main proceeding" under the CCAA and granting certain related relief. The Canadian Court also granted a second order (the "**Supplemental Recognition Order**"), granting additional relief, including recognition of certain of the orders entered by the Bankruptcy Court with respect to the First Day Motions.

D. Retention of Advisors for the Debtors

Soon after the commencement of the Chapter 11 Cases, the Debtors obtained Bankruptcy Court approval of the retention of (1) O'Melveny & Myers LLP as the Debtors' co-counsel; (2) Richards, Layton & Finger, P.A. as the Debtors' Delaware co-counsel; (3) Mackinac Partners, LLC as crisis managers; (4) Perella Weinberg Partners LP as the Debtors' financial advisor; (5) Gowling Lafleur Henderson LLP as Canadian Counsel; (6) Kurtzman Carson Consultants LLC as the Debtors' administrative agent; and (7) Whittlesey & Hadley, P.C. as tax consultant.

These applications were granted with certain adjustments or modifications to accommodate the concerns of the Bankruptcy Court, the U.S. Trustee, the Committee, and other parties in interest. In connection with these applications, the Debtors sought and obtained approval to establish procedures for interim monthly compensation of professionals. The Debtors also sought and obtained approval to employ certain professionals not involved in the administration of the Chapter 11 Cases in the ordinary course of business.

E. The Committee

On June 25, 2015, the U.S. Trustee appointed the Committee in these Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code. The Committee initially consisted of the following members: (i) Wilmington Trust, National Association; (ii) MagPul Industries Corporation; (iii) Stephen Nyhan & Jeana Walker-Nyhan; (iv) International Union, UAW; and (v) Pension Benefit Guaranty Corporation. MagPul Industries Corporation is no longer a member of the Committee. As of the filing of this Disclosure Statement, the Committee consists of the following members: (i) Wilmington Trust, National Association; (ii) Stephen Nyhan & Jeana Walker-Nyhan; (iii) International Union, UAW; and (iv) Pension Benefit Guaranty Corporation [D.I. 327.].

The Committee obtained Bankruptcy Court approval of the retention of (i) Kilpatrick Townsend & Stockton LLP as co-counsel; (ii) Klehr Harrison Harvey Branzburg LLP as Delaware co-counsel; (iii) FTI Consulting, Inc. as financial advisor; and (iv) Robert B. Maclellan as Canadian counsel.

Since its appointment, the Committee has been actively involved with the Debtors in overseeing the administration of the Chapter 11 Cases as a fiduciary for all unsecured creditors of all Debtors in these cases, and has consulted with the Debtors on various matters relevant to the Chapter 11 Cases. The Debtors have also discussed their business operations with the Committee and their advisors and have negotiated with the Committee regarding actions and transactions outside of the ordinary course of business. The Committee has participated actively in reviewing the Company's business operations, operating performance, and business plan.

F. The Consortium

The Ad Hoc Consortium of Holders of the 8.75% Senior Notes Due 2017 of Colt Defense LLC and Colt Finance Corp. (the "**Consortium**") is represented by Brown Rudnick LLP ("**Brown**

Rudnick"), Ashby & Geddes, P.A. ("**Ashby Geddes**"), and GLC Advisors & Co. LLC. On June 16, 2015, Brown Rudnick and Ashby Geddes filed a joint verified statement, pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), disclosing the members of the Consortium, which was amended on July 7, 2015 (the "**Amended Joint Verified Statement**"). As of the date hereof, the members of the Consortium are:

- Advantage Capital Management;
- ALJ Capital Management, LLC;
- Armory Advisors LLC;
- Bowery Investment Management, LLC;
- BulwarkBay Investment Group, LLC;
- Fidelity National Financial, Inc.;
- Kamunting Street Capital Management, LP;
- MPAM Credit Trading Partners L.P.;
- New Generation Advisors, LLC;
- Newport Global Advisors, LP;
- Nomura Corporate Research and Asset Management Inc.;
- Phoenix Investment Adviser LLC;
- Scoggin LLC;
- Vertex One Asset Management Inc.; and
- Wolverine Asset Management, LLC

G. DIP Motion

On the Petition Date, the Debtors filed a motion (the "**DIP Motion**") requesting interim and final approval of $20,000,000.00 of new debtor-in-possession financing consisting of (i) a $6,666,666.67 DIP loan (the "**DIP Senior Loan**") and (ii) a $13,333,333.33 DIP loan (the "**DIP Term Loan**", and together with the DIP Senior Loan, the "**DIP Facilities**"). An interim order approving the DIP Facilities (the "**Interim DIP Order**") was entered by the Bankruptcy Court on June 16, 2015 [D.I. 78]. The credit agreements governing the DIP Facilities attached to the Interim DIP Order required the Debtors, among other things, to comply with certain milestones related to a sale of substantially all of their assets pursuant to the Bid Procedures Motion discussed below. On June 17, 2015, pursuant to the Supplemental Recognition Order, the Canadian Court recognized the Interim DIP Order.

At the time of entry of the Interim DIP Order, the lenders under the Senior DIP Loan were identical to the lenders under prepetition Senior Loan and the lenders under the DIP Term Loan were identical to the lenders under the Term Loan. However, shortly after entry of the Interim DIP Order, the Debtors were advised that certain members of the Consortium had purchased all rights, interests and obligations of the lenders under the Senior Loan and DIP Senior Loan. The Debtors worked with their new DIP Senior Loan lenders and the DIP Term Loan lenders on revised credit agreements governing the DIP Facilities and a revised final order approving the DIP Facilities (the "**Final DIP Order**"), which was approved by the Bankruptcy Court on July 9, 2015 [D.I. 202]. The Final DIP Order also reflected comments provided by the Committee and the United States Trustee. On July 14, 2015, the Canadian Court granted a further recognition order, recognizing the Final DIP Order and modifying the Supplemental Recognition Order to reflect the terms of the Final DIP Order.

The credit agreements governing the DIP Facilities approved under the Final DIP Order contain milestones related to approval of a plan of reorganization in place of the milestones related to a sale of substantially all of the Debtors' assets. The first of these milestones required the Debtors to file a plan of reorganization and a disclosure statement by August 31, 2015 (the "**August 31 Milestone**")

reasonably acceptable to the lenders under the DIP Facilities (the "**DIP Lenders**"). On August 30, 2015, the Debtors obtained a waiver of their obligation to comply with the August 31 Milestone from the DIP Lenders, which was conditioned on entry of the Bid Procedures Order (discussed below) by September 3, 2015, the execution of a 30-day extension of the term of the West Hartford Facility Lease, and the Debtors' compliance with certain other conditions.

The Final DIP Order also provided for the "roll-up" of the entirety of the prepetition Senior Loan into the DIP Senior Loan and $20,000,000.00 of the principal balance of the prepetition Term Loan into the DIP Term Loan. As of the date of this disclosure statement, approximately $41,666,666.67 plus accrued and unpaid interest is outstanding under the DIP Senior Loan and approximately $33,333,333.33 plus accrued and unpaid interest is outstanding under the DIP Term Loan.

H. Lease Issues

On July 22, 2015, the Debtors and the Consortium each filed motions under Rule 2004 of the Federal Rules of Bankruptcy Procedure requesting discovery from NPA and Sciens related to the West Hartford Facility Lease. The Committee also filed a Rule 2004 motion on July 22, 2015, which requested discovery related to the West Hartford Facility Lease and other matters. The parties subsequently agreed on a discovery schedule for production of the materials requested in Rule 2004 motions and the dates for certain depositions.

On August 28, 2015, the Committee filed a motion (the "**Standing Motion**") requesting standing to pursue certain claims on behalf of the Debtors against Sciens, NPA, and certain other parties related to the West Hartford Facility Lease [D.I. 406]. The Debtors filed an objection to the Standing Motion, which argued that the Committee had not met the legal burden required to pursue claims on behalf of a chapter 11 estate and that certain extraordinary relief requested in Standing Motion, such as the exclusive right to settle claims and the disclosure of the Debtors' privileged materials, was improper. The Debtors' objection also argued that prosecution of the claims described in the Standing Motion is unnecessary in light of the agreement reached between the Plan Support Parties regarding the West Hartford Facility Lease in connection with the Restructuring Support Agreement. A hearing on the Standing Motion was held on October 2, 2015. On October 7, 2015, the Bankruptcy Court issued a decision denying the Standing Motion without prejudice to the Committee's ability to seek substantially similar relief at a later date.

On August 30, 2015, NPA granted the Debtors a 30-day extension of the term of the West Hartford Facility Lease. On September 21, 2015, NPA granted an additional extension of the West Hartford Facility Lease, and again on October 2, 2015, NPA granted a further extension of the West Hartford Facility Lease. As a result of these extensions, the term of the West Hartford Facility Lease expires on January 31, 2016. In connection with these extensions, NPA also consented in writing to an extension of the Debtors' deadline to assume or reject the West Hartford Facility Lease in accordance with section 365(d)(4) of the Bankruptcy Code, from October 12, 2015, to December 3, 2015. Accordingly, the Debtors moved for an order of the Bankruptcy Court granting an extension of the deadline to assume or reject the West Hartford Facility Lease through and including December 3, 2015 (or such later date as the Debtors and NPA agree), without prejudice to the Debtors' right to seek a further extension either for cause or with the written consent of NPA [D.I. 497, 546.] This motion was granted by order of the Bankruptcy Court entered October 7, 2015 [D.I. 555].

I. KEIP Motion

On August 20, 2015, the Debtors filed a motion (the "**KEIP Motion**") seeking court approval of a Key Employee Incentive Plan (the "**KEIP**") [D.I. 360].

Under the KEIP Motion, the Debtors proposed that there be the following nine participants to the KEIP (collectively, the "**Participants**"): Dennis Veilleux, CEO; Scott Flaherty, Senior Vice President and CFO; John Coghlin, Senior Vice President and General Counsel; Jeff Macleod, General Manager Canada; Ken Juergens, Senior Vice President International and Government Programs; Paul Spitale, Senior Vice President Commercial Programs; Ron Bellcourt, Senior Vice President Operations; John Carne, Vice President Business Solutions; and Jeff Masciadrelli, Senior Vice President Operations. The key terms of the proposed KEIP are as follows:

- Performance Awards: Upon achievement of the DIP Targets, each Participant will be eligible to receive a cash award equal to a percentage of his/her annual base salary ranging from 50-100%.
- DIP Targets: To qualify for an award under the KEIP, the Debtors must achieve 70% of projected net operating cash flow set forth in the budget attached to the KEIP through the date of termination of the Participant.
- Distribution of Performance Awards: Performance awards under the KEIP will only be paid upon termination without cause of a Participant or the constructive termination of a Participant prior to the closing date of the sale of the Debtors' assets or the effective date of a chapter 11 plan.

As of the date of this Disclosure Statement, the Debtors do not intend to prosecute the KEIP Motion prior to October 26, 2015.

J. Claims Process and Bar Date

On August 25, 2015, the Debtors filed (i) their Schedules of Assets and Liabilities (as amended, modified, or supplemented, the "**Schedules**") identifying the assets and liabilities of their estates and (ii) their Statements of Financial Affairs (as amended, modified, or supplemented, "**Statements**") [D.I. 376–85, 387–96, 399]. On September 17, 2015, certain of the Debtors filed amendments to their Schedules and Statements [D.I. 481–86]. In addition, pursuant to an order (the "**Bar Date Order**") dated September 25, 2015 [D.I. 525], the Bankruptcy Court established the dates for the filing of proofs of Claim in these Chapter 11 Cases. These dates are as follows:

- the deadline for general creditors to file proofs of Claim against any of the Debtors is November 20, 2015, at 5:00 p.m. (EST) (the "**General Bar Date**");
- the deadline for Governmental Units to file proofs of Claim against any of the Debtors is December 11, 2015, at 5:00 p.m. (EST) (the "**Governmental Unit Bar Date**");
- a bar date for Claims amended or supplemented by an amendment to the Debtors' Schedules by the later of (a) the General Bar Date; and (b) the date that is thirty (30) days after the date that notice of the applicable amendment to the Schedules is served on the claimant; and
- a bar date for any claims arising from or relating to the rejection of executory contracts or unexpired leases, in accordance with section 365 of the Bankruptcy Code by the later of (a) the General Bar Date and (b) the date that is thirty (30) days after the entry of the order authorizing the rejection of the executory contract or unexpired lease.

The Debtors provided notice of the bar dates above as required by the Bar Date Order. On October 5, 2015, the Canadian Court granted an order recognizing the Bar Date Order.

K. 363 Sale Process

The Debtors filed a motion requesting approval of procedures governing a sale of substantially all of their assets pursuant to section 363 of the Bankruptcy Code (the "**Bid Procedures Motion**") on the Petition Date [D.I. 13]. In doing so, the Debtors made clear that pursuit of both a sale transaction and a consensual chapter 11 plan on a dual track was the best process to both ensure the continuation of the Company as a going concern and maximize recoveries for existing creditors.

The Bid Procedures Motion filed on the Petition Date requested approval of the Debtors' designation of a Sciens affiliate as the "stalking horse purchaser" of the Debtors' assets. However, the purchase by certain members of the Ad Hoc Consortium of the Prepetition Senior Loan and DIP Senior Loan discussed above resulted in the revocation of Sciens' stalking horse bid. The Debtors therefore filed amended exhibits to the Bid Procedures Motion on July 28, 2015 [D.I. 273], and August 11, 2015 [D.I. 325], in order to allow the Debtors the ability to enter into a new stalking horse agreement and to reflect comments provided by various parties to the Bid Procedures Motion filed on the Petition Date.

Despite losing Sciens as the stalking horse purchaser, the Debtors did not abandon the sale process. To the contrary, with the assistance of their financial advisor PWP, the Debtors continued to aggressively market their assets and toward this end developed marketing materials, maintained a data room containing confidential financial and strategic information, held management meetings with representatives from certain potential purchasers, facilitated on-site diligence sessions, and coordinated the diligence efforts of all interested parties. During this process, PWP solicited expressions of interest from approximately 150 strategic and financial purchasers, resulting in the execution of approximately 20 non-disclosure agreements with potential bidders and submission of several written indications of interest.

The hearing on approval of the Bid Procedures Motion was adjourned on numerous occasions in light of objections filed by the Committee and UAW and informal opposition from several other creditor constituencies. The order approving Bid Procedures Motion (the "**Bid Procedures Order**") was ultimately approved by the Bankruptcy Court on September 3, 2015 [D.I. 445]. The Bid Procedures Order approved the following key dates for the sale process and potential bidders:

- September 21, 2015 at 5:00 P.M. (EDT) - Deadline to Designate Stalking Horse Purchaser
- September 25, 2015 at 5:00 P.M. (EDT) - Deadline to Serve Assumption and Assignment Notice
- October 9, 2015 at 4:00 P.M. (EDT) - Assumption and Assignment Objection Deadline
- October 16, 2015 at 5:00 P.M. (EDT) - Bid Deadline
- October 20, 2015 at 10:00 A.M. (EDT) - Auction (if necessary)
- October 21, 2015 at 4:00 P.M. (EDT) - Sale Hearing Objection Deadline
- October 26, 2015 at 10:00 A.M. (EDT) - Sale Hearing

The Debtors did not receive a bid satisfying the "Qualified Bid" requirements prior to the deadline to designate a stalking horse purchaser on September 21, 2015. In the event a Qualified Bid is received prior to the October 16, 2015 bid deadline, the Debtors will discuss the bid with the Plan Support Parties and the "Consultation Parties" specified in the Bid Procedures Order.

The Debtors and the Plan Support Parties, however, believe that proceeding with the Plan, which will preserve over 700 jobs, ensure the Reorganized Debtors have sufficient capital to execute their business plan and continue to operate in West Hartford, and prevent costly litigation that could jeopardize Colt's ability to operate as a going concern, is presently in the best interests of Debtors and their various creditor constituencies. If, however, the Debtors are unable to consummate the restructuring transactions contemplated under the Plan through solicitation and confirmation of the Plan, the Debtors will proceed with a section 363 sale process and will select the bid representing the highest and best offer for the Debtors' assets.

On September 15, 2015, the Canadian Court granted an order, among other things, recognizing the Bid Procedures Order.

On September 17, 2015, the UAW filed a notice of appeal from the Bid Procedures Order [D.I. 474]. The appeal was docketed in the U.S. District Court for the District of Delaware on September 18, 2015 [D.I. 506].

L. Execution of Restructuring Support Agreement

Throughout these Chapter 11 Cases, the Debtors have pursued the sale process discussed above while simultaneously attempting to reach an agreement among their major creditor constituencies that could be implemented through a consensual plan of reorganization.

The Debtors' pursuit of such an agreement culminated in entry into the Restructuring Support Agreement on September 25, 2015, with the Plan Support Parties (an updated version of the Restructuring Support Agreement was executed on October 9, 2015). The Restructuring Support Agreement generally commits the Plan Support Parties to support the Plan described herein and commits the Consenting Lenders to vote in favor of the Plan. Because the Restructuring Support Agreement not only unlocks substantial value for the benefit of the Debtors' Estates but also enables the Debtors to emerge from bankruptcy as a going concern in West Hartford, the Debtors committed to filing, on or before October 9, 2015, (i) a motion for approval of the Restructuring Support Agreement (the "**RSA Motion**") and (ii) the Plan and this Disclosure Statement. The continuing effectiveness of the RSA is subject to achievement of various milestones related to approval of the Plan and Disclosure Statement described in the RSA Motion and approval of the RSA Motion by the Bankruptcy Court on or before November 9, 2015.

The Debtors have filed the RSA Motion and have requested a hearing on the RSA Motion to be scheduled before the Bankruptcy Court on November 6, 2015, at 10:00 a.m. (prevailing Eastern time). If the relief requested in the RSA Motion is granted, the Debtors intend to seek recognition of the Bankruptcy Court's order from the Canadian Court as soon as possible thereafter.

M. Agreement on Exit Facility Term Sheets

The Reorganized Debtors, in consultation with the Consortium and other RSA Creditor Parties, may, subject to the terms of the Restructuring Term Sheet, the Term Loan Exit Documents, and the Exit Intercreditor Agreement, obtain financing for the Senior Loan Exit Facility from any third party financing source(s). If the Reorganized Debtors are unable to obtain such financing, the Debtors will

obtain financing in accordance with the Senior Loan Exit Term Sheet, which will be appended to the Plan as Exhibit A. The Senior Loan Exit Term Sheet sets forth the principal terms and conditions of a new Senior Loan Exit Facility to be provided by the Senior Loan Exit Lenders to the Reorganized Debtors for the repayment of the Debtors' existing loans and obligations under the DIP Senior Loan Agreement.

Exhibit B to the Plan will be the Term Loan Exit Term Sheet. The Term Loan Exit Term Sheet sets forth the principal terms and conditions of a new Term Loan Exit Facility to be provided by the Term Loan Exit Lenders to the Reorganized Debtors for the repayment of the Debtors' existing loans and obligations under the Term Loan Agreement and the DIP Term Loan Agreement. The Term Loan Exit Term Sheet has been negotiated with, and approved by, the Debtors, the other Plan Support Parties, the Term Loan Lenders, and the DIP Term Loan Lenders.

V.

THE PLAN

A. Overview of the Plan

THE FOLLOWING SUMMARY OF THE KEY PROVISIONS OF THE PLAN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN AND THE PLAN SUPPLEMENT, THE TERMS OF WHICH ARE CONTROLLING.

A COPY OF THE PLAN IS ATTACHED AS **EXHIBIT A** TO THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

B. Classification and Treatment of Claims and Equity Interests Under the Plan

One of the key concepts under the Bankruptcy Code is that "Allowed" Claims and Equity Interests may receive distributions under a chapter 11 plan. The term is used throughout the Plan and in the descriptions below. In general, an "Allowed" Claim or "Allowed" Equity Interest simply means that the Debtor agrees that the Claim or Equity Interest, including the amount, is in fact, a valid obligation of the Debtor.

The Bankruptcy Code also requires that, for purposes of treatment and voting, the chapter 11 plan divide the different Claims against, and Equity Interests in, the Debtors into separate Classes based upon their legal nature. Claims of substantially similar legal nature are usually classified together, as are Equity Interests of a substantially similar legal nature. Because an Entity may hold multiple Claims or Equity Interests that give rise to different legal rights, the "Claims" and "Equity Interests" themselves, rather than their Holders, are classified. As a result, under the Plan, by way of example only, an Entity that holds an Other Secured Claim and Equity Interests in Parent would have its Allowed Other Secured Claim classified in Class 3 and its Allowed Equity Interest in Parent classified in Class 9. To the extent of the Holder's Allowed Other Secured Claim, the Holder would be entitled to the voting and treatment rights that the Plan provides with respect to Class 3, and to the extent of the Holder's Allowed Equity Interest in Parent, the Holder would be entitled to the voting and treatment rights that the Plan provides with respect to Class 9.

Under a chapter 11 plan, the separate Classes of Claims and Equity Interests must be designated either as "Impaired" (affected by the Plan) or "Unimpaired" (unaffected by the Plan). If a Class of Claims or Equity Interests is "Impaired," the Bankruptcy Code affords certain rights to the Holders of such Claims or Equity Interests, such as the right to vote on the Plan (unless the Plan has deemed the Class to reject the Plan), and the right to receive under the chapter 11 plan, no less value than the Holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is "Impaired" unless the Plan (a) does not alter the legal, equitable, and contractual rights of the Holders or (b) irrespective of the Holders' acceleration rights, cures all defaults (other than those arising from the Debtors' insolvency, the commencement of the case, or non-performance of a nonmonetary obligation), reinstates the maturity of the Claims or Equity Interests in the Class, compensates the Holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights, and does not otherwise alter their legal, equitable, and contractual rights. Typically, this means the Holder of an Unimpaired Claim will receive on the later of the Effective Date and the date on which amounts owing are due and payable, payment in full, in Cash, with postpetition interest to the extent provided under the governing agreement (or if there is no agreement, under applicable non-bankruptcy law), and the remainder of the Debtors' obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than the right to accelerate the Debtors' obligations, the Holder of an Unimpaired Claim will be placed in the position it would have been in had the Chapter 11 Cases not been commenced.

Consistent with these requirements, the Plan divides the Allowed Claims against, and Allowed Equity Interests in, the Debtors into the following Classes:

Unclassified	Administrative Expense Claims	
Unclassified	Priority Tax Claims	
Unclassified	DIP Facility Claims	
Class 1	Priority Non-Tax Claims	Unimpaired
Class 2	Term Loan Claims	Impaired
Class 3	Other Secured Claims	Unimpaired
Class 4	Senior Notes Claims	Impaired
Class 5	Qualified Unsecured Trade Claims	Impaired
Class 6	General Unsecured Claims	Impaired
Class 7	Intercompany Claims	Unimpaired
Class 8	Equity Interests in Debtor Subsidiaries	Unimpaired
Class 9	Equity Interests in Parent	Impaired

Pursuant to the terms of the Restructuring Support Agreement, the Plan is supported by the Consenting DIP Senior Lenders, the Consenting Senior Noteholders, the Sciens Group, and NPA. As discussed in further detail in Section IX.B.2 below (*Requirements of Section 1129(b) of the Bankruptcy Code*), in the event that Class 2, Class 4, Class 5, or Class 6 fails to accept the Plan, the Debtors reserve the right to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code or (b) modify the Plan in accordance with Section 12.7 of the Plan (*Modification and Amendments*).

For purposes of this Disclosure Statement, the Claim estimates set forth below (a) assume a June 14, 2015 Petition Date and a December [30], 2015 Effective Date and (b) do not reflect the satisfaction of any prepetition obligations during the Chapter 11 Cases pursuant to orders that may be entered by the Bankruptcy Court. There can be no assurances that such assumptions will not differ materially from actual Claim amounts and dates.

1. Unclassified Claims

Generally, the Plan provides for the payment in full of Allowed Administrative Expense Claims and Allowed Priority Tax Claims. The Debtors estimate that the amount of such Allowed Claims will be approximately $[●] million in Administrative Expense Claims (of which approximately $[●] million is estimated for fees and expenses of the Debtors' Professionals) and $[●] million in Priority Tax Claims. Delays in the case due to unforeseen events could materially increase the amount of such Claims.

a. Administrative Expense Claims

Administrative Expense Claims are the costs and expenses of administration of the Chapter 11 Cases described in sections 503(b) or 1129(a)(4) of the Bankruptcy Code and entitled to priority under sections 507(a)(2) or 507(b) of the Bankruptcy Code, including, without limitation, (i) any actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Debtors' Estates or operating the Debtors' businesses; (ii) any indebtedness or obligations incurred or assumed by the Debtors, as debtors in possession, during the Chapter 11 Cases; (iii) any compensation for professional services rendered and reimbursement of expenses incurred by a Professional retained by order of the Bankruptcy Court or otherwise Allowed pursuant to section 503(b) of the Bankruptcy Code; and (iv) any Administrative Expense Claims allowed by Final Order of the Bankruptcy Code in connection with the assumption of contracts or otherwise. Pursuant to the Plan, any fees or charges assessed against the Estate of any of the Debtors under section 1930, chapter 123 of title 28 of the United States Code are excluded from the definition of Administrative Expense Claim and will be paid in accordance with Section 12.1 of the Plan (*Payment of Statutory Fees*).

Filing Administrative Expense Claims. The Holder of an Administrative Expense Claim, other than (i) a Claim covered by Section 2.3 of the Plan (*Professional Fees*) or Section 2.4 of the Plan (*DIP Facility Claims*), (ii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due), or (iii) an Administrative Expense Claim that has been Allowed on or before the Administrative Expense Claim Bar Date (i.e., the date that is not later than fourteen (14) days before the scheduled date for the Confirmation Hearing), must file and serve on the Debtors a request for payment of such Administrative Expense Claim so that it is received no later than the Administrative Expense Claims Bar Date. **HOLDERS REQUIRED TO FILE AND SERVE, WHO FAIL TO FILE AND SERVE, A REQUEST FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS BY THE ADMINISTRATIVE EXPENSE CLAIMS BAR DATE (I.E., DECEMBER [2], 2015) WILL BE FOREVER BARRED, ESTOPPED, AND ENJOINED FROM ASSERTING SUCH ADMINISTRATIVE EXPENSE CLAIMS AGAINST THE DEBTORS OR REORGANIZED DEBTORS AND THEIR PROPERTY AND SUCH ADMINISTRATIVE EXPENSE CLAIMS WILL BE DEEMED DISCHARGED AS OF THE EFFECTIVE DATE.** All such Claims will, as of the Effective Date, be subject to the permanent injunction set forth in Section 10.6 of the Plan (*Injunction*). Notwithstanding the foregoing, pursuant to section 503(b)(1)(D) of the Bankruptcy Code, no Governmental Unit will be required to file a request for payment of any Administrative Expense Claim of a type described in sections 503(b)(1)(B) or 503(b)(1)(C) of the Bankruptcy Code as a condition to such Claim being Allowed. All requests for payment of Administrative Expense Claims shall be filed with the Bankruptcy Court at the following address:

United States Bankruptcy Court for the District of Delaware
824 North Market Street, 3rd Floor
Wilmington, Delaware 19801

With a copy delivered by mail to the following address:

Colt Claims Processing
c/o KCC LLC
2335 Alaska Avenue
El Segundo, California 90245

Requests for payment of Administrative Expense Claims may **not** be delivered by facsimile, telecopy, or electronic mail transmission.

Allowance of Administrative Expense Claims. An Administrative Expense Claim, with respect to which a request for payment has been properly and timely filed pursuant to Section 2.1(a) of the Plan (*Filing Administrative Expense Claims*) shall become an Allowed Administrative Expense Claim if no objection to such request is filed with the Bankruptcy Court and served on the Debtors and the requesting party on or before the later of (i) the one-hundred-and-twentieth (120th) day after the Effective Date or (ii) sixty (60) days after the filing of the applicable request for payment of Administrative Expense Claims, if applicable, as the same may be modified or extended from time to time by order of the Bankruptcy Court. If an objection is timely filed, the Administrative Expense Claim will become an Allowed Administrative Expense Claim only to the extent allowed by Final Order or as such Claim is settled, compromised, or otherwise resolved pursuant to Section 7.4 of the Plan (*Preservation of Claims and Rights to Settle Claims*).

Payment of Allowed Administrative Expense Claims. The Plan provides that except to the extent that the Holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment, and except as provided in the Plan with respect to compensation of Professionals, each Holder of an Allowed Administrative Expense Claim against the Debtors will receive, in full and complete settlement, release, and discharge of such Claim, Cash equal to the unpaid amount of such Allowed Administrative Expense Claim either on, or as soon as practicable after, the latest of (i) the Effective Date, (ii) the date on which such Administrative Expense Claim becomes Allowed, (iii) the date on which such Administrative Expense Claim becomes due and payable in the ordinary course of business under any agreement or understanding between the applicable Debtor and the Holder of such Allowed Administrative Expense Claim, and (iv) such other date as may be mutually agreed to by such Holder and the Debtors or Reorganized Debtors, as applicable, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders; *provided*, *however*, that Allowed Administrative Expense Claims representing obligations incurred in the ordinary course of business or assumed by any of the Debtors will be paid in full, in Cash, or performed by the applicable Debtor or Reorganized Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.

b. Priority Tax Claims Priority Tax Claims consist of any Claims of governmental authorities of the kind entitled to a statutory priority in right of payment as specified in section 507(a)(8) of the Bankruptcy Code, such as certain income taxes, property taxes, sales and use taxes, excise taxes, and withholding taxes.

The Plan provides that except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim against the Debtors will receive, in full and complete, settlement, release, and discharge of such Claim, deferred Cash payments equal to the unpaid amount of such Allowed Priority Tax Claim over a period of not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors and each Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders.

c. Professional Fees

All payments to Professionals for compensation and reimbursement of expenses and all payments to reimburse expenses of members of statutory committees, if any, will be made in accordance with the procedures established by the Bankruptcy Court and the Bankruptcy Rules relating to the payment of interim and final compensation and expenses. The Bankruptcy Court will review and determine all such requests. In addition to the foregoing, section 503(b) of the Bankruptcy Code provides for payment of compensation to creditors, indenture trustees, and other Persons making a "substantial contribution" to a chapter 11 case, and to attorneys for, and other Professional advisors to, such Persons. Requests for such compensation must be approved by the Bankruptcy Court after notice and an opportunity for a hearing at which the Debtors or Reorganized Debtors and other parties in interest may participate, and if appropriate, object to the allowance thereof.

The Plan provides that all Professionals requesting compensation pursuant to sections 330, 331, 363, or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Effective Date (a) must file with the Bankruptcy Court, and serve on the Reorganized Debtors, an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases on or before the forty-fifth (45th) day following the Effective Date and (b) after notice and a hearing in accordance with the procedures established by the Bankruptcy Code and any prior orders of the Bankruptcy Court in the Chapter 11 Cases, will be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court.

For the avoidance of doubt, the immediately preceding paragraph will not affect any professional-service Entity that is permitted to receive, and the Debtors are permitted to pay without seeking further authority from the Bankruptcy Court or the Canadian Court, compensation for services and reimbursement of expenses in the ordinary course of business (and in accordance with any relevant prior order of the Bankruptcy Court or the Canadian Court), the payments for which may continue notwithstanding the occurrence of confirmation of the Plan.

Except as otherwise specifically provided in the Plan, from and after the Effective Date, the Debtors or Reorganized Debtors, as applicable, will be authorized, upon submission of appropriate documentation and in the ordinary course of business, to pay the post-Effective Date charges incurred by the Debtors for any Professional's fees, disbursements, expenses, or related support services without application to or obtaining approval from the Bankruptcy Court or the Canadian Court. On the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors may employ and pay any Professional for fees and charges incurred from and after the Effective Date in the ordinary course of business without any further notice to, or action, order, or approval of the Bankruptcy Court or the Canadian Court.

Notwithstanding the above (or anything in the Plan to the contrary), all reasonable fees and expenses of the Professionals previously approved on an interim basis pursuant to the Order Establishing Interim Compensation Procedures, the payment of which remains outstanding as of the Effective Date (the "**Unpaid Professional Fees**"), will be paid in Cash on the Effective Date or as soon as practicable thereafter; *provided*, *however*, that such Unpaid Professional Fees will be subject to final allowance in accordance with Section 2.3 of the Plan (*Professional Fees*).

Further notwithstanding the above (or anything in the Plan to the contrary), all DIP Fee Obligations and all other unpaid reasonable and documented fees and expenses of the professional advisors retained by the DIP Senior Loan Lenders, the DIP Senior Loan Agent, the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, the Term Loan Agent, the Consortium, and

the Senior Notes Indenture Trustee, whether incurred prepetition or postpetition, and all reasonable and documented fees and expenses required to be paid pursuant to paragraph 28 of the Restructuring Support Agreement, will be deemed to be Allowed Administrative Expense Claims for purposes of the Plan and will be paid in Cash in full on or before the Effective Date without requirement of application to or approval by the Bankruptcy Court or the Canadian Court. Without limitation of the generality of the foregoing, (a) in the case of the DIP Senior Loan Lenders, the DIP Senior Loan Agent, the Consortium, and the Senior Notes Indenture Trustee, such professional advisors will include (i) Brown Rudnick LLP, (ii) Ashby & Geddes, P.A., (iii) GLC Advisors & Co. LLC, (iv) Osler, Hoskin & Harcourt LLP, and (v) Holland & Knight LLP; and (b) in the case of the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, and the Term Loan Agent, such professional advisors shall include Willkie Farr & Gallagher LLP, Cassels Brock & Blackwell LLP, Morris Nichols Arsht & Tunnell LLP, and Pryor Cashman LLP; (c) in the case of the Senior Notes Indenture Trustee, such professional advisors shall include Loeb & Loeb LLP and Reed Smith LLP; (d) in the case of the Sciens Group, such professional advisors shall include Skadden, Arps, Slate, Meagher & Flom LLP; and (e) in the case of NPA, such professional advisors shall include Finn Dixon & Herling LLP.

d. DIP Facility Claims

DIP Facility Claims are all Claims against any Debtor related to, arising out of, or in connection with the DIP Facilities. The Plan provides that the DIP Senior Loan Claims shall be Allowed in the aggregate principal amount of approximately $41,666.666.67, plus accrued postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date. The Plan further provides that the DIP Term Loan Claims shall be Allowed in the aggregate principal amount of approximately $33,333,333.33, plus accrued postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date.

On the Effective Date, all DIP Senior Loan Claims shall be paid in full in Cash by and with: (i) proceeds of the $40,000,000 Senior Loan Exit Facility (as defined in the Restructuring Term Sheet); and (ii) the Senior DIP Reduction (as defined in the Restructuring Term Sheet), which shall be in the amount (not to exceed $5,000,000) equal to the amount of all DIP Senior Loan Claims less the initial principal balance of the $40,000,000 Senior Loan Exit Facility (which initial principal balance is exclusive of the 3% paid in kind closing fee).

On the Effective Date, all DIP Term Loan Claims will be converted to claims and obligations in accordance with the terms of the Term Loan Exit Term Sheet (other than DIP Term Loan Claims for reimbursement of costs and expenses of the DIP Term Loan Lenders and the DIP Term Loan Agent, which will be paid in full in Cash in accordance with the terms of the DIP Term Loan Agreement).

For the avoidance of doubt, (i) the distributions to the DIP Lenders under Section 2.4 of the Plan shall be in full satisfaction of all of the DIP Facility Claims, and (ii) no make-whole or other prepayment penalty is due or owing under the DIP Credit Agreements.

Notwithstanding the foregoing (or anything in the Plan to the contrary), all Lender Expenses as defined in the DIP Senior Loan Agreement (including, but not limited to, all DIP Fee Obligations) and all Lender Expenses as defined in the DIP Term Loan Agreement shall be paid in full in Cash on the Effective Date or in accordance with the DIP Senior Loan Agreement.

2. Classified Claims and Equity Interests

Class	Designation	Impairment	Entitled to Vote
1	Priority Non-Tax Claims	Unimpaired	No (presumed to accept)
2	Term Loan Claims	Impaired	Yes
3	Other Secured Claims	Unimpaired	No (presumed to accept)
4	Senior Notes Claims	Impaired	Yes
5	Qualified Unsecured Trade Claims	Impaired	Yes
6	General Unsecured Claims	Impaired	Yes
7	Intercompany Claims	Unimpaired	No (presumed to accept)
8	Equity Interests in Debtor Subsidiaries	Unimpaired	No (presumed to accept)
9	Equity Interests in Parent	Impaired	No (presumed to reject)

Class 1 -- Priority Non-Tax Claims
(Unimpaired. Conclusively presumed to accept the Plan and not entitled to vote.)

Priority Non-Tax Claims include any Claims against any of the Debtors entitled to priority in right of payment under section 507(a) of the Bankruptcy Code that are not Administrative Expense Claims or Priority Tax Claims.

The Plan provides that except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Holder of an Allowed Priority Non-Tax Claim will receive, in full and complete settlement, release, and discharge of such Claim, Cash in an amount equal to the Allowed amount of such Claim either on, or as soon as practicable after, the latest of (a) the Effective Date; (b) the date on which such Priority Non-Tax Claim becomes Allowed; (c) the date on which such Priority Non-Tax Claim becomes due and payable in the ordinary course of business under any agreement or understanding between the applicable Debtor and the Holder of such Claim; and (d) such other date as may be mutually agreed to by and among such Holder and the Debtors or Reorganized Debtors, as applicable, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders.

Class 2 -- Term Loan Claims
(Impaired. Entitled to vote.)

Class 2 consists of all Allowed Term Loan Claims. Pursuant to the Plan, the Term Loan Claims will be Allowed in the aggregate principal amount of $[●], plus reasonable and documented fees and expenses of the Term Loan Agent and the Term Loan Lenders, accrued prepetition interest and postpetition interest through the Effective Date in accordance with Section 4.2(b) of the Plan (*Term Loan Claims; Treatment*).

The Plan provides that on the Effective Date, in exchange for the full and complete settlement, release, and discharge of such Claims, all Term Loan Claims shall be satisfied in full in accordance with the Term Loan Exit Term Sheet and by the payment of the reasonable and documented fees and expenses of the Term Loan Lenders and the Term Loan Agent pursuant to Section 2.3 of the Plan. For the avoidance of doubt, (i) the distributions to the Term Loan Lenders under Section 4.2 of the Plan shall be in full satisfaction of all of the Term Loan Lenders' prepetition and postpetition Claims, and

(ii) no make-whole, prepayment penalty, or default interest under the Term Loan Agreement shall be due to the Term Loan Lenders.

Class 3 -- Other Secured Claims
(Unimpaired. Conclusively presumed to accept the Plan and not entitled to vote.)

Class 3 consists of all Allowed Other Secured Claims, which are Secured Claims other than Term Loan Claims. The Debtors estimate that on the Petition Date, the Allowed Claims in Class 3 will aggregate approximately $[●].

The Plan provides that except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, each Holder of an Allowed Other Secured Claim will receive, in full and complete settlement, release, and discharge of such Claim, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable, in each case subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders: (a) reinstatement of its Allowed Other Secured Claim in accordance with section 1124(2) of the Bankruptcy Code (including any Cash necessary to satisfy the requirements for reinstatement), such that such Claim is rendered Unimpaired; (b) either (i) Cash in the full amount of such Allowed Other Secured Claim, including any non-default postpetition interest Allowed pursuant to section 506(b) of the Bankruptcy Code, (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim, to the extent of the value of such Holder's secured interest in such Collateral, (iii) the Collateral securing such Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (iv) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code; or (c) such other treatment as may be mutually agreed to by and among such Holder and the Debtors or the Reorganized Debtors, as applicable. Any cure amount that the Debtors may be required to pay pursuant to section 1124(2) of the Bankruptcy Code on account of any such reinstated Other Secured Claim or any distributions due pursuant to clause (b) above will be paid or made, as applicable, either on, or as soon as practicable after, the latest of (w) the Effective Date; (x) the date on which such Other Secured Claim becomes Allowed; (y) the date on which such Other Secured Claim becomes due and payable; and (z) such other date as may be mutually agreed to by such Holder and the Debtors or the Reorganized Debtors, as applicable.

The failure of the Debtors or any other party in interest to file an objection, prior to the Effective Date, with respect to any Other Secured Claim that is reinstated by the Plan will be without prejudice to the rights of the Reorganized Debtors or any other party in interest to contest or otherwise defend against such Claim in an appropriate forum (including the Bankruptcy Court, if applicable, in accordance with Section 11 of the Plan (*Retention of Jurisdiction*)) when and if such Claim is sought to be enforced.

Class 4 -- Senior Notes Claims
(Impaired. Entitled to vote.)

Class 4 consists of all Allowed Senior Notes Claims.

The Plan provides that except to the extent that a Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, on the Effective Date or as soon as practicable thereafter, each Holder of an Allowed Senior Notes Claim shall receive its Pro Rata Share of the New Class B LLC Units.

The terms and conditions of the New Class B LLC Units will be set forth in the Reorganized Parent LLC Agreement. Certain of the principal terms of the New Class B LLC Units are summarized in Section V.C.4.b below (*New Class B LLC Units*).

Class 5 -- Qualified Unsecured Trade Claims
(Impaired. Entitled to vote.)

Class 5 consists of all Allowed Qualified Unsecured Trade Claims. Such Claims include (a) all General Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date, which Entities have either (x) executed a Qualified Vendor Support Agreement prior to or on the Voting Deadline or (y) indicated on its Class 5 ballot that, in consideration for its Allowed Claim receiving the treatment provided for Class 5, such Entity elects to be bound to provide payment terms no less advantageous (from the perspective of the Reorganized Debtors) than those terms provided to the Debtors as of twelve months prior to the Petition Date for at least twelve months following the Effective Date; *provided*, *however*, that such Entity receives the payment on its Allowed Claim in accordance with the Plan; *provided*, *further*, that the Debtors are and remain in compliance with such payment terms for the duration of the twelve months; or (b) all Claims designated by the Debtors as a "Qualified Unsecured Trade Claim" for purposes of the Plan by an order of the Bankruptcy Court or agreement of the applicable parties; *provided*, *however*, that Qualified Unsecured Trade Claims shall not include Administrative Expense Claims or Priority Non-Tax Claims. The Debtors estimate that Allowed Claims in Class 5 will aggregate approximately $[●].

The Plan provides that except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full in Cash on account of such Qualified Unsecured Trade Claim upon the later of (i) the Effective Date (for any portion of the Qualified Unsecured Trade Claim that is due on or prior to the Effective Date) and (ii) the date such Allowed Qualified Unsecured Trade Claim (for any portion thereof that is due after the Effective Date) comes due in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date; *provided*, *however*, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims.

Class 6 -- General Unsecured Claims
(Impaired. Entitled to vote.)

Class 6 consists of all Allowed General Unsecured Claims. Such Claims include Allowed unsecured Claims of the Debtors' trade creditors that are not the Holders of Qualified Unsecured Trade Claims and Allowed Claims arising from the rejection, if any, of executory contracts and unexpired leases. The Debtors estimate that on the Petition Date, the Allowed Claims in Class 6 will aggregate approximately $[●].

The Plan provides that except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed General Unsecured Claim shall receive a note (subordinate to the Exit Facilities) (a "**General Unsecured Note**") or other consideration as reasonably agreed upon by the Debtors, the RSA Creditor Parties, and the Term Loan Exit Lenders, such

consideration to represent a percentage of recovery that is reasonably equivalent to the percentage of recovery realized by the Holders of Allowed Senior Notes Claims, on the later of (i) the Effective Date and (ii) the date on which such General Unsecured Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter. Allowed General Unsecured Claims will not include interest from and after the Petition Date or include any penalty on such Claim.

A form of the General Unsecured Note will be included in the Plan Supplement.

Class 7 -- Intercompany Claims
(Unimpaired. Conclusively presumed to accept the Plan and not entitled to vote.)

Intercompany Claims are Claims against any of the Debtors held by a Debtor or a non-Debtor subsidiary. Such Claims generally represent intercompany obligations relating to loans and the purchase of products and inventory made in the ordinary course of the Debtors' businesses. The Debtors estimate that on the Petition Date, the Allowed Claims in Class 7 will aggregate approximately $[●] (on a net basis).

The Plan provides that on the Effective Date, all Allowed Intercompany Claims will, in full and complete settlement, release, and discharge of such Claims, either be (a) reinstated, in full or in part, and treated in the ordinary course of business or (b) cancelled and discharged, consistent with the Reorganized Debtors' business plan; *provided* that each Allowed Intercompany Claim held by a non-Debtor will receive no less favorable treatment than other Holders of General Unsecured Claims; *provided*, *further*, that Holders of Intercompany Claims will not receive or retain any property on account of such Intercompany Claim to the extent that such Intercompany Claim is cancelled and discharged.

Class 8 -- Equity Interests in Debtor Subsidiaries
(Unimpaired. Conclusively presumed to accept the Plan and not entitled to vote.)

Class 8 consists of all Allowed Equity Interests in Debtor Subsidiaries. The Plan provides that on the Effective Date, all Allowed Equity Interests in Debtor Subsidiaries will be reinstated and otherwise unaffected by the Plan. Equity interests in Debtor Subsidiaries are Unimpaired solely to preserve the Debtors' corporate structure, and Holders of those Equity Interests will not otherwise receive or retain any property on account of such Equity Interests.

Class 9 -- Equity Interests in Parent
(Impaired. Conclusively presumed to reject the Plan and not entitled to vote.)

Class 9 consists of all Allowed Equity Interests in Parent. The Plan provides that on the Effective Date all Equity Interests in the Parent shall be canceled without further notice to, approval of, or action by, any Entity.

a. Non-consensual Confirmation

In the event that any Impaired Class of Claims or Equity Interests rejects the Plan or is deemed to have rejected the Plan, the Debtors (a) will request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Class, in which case the Plan will constitute a motion for such relief and (b) reserve the right to amend the Plan in accordance with Section 12.7 of the Plan (*Modifications and Amendments*).

b. Subordinated Claims

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

C. Indebtedness and Securities to Be Issued Pursuant to the Plan

1. Senior Loan Exit Facility

Pursuant to the Plan, the Debtors will enter into a new senior loan exit credit agreement (the "**Senior Loan Exit Credit Agreement**," together with the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with the Senior Loan Exit Credit Agreement, the "**Senior Loan Exit Facility**"). The principal terms and conditions of the Senior Loan Exit Credit Agreement are set forth in the term sheet to be filed as Exhibit A to the Plan. A form of the Senior Loan Exit Credit Agreement will be included in the Plan Supplement.

2. Term Loan Exit Facility

Pursuant to the Plan, the Debtors will enter into a new term loan exit credit agreement (the "**Term Loan Exit Credit Agreement**," together with the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with the Term Loan Exit Credit Agreement, the "**Term Loan Exit Facility**"). The principal terms and conditions of the Term Loan Exit Credit Agreement are set forth in the term sheet to be filed as Exhibit B to the Plan. A form of the Term Loan Exit Credit Agreement will be included in the Plan Supplement.

3. Third Lien Exit Facility and the Offering

In connection with the Plan, the Debtors will raise $50 million in new capital (the "**Offering Proceeds**") from a private offering (the "**Offering**") of units (the "**Offering Units**"), subject to a potential increase of up to $5 million as described below. Certain of the material terms of the Offering are summarized below. The principal terms and conditions of the Offering are set forth in the Offering Term Sheet attached as Exhibit C to the Plan. Capitalized terms used in this Section IV.C.3 that are not otherwise defined herein or in the Plan shall have the meanings assigned such terms in the Offering Term Sheet.

a. The Offering

The Debtors will raise the Offering Proceeds from the Offering of Offering Units consisting of (i) third lien secured debt to be issued pursuant to a third lien exit facility (the "**Third Lien Exit Facility**") and (ii) New Class A LLC Units (subject to dilution by the grants of New Class A LLC Units under the New Management Incentive Plan and the New Class A LLC Units issued to NPA in accordance with the West Hartford Facility Term Sheet) (all of such units, the "**New Class A LLC Units**," and together with the third lien debt under the Third Lien Exit Facility, the "**Offering Consideration**") as follows: (x) Sciens or its affiliates will subscribe to $15 million of the Offering

Consideration (the "**Sciens Offering Allocation**"), (y) Fidelity Newport Holdings LLC or another entity wholly owned by Fidelity National Financial and Newport Financial Advisors ("**Fidelity/Newport**") together will subscribe to $15 million of the Offering Consideration and (z) each holder of Senior Notes other than Fidelity/Newport who beneficially holds $100,000 or more of such Senior Notes (or such other amount as the RSA Creditor Parties (as defined in the Restructuring Support Agreement), the Company and Sciens may agree) in principal amount of the Senior Notes and is an "accredited investor" (each such Holder, an "**Eligible Holder**") shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering Consideration (the "**Noteholder Offering Allocation**") subject to certain additional conditions described below. The Offering Consideration may be increased by up to $5 million (the "**Additional Offering Amount**") by the mutual agreement of the Company, Sciens, Fidelity/Newport, and the Consortium, such Additional Offering Amount to be allocated to each of Sciens, Fidelity/Newport, and Eligible Holders that participate in the Offering on a pro rata basis (i.e., if the Offering Amount were increased by $5 million, Sciens or its affiliates would subscribe to $1.5 million of the Additional Offering Amount, Fidelity/Newport would subscribe to $1.5 million of the Additional Offering Amount and Eligible Holders that participate in the Offering would subscribe to $2.0 million of the Additional Offering Amount).

The Noteholder Offering Allocation will be evidenced on the books and records of the transfer agent and issued in the name of each such Eligible Holder's institutional broker(s), which will be such Eligible Holder's DTC Participant(s) for the Senior Notes. Such DTC Participant(s) will be considered the holders of record for the Noteholder Offering Allocation; *provided*, *however*, that Reorganized Parent is not subject to public reporting requirements as a result of such direct ownership.

Uses. The Offering Proceeds shall be used (i) to provide working capital and other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors pending Chapter 11 Cases and other claims required to be paid on the Effective Date under the Plan, and (iii) to pay down $5 million of the DIP Senior Loan (the "**Senior DIP Reduction**").

Issuance/Dilution. The Offering Consideration will be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A LLC Units and New Class B LLC Units may be transferred separately from each other, subject to the restrictions described below and any additional restrictions thereon in the definitive documentation.

In the event that the Reorganized Colt is unable to arrange alternative financing in respect of the Senior Loan Exit Facility on the same or better terms, Fidelity/Newport and each Participating Holder (defined below) who elects to participate in the Offering (but not Sciens) shall fund their pro rata share of the Senior Loan Exit Facility on terms and conditions to be mutually acceptable to Fidelity/Newport, the Participating Holders, and Reorganized Colt, such terms to be no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility. As used in the preceding sentence, "pro rata" shall mean the dollar amount of the Offering for which each Participating Holder and Fidelity/Newport have each respectively subscribed divided by the $35 million total amount of the Offering which is collectively allocated to Fidelity/Newport and Eligible Holders (or $38.5 million in the event of the Additional Offering Amount). For example, if a Senior Loan Exit Facility cannot be otherwise obtained on the same or more favorable terms to Reorganized Colt, Fidelity/ Newport shall be obligated to provide 42.8% (15/35, or 16.5/38.5 in the event of the Additional Offering Amount) of the $40 million Senior Loan Exit Facility thereof. Interests in the Senior Loan Exit Facility may also trade separately from the Third Lien Exit Facility Loans and the New Class A LLC Units and the New Class B LLC Units following the Effective Date.

The New Class A LLC Units are subject to dilution in connection with (x) the New Management Incentive Plan and (y) the New Class A LLC Units to be issued to NPA pursuant to West Hartford Facility Term Sheet.

Offering Allocation. Prior to the commencement of the Offering, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. Such electing members of the Consortium shall be referred to as the "**Participating Consortium Noteholders**." Members of the Consortium (other than Fidelity/Newport) that do not become Participating Consortium Noteholders shall have the opportunity to participate in the Offering as Eligible Holders. (Collectively, Participating Consortium Noteholders and Eligible Holders who elect to purchase Units in the Offering shall be described as "**Participating Holders**").

Each Eligible Holder, other than a Participating Consortium Noteholder, shall be offered the opportunity to purchase a dollar amount of Units in the Offering equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) and (b) the fraction equal to the principal amount of the Senior Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the Senior Notes beneficially held by Fidelity/Newport (the "**Offering Denominator**") (such fraction, the "**Eligible Holder Pro Rata Share**").

An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) and (b) the aggregate principal amount of the Senior Notes not beneficially held by the Participating Consortium Noteholders or Fidelity/Newport divided by the Offering Denominator shall be set aside for the backstop parties (the "**Backstop Set Aside Amount**"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Units in the Offering equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) and (ii) the fraction equal to principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount and the (ii) the fraction equal to principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the Senior Notes held by all Participating Consortium Noteholders (such fraction, the "**Participating Consortium Noteholder Pro Rata Share**").

In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Units in the Offering representing the Participating Noteholder's Pro Rata Share of any remaining Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing.

Each of Bowery, Phoenix, and Maitlin Patterson (the "**Backstop Parties**"), have agreed to participate in the Offering as Participating Consortium Noteholders.

Prior to the Offering, the Reorganized Company and the Consortium shall determine whether the Senior Loan Exit Facility shall be provided by Participating Holders as provided in the Offering Term Sheet and if it is, each Participating Holder shall be responsible for providing the same percentage of the Senior Loan Exit Facility as the aggregate percentage of the Offering Units allocated to Eligible Holders and Fidelity/Newport which such Participating Holder has purchased or subscribed for.

The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including Bowery, Phoenix, Maitlin Patterson, and the Company.

b. Third Lien Exit Facility

The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Debtors and will be consistent with the terms of the Term Loan Exit Documents, and subject to the terms of the Exit Intercreditor Agreement and such other terms and conditions as agreed upon by the RSA Creditor Parties (as defined in the Restructuring Support Agreement) including, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in cash or entirely in kind, at the option of the Reorganized Company; (ii) a term of five (5) years; (iii) minimum liquidity covenants and other minimal financial covenants to be determined; and (iv) include a junior debt basket of $25 million.

4. Equity Interests

a. New Class A LLC Units

Pursuant to the Plan, on the Effective Date, Reorganized Parent will issue New Class A LLC Units in accordance with the Offering (subject to dilution as set forth in the Offering Term Sheet in connection with grants under the New Management Incentive Plan and New Class A LLC Units to be issued to NPA pursuant to the West Hartford Facility Term Sheet). The principal terms and conditions of the New Class A LLC Units are summarized in the Offering Term Sheet and shall be set forth in the Reorganized Parent LLC Agreement. Certain of the material terms of the New Class A LLC Units are also summarized below. Capitalized terms used in this Section V.C.4.a that are not otherwise defined herein or in the Plan shall have the meanings assigned such terms in the Offering Term Sheet.

Economic Interests. Holders of New Class A LLC Units will be entitled to receive 100% of distributions made by Reorganized Parent (subject to dilution for future issuances of New Class A LLC Units) until such time as the Priority Return has been paid in full to holders of New Class A LLC Units in the aggregate amount of $50 million and thereafter holders of New Class A LLC Units will participate pro rata with the New Class B LLC Units on distributions in excess of the Priority Return at a ratio of seventy-five percent (75%) to twenty-five percent (25%) (the "**Participation Ratio**") (subject to dilution for future issuance of New Class B LLC Units); *provided*, *however*, that (i) one-half of the New Class A LLC Units issuable under the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA will not dilute the excess distributions to be received by the New Class B LLC Units issued on the Effective Date, such that such New Class A LLC Units issued under the New Management Incentive Plan and issued to NPA will dilute only the excess distribution to be received by the holders of the other New Class A LLC Units issued on the Effective Date, and (ii) the remaining one-half of the New Class A LLC Units issuable under the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA will dilute all New Class A LLC Units and New Class B LLC Units in accordance with the Participation Ratio. The effect of such dilution is further set forth in the example attached as Exhibit D to the Plan. In the event that there is any inconsistency between the description of the terms of the New Class A LLC Units in this Disclosure Statement and the example attached as Exhibit D to the Plan, the example attached as Exhibit D to the Plan shall control.

In order to further effect the Participation Ratio, the New Class A LLC Units shall be converted into an allocable portion of the New Class B LLC Units on the occurrence of certain Liquidity Events as further described below. The Priority Return of $50 million shall remain fixed and shall not be subject to adjustment for the issuance of additional New Class A LLC Units pursuant to the New Management Incentive Plan, to NPA, or otherwise.

Voting. Except as set forth in the Offering Term Sheet in respect of any matter to be voted on solely by the holders of New Class B LLC Units, the New Class A LLC Units will vote as a single class with the New Class B LLC Units. Holders of New Class A LLC Units will be entitled to cast one hundred votes for each New Class A LLC Unit held by such holder.

Transfer Restrictions. No transfers of any New Class A LLC Units shall be made: (i) to any competitor of the Reorganized Debtors or any of such competitor's affiliates; or (ii) if such transfers would result in the Reorganized Parent (or any other of the Reorganized Debtors) being treated as a publicly traded company and therefore being required by the Securities Act or the Exchange Act or any other similar regulatory authority to file periodic records under section 13 or section 15(d) of the Exchange Act. In addition, the Participating Consortium Noteholders, Fidelity/Newport and the Sciens Group shall have a right of first refusal over proposed transfers of the New Class A LLC Units and the New Class B LLC Units, such right of first refusal to cease to apply if New Class A LLC Units or New Class B LLC Units are registered as described herein.

Tag-Along Rights. Except with respect to transfers by unit Holders to their affiliates, Holders of equity securities of Reorganized Parent will have the right to participate pro rata in (i) any direct or indirect transfer (through one or more related transactions) of 20% or more of the outstanding units of the same class by one or more other Holders of the same class (a "**Selling Unit Holder**") on the same terms and conditions as the Selling Unit Holder, or (ii) any sale of capital units that otherwise would trigger Drag-Along rights as described below (without regard to the requirement for approval by the Board of Directors), at the same price that would have applied if the Drag-Along rights had been exercised (each a "**Tag-Along Sale**").

Drag-Along Rights. Holders of more than an aggregate of 50% in voting power of the outstanding capital units of Reorganized Parent will have the right to drag-along the other Holders of capital units of Reorganized Parent (the "**Dragged Unit Holders**") in any sale transaction to a third party who is not an affiliate and all other unit Holders shall be required to consent to, and raise no objection against, such sale and to take all actions reasonably requested in order to consummate such sale; *provided*, *however*, that drag-along rights shall only be available in connection with transactions that have received the prior approval of a majority of the Board of Directors. Subject to the foregoing, Dragged Unit Holders shall participate on the same terms and conditions as the initiating Holders. Dragged Unit Holders shall only be required to make representations and warranties with respect to ownership and authorization of capital units, and shall not be required to make business-related representations or warranties. A drag-along is only permissible in circumstances where outstanding capital units are to receive the same consideration. Dragged Unit Holders' New Class B LLC Units shall be dragged at a price per unit (not less than zero) equal to the per unit price of New Class A LLC Units (on an as converted basis giving effect to the Participation Ratio) less the then per unit New Class A LLC Unit Priority Return. Drag-along rights terminate upon the completion of a Qualified IPO.

Registration Rights. Holders of a majority of the registrable securities may cause Reorganized Parent to commence an initial public offering in the event that Reorganized Parent has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date.

On or after the date that is six (6) months following an initial public offering, persons (acting as a group or individually) holding at least 20% in the aggregate of the registrable securities may make up to two (2) demands that Reorganized Parent register all or a portion of their units of registrable securities; *provided*, that any such offering of registrable securities generates proceeds of at least $50 million. The registration rights agreement will include other customary restrictions and limitations applicable to demand registrations.

For purposes of this section, registrable securities include all New Class A LLC Units and New Class B LLC Units issued in connection with the transactions contemplated hereby.

Each holder of registrable securities will have the right to cause Reorganized Parent to include all or a portion of its registrable securities on a registration statement filed by Reorganized Parent with respect to any other units. The registration rights agreement will include customary restrictions and limitations applicable to piggyback registrations.

When Reorganized Parent is Form S-3 eligible, it will promptly file a shelf-registration statement covering the registrable securities and use its reasonable best efforts to keep the shelf effective. A holder of registrable securities shall have the right to request shelf takedowns, subject to customary restrictions.

Information Rights. NPA and each holder of more than three percent (3%) of the voting power of Reorganized Parent and each holder of more than one percent (1%) of the voting power of the Reorganized Parent that are Participating Consortium Noteholders will receive (i) annual and quarterly consolidated financial statements within ninety (90) and forty-five (45) days, respectively, of the respective period, (ii) no later than ninety (90) days prior to the end of Reorganized Parent's fiscal year, a copy of a comprehensive consolidated budget, including projections, of Reorganized Parent for the following fiscal year, (iii) (a) upon request and (b) no later than ten (10) Business Days following the completion of any offering or sale of equity securities of Reorganized Parent, a copy of Reorganized Parent's consolidated capitalization table, and (iv) an update from management on calls to be held at least quarterly. Each holder may elect to not receive the specified information on one or more occasions. All of the foregoing information may be shared with bona fide prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Company and the holders of the New Class A LLC Units (or the New Class B LLC Units upon the conversion of the New Class A LLC Units) and may be provided through a restricted website.

Preemptive Rights. NPA and each holder of more than one percent (1%) of the voting power of Reorganized Parent that is also an accredited investor will have customary preemptive rights to subscribe for its pro rata share of any equity (including securities convertible into equity) issued by Reorganized Parent or any of its subsidiaries, including oversubscription rights and anti-dilution protections, subject to customary carve-outs (i.e., securities issued as consideration in a merger, acquisition, or joint venture securities issued pursuant to approved compensation plans, securities issued upon conversion or exercise of options or other equity awards or convertible securities, securities issued on a pro rata basis in a unit split or unit dividend or similar transaction).

Automatic Conversion of New Class A LLC Units. Each New Class A LLC Unit will automatically convert into and become a New Class B LLC Unit (at a conversion ratio giving effect to the Participation Ratio) upon the occurrence of any of the following events:

- The occurrence of any of the following liquidity events (each, a "**Liquidity Event**"):
    - A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "**Qualified IPO**"). For example, if a Liquidity Event consisting of a Qualified IPO at an offering price of $10 per share, generates $100 million of net proceeds to Reorganized Parent, a portion of which proceeds are used to repay debt of the Reorganized Debtors (and $30 million of which are used to pay the then Priority Return of $50

million), the Reorganized Debtors shall distribute the holders of the New Class A LLC Units 2.0 million additional shares of New Class B LLC Units (which will have an aggregate value of $20 million based upon the initial public offering price), upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO.

- A sale, merger, or business combination transaction generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return.

- Asset sales or a series of asset sales generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return in excess of funded debt.

- Payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero.

For the avoidance of doubt:

- in the event of a Liquidity Event, holders of New Class A LLC Units shall be paid the Priority Return in full prior to any participation by holders of New Class B LLC Units;

- if a Qualified IPO does not generate cash proceeds that are distributed to the holders of the New Class A LLC Units in excess of the Priority Return, then the Reorganized Company shall issue New Class B LLC Units to holders of New Class A LLC Units with a value equal to the unpaid portion of the Priority Return upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO; and

- in any other Liquidity Event, holders of the New Class A LLC Units shall be paid the Priority Return in full in connection with the conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Liquidity Event, or a Liquidity Event will not be deemed to have occurred.

b. New Class B LLC Units

Pursuant to the Plan, on the Effective Date, each Holder of an Allowed Senior Notes Claim will receive its Pro Rata Share of New Class B LLC Units. Certain of the material terms of the New Class B LLC Units are summarized below. The principal terms and conditions of the New Class B LLC Units are set forth in the Offering Term Sheet. A form of the Reorganized Parent LLC Agreement, which, among other things, will set forth the terms and conditions of the New Class B LLC Units, will be included in the Plan Supplement. Capitalized terms used in this Section V.C.4.b that are not otherwise defined herein or in the Plan shall have the meanings assigned such terms in the Offering Term Sheet.

Priority Return. The threshold at which Reorganized Parent has made cumulative distributions to holders of New Class A LLC Units in the aggregate amount of $50,000,000.**No Economic Interests Prior to Achievement of the Priority Return.** The right of holders of the New Class B LLC Units to receive distributions will be contingent upon the prior payment in full to holders of New Class A LLC Units of the Priority Return. After the payment in full to holders of New Class A LLC Units of the Priority Return, holders of New Class B LLC Units immediately prior to the conversion of the New Class A LLC Units will be entitled to receive twenty-five percent (25%) of all distributions in

excess of the Priority Return made by Reorganized Parent (subject to dilution as set forth in the Offering Term Sheet).

Voting. Holders of New Class B LLC Units will vote together with New Class A LLC Units as a single class in respect of any matter to be voted on by the holders of units in Reorganized Parent. The holders of New Class B LLC Units will be entitled to cast one (1) vote per New Class B LLC Unit, and the holders of New Class A LLC Units will be entitled to cast one hundred (100) votes per New Class A LLC Unit. Any matter that disproportionately and adversely affects the New Class B LLC Units (including issuance of New Class B LLC Units without a concurrent proportionate issuance of New Class A LLC Units, other than in connection with the conversion of New Class A LLC Units as provided in the Offering Term Sheet) will require a separate vote of solely the New Class B LLC Units.

Transfer Restrictions. Holders of New Class B LLC Units will have the same transfer restrictions as the holders of New Class A LLC Units discussed above.

Tag-Along Rights. After the Priority Return is paid in full to Holders of all New Class A LLC Units, Holders of New Class B LLC Units will have the right to participate pro rata in any Tag-Along Sale, as described above.

Drag-Along Rights. Holders of New Class B LLC Units will be subject to the same drag-along obligations as the Holders of the New Class A LLC Units discussed above.

Information Rights. Each holder of more than three percent (3%) of the voting power of the Reorganized Parent and each holder of more than one percent (1%) of the voting power of the Reorganized Parent that are Backstop Parties will receive (i) annual and quarterly consolidated financial statements within ninety (90) and forty-five (45) days, respectively, of the respective period, (ii) no later than ninety (90) days prior to the end of Reorganized Parent's fiscal year, a copy of a comprehensive consolidated budget, including projections, of Reorganized Parent for the following fiscal year, (iii) (a) upon request and (b) no later than ten (10) Business Days following the completion of any offering or sale of equity securities of Reorganized Parent, a copy of Reorganized Parent's consolidated capitalization table, and (iv) an update from management on calls to be held at least quarterly. Each holder may elect to not receive the specified information on one or more occasions. All of the foregoing information may be shared with bona fide prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Company and the holders of the New Class A LLC Units (or the New Class B LLC Units upon the conversion of the New Class A LLC Units) and may be provided through a restricted website.

D. Means of Implementation of the Plan

1. Compromise of Controversies

The Plan provides that in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019. All distributions made to Holders of Allowed Claims and Allowed Equity Interests in any Class in accordance with the Plan are intended to be, and will be, final. Entry of the Confirmation Recognition Order will constitute the Canadian Court's approval of such compromise and settlement.

2. Restructuring Transactions

The Plan provides that on or after the Confirmation Date (or, with respect to Debtor entities incorporated in Canada, on or after the date of entry of the Confirmation Recognition Order), the Debtors will be authorized to enter into such transactions and take such other actions as may be necessary or appropriate to effect a corporate restructuring of their businesses, to otherwise simplify the overall corporate structure of the Debtors, or to reincorporate certain of the Debtors under the laws of jurisdictions other than the laws of which such Debtors currently are incorporated, which restructuring may include one or more mergers, consolidations, dispositions, liquidations, or dissolutions as may be determined by the Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors vesting in one or more surviving, resulting, or acquiring corporations (collectively, the "**Restructuring Transactions**"). In each case in which the surviving, resulting, or acquiring corporation in any such transaction is a successor to a Debtor, such surviving, resulting, or acquiring corporation will perform the obligations of such Debtor pursuant to the Plan to satisfy the Allowed Claims against, or Allowed Equity Interests in, such Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring corporation, which may provide that another Debtor shall perform such obligations.

In effecting the Restructuring Transactions, the Debtors will be permitted to (i) execute and deliver appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation, or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable state law and such other terms to which the applicable entities may agree; (ii) execute and deliver appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, duty, or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (iii) file appropriate certificates or articles of merger, consolidation, or dissolution pursuant to applicable state law; and (iv) take all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. Notwithstanding the foregoing, the Debtors will not undertake any Restructuring Transaction that (i) results in Reorganized Parent not being taxed as a "C" corporation from and after the Effective Date, or (ii) contradicts the terms set forth in the Exit Facilities.

The exchange of the Allowed Senior Notes Claims for the New Class B LLC Units shall be deemed to be a Restructuring Transaction that is accomplished in the following manner: the New Class B LLC Units shall be deemed to be transferred, directly or indirectly, by Reorganized Parent to the Debtors that are the Senior Notes obligors, as described in Treasury Regulations Section 1.1032-3, and such New Class B LLC Units shall be deemed to be then transferred by such obligors to the Holders in satisfaction of their Claims.

3. Exit Financing and Sources of Cash for Plan Distribution

Except as otherwise provided in the Plan, the Confirmation Order, or the Confirmation Recognition Order, on the Effective Date and without the need for any further corporate action and without further action by the Holders of Claims or Equity Interests, the Reorganized Debtors will enter into the Exit Credit Agreements in accordance with the Senior Loan Exit Term Sheet and the Term Loan Exit Term Sheet, and will raise capital through the consummation of the Offering in accordance with the Offering Term Sheet and the Offering Procedures. All Cash required for payments to be made under the Plan will be obtained from Cash on hand, including Cash from operations, and proceeds of the Exit Credit Agreements and the Offering, and will be made available for distributions to Disputed Claims that become Allowed and are entitled to Cash distributions.

The Reorganized Debtors, in consultation with the Consortium and other RSA Creditor Parties, may, subject to the terms of the Term Loan Exit Documents and the Exit Intercreditor Agreement, obtain financing for the Senior Loan Exit Facility from any third-party financing source(s) on terms equal to or better than the terms of the DIP Senior Loan Agreement. In the event that such financing cannot be obtained by the Reorganized Debtors, the Senior Loan Exit Facility will be provided by Fidelity/Newport and the Participating Holders on a pro rata basis consistent with the percentage of the portion of the Offering to be provided collectively by Fidelity/Newport and the Participating Holders (including, but not limited to, the Backstop Parties) as provided in the Restructuring Term Sheet. If it is to be provided by the Participating Holders, the terms and conditions of the Senior Loan Exit Facility will be mutually acceptable to Fidelity/Newport, the Participating Holders, the Term Loan Exit Lenders, and the Reorganized Debtors, but in any event, no less favorable to the Reorganized Debtors than the terms of the Term Loan Exit Facility. For the avoidance of doubt, in the event that arrangements to finance the Senior Loan Exit Facility as described above cannot otherwise be made, it will be a condition to participation in the Offering that Fidelity/Newport and each Participating Holder provide the same percentage of the Senior Loan Exit Facility as their participation of the portion of the Offering being collectively provided by them. For the avoidance of doubt, the Consortium members who participate in the DIP Senior Loan may elect to fund all or a portion of their share of the Senior Loan Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Loan Exit Facility.

4. Third Lien Exit Facility and New Class A LLC Units

On the Effective Date, the Reorganized Debtors will raise $50 million in new capital (subject to a potential increase of up to $5 million pursuant to the Additional Offering Amount) from a private Offering consisting of (i) the Third Lien Exit Facility and (ii) the New Class A LLC Units. The terms and conditions of the Third Lien Exit Facility will be set forth in the third lien Exit Credit Agreement and are summarized in the Offering Term Sheet and in Section V.C.3 above (*Third Lien Exit Facility and the Offering*). The terms and conditions of the New Class A LLC Units will be set forth in the Reorganized Parent LLC Agreement and are summarized in the Offering Term Sheet and in Section V.C.4.a above (*New Class A LLC Units*). The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Debtors and shall be subject to the terms of the Term Loan Exit Documents, the Exit Intercreditor Agreement, and such other terms and conditions as agreed upon by the RSA Creditor Parties including, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in Cash or entirely in kind, at the option of the Reorganized Debtors; (ii) a term of five (5) years; (iii) minimum liquidity covenants and other minimal financial covenants to be determined; and (iv) include a junior debt basket of $25 million. The credit agreement with respect to the Third Lien Exit Facility will be included in the Plan Supplement.

5. New Class B LLC Units

Pursuant to Section 4.4 of the Plan (*Senior Notes Claims*), each Holder of an Allowed Senior Notes Claim will receive its Pro Rata Share of the New Class B LLC Units. The terms and conditions of the New Class B LLC Units will be set forth in the Reorganized Parent LLC Agreement and are summarized in the Offering Term Sheet and in Section V.C.4.b above (*New Class B LLC Units*).

6. Exit Intercreditor Agreement

On the Effective Date and without the need for any further corporate, limited liability, or partnership action, and without further action by the Holders of Claims or Equity Interests, the Reorganized Debtors and the agents under the Exit Credit Agreements on behalf of themselves and the lenders under the Exit Credit Agreements, as appropriate, will enter into the Exit Intercreditor Agreement. The Exit Intercreditor Agreement will include, among other things, provisions (a) with respect to lien priorities, enforcement of remedies, application of proceeds, and other rights substantially identical to those in the DIP Intercreditor Agreement, subject to certain modifications acceptable to the Exit Lenders, including those set forth on Annex A to the Term Loan Exit Term Sheet; and (b) providing for the subordination of the Third Lien Exit Facility to the other Exit Facilities. A form of the Exit Intercreditor Agreement shall be included in the Plan Supplement.

7. Cancellation of Liens

Except as provided otherwise under the Exit Credit Agreements, the DIP Credit Agreements, or the Plan, on the Effective Date, all Liens securing any Secured Claim (other than a Lien with respect to a Secured Claim that is reinstated pursuant to Section 4.3 of the Plan (*Other Secured Claims*)) shall be deemed released, and the Holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of any Debtor (including any cash collateral) held by such Holder, and to take such actions as may be requested by the Reorganized Debtors to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases. The filing of the Confirmation Order or the Confirmation Recognition Order, as applicable, with any federal, state, provincial, or local agency or department shall constitute good and sufficient evidence of, but shall not be required to effect, the termination of such Liens.

8. Cancellation of Notes and Instruments

So long as the treatments provided for in, and the distributions contemplated by, Section 4 of the Plan (*Treatment of Claims and Equity Interests*) are effectuated or made, on the Effective Date, but subject to Section 5.7 of the Plan (*Cancellation of Liens*), each of (a) the Term Loan Agreement; (b) the Senior Notes Indenture; (c) the DIP Senior Loan; (d) the DIP Term Loan; and (e) any notes, bonds, indentures, certificates, or other instruments or documents evidencing or creating any Claims that are Impaired by the Plan, shall be cancelled and deemed terminated and satisfied and discharged with respect to the Debtors, and the Holders thereof shall have no further rights or entitlements in respect thereof against the Debtors, except the rights to receive the distributions, if any, to which the Holders thereof are entitled under the Plan; *provided*, *however*, the agreements and other documents evidencing the DIP Senior Loan Claims, Term Loan Claims, and the DIP Term Loan Claims will continue in effect solely for the purposes of (a) allowing the DIP Senior Loan Agent, Term Loan Agent, and DIP Term Loan Agent to make distributions under the Plan and to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the DIP Senior Loan Agreement, Term Loan Agreement, and DIP Term Loan Agreement, respectively, in doing so; and (b) permitting the Term Loan Lenders, DIP Term Loan Lenders, DIP Senior Loan Lenders, Term Loan Agent, DIP Term Loan Agent, and DIP Senior Loan Agent to maintain or assert any right or remedy it may have for indemnification, contribution or otherwise against the Debtors, Term Loan Lenders, DIP Term Loan Lenders, or DIP Senior Loan Lenders, as applicable, arising under the Term Loan Agreement, DIP Term Loan Agreement, or DIP Senior Loan Agreement.

9. Corporate Actions

a. Due Authorization

On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the members, stockholders, or directors of one or more of the Debtors shall be deemed to have occurred and shall be in effect on and after the Effective Date pursuant to the applicable general corporation (or similar) law of the jurisdictions in which the Debtors are incorporated, formed, or organized, as applicable, without any requirement of further action by the members, stockholders, or directors of the Debtors or the Reorganized Debtors.

b. General

On the Effective Date, all actions of the Debtors and Reorganized Debtors contemplated by the Plan will be deemed authorized and approved in all respects without the need for any further corporate or limited liability company action, including, to the extent applicable, (i) the selection of the directors, members, and officers for the Reorganized Debtors; (ii) the execution of and entry into the Exit Credit Agreements; (iii) the execution of and entry into the Exit Intercreditor Agreement; (iv) the issuance of the New Class A LLC Units and New Class B LLC Units; (v) the execution of the Reorganized Parent LLC Agreement; (vi) the assumption of the West Hartford Facility Lease or purchase of the West Hartford Facility, in each case subject to the West Hartford Facility Term Sheet; and (vii) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). On the Effective Date, the appropriate officers, members, and boards of directors of the Reorganized Debtors will be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including, to the extent applicable, (i) the Exit Credit Agreements; (ii) the Exit Intercreditor Agreement; (iii) the New Management Incentive Plan; (iv) the Reorganized Parent LLC Agreement; (v) the assumption of the West Hartford Facility Lease or purchase of the West Hartford Facility, in each case subject to the West Hartford Facility Term Sheet; and (vi) any and all other agreements, documents, securities, and instruments relating to the foregoing (including, without limitation, security documents). The authorizations and approvals contemplated in Section 5.9 of the Plan (*Corporate Actions*) shall be effective notwithstanding any requirements under any applicable non-bankruptcy law.

c. Boards of Directors of Reorganized Parent

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each proposed member of Reorganized Parent's initial board of directors (and, to the extent such Person is an insider, the nature of any compensation for such Person) will be disclosed in the Plan Supplement. The composition of the board of directors of Reorganized Parent (the "Board of Directors") shall be in accordance with the Restructuring Term Sheet and shall consist initially of seven (7) members as follows:

(i) the CEO of Reorganized Colt;
(ii) two (2) directors designated by Fidelity/Newport;
(iii) two (2) independent directors; and
(iv) two (2) directors designated by the Sciens Group.

The Participating Consortium Holders shall have the right to designate one (1) of the independent directors, and Fidelity/Newport and Sciens Group shall collectively have the right to designate one (1) of the independent directors; *provided*, *however*, that any independent director so

designated shall be reasonably acceptable to each of Fidelity/Newport or the Sciens Group (as applicable) and the Participating Consortium Holders other than Fidelity/Newport.

In the event that a Liquidity Event is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of New Class B LLC Units (but not any holders of New Class B LLC Units which have been issued upon the conversion of New Class A LLC Units) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.

Participating Holders other than Fidelity/Newport shall have the right to appoint one (1) board observer (the "**Board Observer**"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport obtain the right to designate one (1) director as described above.

d. Reorganized Parent LLC Agreement

The holders of New Class A LLC Units and New Class B LLC Units shall automatically be deemed to be parties to the Reorganized Parent LLC Agreement, substantially in the form contained in the Plan Supplement, without the need for execution thereof by any such holder other than the Reorganized Debtors. The Reorganized Parent LLC Agreement shall be binding on all parties receiving, and all holders of, New Class A LLC Units and New Class B LLC Units regardless of whether such parties and holders execute the Reorganized Parent LLC Agreement.

e. Private Company

It is anticipated that the Reorganized Parent shall be a private company as of the Effective Date of a Plan and shall not register its equity with the Securities Exchange Commission or list such equity on an exchange; *provided*, *however*, that the Reorganized Parent may implement procedures to facilitate trading of such equity, e.g., providing investors with access (on a secure website) to current information concerning the Reorganized Parent and its subsidiaries on a consolidated basis.

f. Officers of Reorganized Debtors

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each of the initial officers of the Reorganized Debtors (and, to the extent such Person is an insider, the nature of any compensation for such Person) will be disclosed in the Plan Supplement.

10. West Hartford Facility Lease

If the Debtors elect, by delivery of a written notice to NPA by the earlier of (i) the tenth (10th) day prior to the scheduled first day of the Confirmation Hearing on the Plan or (ii) November 30, 2015, to purchase the West Hartford Facility on the Effective Date of the Plan (the "**Purchase Option**"), the Debtors will purchase the West Hartford Facility from NPA on the terms set forth in the West Hartford Facility Term Sheet. The purchase price, to be paid on the Effective Date of the Plan, would include $13 million in Cash, plus seven and one-half percent (7.5%) of New Class A LLC Units, each as more fully set forth in the West Hartford Facility Term Sheet.

Unless the Debtors exercise the Purchase Option as set forth in the Plan and in accordance with the West Hartford Facility Term Sheet, Reorganized Colt will lease the West Hartford Facility from NPA on the terms set forth in the West Hartford Facility Term Sheet, as set forth in Section 8.7 of the Plan (*The West Hartford Facility*). The terms of such lease extension include, among other things, issuing to NPA seven and one-half percent (7.5%) of New Class A LLC Units, as more fully set forth in the West Hartford Facility Term Sheet.

In either case, the Debtors will pay in Cash in full on the Effective Date of the Plan all of NPA's outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of VALNIC Capital Real Estate Fund I LLC), and any other liquidated sums the due and payable under the West Hartford Facility Lease.

11. New Management Incentive Plan

On the Effective Date, without the need for any further corporate action and without further action by the holders of Claims or Equity Interests, the New Management Incentive Plan shall become effective and shall replace the Colt Defense Long Term Incentive Plan. The solicitation of votes on the Plan shall include, and be deemed to be, a solicitation for approval of the New Management Incentive Plan. Entry of the Confirmation Order shall constitute such approval.

12. Authorization, Issuance, and Delivery of New Class A LLC Units and New Class B LLC Units

(a) On the Effective Date, the Reorganized Parent is authorized to issue or cause to be issued the New Class A LLC Units and New Class B LLC Units for distribution in accordance with the terms of this Plan and the Amended Certificate of Formation of the Reorganized Parent, without the need of any further corporate or equity holder action.

(b) The New Class A LLC Units and New Class B LLC Units shall not be registered under the Securities Act and shall not be listed for public trading on any securities exchange, in each case, as of the Effective Date. Distribution of New Class A LLC Units and New Class B LLC Units may be made by delivery of one or more certificates representing such units as described herein, by means of book entry registration on the books of the transfer agent for units of New Class A LLC Units and New Class B LLC Units or by means of book entry in accordance with the customary practices of DTC, as and to the extent practicable.

(c) In the period pending distribution of the New Class A LLC Units and New Class B LLC Units to any holder entitled pursuant to this Plan to receive New Class A LLC Units and New Class B LLC Units, such holder shall be bound by, have the benefits of, and be entitled to enforce the terms and conditions of the Reorganized Parent LLC Agreement and shall be entitled to exercise any voting rights and receive any dividends or distributions paid with respect to such holders New Class A LLC Units and New Class B LLC Units (including receiving any proceeds arising from permitted transfers of such New Class A LLC Units and New Class B LLC Units) and exercise all of the rights with respect of the New Class A LLC Units and New Class B LLC Units (so that such holder shall be deemed for tax purposes to be the owner of the New Class A LLC Units and New Class B LLC Units).

E. Provisions Governing Distributions

1. Timing and Conditions of Distributions

a. Distribution Record Date

Pursuant to the Plan, distributions under the Plan to the Holders of Allowed Claims and Allowed Equity Interests shall be made to the Holders of such Claims and Equity Interests as of the Distribution Record Date. Transfers of Claims and Equity Interests after the Distribution Record Date shall not be recognized for purposes of this Plan. On the Distribution Record Date, the Senior Notes Indenture Trustee shall provide a true and correct copy of the registry for the Senior Notes to the Debtors. The Debtors, the Reorganized Debtors, or any party responsible for making distributions pursuant to Section 6.1 of the Plan (*Distribution Record Date*) shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date.

b. Date of Distributions

Except as otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the event that any payment 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, but shall be deemed to have been completed as of the required date.

c. Disbursement Agent

General. Unless otherwise provided in the Plan, all distributions under the Plan shall be made on the Effective Date by the Reorganized Debtors as Disbursement Agent or such other Entity designated by the Reorganized Debtors as a Disbursement Agent. No Disbursement Agent under the Plan, including, without limitation, the Senior Notes Indenture Trustee, the Term Loan Agent, and the DIP Agents, shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

Senior Notes Indenture Trustee. The Senior Notes Indenture Trustee shall be deemed to be the Holder of all Senior Notes Claims for purposes of distributions to be made under the Plan, and all distributions on account of Allowed Senior Notes Claims shall be made through the Senior Notes Indenture Trustee or as otherwise agreed to by the Reorganized Debtors and the Senior Notes Indenture Trustee. All distributions to Holders of Allowed Senior Notes Claims shall be governed by the Senior Notes Indenture Trustee.

Term Loan Agent. The Term Loan Agent shall be deemed to be the Holder of all Term Loan Claims for purposes of distributions to be made hereunder, and all distributions on account of Term Loan Claims shall be made to the Term Loan Agent.

DIP Agents. The DIP Agents shall be deemed to be the Holder of all DIP Facility Claims for purposes of distributions to be made hereunder, and all distributions on account of DIP Facility Claims shall be made to the DIP Agents, as applicable, or as otherwise agreed to by the Reorganized Debtors and the DIP Agents.

d. Rights and Powers of Disbursement Agent

Each Disbursement Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated by the Plan; (c) without further order of the Bankruptcy Court or the Canadian Court, employ professionals and incur reasonable fees and expenses to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursement Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by such Disbursement Agent to be necessary and proper to implement the provisions of the Plan.

e. Expenses of the Disbursement Agent

The amount of any reasonable fees and documented expenses incurred by each Disbursement Agent acting in such capacity (including taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

f. Delivery of Distributions

General. The Plan provides that all distributions to any Holder of an Allowed Claim or Allowed Equity Interest shall be made to the address of such Holder as set forth in the books and records of the Debtors or its agents, as applicable, unless the Debtors or Reorganized Debtors have been notified in writing of a change of address.

Undeliverable Distributions. The Plan provides that in the event that any distribution to any Holder is returned as undeliverable or is otherwise unclaimed, the Disbursement Agent shall make no further distribution to such Holder unless and until such Disbursement Agent is notified in writing of such Holder's then current address. On, or as soon as practicable after, the date on which a previously undeliverable or unclaimed distribution becomes deliverable and claimed, the Disbursement Agent shall make such distribution without interest thereon. Any Holder of an Allowed Claim or Allowed Equity Interest that fails to assert a claim hereunder for an undeliverable or unclaimed distribution within one year after the Effective Date shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting such Claim against any of the Debtors, the Estates, or the Reorganized Debtors or their property. After the first anniversary of the Effective Date, all property or interests in property not distributed pursuant to Section 6.7(b) of the Plan (*Undeliverable Distributions*) shall be deemed unclaimed property pursuant to section 347(b) of the Bankruptcy Code. Such property or interests in property shall be returned by the Disbursement Agent to the Reorganized Debtors, and the claim of any other Holder to such property or interests in property shall be discharged and forever barred notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary. Nothing contained herein shall require, or be construed to require, the Disbursement Agent to attempt to locate any Holder of an Allowed Claim or Allowed Equity Interest.

g. Manner of Payment Under the Plan

At the option of the applicable Disbursement Agent, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements. All distributions of Cash shall be made by or on behalf of the applicable Debtor.

h. Setoffs and Recoupment

The Plan provides that the Debtors and the Reorganized Debtors may, but shall not be required to, set off or recoup against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), or the distributions to be made hereunder on account of such Claim, any Claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; *provided*, *however*, that neither the failure to exercise such setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or Reorganized Debtors of any such Claim the Debtors or the Reorganized Debtors may have against the Holder of such Claim.

i. Distributions After Effective Date

The Plan provides that distributions made after the Effective Date to Holders of Disputed Claims or Disputed Equity Interests that are not Allowed Claims or Allowed Equity Interests, as the case may be, as of the Effective Date but that later become Allowed Claims or Allowed Equity Interests shall be deemed to have been made on the Effective Date.

j. Allocations of Distributions Between Principal and Interest

The Plan provides that the aggregate consideration to be distributed to the Holders of Allowed Claims under the Plan shall be treated as first satisfying an amount equal to the stated principal amount of the Allowed Claims of such Holders, as determined for federal income tax purposes, and any remaining consideration as satisfying accrued, but unpaid, interest, if any.

k. No Postpetition Interest on Claims and Equity Interests/No Fees and Expenses

Unless otherwise specifically provided for in this Plan, the Confirmation Order, or any other order entered by the Bankruptcy Court, and except with respect to Secured Claims that, pursuant to section 506 of the Bankruptcy Code, include accrued interest, (a) postpetition interest shall not accrue on or after the Petition Date on account of any Claim or Equity Interest and no Holder of a Claim or Equity Interest shall be entitled to interest accruing on or after the Petition Date on any such Claim or Equity Interest and (b) no Holder of a Claim or Equity Interest shall be entitled to the payment of any fees or expenses incurred in connection with such Claim or Equity Interest.

l. Claims Paid or Payable by Third Parties

Claims Paid by Third Parties. The Debtors or Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be Disallowed without an objection having to be filed and without any further notice to, or action, order, or approval of the Bankruptcy Court or the Canadian Court, to the extent that the Holder of such Claim receives payment (before or after the Effective Date) on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or Reorganized Debtor on account of such Claim, such Holder shall, within ten (10) days of receipt thereof, repay or return the distribution to the applicable Debtor or Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the Allowed amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Debtor annualized interest at the federal judgment rate, as in effect as of the

Petition Date, on such amount owed for each Business Day after the 10-day grace period specified above until the amount is repaid.

Claims Payable by Third Parties. No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agree to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement the applicable portion of such Claim may be expunged without an objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court or the Canadian Court.

Applicability of Insurance Policies. Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors, the Reorganized Debtors, or any Entity may hold against any other Entity under any insurance policies, including against insurers, nor shall anything contained in the Plan constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

m. Surrender of Cancelled Instruments or Securities

Pursuant to Section 6.14(a) of the Plan (*Surrender of Cancelled Instruments or Securities*), any Holder of a Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 of the Plan (*Cancellation of Liens*) (including the Senior Notes Indenture Trustee) shall surrender such applicable instruments, securities, or other documentation to the Reorganized Debtors or certify in writing that such instrument, security, or other documentation has been cancelled, in accordance with written instructions to be provided to such Holder by the Reorganized Debtors, unless waived in writing by the Debtors or the Reorganized Debtors. Any distribution required to be made thereunder on account of any such Claim or Equity Interest shall be treated as an undeliverable distribution under Section 6.7(b) of the Plan (*Surrender of Cancelled Instruments or Securities*) above pending the satisfaction of the terms of Section 6.14(a) of the Plan.

Subject to Section 6.15 of the Plan (*Lost, Stolen, Mutilated, or Destroyed Debtor or Equity Securities*), other than for instruments, securities, or other documentation certified as cancelled by the Senior Notes Indenture Trustee in accordance with Section 6.14(a) of the Plan, any Holder of any Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 of the Plan that fails to surrender such applicable instruments, securities, or other documentation in accordance with Section 6.14(a) of the Plan within one year after the Effective Date shall have such Claim or Equity Interest, and the distribution on account of such Claim or Equity Interest, disgorged or forfeited, as applicable, and shall forever be barred from asserting such Claim or Equity Interest against any of the Reorganized Debtors or their respective property.

n. Lost, Stolen, Mutilated, or Destroyed Debt or Equity Securities

The Plan provides that in addition to any requirements under any applicable agreement, any Holder of a Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 of the Plan (*Cancellation of Liens*), which instruments, securities, or other documentation have been lost, stolen, mutilated, or destroyed, shall, in lieu of surrendering such instruments, securities, or other documentation, (a) deliver evidence of such loss, theft, mutilation, or destruction that is reasonably satisfactory to the Reorganized Debtors and (b) deliver to the Reorganized Debtors such security or indemnity as may be required by the Reorganized Debtors to hold the Reorganized Debtors harmless from any damages, liabilities, or costs incurred in treating such Entity as

the Holder of such Allowed Claim or Allowed Equity Interest. Such Holder shall, upon compliance with Section 6.15 of the Plan (*Lost, Stolen, Mutilated, or Destroyed Debt or Equity Securities*), be deemed to have surrendered such instruments, securities, or other documentation for all purposes hereunder.

o. Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, 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. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, liquidating a portion of any distribution to generate sufficient funds to pay applicable withholding taxes or establishing any other mechanisms the Debtors, Reorganized Debtors, or the Disbursement Agent believe are reasonable and appropriate, including requiring a Holder of a Claim to submit appropriate tax and withholding certifications. Notwithstanding any other provisions of this Plan: (i) each Holder of an Allowed Claim that is to receive a distribution under this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations on account of such distribution; and (ii) no distribution shall be required to be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations or has, to the Reorganized Debtors' satisfaction, established an exemption therefrom.

2. Procedures for Resolving Disputed Claims and Equity Interests Under the Plan

a. No Proofs of Claim or Equity Interests Required

Except as otherwise provided in the Plan or by order of the Bankruptcy Court, Holders of Equity Interests shall not be required to file proofs of Equity Interests in the Chapter 11 Cases.

b. Objections to Claims; Requests for Estimation

Except insofar as a Claim is Allowed under the Plan, the Plan provides that the Debtors, the Reorganized Debtors, or any other party in interest shall be entitled to object to Claims. Any objections to Claims shall be served and filed on or before (a) the one-hundred and twentieth (120th) day following the later of (i) the Effective Date and (ii) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a holder of such Claim, or (b) such later date as may be fixed by the Bankruptcy Court.

The Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, except that the Reorganized Debtors may not request estimation of any non-contingent or liquidated Claim if the Debtors' objection to such Claim was previously overruled by a Final Order, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be 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.

c. No Distributions Pending Allowance

If an objection to a Claim is filed as set forth in Section 7.2 of the Plan (*Objections to Claims; Estimation of Claims*), no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

d. Payments and Distributions on Disputed Claims and Equity Interests

The Plan provides that at such time as a Disputed Claim becomes Allowed or as soon as practicable thereafter, the Disbursement Agent shall distribute to the Holder of such Allowed Claim the property distributable to such Holder pursuant to Section 4 of the Plan (*Treatment of Claims and Equity Interests*). To the extent that all or a portion of a Disputed Claim is Disallowed, the Holder of such Claim shall not receive any distribution on account of the portion of such Claim that is Disallowed. Notwithstanding any other provision of the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date, except as provided for in the DIP Order or to the extent that section 506(b) of the Bankruptcy Code permits interest to accrue and be allowed on such Claim.

e. Preservation of Claims and Rights to Settle Claims

Except as otherwise provided in the Plan, or in any contract, instrument, or other agreement or document entered into in connection with this Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, compromise, otherwise resolve, discontinue, abandon, or dismiss all Claims, rights, Causes of Action, suits, and proceedings, including those described in the Plan Supplement (collectively, the "**Retained Actions**"), whether at law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Entity (other than Claims, rights, Causes of Action, suits, and proceedings released pursuant to Section 10.4 of the Plan (*Releases by Holders of Claims and Holders of Equity Interests*)), without the approval of the Bankruptcy Court or the Canadian Court, subject to the terms of Section 7.2 of the Plan (*Objections to Claims; Estimation of Claims*), the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such Retained Actions, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) that hold such rights.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Retained Action against it as any indication that the Reorganized Debtors will not, or may not, pursue any and all available Retained Actions against it. The Reorganized Debtors expressly reserve all rights to prosecute any and all Retained Actions against any Entity. Unless any Retained Action against an Entity is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Retained Actions for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches shall apply to such Retained Action upon, after, or as consequence of, confirmation or consummation of the Plan. For the avoidance of doubt, all Claims, Causes of Action, suits, and proceedings of the Debtors that are not Retained Actions are waived as of the Effective Date.

F. Treatment of Executory Contracts and Unexpired Leases

1. Assumption of Contracts and Leases

Except for any executory contracts or unexpired leases that are (a) the subject of a motion to assume or reject pending on the Confirmation Date, which shall be assumed or rejected in accordance with the disposition of such motion or (b) identified in the Plan Supplement as executory contracts or unexpired leases to be rejected pursuant to the Plan, all executory contracts and unexpired leases to which any of the Debtors is a party will be specifically assumed as of the Effective Date. Entry of the Confirmation Order will constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving such contract and lease assumptions as of the Effective Date and determining that "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) by the Reorganized Debtors has been demonstrated and no further adequate assurance is required. The pendency of any motion to assume or reject executory contracts or unexpired leases shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date. Each executory contract and unexpired lease assumed pursuant to Section 8.1 of the Plan (*Assumption of Contracts and Leases*) or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, will revest in, and be fully enforceable by, the applicable Reorganized Debtor(s) in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court (as recognized by the Canadian Court, if applicable) authorizing and providing for its assumption under applicable law.

Unless otherwise provided in the Plan, each executory contract and unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously terminated or is otherwise not in effect.

Modifications, amendments, supplements, and restatements to prepetition executory contracts or unexpired leases that have been executed by any of the Reorganized Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the executory contract or unexpired lease.

2. Cure of Defaults

The Plan provides that any monetary amount by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, in accordance with section 365(b)(1) of the Bankruptcy Code, by payment of such amount in Cash on the Effective Date, or upon such other terms as the parties to such executory contract or unexpired lease may otherwise agree. If a dispute arises regarding (a) the amount of any cure payments required under section 365(b)(1) of the Bankruptcy Code; (b) the ability of any Reorganized Debtor or any assignee thereof to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (c) any other matter pertaining to assumption under section 365 of the Bankruptcy Code, the cure payments required under section 365(b)(1) of the Bankruptcy Code, if any, shall be made following the entry of a Final Order resolving such dispute and shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date.

Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise, and payment of the applicable cure amount, will result in the full release and satisfaction of any Claims or defaults, whether monetary or non-monetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising

under any assumed executory contract or unexpired lease at any time prior to the effective date of assumption. Any proof of Claim filed with respect to an executory contract or unexpired lease that is assumed will be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or the Canadian Court.

3. Claims Based on Rejection of Executory Contracts or Unexpired Leases

The Plan provides that all proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases must be filed within thirty (30) days after the date of entry of an order of the Bankruptcy Court approving such rejection or the date of withdrawal of a motion to assume. Any Claim arising from the rejection of an executory contract or unexpired lease for which proof of such Claim is not filed within such time period will be forever barred from assertion against any of the Debtors, the Estates, or the Reorganized Debtors or their property, unless otherwise ordered by the Bankruptcy Court. Any Allowed Claim arising from the rejection of executory contracts or unexpired leases for which proof of such Claim has been timely filed will be, and will be treated as, an Allowed General Unsecured Claim under the terms hereof, subject to any limitation under section 502(b) of the Bankruptcy Code or otherwise.

4. Indemnification of Directors, Officers, and Employees

The Plan provides that any obligations of the Debtors pursuant to their limited liability company agreements, certificates of incorporation, bylaws, or organizational documents, as applicable, or any other agreements entered into by any Debtor at any time prior to the Effective Date, to defend, indemnify, reimburse, or limit the liability of any current and former directors, officers, agents, managers, or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such directors, officers, agents, managers, or employees, based upon any act or omission for or on behalf of the Debtors, irrespective of whether such indemnification is owed in connection with an event occurring before or after the Petition Date, will not be discharged or impaired by confirmation of the Plan. Such obligations will be deemed and treated as executory contracts to be assumed by the Debtors under the Plan and assigned to the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code and will continue as obligations of the Reorganized Debtors.

5. Compensation and Benefit Plans

The Plan provides that all employee compensation and benefit plans, policies, and programs of the Debtors entered into before or after the Petition Date and not since terminated will be deemed to be, and will be treated as if they were, executory contracts to be assumed pursuant to the Plan. Employee benefit plans, policies, and programs include, without limitation, all medical and health insurance, life insurance, dental insurance, disability benefits and coverage, leave of absence, retirement plans, retention plans, severance plans, and other such benefits. The Debtors' obligations under such plans, policies, and programs will survive confirmation of the Plan and will be performed by the applicable Debtor or Reorganized Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or regulations governing, instruments evidencing, or other documents relating to, such plans, policies, and programs. Notwithstanding the above, as of the Effective Date, the Debtors will be deemed to have rejected the Colt Defense Long Term Incentive Plan and will replace such plan with the New Management Incentive Plan.

6. Insurance Policies

The Plan provides that all insurance policies (including all director and officer insurance policies) pursuant to which the Debtors have any obligations in effect as of the Effective Date will be

deemed and treated as executory contracts pursuant to the Plan and will be assumed by the respective Debtors (and assigned to the Reorganized Debtors if necessary to continue such insurance policies in full force) pursuant to section 365 of the Bankruptcy Code and will continue in full force and effect. All other insurance policies will revest in the Reorganized Debtors.

7. The West Hartford Facility

As more fully set forth in Section 5.10 of the Plan (*West Hartford Facility Lease*), unless the Debtors, in consultation with the Consortium and the Sciens Group, exercise the Purchase Option, on the Effective Date the Debtors shall assume the West Hartford Facility Lease, as shall be amended in accordance with the terms set forth in the West Hartford Facility Term Sheet, and shall assign such amended West Hartford Facility Lease to Reorganized Colt. In connection with such assumption and assignment, if any, any and all amounts due to NPA, including prepetition and postpetition rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and fees and costs of VALNIC Capital Real Estate I LLC), and any other liquidated sums then due and payable under the West Hartford Facility Lease shall be paid in Cash in full on the Effective Date.

8. Reservation of Rights

Nothing contained in the Plan will constitute an admission by the Debtors that any agreement, contract, or lease is an executory contract or unexpired lease subject to Section 8 of the Plan (*Executory Contracts and Unexpired Leases*), as applicable, or that the Debtors or Reorganized Debtors have any liability thereunder.

9. Contracts and Leases Entered Into After the Petition Date

The Plan provides that contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business or following approval pursuant to a Bankruptcy Court order, as recognized by the Canadian Court if necessary, including any executory contracts and unexpired leases assumed by a Debtor, will be performed by the applicable Debtor or Reorganized Debtor, as the case may be, liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed executory contracts and unexpired leases) will survive and remain unaffected by entry of the Confirmation Order.

G. Conditions Precedent to Confirmation and the Effective Date

1. Conditions Precedent to Confirmation

(a) The Restructuring Support Agreement, Exit Credit Agreements, Reorganized Parent LLC Agreement, Backstop Agreement, Offering Procedures, and either (x) the amended and extended West Hartford Facility Lease or (y) the sale of the West Hartford Facility, in either case pursuant to the West Hartford Facility Term Sheet and in either case subject to the consummation of the Plan, shall have been approved by Final Order of the Bankruptcy Court;

(b) The Disclosure Statement shall have been approved by the Bankruptcy Court as having adequate information in accordance with section 1125 of the Bankruptcy Code pursuant to an order in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders;

(c) The Disclosure Statement Recognition Order shall have been granted by the Canadian Court in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders; and

(c) The Confirmation Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered on the docket for the Chapter 11 Cases and be in full force and effect.

2. Conditions Precedent to the Effective Date

The Plan provides that the Effective Date will not occur and the Plan will not become effective unless and until the following conditions have been satisfied in full or waived in accordance with Section 9.3 of the Plan (see Section V.G.3 below):

a. Entry of Confirmation Order The Confirmation Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered on the docket for the Chapter 11 Cases and shall have become a Final Order in full force and effect.

b. Entry of Confirmation Recognition Order

The Confirmation Recognition Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered by the Canadian Court and shall have become a Final Order in full force and effect.

c. Execution and Delivery of Other Documents

All other actions and all agreements, instruments, or other documents necessary to implement the applicable Plan, including the Exit Credit Agreements (in form and substance acceptable to the Plan Support Parties and the Exit Lenders) and the Exit Intercreditor Agreement (in form and substance acceptable to the Plan Support Parties and the Exit Lenders) shall have been (i) effected or (ii) duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

d. Exit Financing

The Debtors shall have access to funding under the Exit Facilities and the Offering (in the case of the Offering, in an amount not less than $50 million).

e. DIP Financing

All financing provided to the Debtors under the DIP Facilities will have been repaid, as provided in the DIP Credit Agreements, or other arrangements satisfactory to the DIP Lenders regarding the termination of such financing shall have been made.

f. Offering

The Reorganized Debtors shall have consummated the Offering in accordance with the Offering Term Sheet and the Offering Procedures.

g. New Management Incentive Plan

The Confirmation Order will provide that Reorganized Parent shall execute and deliver the New Management Incentive Plan as soon as practicable after the Effective Date.

h. West Hartford Facility

The Debtors or the Reorganized Debtors shall have either (i) amended and extended the West Hartford Facility Lease pursuant to, and in accordance with, the terms set forth in the West Hartford Facility Term Sheet; or (ii) purchased the West Hartford Facility pursuant to, and in accordance with, the terms set forth in the West Hartford Facility Term Sheet.

i. Collective Bargaining Agreement

In accordance with the Restructuring Term Sheet, modifications to that certain Collective Bargaining Agreement dated as of April 1, 2014, reasonably acceptable to the Debtors and the RSA Creditor Parties shall have been made.

j. Consents

All authorizations, consents, and approvals determined by the Debtors to be necessary to implement the Plan will have been obtained.

k. Amendments

The Plan and the Plan Documents will not have been materially amended or modified without the consent of the Plan Support Parties and the Term Loan Exit Lenders, such consent not to be unreasonably withheld.

l. Statutory Fees

All statutory fees and obligations then due and payable to the Office of the United States Trustee will have been paid and satisfied in full.

m. Regulatory Approvals

The Debtors will have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement the Plan.

n. Taxable Status, Issuance of New Class A LLC Units and New Class B LLC Units

The Debtors or Reorganized Debtors will have taken all steps necessary for the Reorganized Parent (i) to be taxed as a "C" corporation and (ii) to have issued the New Class A LLC Units and New Class B LLC Units.

o. Reorganized Parent LLC Agreement

The holders of the New Class A LLC Units and New Class B LLC Units will have entered into the Reorganized Parent LLC Agreement.

p. Board of Directors

The new Board of Directors of Reorganized Parent will have been designated and appointed in accordance with the terms set forth in the Restructuring Term Sheet and Section 5.9(c) of the Plan (*Board of Directors*).

q. Other Acts

Any other actions that the Debtors, in consultation with the Plan Support Parties, determine are necessary to implement the terms of the Plan will have been taken.

3. Waiver of Conditions Precedent

Each of the conditions precedent to the effectiveness of the Plan set forth in Section 9.1 and Section 9.2 of the Plan (see Section V.G.1–2 above) may be waived, in whole or in part, by the Debtors in writing, with the consent of the Plan Support Parties and the Term Loan Exit Lenders, but without notice to any other third parties or order of the Bankruptcy Court or any other formal action.

4. Effect of Non-Occurrence of the Effective Date

The Plan provides that if the conditions listed in Section 9.1 of the Plan (*Conditions Precedent to Confirmation*) and the conditions listed in Section 9.2 of the Plan (*Conditions Precedent to the Effective Date*) are not satisfied or waived in accordance with Section 9.3 of the Plan (*Waiver of Conditions Precedent*), then (a) the Confirmation Order and the Confirmation Recognition Order will be of no further force or effect; (b) the Plan will be null and void in all respects; (c) no distributions under the Plan will be made; (d) the Debtors and all Holders of Claims and Equity Interests will be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date; and (e) nothing contained in the Plan or the Disclosure Statement will (i) be deemed to constitute a waiver or release of (x) any Claims by any creditor or (y) any Claims against, or Equity Interests in, the Debtors, (ii) prejudice in any manner the rights of the Debtors, or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtors in any respect.

H. Effect of Confirmation

1. Vesting of Assets; Continued Corporate Existence

On the Effective Date, except as otherwise provided in the Plan or the Exit Credit Agreements, pursuant to sections 1141(b) and 1141(c) of the Bankruptcy Code, all property of the Debtors' Estates will vest in the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests. Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, will 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 applicable organizational documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtors will be authorized to operate their respective businesses and to use, acquire, or dispose of assets, without supervision or approval by the Bankruptcy Court or the Canadian Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

2. Binding Effect

Subject to the occurrence of the Effective Date and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062, on and after the Confirmation Date, the provisions of the Plan will be immediately effective and enforceable and deemed binding upon any Holder of a Claim against, or Equity Interest in, the Debtors, and such Holder's respective successors and assigns, (whether or not the Claim or Equity Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the Plan, and whether or not such Holder is entitled to a distribution under the Plan), all Entities that are party, or subject, to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor counterparties to executory contracts, unexpired leases, and any other prepetition agreements.

3. Discharge of Claims

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), the distributions, rights, and treatment that are provided in the Plan will be in complete satisfaction, discharge, and release, effective as of the Effective Date, of all Claims against, and Equity Interests in, the Debtors, and Causes of Action of any nature whatsoever arising on or before the Effective Date, known or unknown, including, without limitation, any interest accrued or expenses incurred on such Claims from and after the Petition Date, against the Debtors, and liabilities of, Liens on, obligations of, and rights against, the Debtors or any of their assets or properties arising before the Effective Date, regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests, in each case whether or not: (a) a proof of Claim or Equity Interest based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Equity Interest based upon such debt or right is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Equity Interest has accepted the Plan. Any default by the Debtors with respect to any Claim that existed immediately prior to or on account of the filing of the Chapter 11 Cases will be deemed cured on the Effective Date. Except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), all Entities will be precluded from asserting against the Debtors, the Reorganized Debtors, or their respective properties or interests in property, any other Claims based on any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except with respect to Claims reinstated pursuant to the Plan, the Confirmation Order will be a judicial determination of the discharge of all Claims arising before the Effective Date against the Debtors, subject to the occurrence of the Effective Date.

4. Releases

a. Releases by the Debtors

Upon the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, will be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction, including laws of Canada and the provincial laws applicable therein, or otherwise (other than the rights of the Debtors or Reorganized Debtors to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in

whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors, the Chapter 11 Cases, or the Canadian Proceedings; (ii) any investment by any Released Party in any of the Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any common or preferred equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of any such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases or the Canadian Proceedings; and (viii) the negotiation, formulation, preparation, or dissemination of the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the Plan (including, for the avoidance of doubt, the Plan Supplement), the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, and the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility) or related agreements, instruments, or other documents, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence. The Reorganized Debtors will be bound, to the same extent the Debtors are bound, by the releases and discharges set forth above.

Entry of the Confirmation Order will constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Section 10.4(a) of the Plan by the Debtors, which includes by reference each of the related provisions and definitions contained in the Plan, and, further, will constitute its finding that each release described in Section 10.4(a) of the Plan is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (ii) in the best interests of the Debtors and all Holders of Equity Interests and Claims; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Debtors or Reorganized Debtors asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property. Entry of the Confirmation Recognition Order will constitute the Canadian equivalent of the same.

b. Releases by Holders of Claims and Holders of Equity Interests

Upon the Effective Date, to the maximum extent permitted by applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Releasing Party, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan, and the Cash and other contracts, instruments, releases, agreements, or documents to be delivered in connection with the Plan, will be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities, including any derivative claims assertable on behalf of any Debtor, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction, including laws of Canada and the provincial laws applicable therein, or otherwise (other than the rights of the Releasing Parties to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan and Claims reinstated

pursuant to the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors, the Chapter 11 Cases, or the Canadian Proceedings; (ii) any investment by any Released Party in any of the Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any common or preferred equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of any such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases or the Canadian Proceedings; and (viii) the negotiation, formulation, preparation, or dissemination of the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the Plan (including, for the avoidance of doubt, the Plan Supplement), the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, and the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility) or related agreements, instruments, or other documents, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence.

Entry of the Confirmation Order will constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Section 10.4(b) of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and, further, will constitute its finding that each release described in Section 10.4(b) of the Plan is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims and Equity Interests; (ii) in the best interests of the Debtors and all Holders of Claims and Equity Interests; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Releasing Parties asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property. Entry of the Confirmation Recognition Order will constitute the Canadian equivalent of the same.

5. <u>Exculpation and Limitation of Liability</u>

The Plan provides that none of the Debtors or the Reorganized Debtors, or the direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, or agents (whether current or former, in each case, in his, her, or its capacity as such) of the Debtors or the Reorganized Debtors, including, for the avoidance of doubt, the Sciens Group and any other direct or indirect holders of Equity Interests in Colt Defense LLC, or the Released Parties will have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the Canadian Proceedings, formulation, negotiation,

preparation, dissemination, confirmation, solicitation, implementation, or administration of the Plan, the Plan Supplement, the Disclosure Statement, the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility), any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or any other pre- or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or confirming or consummating the Plan (including the issuance of any securities or the distribution of any property under the Plan); *provided, however*, that the foregoing provisions of Section 10.5 of the Plan will have no effect on the liability of any Person or Entity that results from any such act or omission that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence and shall not impact the right of any Holder of a Claim or Equity Interest, or any other party to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan. Without limiting the generality of the foregoing, the Debtors and the Debtors' direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, and agents (whether current or former, in each case, in his, her, or its capacity as such) including, for the avoidance of doubt, the Sciens Group and any other direct or indirect Holder of Equity Interests in Colt Defense LLC, will, in all respects, be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan. The exculpated parties have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the securities pursuant to the Plan, and, therefore, are not, and on account of such distributions will not be, liable at any time for the violation 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.

6. Injunction

a. General

The Plan provides that all Persons or Entities who have held, hold, or may hold Claims or Equity Interests (other than Claims that are reinstated under the Plan), and all other parties in interest in the Chapter 11 Cases and the Canadian Proceedings, along with their respective current and former employees, agents, officers, directors, principals, and affiliates, are permanently enjoined, from and after the Effective Date, from, in respect of any claim or Cause of Action released or settled thereunder, (i) commencing or continuing, in any manner, any action or other proceeding of any kind, against the Released Parties, the Debtors, or the Reorganized Debtors, or in respect of any Claim or Cause of Action released or settled hereunder; (ii) enforcing, attaching, collecting, or recovering by any manner or means of any judgment, award, decree, or order against the Released Parties, the Debtors, or the Reorganized Debtors; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Released Parties, the Debtors, or the Reorganized Debtors; or (iv) asserting any right of setoff, subrogation, or recoupment of any kind, against any obligation due from the Released Parties, the Debtors, or the Reorganized Debtors, or against the property or interests in property of the Debtors or Reorganized Debtors, on account of such Claims or Equity Interests; *provided, however*, that nothing contained in the Plan will preclude such Entities from exercising their rights pursuant to, and consistent with, the terms of the Plan and the contracts, instruments, releases, and other agreements and documents delivered under or in connection with the Plan.

b. Injunction Against Interference With the Plan

The Plan provides that upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals, and affiliates will be enjoined from taking any actions to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim or Allowed Equity Interest, by accepting, or being eligible to accept, distributions under or reinstatement of such Claim or Equity Interest, as applicable, pursuant to the Plan, will be deemed to have consented to the injunction provisions set forth in the Plan.

7. Settlement of Claims Against the Sciens Group and NPA

The Plan constitutes a motion of the Debtors, on behalf of the Debtors' Estates, and the Plan Support Parties requesting approval of a settlement pursuant to Bankruptcy Rule 9019 of any and all Claims of the Debtors and their Estates against the Sciens Group and NPA (and related parties) related to the West Hartford Facility Lease and any other matters. In exchange for the releases provided to the Sciens Group pursuant to Section 10.4(a) of the Plan (*Releases by the Debtors*), the Sciens Group has agreed to contribute $15 million to the Offering on the terms set forth in the Offering Term Sheet and to grant releases in favor of the Debtors pursuant to Section 10.4(b) of the Plan (*Releases by Holders of Claims and Holders of Equity Interests*). In exchange for the releases provided to NPA (and related parties) pursuant to Section 10.4(a) of the Plan, NPA has agreed to either (i) an extension of the West Hartford Facility Lease or (ii) a sale of the West Hartford Facility, in each case on the terms set forth in the West Hartford Facility Term Sheet, and to grant releases in favor of the Debtors pursuant to Section 10.4(b) of the Plan.

Claims subject to the settlement and release provisions of the Plan include all claims alleged by the Committee on behalf of the Estates in the complaint attached to the Standing Motion (the "**Derivative Claims**").

In balancing the value of the Claims that are being compromised against the value to the Estates arising from the acceptance of the compromise, the Debtors have considered the following four criteria: (1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors. *See In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996); *see also Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424–25 (1968).

The Independent Committee has determined that the balance of the factors above weighs in favor of release and settlement of Claims (including the Derivative Claims) against the Sciens Group and NPA. Prosecution of any Claims (including the Derivative Claims) would be complex, and the expense, inconvenience, and delay of pursuing such Claims would be lengthy and substantial. Such Claims cannot be resolved quickly because they would require extensive discovery, including written discovery requests, document review, and depositions. Discovery disputes and motion practice would delay resolution and increase the costs of litigation. Additionally, the Debtors' Estates are without sufficient funds to support such litigation. Finally, Sciens and NPS vigorously dispute the claims alleged against them, and the outcome of any such litigation could not be assured. As a result, the Debtors could pursue this litigation at great cost (financially and in connection with a loss of access to the critical West Hartford Facility) and eventually receive no benefit therefrom.

The releases and settlements of the Plan are in the paramount interests of the Debtors' creditors because they unlock substantial value for the benefit of the Debtors' Estates, such as a

$15 million contribution to the Offering on the terms set forth in the Offering Term Sheet, as well as either (i) an extension of the West Hartford Facility Lease or (ii) a sale of the West Hartford Facility, in each case on the terms set forth in the West Hartford Facility Term Sheet. Litigating the Derivative Claims or any other Claims against the Sciens Group and NPA would irreparably damage the Debtors' relationship with the Sciens Group and NPA and would destroy the Debtors' ability to realize such valuable consideration.

Accordingly, entry of the Confirmation Order will constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in subsections (a) and (b) of Section 10.4 of the Plan by the Debtors, the Sciens Group, and NPA, as appropriate, and, further, will constitute its finding that each release described in subsections (a) and (b) of Section 10.4 of the Plan is: (i) in exchange for the good and valuable consideration provided by such Released Parties, a good faith settlement and compromise of such Claims (including the Derivative Claims); (ii) in the best interests of the Debtors and all Holders of Equity Interests and Claims; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of such Releasing Parties asserting any Claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of such Released Parties or their property.

8. Term of Bankruptcy Injunction or Stays

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence as of the Confirmation Date, will remain in full force and effect until the Effective Date. All stays provided for in the Canadian Proceedings pursuant to the orders of the Canadian Court will remain in full force and effect until the Effective Date unless otherwise ordered by the Canadian Court.

9. Termination of Subordination Rights and Settlement of Related Claims

The classification and manner of satisfying all Claims and Equity Interests under the Plan takes into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise. All subordination rights that a Holder of a Claim or Equity Interest may have with respect to any distribution to be made under the Plan, will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be enjoined permanently. Accordingly, distributions under the Plan to Holders of Allowed Claims or Allowed Equity Interests will not be subject to payment of a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment, or other legal process by a beneficiary of such terminated subordination rights.

10. Reservation of Rights

The Plan will have no force or effect unless and until the Effective Date. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the Plan, the Disclosure Statement, or the Plan Supplement will be, or will be deemed to be, an admission or waiver of any rights of any Debtor or any other party with respect to any Claims or Equity Interests or any other matter.

I. Retention of Jurisdiction

Section 11 of the Plan (*Retention of Jurisdiction*) provides that, pursuant to sections 105(c) and 1142 of the Bankruptcy Code, and notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters

arising out of, and related to, the Plan, the Confirmation Order, and the Chapter 11 Cases, to the fullest extent permitted by law, including jurisdiction, to the extent applicable:

- To allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;

- To resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtors are party to or with respect to which any Debtor or Reorganized Debtor may be liable, and hear, determine, and, if necessary, liquidate, any Claims arising therefrom;

- To determine any and all motions, adversary proceedings, applications, contested matters, or other litigated matters pending on the Effective Date;

- To ensure that distributions to Holders of Allowed Claims or Allowed Equity Interests are accomplished pursuant to the terms of the Plan;

- To adjudicate any and all disputes arising from or relating to distributions under the Plan;

- To enter, implement, or enforce such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan, and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Confirmation Order;

- To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated, or distributions pursuant to the Plan are enjoined or stayed;

- To issue injunctions, enter, and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

- To modify the Plan before or after the Effective Date under section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

- To hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331, and 503(b) of the Bankruptcy Code incurred prior to the Confirmation Date; *provided*, *however*, that, from and after the Confirmation Date, the payment of fees and expenses of the Reorganized Debtors, including fees and expenses of counsel, will be made in the ordinary course of business and will not be subject to the approval of the Bankruptcy Court;

- To hear and determine any rights, Claims, or Causes of Action held or reserved by, or accruing to, the Debtors or the Reorganized Debtors pursuant to the Bankruptcy Code, the Confirmation Order, or, in the case of the Debtors, any other applicable law;

- To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

- To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Plan Documents, the Confirmation Order, any transactions contemplated thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing, or the effect of the Plan under any agreement to which the Debtors, the Reorganized Debtors, or any affiliate thereof are party;

- To hear and determine any issue for which the Plan or a Plan Document requires a Final Order of the Bankruptcy Court;

- To issue such orders as may be necessary or appropriate to aid in execution of the Plan or to maintain the integrity of the Plan following consummation, to the extent authorized by section 1142 of the Bankruptcy Code;

- To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

- To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

- To enter and enforce any order for the sale or transfer of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

- To hear and determine all disputes involving the existence, scope, and nature of the discharges, releases, or injunctions granted under the Plan and the Bankruptcy Code;

- To hear and determine all disputes involving or in any manner implicating the exculpation or indemnification provisions contained in the Plan;

- To hear and determine any matters arising under or related to sections 1141 and 1145 of the Bankruptcy Code;

- To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

- To recover all assets of the Debtors and property of the Debtors' Estates, wherever located; and

- To enter a final decree closing the Chapter 11 Cases.

J. Other Provisions of the Plan

1. Payment of Statutory Fees

The Plan provides that on the Effective Date and thereafter, as may be required, the Debtors will pay all fees payable, pursuant to section 1930 of title 28 of the United States Code, until the

Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first; *provided* that in the event of a dispute regarding such fees, the fees in dispute will be paid upon entry of a Final Order resolving such dispute. The Debtors will pay all of the foregoing fees on a per-Debtor basis.

2. Exemption from Securities Law

To the maximum extent provided by section 1145(a) of the Bankruptcy Code and applicable non-bankruptcy law, the offer or sale of New Class B LLC Units to the Holders of Senior Notes Claims under the Plan and in accordance with the Restructuring Term Sheet will be exempt from registration under section 5 of the Securities Act and may be resold by Holders thereof without registration, unless the Holder is an "underwriter" (as defined in section 1145(b)(l) of the Bankruptcy Code) with respect to such securities; in each case, subject to the terms thereof, applicable securities laws. To the extent that section 1145 is not available to exempt the securities issued under, or in connection with, the Plan, including, without limitation, the offer or sale under the Plan of New Class B LLC Units, from registration under section 5 of the Securities Act, other provisions of the Securities Act, including, without limitation, section 3(a)(9), section 4(a)(2) or Regulation S of the Securities Act, and state securities laws, will apply to exempt such issuance from the registration requirements of the Securities Act.

3. Exemption from Certain Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, any issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer from a Debtor to a Reorganized Debtor or any other Entity pursuant to the Plan will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Without limiting the foregoing, any issuance, transfer, or exchange of a security or any making or delivery of an instrument of transfer pursuant to the Plan will be exempt from the imposition and payment of any and all transfer taxes (including, without limitation, any and all stamp taxes or similar taxes and any interest, penalties, and addition to the tax that may be required to be paid in connection with the consummation of the Plan and the Plan Documents) pursuant to sections 1146(a), 505(a), 106, and 1141 of the Bankruptcy Code. Unless the Bankruptcy Court orders otherwise, all sales, transfers, and assignments of owned and leased property approved by the Bankruptcy Court on or before the Effective Date will be deemed to have been in furtherance of, or in connection with, the Plan.

4. Dissolution of Statutory Committees and Cessation of Fee and Expense Payment

Pursuant to the Plan, on the Effective Date, all statutory committees (including the Committee) will dissolve; *provided*, *however*, that, following the Effective Date, any statutory committees will continue to have standing and a right to be heard with respect to (i) Claims and/or applications for compensation by professionals and requests for allowance of administrative expenses for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code, (ii) any appeals of the Confirmation Order that remain pending as of the Effective Date to which any statutory committees are a party, and (iii) any adversary proceedings or contested matter as of the Effective Date to which any statutory committees are a party. Upon the dissolution of any statutory committees, the current and former members of any statutory committees and their respective officers, employees, counsel, advisors, and agents, will be released and discharged of and from all further authority, duties, responsibilities, and

obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of any statutory committees' respective attorneys, accountants, and other agents will terminate, except that any statutory committees and their respective professionals will have the right to pursue, review, and object to any applications for compensation and reimbursement of expenses filed in accordance with Section 2.3 of the Plan (*Professional Fees*). The Reorganized Debtors will not be responsible for paying any fees and expenses incurred after the Effective Date by the professionals retained by any statutory committees, if any.

5. Substantial Consummation

On the applicable Effective Date, the Plan will be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

6. Expedited Determination of Postpetition Taxes

The Reorganized Debtors will be authorized to request an expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, the Debtors for any and all taxable periods ending after the Petition Date through, and including, the Effective Date.

7. Modification and Amendments

The Debtors will not amend the Plan without the prior written consent of (a) the other Plan Support Parties, to the extent such consent is required under the Restructuring Support Agreement, and (b) the Term Loan Exit Lenders, such consent not to be unreasonably withheld. Otherwise, subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, and in accordance with the Restructuring Support Agreement, alterations, amendments, or modifications of the Plan may be proposed in writing by the Debtors at any time prior to or after the Confirmation Date, but prior to the Effective Date. Holders of Claims and Equity Interests that have accepted the Plan will be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification complies with the requirements of Section 12.7 of the Plan (*Modifications and Amendments*) and does not materially and adversely change the treatment of the Claim or Equity Interest of such Holder; *provided*, *however*, that any Holders of Claims or Equity Interests that were deemed to accept the Plan because such Claims or Equity Interests were Unimpaired will continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims or Equity Interests continue to be Unimpaired.

Entry of a 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 resolicitation under Bankruptcy Rule 3019.

8. Additional Documents

On or before the Effective Date, the Debtors may enter into any 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 or Equity Interests receiving distributions pursuant to the Plan and all other parties in interest may, 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.

9. Effectuating Documents and Further Transactions

On and after the Effective Date, the Reorganized Debtors and their respective officers and members of the boards of directors will be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan.

10. Plan Supplement

The Plan Supplement will include certain documents relating to the Plan and its consummation and implementation, including, without limitation, forms of the Reorganized Parent LLC Agreement, the Subscription Agreements for Fidelity/Newport and the Sciens Group, the Backstop Agreement, the Exit Credit Agreements, the Exit Intercreditor Agreement, the Offering Procedures, the identity and affiliations of each of the officers and directors of the Reorganized Debtors, and a list of any executory contracts or unexpired leases to be rejected pursuant to the Plan. The Plan Supplement will be filed with the Clerk of the Bankruptcy Court not later than ten (10) calendar days prior to the first date on which the Confirmation Hearing is scheduled to be held and may be altered, amended, modified, or supplemented by the Debtors prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be accessed on the docket electronically maintained by the Clerk of the Bankruptcy Court (for a minor fee) or on the Voting Agent's website at www.kccllc.net/ColtDefense (free of charge) or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

11. Additional Intercompany Transactions

The Debtors and Reorganized Debtors, as applicable, will be authorized without the need for any further corporate action and without further action by the Holders of Claims or Equity Interests to (a) engage in intercompany transactions to transfer Cash for distribution pursuant to the Plan and (b) continue to engage in intercompany transactions (subject to applicable contractual limitations), including, without limitation, transactions relating to the incurrence of intercompany indebtedness.

12. Revocation or Withdrawal of the Plan

Subject to the terms of the Restructuring Support Agreement, the Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date, to the extent permitted under the Restructuring Support Agreement. If the Debtors take such action, the Plan will be deemed null and void in its entirety and of no force or effect, and any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Class of Claims), assumption of executory contracts or unexpired leases effected under the Plan, and any document or agreement executed pursuant to the Plan, will be deemed null and void. In such event, nothing contained in the Plan will (a) constitute or be deemed to be a waiver or release of any Claim against, or Equity Interest in, any Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtors or any Entity in further proceedings involving the Debtors; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by any Debtor or any other Entity.

13. Severability

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, will 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 will then be applicable as altered or interpreted. 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 will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms; (b) integral to the Plan; and (c) non-severable and mutually dependent.

14. Solicitation

The Debtors have, and upon the Confirmation Date 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, without limitation, section 1125(e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation. The Debtors, the Reorganized Debtors, and each of their respective principals, members, partners, officers, directors, employees, agents, managers, representatives, advisors, attorneys, accountants, and professionals will be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and purchase of any securities offered or sold under the Plan, and therefore, are not, and on account of such offer, issuance, sale, solicitation, or purchase will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of any securities offered or sold under the Plan.

15. Governing Law

Except to the extent that the Bankruptcy Code, the CCAA, or other federal law, rule, or regulation is applicable, or to the extent an exhibit, schedule, or supplement to the Plan provides otherwise, the Plan will be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof that would require application of the law of another jurisdiction; *provided*, *however*, that corporate or entity governance matters relating to the Reorganized Debtors will be governed by the laws of the state of incorporation or organization of the relevant Reorganized Debtor.

16. Compliance with Tax Requirements

In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, any Entity issuing any instruments or making any distribution under the Plan must comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements. Any Entity issuing any instruments or making any distribution under the Plan to a Holder of an Allowed Claim or Allowed Equity Interest has the right, but not the obligation, not to make a distribution until such Holder has provided to such Entity the information necessary to comply with any withholding requirements of any such taxing authority, and any required withholdings (determined after taking into account all information provided by such Holder pursuant to Section 12.17 of the Plan (*Compliance with Tax Requirements*)) will reduce the distribution to such Holder.

17. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor or assign, affiliate, officer, director, agent, representative, attorney, beneficiary, or guardian, if any, of each Entity.

18. Closing of Chapter 11 Cases and the Canadian Proceedings

The Reorganized Debtors will, as promptly as practicable after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022, Del. Bankr. L.R. 3022-1, and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases. The Confirmation Order shall identify a Reorganized Debtor to serve as foreign representative, who shall, as promptly as practicable after the full administration of the Chapter 11 Cases (or at such other time as the Reorganized Debtors determine appropriate), seek to terminate the Canadian Proceedings.

19. Document Retention.

On and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with their current document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors without order of the Bankruptcy Court or the Canadian Court.

20. Conflicts

Except as otherwise provided herein, in the event of any conflict between the terms and provisions in the Plan (without reference to the Plan Supplement) and the terms and provisions in the Disclosure Statement, the Plan Supplement, any other instrument or document created or executed pursuant to the Plan, or any order (other than the Confirmation Order or the Confirmation Recognition Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), the Plan (without reference to the Plan Supplement) shall govern and control; *provided*, *however*, that, notwithstanding anything herein to the contrary, in the event of a conflict or inconsistency between the terms of the Restructuring Support Agreement or the Restructuring Term Sheet and the terms of the Plan, the terms of the Plan shall control; *provided*, *further*, that, notwithstanding anything herein to the contrary, in the event of a conflict or inconsistency between the terms of the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, the Offering Term Sheet, the Offering Procedures, Reorganized Parent LLC Agreement, the West Hartford Facility Term Sheet, or any of the documents or instruments included in the Plan Supplement, and the terms of the Plan, the terms of the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, the Offering Term Sheet, the Offering Procedures, Reorganized Parent LLC Agreement, the West Hartford Facility Term Sheet, and any of the documents or instruments included in the Plan Supplement shall govern and control in all respects

VI.

PROJECTIONS AND VALUATION ANALYSIS

The Debtors will file an amended version of this Disclosure Statement not later than fourteen (14) days before the date scheduled for the hearing by the Bankruptcy Court to consider approval of the Disclosure Statement (as amended), which, among other things, will contain (i) financial projections that establish that the Plan is feasible as required under section 1129(a)(11) of the Bankruptcy Code and (ii) an analysis of the estimated value of the Reorganized Debtors on a going concern basis.

VII.

CERTAIN FACTORS TO BE CONSIDERED

HOLDERS OF ALLOWED TERM LOAN CLAIMS, ALLOWED SENIOR NOTES CLAIMS, ALLOWED QUALIFIED UNSECURED TRADE CLAIMS, AND ALLOWED GENERAL UNSECURED CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

THESE RISK FACTORS CONTAIN CERTAIN STATEMENTS THAT ARE FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, THE EFFECT OF THE REORGANIZATION ON CUSTOMERS, SUPPLIERS, AND VENDORS, PRICES AND OTHER COSTS, THE CONSUMPTION OF DURABLE AND NON-DURABLE GOODS, THE DEGREE AND NATURE OF COMPETITION, INCREASES IN INSURANCE COSTS, CHANGES IN GOVERNMENT REGULATIONS, CHANGES IN THE APPLICATION OR INTERPRETATION OF THOSE REGULATIONS, CHANGES IN THE SYSTEMS, PERSONNEL, TECHNOLOGIES, AND OTHER RESOURCES THE DEBTORS DEVOTE TO COMPLIANCE WITH REGULATIONS, THE DEBTORS' ABILITY TO COMPLETE ACQUISITIONS AND SUCCESSFULLY INTEGRATE THE OPERATIONS OF ACQUIRED BUSINESSES, TERRORIST ACTIONS OR ACTS OF WAR, OPERATING EFFICIENCIES, LABOR RELATIONS, PROPERTY TAX ASSESSMENTS, AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS. NO PARTY, INCLUDING, WITHOUT LIMITATION, THE DEBTORS OR THE REORGANIZED DEBTORS, UNDERTAKES AN OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

A. Certain Bankruptcy Considerations

Parties-in-Interest May Object to the Debtors' Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created nine Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Risk of Non-Confirmation of the Plan

If the Plan is not confirmed or consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to chapter 7 liquidation cases, or that any alternative plan of reorganization would be on terms as favorable to Holders of Claims as the terms of the Plan. The Debtors anticipate that certain parties in interest may file objections to the Plan in an effort to persuade the Bankruptcy Court that the Plan has not satisfied the confirmation requirements under sections 1129(a) and (b) of the Bankruptcy Code. Even if (a) no objections are filed, (b) all impaired Classes of Claims accept or are deemed to have accepted the Plan or (c) with respect to any Class that rejects or is deemed to reject the Plan, the requirements for "cramdown" are met, Bankruptcy Court, which can exercise substantial discretion, may determine that the Plan does not meet the requirements for confirmation under sections 1129(a) and (b) of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code requires, among other things, (a) a demonstration that the Confirmation of the Plan will not be followed by liquidation or need for further financial reorganization of the Plan Debtors, except as contemplated by the Plan, and (b) that the value of distributions to parties entitled to vote on the Plan who vote to reject the Plan not be less than the value of distributions such creditors would receive if the Plan Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet the requirements for confirmation, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court determines that the Plan violates section 1129 of the Bankruptcy Code in any manner, including, among other things, the cramdown requirements under section 1129(b) of the Bankruptcy Code, the Debtors, with the consent of the Plan Support Parties (not to be unreasonably withheld, conditioned, or delayed), have reserved the right to amend the Plan in such a manner so as to satisfy the requirements of section 1129 of the Bankruptcy Code. If a liquidation or protracted reorganization were to occur, the distributions to Holders of Allowed Claims would be drastically reduced. In particular, the Debtors believe that, as set forth in the Liquidation Analysis, in a liquidation under chapter 7, Holders of Allowed Claims would receive substantially less because of the inability in a liquidation to realize the greater going-concern value of the Debtors' assets. Furthermore, administrative expenses of a chapter 7 trustee and the trustee's attorneys, accountants and other professionals would cause a substantial erosion of the value of the Debtors' Estates. Substantial additional Claims may also arise by reason of a protracted reorganization or liquidation, including from the breach of standstill agreements which depend on the absence of substantial delays, and from the rejection of previously assume unexpired leases and other executory contracts further reducing distributions to Holders of Allowed Claims.

The Plan May Not Be Consummated if the Conditions to Effectiveness of the Plan Are Not Satisfied

Section 9 of the Plan (*Conditions Precedent to Confirmation and the Effective Date*) provides for certain conditions that must be satisfied (or waived) prior to the Effective Date, including the condition that the Debtors shall have access to funding under the Exit Facilities and the Offering and that the Debtors shall have either (i) assumed the West Hartford Facility Lease or (ii) purchased the West Hartford Facility, in each case consistent with the West Hartford Facility Term Sheet. Many of the conditions are outside of the control of the Plan Proponents.

In the event that such conditions are not satisfied (or waived) prior to the Effective Date, there can be no assurance that the Chapter 11 Cases would not be converted to chapter 7 liquidation cases or that any new chapter 11 plan would be as favorable to Holders of Claims as the current Plan. Either outcome may materially reduce distributions to Holders of Claims. See Section V.G to this Disclosure Statement for a description of the conditions to the effectiveness of the Plan.

The Debtors May Not Obtain Recognition from the Canadian Court

As a condition precedent to the Effective Date, the Plan requires that the Canadian Court shall have entered the Confirmation Recognition Order. The Debtors believe that such order will be granted by the Canadian Court; however, there can be no guaranty as to such outcome.

If the Restructuring Support Agreement is Terminated, the Ability of the Debtors to Confirm and Consummate the Plan Could Be Materially and Adversely affected

The Restructuring Support Agreement contains a number of termination events, upon the occurrence of which certain parties to the Restructuring Support Agreement may terminate such agreement. If the Restructuring Support Agreement is terminated, each of the parties thereto will be released from their obligations in accordance with the terms of the Restructuring Support Agreement. Such termination may result in the loss of support for the Plan by Consenting DIP Senior Lenders, the Consenting Senior Noteholders, the Sciens Group, and NPA, which could adversely affect the Debtors' ability to confirm and consummate the Plan. If the Plan is not consummated, there can be no assurance that the Chapter 11 Cases would not be converted to chapter 7 liquidation cases or that any new Plan would be as favorable to Holders of Claims as the current Plan. Either outcome may materially reduce distributions to Holders of Claims. Additionally, if the Plan is not consummated, there is no guarantee that the West Hartford Facility Lease will be extended or that the terms of any future extension will be as favorable to the Company as the terms set forth in the West Hartford Facility Term Sheet.

Risk of Conversion to Cases Under Chapter 7 of the Bankruptcy Code

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of the Debtors' creditors, any of the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in no distributions being made to unsecured creditors and Debtors' equity security holders and smaller distributions being made to the Debtors' secured lenders than those provided for in the Plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time, rather than the Debtors' businesses being reorganized as a going concern; (b) additional administrative expenses involved in the appointment of a trustee; and (c) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation, and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date will occur shortly after the Confirmation Date, there can be no assurance as to such timing. Moreover, if the conditions precedent to the Effective Date have not occurred, the Plan may be vacated by the Bankruptcy Court. If the Effective Date does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan or this Disclosure Statement shall: (a) constitute a waiver or release of any claims by the Debtors, any Holders of Claims or Equity Interests, or any other Entity; (b) prejudice in any manner the rights of the Debtors, any Holders of Claims or Equity Interests, or any other Entity; or (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders of Claims or Equity Interests, or any other Entity, in any respect.

B. Risk Factors That May Affect Distributions Under the Plan

Debtors Cannot State with Certainty the Amount of Administrative Expense Claims

As the number and amount of Administrative Expense Claims are presently unknown to the Debtors, it is possible that, if the actual number and amount of Administrative Expense Claims exceed the Debtors' estimates, the Debtors may not have sufficient Cash to satisfy all Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims in full. Accordingly, should, collectively, Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims exceed the amount of the Cash available to pay such Claims, and Holders of such Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims refuse to consent to less than payment in full, the Effective Date may not occur.

Debtors Cannot State with Any Degree of Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

A number of unknown factors make certainty in creditor recoveries impossible. The Debtors cannot know with any certainty, at this time, the number or amount of Claims in Classes 4, 5, and 6 that will ultimately be Allowed.

Actual Amounts of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery on Such Claims

The Claims estimates set forth herein are based on various assumptions. The actual amounts of Allowed Claims may differ significantly from those estimates should one or more underlying assumptions prove to be incorrect. Such differences may adversely affect the percentage recovery to holders of such Allowed Claims under the Plan.

Variances from the Financial Projections

The Financial Projections for the Reorganized Debtors included in this Disclosure Statement are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Financial Projections are dependent upon the successful implementation of the Reorganized Debtors' business plan and the validity of the assumptions contained therein. These projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, the Reorganized Debtors' anticipated future performance, certain assumptions with respect to the Reorganized Debtors' competitors, general business and economic conditions and other matters, many of which 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 be material.

Unforeseen Events

Future performance of the Reorganized Debtors is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond the Reorganized Debtors' control. The Reorganized Debtors will continue in the ordinary course to explore partnerships, asset sales, hedges, and other opportunities; however, there can be no assurances any such discussions or efforts will be successful. While no assurance can be provided, based upon the current level of operations and anticipated increases in revenues and cash flows described in this Disclosure

Statement, the Debtors believe that cash flow from operations and available Cash from the Exit Facilities and the Offering will be adequate to fund the Plan and meet their future liquidity needs.

C. Risks Associated with the Debtors' Businesses

The Debtors' Future Results May Materially Differ from the Valuations Presented in this Disclosure Statement

The Debtors' future results may be materially different from those shown in the valuation models or assumptions, projections or estimates set forth in this Disclosure Statement. The Debtors may incur certain charges, costs or adjustments in connection with the restructuring contemplated by the Plan, and these changes may be higher than the Debtors have estimated depending on how costly or difficult it is to consummate the restructuring contemplated by the Plan. Furthermore, these charges may decrease the Debtors' capital that could be used for profitable, income-earning investments.

The Debtors May Not Be Able to Match Their Prior Level of Performance Following the Restructuring

Following the restructuring contemplated by the Plan, the Debtors may be unable to match their prior performance or meet their target performance expectations. For example, some of the Debtors' customers may decide to reduce their orders or terminate their relationships with the Debtors.

It Is Possible that Demand for Modern Sporting Rifles Could Experience a Decline

Previous patterns of demand in the domestic commercial rifle channel suggest that demand for the Debtors' modern sporting rifle ("**MSR**") products in that channel could experience a rapid, material decline at any time. A decline in demand for MSRs could have a material adverse impact on the Reorganized Debtors' revenues and have an adverse impact on the Reorganized Debtors' business.

The Debtors Are Subject to Risks Related to a Lack of Product Revenue Diversification

The Debtors derive a substantial percentage of their net sales from a limited number of products, consisting almost exclusively of rifles and handguns. The Debtors expect these products to continue to account for a large percentage of their net sales in the near term. Continued market acceptance of these products is, therefore, critical to the Reorganized Debtors' future success. At the current time, the Debtors offer fewer handgun models than their principal competitors and are therefore dependent in the near term on the continuation of market demand for their existing products. A decrease in demand for the handgun models the Debtors currently sell could have a material adverse impact on their business.

In the domestic and international military and law enforcement channel, the Debtors cannot predict how long the M4 carbine and related products will continue to be the primary small arms weapons system of choice for the U.S. Government and certain of the Debtors' other customers. The Debtors' international business, operating results, financial condition, and cash flows could be adversely affected by:

- a decline in demand for the M4 carbine and related small arms weapons systems;
- increased competition for future U.S. Government procurements of the M4 carbine, including spare parts;
- a failure to achieve continued market acceptance of the Debtors' key products;

- export restrictions or other regulatory, legislative, or multinational actions which could limit the Debtors' ability to sell those products to key customers or markets, especially existing and potential international customers;

- improved competitive alternatives to the Debtors' products gaining acceptance in the markets in which they participate;

- increased pressure from competitors that offer broader product lines;

- technological change that the Debtors are unable to address with their products; or

- a failure to release new or enhanced versions of the Debtors' products to their military or other customers on a timely basis.

Substantially all of the Debtors' sales into the commercial rifle channel consist of MSRs. A decrease in sales of MSRs for any reason could have a material adverse impact on the Debtors' business.

New Federal and State Laws and Regulations May Restrict the Debtors' Ability to Continue to Sell the Products that the Debtors Currently Sell into the Domestic Commercial Market, Which Could Materially Adversely Affect the Debtors' Revenues

A significant portion of the Debtors' revenues is derived from sales into the domestic commercial market of MSRs. Since December 2012, there has been an extremely sharp increase in political and public support for new "gun control" laws and regulations in the United States, particularly laws and regulations affecting the sale of MSRs and high capacity magazines. Some proposed legislation, including legislation that has been introduced in Congress and in state legislatures, would ban and/or restrict the sale of substantially all of the Debtors' commercial rifle products, in their current configurations, into the commercial market, either throughout the United States or in particular states. It is also possible that the President of the United States could issue Executive Orders that would adversely affect the Debtors' ability to sell, or customers' ability to purchase, MSRs.

In light of the uncertain and evolving political, legal, and regulatory environment, it is not clear what measures might be necessary in order to redesign the Debtors' commercial rifles to comply with applicable law, or whether it will even be possible in every instance to do so. To the extent that redesigns of the Debtors' products are possible, the Debtors may need to spend significant amounts of capital in order to effectuate such redesigns and may incur associated sales, marketing, legal and administrative costs in connection with the introduction of new models. Furthermore, there is no assurance that customers will accept redesigned rifles and carbines.

A substantial decline in sales of MSRs into the domestic commercial market for any of these reasons could have a material adverse effect on the Debtors' business.

The Debtors' Manufacturing Facilities May Experience Disruptions Adversely Affecting the Debtors' Financial Position and Results of Operations

The Debtors currently manufacture their products primarily at their facilities in West Hartford, Connecticut, and Kitchener, Ontario, Canada. The Debtors lease the West Hartford Facility from NPA. The West Hartford Lease Term Sheet provides that the Debtors may, on the Effective Date, either (i) assume the West Hartford Facility Lease or (ii) purchase the West Hartford Facility, in each case subject to the terms of the West Hartford Facility Term Sheet. Presently, the term of this lease has been

extended to December 4, 2015. The lease does not provide for renewal of the term after the lease maturity, and the Debtors may not be able to continue to occupy the property on acceptable terms or be able to find suitable replacement manufacturing facilities on satisfactory terms and conditions other than as set forth in the West Hartford Facility Term Sheet. Any natural disaster or other serious disruption at either of facilities due to a fire, electrical outage, or any other calamity could damage the Debtors' capital equipment or supporting infrastructure or disrupt the Debtors' ability to ship their products from, or receive their supplies at, these facilities. Any such event could materially impair the Debtors' ability to manufacture and deliver their products. Even a short disruption in the Debtors' production output could delay shipments and cause damage to relationships with customers, causing them to reduce or eliminate the amount of products they purchase from the Debtors. Any such disruption could result in lost net sales, increased costs and reduced profits, which could have a material adverse effect on the Debtors' financial position and results of operations.

The Debtors' Long-Term Growth Plan Includes the Expansion of Their Global Operations. Such Global Expansion May Not Prove Successful, and May Divert Significant Capital, Resources, and Management Time and Attention and Could Adversely Affect the Debtors' Ongoing Operations

Net direct sales to customers outside the United States has historically accounted for a significant portion of the Debtors' net sales. The Debtors intend to continue to focus considerable efforts on expanding their international presence, which will require their management's time and attention and may detract from their efforts in the United States and their other existing markets and adversely affect their operating results in these markets. The Debtors' products and overall marketing approach may not be accepted in other markets to the extent needed to continue the profitability of their international operations. New international business that the Debtors obtain will be subject to the same risks associated with the conduct of their existing international operations, including:

- difficulty in predicting the timing of international orders and shipments;
- an impact on the Debtors' liquidity resulting from bonding or letters of credit requirements;
- unexpected changes in regulatory requirements;
- changes in foreign legislation;
- multinational agreements restricting international trade in firearms or ammunition;
- possible foreign currency controls, currency exchange rate fluctuations, or devaluations;
- tariffs;
- difficulties in staffing and managing foreign operations;
- difficulties in obtaining and managing representatives and distributors;
- potential negative tax consequences;
- greater difficulties in protecting intellectual property rights;
- greater potential for violation of U.S. and foreign anti-bribery and export-import laws; and
- difficulties collecting or managing accounts receivable.

General economic and political conditions in these foreign markets may also impact the Debtors' international net sales; as such conditions may cause customers to delay placing orders or to deploy capital to other priorities. These and other factors may have a material adverse effect on the Debtors' future international net sales

The Debtors Will No Longer Be Required by Section 404 of the Sarbanes-Oxley Act to Evaluate the Effectiveness of Their Internal Control over Financial Reporting and the Debtors' Independent Registered Public Accounting Firm Is Not Required to Attest to the Effectiveness of the Debtors' Internal Control over Financial Reporting.

The Debtors will no longer be required by Section 404 of the Sarbanes-Oxley Act to perform a comprehensive evaluation and report of their internal controls. As a result, to the extent the Debtors prepare financial statements, the Debtors are more likely to not detect material misstatements or errors, controls are more likely to become inadequate because of changes in circumstances, the degree of compliance with the policies or procedures are more likely to deteriorate and become ineffective and/or, to the extent the Debtors provide such financial statements to investors, the investors are more likely to not have an accurate financial evaluation of the Debtors or market perception of their financial condition are more likely to be adversely affected and customer perception of their business are more likely to suffer. Furthermore, holders of the New Class B LLC Units will not receive a report containing an assessment by management of the effectiveness of the Debtors' internal control over financial reporting as of the end of their fiscal year and a statement as to whether or not the Debtors' internal controls are effective. In addition, the Debtors' independent registered public accounting firm is not required to issue an opinion on management's assessment or the effectiveness of the Debtors' internal control over financial reporting.

The Markets in Which the Debtors Compete Are Highly Competitive and the Debtors May Be Unsuccessful at Designing New Products to Meet Changing Customer Demand, Introducing Them on a Timely Basis or Pricing Them Competitively

In each of the Debtors' distribution channels — military, law enforcement and commercial — there are numerous competitors offering similar products at prices that are attractive to customers. Some competitors have greater financial, technical, marketing, manufacturing and distribution resources than the Debtors do, or may have broader product lines. The Debtors' ability to compete successfully for U.S., Canadian, and other military and law enforcement contracts depends on their success at offering better product performance than their competitors at a lower price and on the readiness and capacity of their facilities, equipment, and personnel to produce quality products consistently. The Debtors' ability to compete successfully in the domestic and international commercial market depends on their continuing to distinguish their products from similar product offered by competitors and to command pricing that reflects the value connoted by the Colt brand.

While Part of the Debtors' Strategy Is to Pursue Strategic Acquisitions, They May Not Be Able to Identify Businesses That They Can Acquire on Acceptable Terms, They May Not Be Able to Obtain Necessary Financing or May Face Risks Due to Additional Indebtedness, and the Debtors' Acquisition Strategy May Incur Significant Costs or Expose Them to Substantial Risks Inherent in the Acquired Business's Operations

The Debtors' strategy of pursuing strategic acquisitions may be negatively impacted by several risks, including the following:

- The Debtors may not successfully identify companies that have complementary product lines or technological competencies or that can diversify their revenue or enhance their ability to implement their business strategy.

- The Debtors may not successfully acquire companies if they fail to obtain financing, or to negotiate the acquisition on acceptable terms, or for other related reasons.

- The Debtors may incur additional expenses due to acquisition due diligence, including legal, accounting, consulting, and other professional fees and disbursements. Such additional expenses may be material, will likely not be reimbursed, and would increase the aggregate investment cost of any acquisition.

- Any acquired business will expose the Debtors to the acquired company's liabilities and to risks inherent in its industry. The Debtors may not be able to ascertain or assess all of the significant risks.

- The Debtors may require additional financing in connection with any future acquisition. Such financing may adversely impact, or be restricted by, the Debtors' capital structure. Increasing the Debtors' indebtedness could increase the risk of a default that would entitle the holders of claims under the Exit Facilities to declare all of such indebtedness due and payable, as well as the risk of cross-defaults under other debt facilities.

- Achieving the anticipated potential benefits of a strategic acquisition will depend in part on the successful integration of the operations, administrative infrastructures, and personnel of the acquired company or companies in a timely and efficient manner. Some of the challenges involved in such an integration include:

    - demonstrating to customers of the acquired company that the consolidation will not result in adverse changes in quality, customer service standards, or business focus;

    - preserving important relationships of the acquired company;

    - coordinating sales and marketing efforts to effectively communicate the expanded capabilities of the combined company; and

    - coordinating the supply chains.

- The Debtors' limited liability company agreements, as amended in accordance with the Plan, may prohibit them from entering certain new lines of business without the consent of certain of their equity interest holders. There is no assurance that such consent could be obtained.

Any integration is expected to be complex, time-consuming and expensive and may harm the newly-consolidated company's business, financial condition and results of operations.

The Debtors Will Have a Substantial Amount of Indebtedness, Which Could Have a Material Adverse Effect on Their Financial Health and Their Ability to Obtain Financing in the Future and to React to Changes in Their Business.

The Debtors will have a substantial amount of indebtedness following the consummation of the Plan and the Offering, which will require significant cash interest payments. The significant amount of indebtedness could have important consequences to holders of New Class B LLC Units.

For example, it could:

- make it more difficult for the Reorganized Parent to pay dividends with respect to the New Class B LLC Units;
- increase the Debtors' vulnerability to adverse economic, regulatory and general industry conditions;
- require the Debtors to dedicate a substantial portion of their cash flow from operations to payments on their debt, which would reduce the availability of their cash flow from operations to fund working capital, capital expenditures, acquisitions or other general corporate purposes;
- limit the Debtors' flexibility in planning for, or reacting to, changes in their business and industry in which they operate and, consequently, place them at a competitive disadvantage to their competitors with less debt;
- limit their ability to obtain additional debt or equity financing, particularly in the current economic environment; and
- increase their cost of borrowing.

In addition, despite their levels of debt, the Debtors may still incur substantially more debt in the future in accordance with the terms of their debt agreements. Holders of such additional debt will be entitled to share of any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of Debtors' business prior to any proceeds being paid to holders of Reorganized Parent's equity securities.

The Debtors' U.S. and Canadian Government Contracts Are Generally Multi-Year Contracts That Are Funded by Government Appropriations Annually. A Reduction in the Defense Budget of the Debtors' Government Customers Could Have a Materially Adverse Effect on the Debtors' Business.

The Debtors' primary contracts with the U.S. Government are indefinite delivery, indefinite quantity ("**IDIQ**") contracts under which the customer places orders at its discretion. Although these contracts generally have a three to five-year term, they are funded annually by government appropriations. Furthermore, the Debtors' primary contracts with the Canadian Government are funded annually by Canadian Government appropriations. Agreements with other foreign governments may also have similar conditions or may otherwise be dependent on initial or continued funding by such governments. Accordingly, the Debtors' net sales from year to year with respect to such customers are dependent on government appropriations and subject to uncertainty.

The U.S. or Canadian Government, or a foreign government, may decide to reduce government defense spending in the programs in which the Debtors participate. Sovereign budget deficits are likely to put long-term pressure on defense budgets in many of the European countries to which the Debtors sell their products. There can be no assurances that the amount spent on defense by countries to which the Debtors sell their products will be maintained or that individual defense agencies will allocate a percentage of their budget for the purchase of small arms. The loss of, or significant reduction in, government funding, for any program in which the Debtors participate, could have a material adverse effect on their sales and earnings.

The Debtors May Not Receive the Full Amount of Orders Authorized Under IDIQ Contracts

The Debtors' contracts with the U.S. Government are ordinarily IDIQ contracts under which the U.S. Government may order up to a maximum quantity specified in the contract but is only obligated to order a minimum quantity. The Debtors may incur capital or other expenses in order to be prepared to manufacture the maximum quantity that may not be fully recouped if the U.S. Government orders a smaller amount. The U.S. Government may order less than the maximum quantity for any number of reasons, including a decision to purchase the same product from others despite the existence of an IDIQ contract. The Debtors' failure to realize anticipated revenues from IDIQ contracts could negatively affect the results of their operations.

The Timing of Delivery of Large Orders Can Result in Significant Fluctuations in the Debtors' Period-to-Period Performance

The Debtors' operating results and cash flow can fluctuate materially from one period to the next as a result of the timing of the manufacture and delivery of large domestic and international governmental orders. Uncertainty and volatility in the timing of orders and the tendency of governmental orders to be disproportionately large in value is likely to continue to affect the Debtors' net sales. The Debtors do not recognize sales until delivery of the product or service has occurred and title and risk of loss have passed to the customer, which may be in a non-U.S. location. This may extend the period of time during which the Debtors carry inventory and may result in an uneven distribution of net sales from these contracts between periods. As a result, the Debtors' period-to-period performance may fluctuate significantly, and you should not consider the Debtors' performance during any particular period as indicative of longer-term results.

In addition, the Debtors are subject to business risks specific to companies engaged in supplying defense-related equipment and services to the U.S. Government and other governments. These risks include the ability of the U.S. Government and other government counterparties to suspend or permanently prevent the Debtors from receiving new contracts or from extending existing contracts based on violations or suspected violations of procurement laws or regulations, to terminate the Debtors' existing contracts, or not to purchase the full agreed-upon number of small arms weapons systems or other products to be delivered by the Debtors.

Government Contracts Are Subject to Competitive Bidding, and Bidding for Such Contracts May Require the Debtors to Incur Additional Costs

The Debtors obtain a significant portion of their U.S. Government and other government contracts through competitive bidding. The Debtors will not win all of the contracts for which they compete and, even when they do, contracts awarded to the Debtors may not result in a profit. The Debtors are also subject to risks associated with the substantial expense, time, and effort required to prepare bids and proposals for competitively awarded contracts that may not be awarded to them. In addition, the Debtors' customers may require terms and conditions that require the Debtors to reduce their price or to provide more favorable terms if the Debtors provide a better price or terms under any other contract for the same product.

In Order for the Debtors to Sell Their Products Overseas, the Debtors Are Required to Obtain Certain Licenses or Authorizations, Which the Debtors May Not Be Able to Receive or Retain

Export licenses are required for the Debtors to export their products and services from the United States and Canada and issuance of an export license lies within the discretion of the issuing government. In the United States, substantially all of the Debtors' export licenses are processed and

issued by the Directorate of Defense Trade Controls ("**DDTC**") within the U.S. Department of State. In the case of large transactions, DDTC is required to notify Congress before it issues an export license. Congress may take action to block the proposed sale. As a result, the Debtors may not be able to obtain export licenses or to complete profitable contracts due to political or other reasons that are outside their control. The Debtors cannot be sure, therefore, of their ability to obtain the governmental authorizations required to export their products. Furthermore, the Debtors' export licenses, once obtained, may be terminated or suspended by the U.S. or Canadian Government at any time. Failure to receive required licenses or authorizations or the termination or suspension of the Debtors' export privileges could have a material adverse effect on the Debtors' financial condition, results of operations and cash flow

Labor Disruptions by the Debtors' Employees Could Adversely Affect Their Business

On April 1, 2014, the Debtors reached an agreement with United Automobile, Aerospace & Agricultural Implements Workers of America ("**UAW Local 376**") for a new five-year contract covering approximately 530 employees. The new contract is expected to run through March 31, 2019.

The terms of the collective bargaining agreement limit the Debtors' flexibility in various labor matters including the ability to quickly change the Debtors' staffing levels in response to business needs or to make changes to the Debtors' employee benefits in order to reduce costs. As a result, the Debtors' labor costs may be higher than those of their competitors, which could place the Debtors at a disadvantage when bidding for government contracts or pricing their products in the commercial market. In addition, the collective bargaining agreement places conditions on the Debtors' freedom to supplement their manufacturing capacity in West Hartford with outsourced components or new facilities. As a result, the Debtors' ability to increase production to meet customer demand can be impaired.

The Debtors' Government Contracts Are Subject to Audit and Their Business Could Suffer as a Result of a Negative Audit by Government Agencies

As a U.S. and Canadian Government contractor, the Debtors are subject to financial audits and other reviews by the U.S. and Canadian Governments of their costs, performance, accounting and other business practices relating to certain of their significant U.S. and Canadian Government contracts. The Debtors are audited and reviewed on a continual basis. Based on the results of their audits, the U.S. and Canadian Governments may challenge the prices the Debtors have negotiated for their products, their procurement practices and other aspects of their business practices. Although adjustments arising from government audits and reviews have not caused a material decline in the Debtors' results of operations in the past, future audits and reviews may have such effects. In addition, under U.S. and Canadian Government purchasing regulations, some of the Debtors' costs, including most financing costs, amortization of intangible assets, portions of their research and development costs, and some marketing expenses may not be reimbursable or allowed in the Debtors' negotiation of fixed-price contracts. Further, as a U.S. and Canadian Government contractor, the Debtors are subject to a higher risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits, and other legal actions and liabilities than purely private sector companies, the results of which could cause the Debtors' results of operations to suffer.

As a U.S. and Canadian Government Contractor, the Debtors Are Subject to a Number of Procurement Rules and Regulations

The Debtors must comply with and are affected by laws and regulations relating to the award, administration, and performance of their U.S. and Canadian Government contracts. Government contract laws and regulations affect how the Debtors do business with their customers and vendors and, in some instances, impose added costs on their business. In many instances, the Debtors are required to self-

report to the responsible agency if they become aware of a violation of applicable regulations. In addition, the Debtors have been, and expect to continue to be, subjected to audits and investigations by government agencies regarding their compliance with applicable regulations. A violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of the Debtors' contracts or debarment from bidding on future contracts. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices, or otherwise failing to follow cost accounting standards, receiving or paying kickbacks, filing false claims, or failing to comply with other applicable procurement regulations. Additionally, the failure to comply with the terms of the Debtors' government contracts could harm their business reputation. It also could result in payments to the Debtors being withheld. If the Debtors violate specific laws and regulations, doing so could result in the imposition of fines and penalties or the termination of the Debtors' contracts or debarment from bidding on contracts, which could have a material adverse effect on their net sales and results of operations.

The Debtors' contracts with foreign governments often contain ethics and other requirements that subject them to some of the same risks. Also, the Debtors and their international independent sales representatives and distributors are required to comply with numerous laws and regulations, including the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions. By contract or law in certain foreign jurisdictions, the actions of the Debtors' representatives and distributors can subject the Debtors to legal risk or liability. Violation of contractual terms with the Debtors' customers, or applicable local law in foreign jurisdictions, could interfere with the Debtors' ability to perform or collect payment under their contracts or to continue doing business in a particular country.

Certain Government Contracts Contain Termination Provisions Such That Permit Them to Be Canceled at Any Time at the Government's Sole Discretion

U.S. Government and certain other government counterparties may terminate contracts with the Debtors either for their convenience or if the Debtors default by failing to perform. Termination for convenience provisions generally would enable the Debtors to recover only their costs incurred or committed, and settlement expenses and profit on the work completed, prior to termination. Termination for default provisions do not permit these recoveries and make the Debtors liable for excess costs incurred by the U.S. Government or other government counterparties in procuring undelivered items from another source. In addition, a termination arising out of the Debtors' default could expose them to liability and have a material adverse effect on their ability to compete for future contracts and orders.

The Debtors May Lose Money on Their Fixed Unit Price Contracts, and Their Contract Prices May Be Adjusted to Reflect Price Reductions or Discounts That Are Requested by Their Customers

The Debtors provide their products and services primarily through fixed unit price contracts. In a fixed unit price contract, the Debtors provide their products and services at a predetermined price, regardless of the costs they incur. Accordingly, the Debtors must fully absorb any increases in their costs that occur during the life of the contract, notwithstanding the difficulty of estimating all of the costs the Debtors will incur in performing these contracts and in projecting the ultimate level of sales that the Debtors may achieve. The Debtors' failure to estimate costs accurately, including as a result of price volatility relating to raw materials, or to anticipate technical problems of a fixed unit price contract may reduce the Debtors' profitability or cause a loss. From time to time, the Debtors have also accommodated their customers' requests for price reductions or discounts in the past, and customers may continue to make such requests in the future.

Some of the Debtors Contracts with Foreign Governments Are or Will Be Subject to the Fulfillment of Offset Commitments or Industrial Cooperation Agreements That Could Impose Additional Costs on the Debtors and That the Debtors Might Not Be Able to Timely Satisfy, Possibly Resulting in the Assessment of Penalties or Even Debarment from Doing Further Business with That Government

Some countries in which the Debtors are or are planning on doing business impose offset purchase commitments, also known as industrial cooperation commitments, in return for purchasing the Debtors' products and services. These commitments vary from country to country and generally require the Debtors to commit to make direct or indirect purchases, or investments in the local economy. The gross amount of the offset purchase commitment arising from a sales contract is typically a function of the value of the contract. Failure to satisfy offset purchase commitments can result in penalties or blacklisting against awards of future contracts. The Debtors could be subject to future penalties or transaction costs or even disbarment from doing business with a government.

The Debtors remaining gross offset purchase commitment is the total amount of offset purchase commitments reduced for claims submitted to, and approved by, the governing agencies. The Debtors may incur costs to settle their offset purchase commitments that are in excess of the amounts accrued, which could have a material adverse effect on their earnings.

The Debtors Face Risks Associated with International Currency Exchange

The Debtors' Canadian subsidiary conducts most of its business in either the Canadian dollar or the Euro. Fluctuations in those foreign currency exchange rates could affect the sale of the Debtors' products or the cost of goods and operating margins and could result in exchange losses. In addition, currency devaluation could result in losses on the deposits that the Debtors hold in those currencies. When the Debtors' Canadian operating results are translated into U.S. dollars, fluctuations in those currencies relative to the U.S. dollar affect the Debtors' operating results. The Debtors' do not hedge their foreign currency exposure. The Debtors cannot predict the impact of future exchange rate fluctuations on their operating results.

The Debtors Intend to Incur Additional Costs to Develop New Products and Variations That Diversify Their Product Portfolio, and They May Not Be Able to Recover These Additional Costs

The development of additional products and product variations is speculative and generally requires additional and, in some cases, significant expenditures for research, development, manufacturing, and marketing. Despite substantial expenditure of resources, a research and development project may not result in a saleable product. The new products or product variations that the Debtors introduce may not be successful, or they may not generate an amount of net sales that is sufficient to fully recover the additional costs incurred for their development. In addition, the Debtors may not successfully develop new products or product variations that are superior to products offered by other companies.

The Debtors' Intellectual Property Rights Are Valuable, and Any Inability to Protect Them Could Reduce the Value of Their Products, Services and Brand.

Despite the Debtors' efforts to protect their proprietary technology, unauthorized persons may be able to copy, reverse engineer, or otherwise use some of their proprietary technology. It also is possible that others will develop and market similar or better technology to compete with the Debtors. Furthermore, existing intellectual property laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States and Canadian law. For these reasons, the Debtors may have difficulty protecting their proprietary technology against unauthorized copying or use, and the efforts the Debtors have taken or may take to protect their

proprietary rights may not be sufficient or effective. Significant impairment of the Debtors' intellectual property rights could harm their business or their ability to compete. Enforcing or defending the Debtors' intellectual property rights in litigation is costly and time consuming and the Debtors may not prevail. The Debtors' intellectual property rights are valuable, and any inability to protect them could reduce the value of their products, services, and brand or enhance the ability of other businesses to compete with the Debtors.

If the Debtors Lose Key Management or Are Unable to Attract and Retain Qualified Individuals Required for Their Business, the Debtors' Operating Results and Growth May Suffer

The Debtors' ability to operate their business is dependent on their ability to hire and retain qualified senior management. The Debtors' senior management is intimately familiar with the Debtors' products, customers, and operations. The Debtors' senior management also brings an array of other important talents and experience to the Debtors, including managerial, financial, governmental contracts, sales, legal, and compliance. The Debtors believe their backgrounds, experience, and knowledge gives the Debtors capabilities that are important to their success. Losing the services of certain members of the Debtors' management team could harm the Debtors' business and expansion efforts, particularly if they depart the Company to join a competitor's business. The Debtors' success also is dependent on their ability to hire and retain technically skilled workers. Competition for some qualified employees, such as engineering professionals, is intense and may become even more competitive in the future. If the Debtors are unable to attract and retain qualified employees, their operating results and growth could suffer.

Misconduct by Employees or Agents Could Harm the Debtors and Is Difficult to Detect and Deter

The Debtors' employees or representatives and distributors may engage in misconduct, fraud, or other improper activities including engaging in violations of the U.S. Arms Export Control Act or Foreign Corrupt Practices Act or numerous other state and federal laws and regulations, as well as the corresponding laws and regulations in the foreign jurisdictions into which the Debtors sell products that could have adverse consequences on the Debtors' prospects and results of operations. Misconduct by employees or agents, including international sales representatives and distributors, could include the export of defense articles or technical data without an export license, the payment of bribes in order to obtain business, failure to comply with applicable U.S. or Canadian Government or other foreign government procurement regulations, violation of government requirements concerning the protection of classified information, and misappropriation of government or third-party property and information. It is not always possible to deter misconduct by agents and employees and the precautions the Debtors take to detect and prevent this activity may not be effective in all cases. The occurrence of any such activity could result in the Debtors' suspension or debarment from contracting with one or more government procurement agencies, as well as the imposition of fines and penalties, which could cause material harm to the Debtors' business.

Failure to Comply with Applicable Firearms Laws and Regulations in the U.S. and Canada Could Have a Material Adverse Effect on the Debtors' Business

As a firearms manufacturer doing business in the U.S. and Canada, the Debtors are subject to the National Firearms Act and the Gun Control Act in the U.S. and the Firearms Act in Canada, together with other federal, state or provincial, and local laws and regulations that pertain to the manufacture, sale, and distribution of firearms in and from the U.S. and Canada. In the U.S., the Debtors are issued a Federal Firearms License by, and pay Special Occupational Taxes, to the Bureau of Alcohol, Tobacco, Firearms and Explosives of the U.S. Department of Justice to be able to manufacture firearms and destructive devices in the U.S. Similarly, in Canada, the Debtors are issued a Business Firearms

License by the Chief Provincial Firearms Officer of Ontario, to enable the Debtors to manufacture firearms and destructive devices in Canada. These federal agencies also require the serialization of receivers or frames of the Debtors' firearm products and recordkeeping of the Debtors' production and sales. The Debtors' places of business are subject to compliance inspections by these agencies. Compliance failures, which constitute violations of law and regulation, could result in the assessment of fines and penalties by these agencies, including license revocation, or other disruption of the Debtors' business. Any curtailment of the Debtors' privileges to manufacture, sell, or distribute their products could have a material adverse effect on their business.

The Debtors are required to submit forms to the Bureau of Alcohol, Tobacco, Firearms and Explosives and to obtain advance approval of certain transfers of firearms, including exports from the United States. Failure to obtain required approvals when required results in a delay in shipping products to customers. Delay in shipping products can cause the Debtors to incur late delivery penalties and delay the recognition of sales for financial reporting purposes.

If the Debtors Fail to Maintain Certain Quality Assurance Standards, the Debtors May Lose Existing Key Customers and Have Difficulty Attracting New Customers

The Debtors' U.S. and Canadian production facilities are both ISO 9001:2008 certified. ISO 9001 is an international standard certification granted by the International Organization of Standardization ("**ISO**") that confirms that a supplier can consistently provide good quality products and services. Some of the Debtors' government contracts require that the Debtors maintain ISO certification. A failure to maintain the Debtors' ISO certification may cause the Debtors to lose existing customers or have difficulty attracting new customers, which could have a material adverse effect on the Debtors' business, financial condition and results of operations.

Third Parties May Assert That the Debtors Are Infringing Their Intellectual Property Rights

Although the Debtors do not believe their business activities infringe upon the rights of others, it is possible that one or more of the Debtors' products or trademarks infringe, or any of their products in development will infringe, upon the intellectual property rights of others. The Debtors may also be subject to claims of alleged infringement of intellectual property rights asserted by third parties whose products or services the Debtors use or combine with their own intellectual property and for which the Debtors may have no right to intellectual property indemnification. The Debtors' competitors may also assert that the Debtors' products or trademarks infringe intellectual property rights held by them. Moreover, as the number of competitors in the Debtors' markets grows, the possibility of an intellectual property infringement claim against the Debtors may increase. In addition, because patent applications are maintained under conditions of confidentiality and can take many years to issue, the Debtors' products may potentially infringe upon patent applications that are currently pending of which the Debtors are unaware and which may later result in issued patents. If that were to occur and the Debtors were not successful in obtaining a license or redesigning their products, the Debtors could be subject to litigation.

Regardless of the merits of any infringement claims, intellectual property litigation can be time-consuming and costly. Determining whether a product infringes a patent, or whether a company trademark infringes a third party's mark involves complex legal and factual issues that may require the determination of a court of law. An adverse finding by a court of law may require the Debtors to pay substantial damages or prohibit the Debtors from using technologies essential to their products covered by third-party intellectual property, or the Debtors may be required to enter into royalty or licensing agreements that may not be available on terms acceptable to the Debtors, if at all. Inability to use technologies or processes essential to the Debtors' products could have a material adverse effect on the Debtors' financial condition, results of operations and cash flow.

The Debtors May Incur Higher Employee Medical Costs in the Future

The Debtors' employee medical plans are self-insured. As of December 31, 2014, the average age of the production employees working in the Debtors' West Hartford Facility is 52 years and approximately 12% of the production employees are age 65 or over. The age of the Debtors' workforce and the level of benefits that the Debtors offer, which in the case of production employees at their West Hartford Facility, subject to their collective bargaining agreement, could result in higher than anticipated future medical claims. The Debtors have stop loss coverage in place for catastrophic events, but the aggregate impact may have an effect on the Debtors' profitability.

The Debtors May Be Unable to Realize Expected Benefits from Their Cost Reduction Efforts and Their Profitability May Be Hurt or Their Business Otherwise Might Be Adversely Affected

In order to operate more efficiently and control costs, the Debtors continuously evaluate various cost reduction opportunities and implement changes in their operations where warranted. These activities are intended to generate savings through direct and indirect operating and overhead expense reductions as well as other savings, including workforce reductions when necessary. If the Debtors do not successfully manage these activities in the future, the expected efficiencies and benefits might be delayed or not realized, and their operations and business could be disrupted. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, adverse effects on employee morale, and the failure to meet operational targets due to the loss of employees, any of which may impair the Debtors' ability to achieve anticipated cost reductions or may otherwise harm the Debtors' business, which could have a material adverse effect on the Debtors' cash flows, competitive position, financial condition or results of operations.

Significant Risks Are Inherent in the Day-to-Day Operations in the Debtors' Business

The day-to-day activities of the Debtors' business involve the operation of machinery and other operating hazards, including worker exposure to lead and other hazardous substances. As a result, the Debtors' operations can cause personal injury or loss of life, severe damage to and destruction of property and equipment, and interruption of the Debtors' business. In addition, many of the Debtors' products are designed or have the capacity to kill and therefore can cause accidental damage, injury, or death or can potentially be used in incidents of workplace violence.

The Debtors could be named as defendants in a lawsuit asserting substantial claims upon the occurrence of any of these events. Although the Debtors maintain insurance protection in amounts they consider to be adequate, this insurance could be insufficient in coverage and may not be effective under all circumstances or against all hazards to which the Debtors may be subject. If the Debtors are not fully insured against a successful claim, there could be a material adverse effect on their financial condition and results of operations.

The Debtors' West Hartford Facility is inspected from time to time by the U.S. Occupational Safety and Health Administration and similar agencies. The Debtors have been cited for violation of U.S. occupational safety and health regulations in the past and could be cited again in the future. A violation of these regulations can result in substantial fines and penalties. The Debtors are subject to similar regulations at their Canadian manufacturing facility.

Environmental Laws and Regulations May Subject the Debtors to Significant Costs and Liabilities

The Debtors are subject to various U.S. and Canadian environmental, health, and safety laws and regulations, including those related to the discharge of hazardous materials into the air, water, or soil and the generation, storage, treatment, handling, transportation, disposal, investigation, and remediation of hazardous materials. Certain of these laws and regulations require the Debtors' facilities to obtain and operate under permits or licenses that are subject to periodic renewal or modification. These laws, regulations, or permits can require the installation of pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws, regulations or permit conditions can result in substantial fines or penalties.

Certain environmental laws impose strict as well as joint and several liability for the investigation and remediation of spills and releases of hazardous materials and damage to natural resources, without regard to negligence or fault on the part of the person being held responsible. In addition, certain laws require and the Debtors have incurred costs for, the investigation and remediation of contamination upon the occurrence of certain property transfers or corporate transactions. The Debtors are potentially liable under these and other environmental laws and regulations for the investigation and remediation of contamination at properties the Debtors currently or have formerly owned, operated or leased and at off-site locations where the Debtors may be alleged to have sent hazardous materials for treatment, storage or disposal. The Debtors may also be subject to related claims by private parties alleging property damage or personal injury as a result of exposure to hazardous materials at or in the vicinity of these properties. Environmental litigation or remediation, new laws and regulations, stricter or more vigorous enforcement of existing laws and regulations, the discovery of unknown contamination, or the imposition of new or more stringent clean-up requirements may require the Debtors to incur substantial costs in the future. As such, the Debtors may incur material costs or liabilities in the future.

The Debtors May Have to Utilize Significant Cash to Meet Their Unfunded Pension Obligations, and Postretirement Health Care Liabilities and These Obligations Are Subject to Increase

Many of the Debtors' employees at the West Hartford Facility participate in the Debtors' defined benefit pension plans. Under the terms of the Debtors' current collective bargaining agreement, the accrual of benefits for employees participating in the Debtors' bargaining unit pension plan was frozen effective December 31, 2012. The Debtors also have a salaried pension plan. The accrual of benefits for employees participating in the salaried plan was frozen effective December 31, 2008. As of December 31, 2014, the Debtors' had an unfunded pension liability. Declines in interest rates or the market values of the securities held by the plans, or other adverse changes, could materially increase the underfunded status of the Debtors' plans and affect the level and timing of required cash contributions. To the extent the Debtors use cash to reduce these unfunded liabilities, the amount of cash available for the Debtors' working capital needs would be reduced. Under the Employee Retirement Income Security Act of 1974, as amended, the Pension Benefit Guaranty Corporation ("**PBGC**"), has the authority to terminate an underfunded tax-qualified pension plan under limited circumstances. In the event the Debtors' tax-qualified pension plans are terminated by the PBGC, the Debtors could be liable to the PBGC for the underfunded amount.

The Debtors' Cash Is Highly Concentrated with One Financial Institution

The Debtors have a concentration of cash in accounts with a single financial institution. The Debtors' holdings in this institution significantly exceed the insured limits of the Federal Deposit Insurance Corporation. Although the Debtors believe that the risk of loss associated with their uninsured deposit accounts is low given the financial strength and reputation of the Debtors' depository institution, the Debtors could suffer losses with respect to the uninsured balances if the depository institution failed

and the institution's assets were insufficient to cover its deposits and/or the United States government did not take actions to support deposits in excess of existing FDIC insured limits. Any such losses could have a material adverse effect on the Debtors' liquidity, financial condition and results of operations.

The Debtors' Ability to Bid for Large Contracts May Depend on the Debtors' Ability to Obtain Performance Guarantees from Financial Institutions

In the normal course of the Debtors' business, the Debtors may be asked to provide performance guarantees to their customers in relation to the Debtors' contracts. Some customers may require that the Debtors' performance guarantees be issued by a financial institution in the form of a letter of credit, surety bond, or other financial guarantee. A deterioration of the Debtors' liquidity, credit rating, or financial condition could prevent the Debtors from obtaining such guarantees from financial institutions or make the process more difficult or expensive. If the Debtors are not able to obtain performance guarantees or if such performance guarantees were to become expensive, the Debtors could be prevented from bidding on or obtaining certain contracts or the Debtors' profit margins with respect to those contracts could be adversely affected, which could in turn have a material adverse effect on the Debtors' revenue, financial condition, and results of operations.

The Debtors May Have Exposure to Additional Tax Liabilities Which Could Have a Material Impact on Their Results of Operations and Financial Position

As a company with international operations, the Debtors are subject to income taxes, as well as non-income based taxes, in both the United States and various foreign jurisdictions. Significant judgment is required in determining the Debtors' worldwide tax liabilities. Although the Debtors believe their estimates are reasonable, the ultimate outcome with respect to the taxes the Debtors owe may differ from the amounts recorded in their financial statements. If the Internal Revenue Service, or other taxing authority, disagrees with the positions the Debtors take, the Debtors could have additional tax liability, and this could have a material impact on the Debtors' results of operations and financial position. The Debtors' effective tax rate could be adversely affected by changes in the mix of earnings in countries with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and regulations, changes in interpretations of tax laws, including pending tax law changes, changes in the Debtors' manufacturing activities, and changes in the Debtors' future levels of research and development spending. In addition, the United States government and other governments are considering and may adopt tax reform measures that could increase the Debtors' worldwide tax liabilities. There are several proposals under consideration in the United States to reform tax law, including proposals that may reduce or eliminate the deferral of U.S. income tax on any current or future unrepatriated foreign earnings of a taxpayer. A significant change to U.S. tax policy could have a material and adverse effect on the Debtors' business, financial condition and results of operations.

D. Ability to Refinance Certain Indebtedness and Restrictions Imposed by Indebtedness

As discussed above, following the Effective Date, the Reorganized Debtors' working capital and liquidity needs are anticipated to be funded by existing Cash on hand, operating cash flow, and proceeds from the Exit Facilities and the Offering. The Reorganized Debtors' capital structure, and, in particular, the Exit Facilities, is expected to restrict, among other things, the Reorganized Debtors' ability to enter into various transactions. It is anticipated that substantially all of the assets of the Reorganized Debtors will be pledged under the Exit Facilities (the relative priority of which will be set forth in the applicable loan documents for such financings, such as the Exit Intercreditor Agreement).

The Debtors cannot be certain that they will be able to generate sufficient cash flow from operations to enable them to repay their indebtedness under the new financings at maturity, and they may

not be able to extend the maturity of or refinance this indebtedness on commercially reasonable terms or at all.

E. Certain Risks Relating to the New Class B LLC Units Issued Under the Plan

The following risks specifically apply only to holders of the New Class B LLC Units issued pursuant to the Plan and should be considered along with other risk factors. There are additional risk factors attendant to being an investor in the Reorganized Parent's securities. These risks are described elsewhere in this Section VII.

Holders of New Class B LLC Units will be subject to transfer restrictions.

No transfers of New Class B LLC Units may be made (i) to any competitor of the Reorganized Parent or its affiliates or (ii) if it would result in the Reorganized Parent's being required to become a public filer under applicable securities laws. In addition, holders of New Class A LLC Units will have a right of first refusal over transfers of New Class B LLC Units which may deter prospective holders from acquiring such units. See Section V.C.4.a to this Disclosure Statement (*New Class A LLC Units*) for a description of the right of first refusal of holders of New Class A LLC Units.

It is unlikely that the New Class B LLC Units will be registered pursuant to the Securities Act of 1933 or listed on any securities exchange, and the ability to transfer the New Class B LLC Units may be limited by the absence of an active trading market.

It is unlikely that the New Class B LLC Units will be registered pursuant to the Securities Act of 1933 or listed on any securities exchange. Holders of a majority of the registrable securities, including the New Class B LLC Units, may cause the Reorganized Parent to commence an initial public offering in the event that the Reorganized Parent has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date. However, the Debtors cannot predict whether the securities exchange will approve such securities for listing or when any such listing will occur if ever.

There is no established trading market for the New Class B LLC Units and an active trading market for the New Class B LLC Units may not be developed or maintained in the future. Future trading prices of the New Class B LLC Units will depend on many factors, including, among other things, prevailing interest rates, the Debtors' operating results and the market for similar securities. If an active trading market for the New Class B LLC Units does develop, the trading market may not be liquid. The liquidity of any market for the New Class B LLC Units will depend on various factors, including the restrictions on transfers and other encumbrances described in this Disclosure Statement, the number of holders of the securities and the interest of security dealers in making a market for the New Class B LLC Units. If an active trading market is not developed and maintained or such trading market is not liquid, holders of the New Class B LLC Units may be unable to sell their units at their fair market value or at all.

In addition, no transfer of any units of the New Class B LLC Units shall be made to any competitor of the Reorganized Parent or its affiliates or shall be permitted if it would result in the Reorganized Parent being required to become a public filer under applicable securities laws. See "— Holders of New Class A LLC Units and New Class B LLC Units will be subject to limited transfer restrictions."

Holders of New Class B LLC Units may be subject to drag-along rights.

Pursuant to the Reorganized Parent LLC Agreement, holders of more than an aggregate of 50% in voting power of the Reorganized Parent will have the right to drag-along the other holders of

New Class A LLC Units and New Class B LLC Units in any sale transaction to a third party who is not an affiliate and all other holders of New Class A LLC Units and New Class B LLC Units will be required to, subject to certain exceptions, consent to, and raise no objection against, such sale and take all actions reasonably requested in order to consummate such sale. As a result, a holder of less than 50% in voting power of the Reorganized Parent may be required to consent to and participate in a sale of its units even though it objects to such sale.

The Reorganized Parent is under no obligation to make any distribution and cannot make any distribution with respect to the New Class B LLC Units until the Priority Return is paid in full to holders of the New Class A LLC Units.

The Reorganized Parent is under no obligation to make any distribution on its equity securities. Any future determination relating to the Reorganized Parent's payment of dividends or other distributions will be made by its Board of Directors and will depend on a number of factors, including the Debtors' financial condition and results of operation, capital levels and needs, statutory and regulatory prohibitions and contractual obligations, general economic conditions and other factors deemed relevant by the Board of Directors. Additionally, the Reorganized Parent cannot make any distribution with respect to the New Class B LLC Units until the Priority Return is paid in full to holders of the New Class A LLC Units. Covenants in the documents governing the Debtors' indebtedness may also restrict the Reorganized Parent's ability to make distributions and certain other payments. The Debtors cannot be certain that the Priority Return will be paid in full to holders of the New Class A LLC Units and that the Reorganized Parent will make any distribution in the foreseeable future. After the Priority Return is paid in full to holders of the New Class A LLC Units, holders of the New Class B LLC Units will participate with holders of the New Class A LLC Units in distributions made by the Reorganized Parent in accordance with the Participation Ratio. However, the Reorganized Parent is not obligated to, and may not make, future distributions on the units and, consequently, the holder's only ability to recognize a return on its investment may be through the sale of the units. Holders of the New Class B LLC Units may not realize a return on the value of the New Class B LLC Units unless the trading price of the New Class B LLC Units appreciates, which the Debtors cannot assure.

Fidelity/Newport and the Sciens Group will have significant ability to impact actions requiring equity holders' approval and will have the right to designate a majority of the members of the Reorganized Parent's Board of Directors.

Holders of the New Class A LLC Units and holders of the New Class B LLC Units vote generally together as a single class. Holders of the New Class A LLC Units are entitled to 100 votes per one New Class A LLC Unit and holders of the New Class B LLC Units are entitled to one vote per one New Class B LLC Unit.

It is anticipated that upon the effectiveness of the Plan, Fidelity/Newport and the Sciens Group will hold in the aggregate approximately 60% of the New Class A LLC Units, representing, prior to the conversion of New Class A LLC Units to New Class B LLC Units, a substantial majority of the voting power of the Reorganized Parent. Accordingly, Fidelity/Newport and the Sciens Group may be in a position to exercise substantial influence over the outcome of actions requiring equity holders' approval and board control both prior to and following the conversion of the New Class A LLC Units to New Class B LLC Units. In addition, holders of New Class A LLC Units will have a right of first refusal over transfers of New Class B LLC Units, which may enable holders of New Class A LLC Units, including Fidelity/Newport and the Sciens Group, to acquire more voting power of the Reorganized Parent. See Section V.C.4.a to this Disclosure Statement (*New Class A LLC Units*) for a description of the right of first refusal of holders of New Class A LLC Units. Furthermore, upon the effectiveness of the Plan, the Reorganized Parent's Board of Directors will consist of seven directors, of which two directors will be

designated by Fidelity/Newport, two directors will be designated by the Sciens Group and one of the independent directors will be jointly designated by Fidelity/Newport and the Sciens Group. This concentration of ownership, voting power and board control will provide Fidelity/Newport and the Sciens Group with the ability to exert significant influence over the Reorganized Parent's corporate decisions, including any change of control, acquisitions and dispositions of businesses or assets, issuances of shares of additional equity securities, financing activities (including incurrence of indebtedness), the payment of dividends and the appointment and removal of officers. Fidelity/Newport and the Sciens Group may act in a manner that advances their best interests and not necessarily those of other holders of the New Class B LLC Units.

The Debtors' operations may not be profitable after the Effective Date, which could have an adverse impact on the value of the New Class B LLC Units.

The Debtors' operating performance may be affected by, among other things, government contracts, demand for MSRs and other handgun models of the Debtors, and strategic market positioning. Any one of these factors, and the risks and other factors described in Section VII.C (*Risks Associated with the Debtors' Businesses*) could have a material adverse impact on the Debtors' business, financial condition, cash flows and results of operations, which could have an adverse impact on the value of the New Class B LLC Units issued pursuant to the Plan. Many of the above-referenced factors and risks may be affected by circumstances outside the Debtors' control.

The Financial Projections and other assumed results represent management's current view of the Debtors' future operations based on currently known facts and various hypothetical assumptions. The Financial Projections and other assumed results may not, however, be representative of the Debtors' future financial performance. The Debtors may not be able to meet the Financial Projections or other results that the Debtors have assumed in projecting their future business prospects. If the Debtors do not achieve the Financial Projections or other assumed results, the Debtors may lack sufficient liquidity to continue operating and meeting its obligations as planned after the Effective Date. See "— Holders of New Class B LLC Units may not be able to recover in future cases of bankruptcy, liquidation, insolvency, or reorganization."

Future issuances of New Class A LLC Units and New Class B LLC Units may cause holders to incur substantial dilution, and only holders that are "accredited investors" and holding more than 1% of the voting power of the Reorganized Parent will have preemptive rights.

New Class A LLC Units and New Class B LLC Units are subject to dilution as a result of the issuance of new equity securities after the effectiveness of the Plan. In addition, as part of the Plan, the Reorganized Parent intends to adopt the New Management Incentive Plan to be effective following the Effective Date, which provides for up to 10% of New Class A LLC Units to be issued to the management of the Reorganized Parent and the Debtors. Following the occurrence of a Liquidity Event, New Class A LLC Units will be automatically converted into New Class B LLC Units with the conversion ratio reflecting the Participation Ratio (as adjusted pursuant to the terms set forth in the Offering Term Sheet), and New Class B LLC Units will be diluted by such conversions of New Class A LLC Units. Further, one-half of the New Class A LLC Units issued in connection with the New Management Incentive Plan and one-half of the New Class A LLC Units issued to NPA will dilute the New Class B LLC Units in accordance with the Participation Ratio. See Section V.C.4.a to this Disclosure Statement (*New Class A LLC Units*) for a description of the conversion of New Class A LLC Units to New Class B LLC Units. Such grants, issuances, or conversion may result in substantial dilution in ownership of New Class B LLC Units issued pursuant to the Plan. Only holders that are "accredited investors" and holding 1% or more of the voting power of the Reorganized Parent will be granted

preemptive rights, subject to customary exclusions (such as the issuance of the management incentive awards and the conversion of the New Class A LLC Units).

The amount of New Class B LLC Units to be provided to holders of Senior Notes does not reflect any independent valuation of New Class B LLC Units or the Senior Notes.

The Debtors have not obtained or requested a fairness opinion from any banking or other firm as to the fairness of the conversion ratios or the relative values of New Class B LLC Units or the Senior Notes. If the Plan is consummated, a holder of Senior Notes may or may not receive more or as much value than if the Plan was not consummated.

The price of New Class B LLC Units may be volatile, which could cause investors to incur trading losses and lose all or a portion of their investments.

To the extent a public market for New Class B LLC Units develops following the consummation of the Plan, the market price of New Class B LLC Units as compared to the trading price of Senior Notes may decline below the conversion ratio under the Plan, which could result in trading losses or the loss of all or a portion of your investment in New Class B LLC Units. Some companies that have had volatile market prices for their securities have been subject to securities class action suits filed against them. If a suit were to be filed against the Reorganized Parent or any of its subsidiaries, regardless of the outcome, it could result in substantial costs and a diversion of management's attention and resources.

The Reorganized Parent will be a holding company and its obligations are, or will be, structurally subordinated to existing and future liabilities and preferred stock of its subsidiaries.

The Reorganized Parent's principal assets consist of the shares of capital stock or other equity instruments of its subsidiaries and, accordingly, its cash flows and ability to meet its obligations are (or will be) largely dependent upon the earnings of its subsidiaries and the payment of such earnings to the Reorganized Parent in the form of dividends, distributions, loans, or otherwise, and repayment of loans or advances from the Reorganized Parent. These subsidiaries are (or will be) separate and distinct legal entities and have (or will have) no obligation (other than any existing contractual obligations, which may be suspended or altered in the Chapter 11 Cases) to provide the Reorganized Parent with funds for its payment obligations, including the payment of dividends to holders of equity securities of the Reorganized Parent. Any decision by a subsidiary to provide the Reorganized Parent, as its direct or indirect parent, as applicable, with funds for its payment obligations, whether by dividends, distributions, loans, or otherwise, will depend on, among other things, the subsidiary's results of operations, financial condition, cash requirements, contractual restrictions, and other factors. In addition, a subsidiary's ability to pay dividends may be limited by covenants in its existing and future debt agreements, applicable law and the Chapter 11 Cases. Because the Reorganized Parent is a holding company, its obligations to its creditors and its security holders are (or will be) structurally subordinated to all existing and future liabilities and existing and future preferred stock of its subsidiaries that do not guarantee such obligations. Therefore, with respect to subsidiaries which do not guarantee the Reorganized Parent's obligations, the Reorganized Parent's rights and the rights of its creditors and its equity security holders to participate in the assets of any subsidiary in the event that such a subsidiary is liquidated or reorganized are subject to the prior claims of such subsidiary's creditors and holders of such subsidiary's preferred stock. To the extent the Reorganized Parent may be a creditor with recognized claims against any of its subsidiaries, the Reorganized Parent's claims would still be subject to the prior claims of such subsidiary's creditors to the extent that they are secured or senior to those held by the Reorganized Parent. Further, the rights of holders of the equity securities of the Reorganized Parent, including holders of New Class B LLC Units, are structurally subordinated to the rights of the Reorganized Parent's creditors. See "The Debtors have a

substantial amount of indebtedness, which could have a material adverse effect on their financial health and their ability to obtain financing in the future and to react to changes in their business."

Holders of New Class B LLC Units may not be able to recover in future cases of bankruptcy, liquidation, insolvency, or reorganization.

Upon implementation of the Plan, each holder of New Class B LLC Units will become subordinated to all liabilities of the Reorganized Parent's subsidiaries and any creditors of the Reorganized Parent. Therefore, the assets of the subsidiaries of the Reorganized Parent or the Reorganized Parent would not be available for distribution to any holder of New Class B LLC Units in any bankruptcy, liquidation, insolvency, or reorganization of the Reorganized Parent unless and until all indebtedness of the Reorganized Parent and its subsidiaries has been paid, obligations of holders of preferred stock of the Reorganized Parent's subsidiaries have been satisfied, and the Priority Return on account of New Class A LLC Units has been paid. The remaining assets of the Reorganized Parent and its subsidiaries may not be sufficient to satisfy the outstanding claims of its equity holders, including the holders of New Class B LLC Units.

The Reorganized Parent will be exempt from the corporate governance requirements of the national securities exchanges.

Because the Reorganized Parent is not a "listed issuer" as defined under Section 10A-3 of the Securities Exchange Act of 1934, as amended, and it will not be one until its equity securities are listed on a national security exchange, among other actions, it is not required to maintain a board consisting of a majority of independent directors. Upon the effectiveness of the Plan, the Reorganized Parent's Board of Directors will initially consist of seven (7) members—the Chief Executive Officer of the Reorganized Debtors, two directors designated by Fidelity/Newport, two independent directors, and two directors designated by the Sciens Group. As a result, the independent directors do not have as much influence over the Reorganized Parent's corporate policy as they would if the independent directors comprised a majority of the Reorganized Parent's Board of Directors. Further, subject to certain exceptions, the Participating Consortium Holders will have the right to designate one of the independent directors and Fidelity/Newport and the Sciens Group will collectively have the right to designate the other independent director. The Reorganized Parent is also not required to maintain an audit committee, nominating committee, or compensation committee consisting solely of independent directors because it is not a "listed issuer." The Reorganized Parent does not have a standing audit committee, nominating committee, or compensation committee. Therefore, holders of New Class B LLC Units will not have the protection afforded to equity holders of listed issuers with respect to the selection of director nominees because the Reorganized Parent's director nominees do not have to be selected or recommended by a majority of the independent directors or a nomination committee comprised solely of independent directors. Additionally, holders of New Class B LLC Units will not be afforded the protection of oversight of the Reorganized Parent's executive officers' compensation by independent directors that they would otherwise receive if the Reorganized Parent were a listed issuer.

The Reorganized Debtors will no longer be required to file periodic and other reports with the SEC and their financial information will not be available to holders of New Class B LLC Units.

The current indenture governing the Senior Notes requires the Debtors to file with the SEC on a voluntary basis all quarterly and annual financial information and current reports that would be required to be filed with the SEC on Forms 10-Q, 10-K and 8-K if the Debtors were required to file such reports. None of the agreements governing the Debtors' other securities require them to file information with the SEC. Upon the effectiveness of the Plan, the Reorganized Debtors will no longer be required to file these reports with the SEC. Instead, the Reorganized Debtors will only provide annual and quarterly

financial statements and an annual budget to, and conduct quarterly management calls for, creditors under the Senior Loan Exit Facility, the Third Lien Exit Facility, holders of more than 3% of the voting power of the Reorganized Parent, and holders of more than 1% of the voting power of the Reorganized Parent that are Backstop Parties, while other holders of the Reorganized Parent's securities, including holders of the New Class B LLC Units, who are not creditors under the Senior Loan Exit Facility, the Third Lien Exit Facility, holders of more than 3% of the voting power of the Reorganized Parent, or holders of more than 1% of the voting power of the Reorganized Parent that are Backstop Parties will not be provided such information. As a result, only certain holders of New Class B LLC Units will receive such information and such information will be less than the information the Debtors currently file with the SEC and some holders of New Class B LLC Units will not receive any information regarding the Reorganized Parent or its subsidiaries. Consequently, at the time a holder the New Class B LLC Units chooses to sell its units, it may not have current information regarding the Reorganized Parent's or its subsidiaries' results of operations or financial condition.

VIII.

VOTING PROCEDURES AND REQUIREMENTS

The Disclosure Statement Order entered by the Bankruptcy Court approved certain procedures for the solicitation of votes to approve the Plan, including setting the deadline for voting, which Holders of Claims or Equity Interests are eligible to receive ballots to vote on the Plan, and certain other voting procedures. There will be no separate voting process for Canadian Holders of Claims or Equity Interests, and Canadian Holders of Claims or Equity Interests will be subject to the voting process set forth in the Disclosure Statement Order, as recognized by the Canadian Court.

THE DISCLOSURE STATEMENT ORDER IS HEREBY INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN. YOU SHOULD READ THE DISCLOSURE STATEMENT ORDER, THE CONFIRMATION HEARING NOTICE, AND THE INSTRUCTIONS ATTACHED TO YOUR BALLOT IN CONNECTION WITH THIS SECTION, AS THEY SET FORTH IN DETAIL, AMONG OTHER THINGS, PROCEDURES GOVERNING VOTING DEADLINES AND OBJECTION DEADLINES.

The Plan, though proposed jointly and consolidated for purposes of making distributions to Holders of Claims or Equity Interests under the Plan, constitutes a separate Plan proposed by each Debtor. Therefore, the classifications set forth in the Plan apply separately with respect to each Plan proposed by, and the Claims against and Equity Interests in, each Debtor. Your vote will count as votes for or against, as applicable, each Plan proposed by each Debtor.

A. Voting Deadline

The following is a summary of certain voting procedures set forth more fully in the Disclosure Statement Order and the instructions attached to your Ballot. Again, you should read the Disclosure Statement Order, the Confirmation Hearing Notice, and the instructions attached to your Ballot.

If you are entitled to vote to accept or reject the Plan, a Ballot(s) has been enclosed in your Solicitation Package for the purpose of voting on the Plan. Please vote and return your Ballot(s) to the Voting Agent at Colt Ballot Processing, c/o KCC LLC, 2335 Alaska Avenue, El Segundo, California 90245, unless you are (i) a beneficial owner of a security who receives a Ballot from a Master Ballot Agent, in which case you must return the Ballot to that Master Ballot Agent (or as otherwise instructed by

your Master Ballot Agent), or (ii) a Master Ballot Agent, in which case you must return your Ballot to the Voting Agent at Colt Ballot Processing, c/o KCC LLC, 1290 Avenue of the Americas, 9th Floor, New York, New York 10104. Ballots should not be sent directly to the Debtors or their agents (other than the Voting Agent).

After carefully reviewing (1) the Plan, (2) this Disclosure Statement, (3) the Disclosure Statement Order, and (4) the detailed instructions accompanying your Ballot, please indicate on your Ballot your vote to accept or reject the Plan. In order for your vote to be counted, you must complete and sign your original Ballot (copies will not be accepted) and return it to the appropriate recipient (*i.e.*, either a Master Ballot Agent or the Voting Agent) so that it is actually received by the Voting Deadline by the Voting Agent.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

If you are the beneficial owner of Senior Notes held in street name through more than one Master Ballot Agent, for your votes with respect to such Senior Notes to be counted, your Ballots must be mailed to the appropriate Master Ballot Agents at the addresses on the envelopes enclosed with your Ballots so that such Master Ballot Agent has sufficient time to record the votes of such beneficial owner on a Master Ballot and return such Master Ballot so it is actually received by the Voting Agent by the Voting Deadline.

All other ballots, in order to be counted, must be properly completed in accordance with the voting instructions on the ballot and **actually received** no later than the Voting Deadline (i.e., **December [7], 2015, at 4:00 p.m. (prevailing Eastern time)**) by the Voting Agent via regular mail, overnight courier, or personal delivery at the appropriate address. Except with respect to Master Ballots, no Ballots may be submitted by electronic mail or any other means of electronic transmission, and any Ballots submitted by electronic mail or other means of electronic transmission will not be accepted by the Voting Agent. Ballots should not be sent directly to the Debtors.

IN ACCORDANCE WITH THE DISCLOSURE STATEMENT ORDER, IN ORDER TO BE CONSIDERED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN, ALL BALLOTS MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN **4:00 P.M. (PREVAILING EASTERN TIME) ON DECEMBER [7], 2015**. BALLOTS SUBMITTED BY BENEFICIAL OWNERS OF SENIOR NOTES TO A MASTER BALLOT AGENT MUST BE RECEIVED BY SUCH MASTER BALLOT AGENT WITH SUFFICIENT TIME TO ENABLE THE MASTER BALLOT AGENT TO DELIVER A MASTER BALLOT TO THE VOTING AGENT BEFORE THE VOTING DEADLINE. ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE VOTING AGENT BEFORE THE VOTING DEADLINE WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN. EXCEPT WITH RESPECT TO MASTER BALLOTS, WHICH BALLOTS MAY BE SUBMITTED BY ELECTRONIC MAIL, NO BALLOTS MAY BE SUBMITTED BY ELECTRONIC MAIL OR OTHER MEANS OF ELECTRONIC SUBMISSION, AND ANY BALLOTS OTHER THAN MASTER BALLOTS SUBMITTED BY ELECTRONIC MAIL OR OTHER MEANS OF ELECTRONIC SUBMISSION WILL NOT BE ACCEPTED BY THE VOTING AGENT.

FOR DETAILED VOTING INSTRUCTIONS, SEE THE DISCLOSURE STATEMENT ORDER.

B. Holders of Claims Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is deemed to be "impaired" under a plan unless (1) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or equity interest entitles the holder thereof; or (2) notwithstanding any legal right to an accelerated payment of such claim or equity interest, the plan (a) cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy), (b) reinstates the maturity of such claim or equity interest as it existed before the default, (c) compensates the holder of such claim or equity interest for any damages resulting from such holder's reasonable reliance on such legal right to an accelerated payment and (d) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

In general, a holder of a claim or equity interest may vote to accept or reject a plan if (1) the claim or equity interest is "allowed," which means generally that it is not disputed, contingent or unliquidated, and (2) the claim or equity interest is impaired by a plan. However, if the holder of an impaired claim or equity interest will not receive any distribution under the plan on account of such claim or equity interest, the Bankruptcy Code deems such holder to have rejected the plan and provides that the holder of such claim or equity interest is not entitled to vote on the plan. If the claim or equity interest is not impaired, the Bankruptcy Code conclusively presumes that the holder of such claim or equity interest has accepted the plan and provides that the holder is not entitled to vote on the plan.

AS SET FORTH IN THE CONFIRMATION HEARING NOTICE AND IN THE DISCLOSURE STATEMENT ORDER, HOLDERS OF DISPUTED, CONTINGENT, OR UNLIQUIDATED CLAIMS MUST FILE MOTIONS TO HAVE THEIR CLAIMS TEMPORARILY ALLOWED FOR VOTING PURPOSES SO THAT IT IS RECEIVED BY THE LATER OF (A) NOVEMBER [30], 2015, OR (B) TEN DAYS AFTER THE DATE OF SERVICE OF A NOTICE OF OBJECTION, IF ANY, TO SUCH CLAIM.

A vote on the Plan may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for determining the amount of Claims that each creditor is entitled to vote in these Chapter 11 Cases and how votes will be counted under various scenarios.

For purposes of the Plan, only Holders of record of Claims and Equity Interests in the following Classes, as of the applicable Voting Record Date show below and established by the Debtors for purposes of this solicitation are entitled to vote:

Class 2 — Term Loan Claims (Voting Record Date: November [20], 2015)

Class 4 — Senior Notes Claims (Voting Record Date: November [6], 2015)

Class 5 — Qualified Unsecured Trade Claims (Voting Record Date: November [20], 2015)

Class 6 — General Unsecured Claims (Voting Record Date: November [20], 2015)

If your Claim or Equity Interest is not in one of these Classes, you are not entitled to vote on the Plan, and you will not receive a ballot with this Disclosure Statement. If your Claim or Equity Interest is in one of these Classes, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement. **IF AN OBJECTION HAS BEEN FILED WITH RESPECT TO YOUR CLAIM OR EQUITY INTEREST, YOU ARE NOT**

ENTITLED TO VOTE ON THE PLAN UNLESS YOU OBTAIN AN ORDER OF THE BANKRUPTCY COURT EITHER RESOLVING THE OBJECTION OR TEMPORARILY ALLOWING YOUR CLAIM OR EQUITY INTEREST FOR VOTING PURPOSES.

IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, YOU MAY CONTACT THE VOTING AGENT AT:

If calling from within the United States: +1 (888) 251-3076

If calling from outside the United States: +1 (310) 751-2617

C. Vote Required for Acceptance by a Class

The Bankruptcy Code defines acceptance of a plan by a Class of Claims as acceptance by Holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the Claims of that Class that cast ballots for acceptance or rejection of the plan. Thus, acceptance by a Class of Claims occurs only if at least two-thirds (⅔) in dollar amount and a majority in number of the Holders of Claims voting cast their ballots to accept the plan.

Furthermore, the Bankruptcy Code defines acceptance of a plan by a Class of Equity Interests as acceptance by Holders of at least two-thirds (⅔) in amount of the Equity Interests in that Class that cast ballots for acceptance or rejection of the plan. Thus, acceptance by a Class of Equity Interests occurs only if at least two-thirds (⅔) in amount of the Holders of Equity Interests voting cast their ballots to accept the plan.

If no ballots are cast with respect to a particular Class of Claims or Equity Interests, that Class will be deemed to accept the Plan.

D. Presumed Acceptance or Rejection of the Plan

Classes 1, 3, 7, and 8 are Unimpaired under the Plan. Holders of Claims or Equity Interests in such Classes are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

Class 9 is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and is not entitled to vote to accept or reject the Plan.

IX.

CONFIRMATION OF THE PLAN

A. Voting Procedures and Solicitation of Votes

The voting procedures and the procedures governing the solicitation of votes are described above in Section I.B (*Voting on the Plan*) and Section VIII (*Voting Procedures and Requirements*), and in the Disclosure Statement Order, which has been sent to you with this Disclosure Statement if you are entitled to vote on the Plan.

B. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Order, the Confirmation Hearing has been scheduled for December [16], 2015, commencing at 10:00 a.m. (prevailing Eastern time), before the Honorable Laurie Selber Silverstein, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing and filed with the Bankruptcy Court.

Objections, if any, to confirmation of the Plan must be filed and served so that they are received on or before December [9], 2015, at 4:00 p.m. (prevailing Eastern time). Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Equity Interest held by the objector. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. Objections must be timely served upon the following parties: (i) co-counsel to the Debtors, O'Melveny & Myers LLP, Times Square Tower, Seven Times Square, New York, New York 10036 (Attn: John J. Rapisardi, Esq., Peter Friedman, Esq., and Joseph Zujkowski, Esq.) and Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801 (Attn: Mark D. Collins, Esq., and Jason M. Madron, Esq.); (ii) co-counsel to the DIP Senior Loan Lenders and Prepetition Senior Loan Lenders, Brown Rudnick LLP, Times Square Tower, Seven Times Square, New York, New York 10036 (Attn: Robert J. Stark, Esq.) and One Financial Center, Boston, Massachusetts 02111 (Attn: Steven Levine, Esq.) and Ashby & Geddes LLP, 500 Delaware Avenue, No. 8, Wilmington, Delaware 19801 (Attn: William P. Bowden, Esq.); (iii) co-counsel to the DIP Term Loan Lender and Prepetition Term Loan Lender, Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019 (Attn: John Longmire, Esq.) and Morris, Nichols, Arsht & Tunnell LLP, 1201 North Market Street, 16th Floor, Wilmington, Delaware 19899 (Attn: Robert Dehney, Esq.); (iv) co-counsel to the Committee, Kilpatrick Townsend & Stockton LLP, 1100 Peachtree Street NE, Suite 2800, Atlanta, Georgia 30309 (Attn: Todd Meyers, Esq.) and The Grace Building, 1114 Avenue of the Americas, New York, New York 10036 (Attn: David Posner, Esq., and Shane Ramsey, Esq.) and Klehr Harrison Harvey Branzburg LLP, 919 Market Street, Suite 1000, Wilmington, Delaware 19801 (Attn: Domenic Pacitti, Esq.); (v) counsel to the Prepetition Senior Loan Agent, Holland & Knight LLP, 131 South Dearborn Street, Chicago, Illinois, 60603 (Attn: Barbra R. Parlin, Esq.); (vi) the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Federal Building, 844 North King Street, Suite 2207, Wilmington, Delaware 19801 (Attn: Tiiara N.A. Patton, Esq.).; (viii) the IRS, (ix) the United States Department of Justice, (x) any persons who have filed a request for notice in the Chapter 11 Cases; and (xi) such other parties as the Bankruptcy Court may order.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

Should a Confirmation Order be entered, it is anticipated that recognition of such order will be sought in the Canadian Proceeding thereafter.

C. General Requirements of Section 1129

1. Requirements of Section 1129(a) of the Bankruptcy Code

a. General Requirements

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

The Plan complies with the applicable provisions of the Bankruptcy Code;

The Debtors have complied with the applicable provisions of the Bankruptcy Code;

The Plan has been proposed in good faith and not by any means proscribed by law;

Any payment made or promised by the Debtors or by an Entity issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtors, an affiliate of the Debtors participating in a Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider;

With respect to each Class of Claims or Equity Interests, each Holder of an Impaired Claim or Impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan on account of such Holder's Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount such Holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test," below;

Except to the extent that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each Class of Claims or Equity Interests has either accepted the Plan or is Unimpaired under the Plan;

Except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expense Claims and Priority Non-Tax Claims will be paid in full, in Cash, on the Effective Date and that Holders of Priority Tax Claims may receive on account of such Claims deferred Cash payments, over a period not exceeding five (5) years after the Petition Date, of a value as of the Effective Date, equal to the Allowed amount of such Claims with interest from the Effective Date;

At least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such Class;

Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor of the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of "Feasibility," below; and

All fees payable under section 1930 of title 28, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date.

b. Best Interests Test

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that each Holder of an Impaired Claim or Impaired Equity Interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Debtors will file an amended version of this Disclosure Statement not later than fourteen (14) days before the date scheduled for the hearing by the Bankruptcy Court to consider approval of the Disclosure Statement (as amended), which, among other things, will contain a liquidation analysis and an update to this Section IX.C.1.b. The Debtors will file an amended version of this Disclosure Statement not later than fourteen (14) days before the date scheduled for the hearing by the Bankruptcy Court to consider approval of the Disclosure Statement (as amended), which, among other things, will contain (i) financial projections that establish that the Plan is feasible as required under section 1129(a)(11) of the Bankruptcy Code and (ii) an analysis of the estimated value of the Reorganized Debtors on a going concern basis

c. Feasibility of the Plan

As noted above in Section VI (*Projections and Valuation Analysis*), the Debtors will file an amended version of this Disclosure Statement not later than fourteen (14) days before the date scheduled for the hearing by the Bankruptcy Court to consider approval of the Disclosure Statement (as amended), which, among other things, will contain financial projections establishing that the Plan is feasible as required under section 1129(a)(11) of the Bankruptcy Code.

2. Requirements of Section 1129(b) of the Bankruptcy Code

Section 1129(b) of the Bankruptcy Code allows the Bankruptcy Court to confirm the Plan over the rejection of the Plan by an Impaired Class of Claims or Equity Interests if the Plan has been accepted by at least one Impaired Class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding the rejection of the Plan by an Impaired Class, the Plan may be confirmed, at the Debtors' request, in a procedure commonly known as a "cramdown" so long as the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims or Equity Interests that is Impaired under, and has not accepted, the Plan. If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code.

a. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan of reorganization. The test does not require that the treatment be the same but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims or equity interests of equal rank (*e.g.*, classes of

the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly.

b. Fair and Equitable Test

This test applies to classes of different priority (*e.g.*, unsecured versus secured) and includes the general requirement that no class of claims or equity interests receive more than 100% of the allowed amount of the claims or equity interests in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or equity interests in such class:

Secured Claims. Each holder of an impaired secured claim either (i) retains its Liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred Cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim or (ii) receives the "indubitable equivalent" of its allowed secured claim.

Unsecured Claims. Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan on account of such junior claims and equity interests.

Equity Interests. Either (i) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (x) the fixed liquidation preference or redemption price, if any, of such stock and (y) the value of the stock or (ii) the holders of equity interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan.

The Plan requests that the Bankruptcy Court confirm the Plan notwithstanding the rejection of the Plan by a Class of Claims or Equity Interests. In the event that any Class rejects the Plan, the Debtors submit that the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement for "cramdown" under section 1129(b) of the Bankruptcy Code. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan. The Debtors also may amend the Plan in accordance with Section 12.7 of the Plan (*Modifications and Amendments*) and applicable provisions of the Bankruptcy Code.

X.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed with respect to any of the Debtors, the following alternatives are available: (i) confirmation of another chapter 11 plan; (ii) conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code; or (iii) dismissal of the Chapter 11 Cases leaving holders of Claims and Equity Interests to pursue available non-bankruptcy remedies. These alternatives to the Plan are very limited and not likely to benefit holders of Claims or Equity Interests.

If the Debtors, or any other party in interest (if the Debtors' exclusive period in which to file a plan has expired), could attempt to formulate a different plan, such a plan might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of the Debtors' assets under chapter 11. The Debtors have concluded that the Plan enables creditors and equity holders to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtors would still

incur the expenses associated with closing or transferring to new facilities. The process would be carried out in a more orderly fashion over a greater period of time. Further, if a trustee were not appointed, because such appointment is not required in a chapter 11 case, the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, the Debtors believe that liquidation under chapter 11 is a much less attractive alternative to creditors and equity holders than the Plan because of the greater return provided by the Plan.

If the Chapter 11 Cases are dismissed, holders of Claims or Equity Interests would be free to pursue non-bankruptcy remedies in their attempts to satisfy Claims against or Equity Interests in the Debtors. However, in that event, holders of Claims or Equity Interests would be faced with the costs and difficulties of attempting, each on its own, to recover from a non-operating entity. Accordingly, the Debtors believe that the Plan will enable all creditors to realize the greatest possible recovery on their respective Claims with the least delay.

XI.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain United States ("**U.S.**") federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and holders of Claims that are entitled to vote on the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), the U.S. Treasury Regulations promulgated thereunder (the "**Regulations**"), judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (the "**IRS**"), all as in effect on the date hereof (collectively, "**Applicable Tax Law**"). Changes in such rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not apply to Holders of Claims that are not "U.S. persons" (as such phrase is defined in the Tax Code). This summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the Tax Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or who will hold the New Class B LLC Units as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims who are themselves in bankruptcy). In addition, the following summary does not address the U.S. federal income tax consequences of the Plan to Holders of Allowed Claims or Equity Interests that are Unimpaired or otherwise not entitled to vote under the Plan. Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and assumes that the holder receives only the consideration provided for under the Plan to all holders of similar Claims. This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain United States Federal Income Tax Consequences to the Debtors and the Reorganized Debtors

Based on the limited information available, the tax posture of the Debtors is uncertain. Consummation of the Plan may result in recognition of income, deductions, gain or loss with respect to which the Debtors may incur regular tax and/or alternative minimum tax. Any such tax would constitute an administrative expense of the Debtors. There can be no assurance that the amounts available for distribution with respect to the Allowed Claims would not be reduced by any such federal income tax payments required to be made by the Debtors.

1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and 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 consideration received by a holder of indebtedness generally would equal the amount of Cash, the fair market value of property (including stock), and/or the issue price of any new debt instrument as determined under sections 1273 or 1274 of the Tax Code.

Under section 108 of the Tax Code, a debtor is not required to include 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. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes — such as net operating loss ("**NOL**") carryforwards, current year NOLs, tax credits, and tax basis in assets — by the amount of the excluded COD income (but, in the case of tax basis in assets, the reduction shall not be in an amount greater than the excess of the aggregate tax bases of the property held by the debtor immediately after the discharge over the debtor's aggregate liabilities immediately after the discharge). The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined.

The Debtors expect to realize COD Income as a result of the discharge of certain Allowed Claims for Cash, notes or New Class B LLC Units under the Plan. The total amount of COD Income, and accordingly the amount of tax attributes required to be reduced by the Debtors, will depend on the fair market value of the New Class B LLC Units exchanged for the Senior Notes Claims. This value cannot be known with certainty at this time. However, as a result of confirmation of the Plan, the Debtors expect that there will be a material amount of excluded COD Income and, accordingly, elimination or reductions in certain tax attributes of the Debtors, including NOLs.

2. Recognition of Gain or Loss on Disposition of Assets

Pursuant to the Plan, the Debtors may dispose of certain of their assets in full or partial satisfaction of certain Claims (such as the Allowed Class 3 Other Secured Claims). A disposition by a taxpayer of assets to a creditor in exchange for satisfaction of claims secured by such assets is treated for tax purposes as a sale by the Debtor of the assets for (a) the amount of the claim satisfied (if the claims are nonrecourse to the taxpayer) or (b) for the assets' fair market value (if the claims are recourse to the

taxpayer) with the excess of the amount of the claim over the assets' fair market value treated as COD Income. The Debtors expect to take the position that the Allowed Class 3 Other Secured Claims constitute recourse debt for tax purposes, and thus expect to recognize gain (or loss) equal to difference between their tax basis in the assets disposed in satisfying the Allowed Class 3 Other Secured Claims and such assets' fair market value. Any excess of the Claim over the fair market value of the assets will be treated as COD Income. However, the characterization of debt as recourse or nonrecourse for tax purposes is complicated and there can be no assurance the IRS would agree with this characterization.

3. Limitation of NOL Carry Forwards and Other Tax Attributes

The Debtors expect that the Reorganized Debtors will succeed to the tax attributes of the Debtors remaining after any reduction attributable to COD Income or to any gain on a disposition of assets, including without limitation any remaining NOL and other loss or credit carryovers, if any.

Following the Effective Date, any remaining NOL carryover, capital loss carryover, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors allocable to periods before the Effective Date (collectively, the "**Pre-Change Losses**") may be subject to limitation or elimination under sections 382 and 383 of the Tax Code as a result of an "ownership change" of the Debtors by reason of the transactions pursuant to the Plan. This limitation is independent of, and in addition to, the reduction of tax attributes described in the above sections resulting from the exclusion of COD Income and the recognition of gain on the disposition of assets.

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the Tax Code are complicated, but as a general matter, the issuance of the New Class A LLC Units and New Class B LLC Units pursuant to the Plan will likely result in an "ownership change" of the Debtors for these purposes, and the Reorganized Debtors' use of the Debtors' Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the Tax Code applies.

a. General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs, currently at 2.82%). Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Under section 382 of the Tax Code, if a loss corporation (or consolidated group) has a net unrealized built-in gain (generally, the excess, if any, of the aggregate fair market value of the corporation's assets over the aggregate tax basis of such assets on the ownership change date) at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its otherwise limited pre-change losses against such built-in gain in addition to its regular annual allowance. Conversely, if the loss corporation (or consolidated group) has a net unrealized built-in loss (generally, the excess, if any, of the aggregate tax basis of the corporation's assets over the aggregate fair market value of such assets on the ownership change date) at the time of an ownership change, any built-in losses recognized during the

following five years (up to the amount of the original net built-in loss) generally would be treated as part of the pre-change losses that are subject to the annual limitation. A loss corporation's (or consolidated group's) net unrealized built-in gain or net unrealized built-in loss generally will be deemed to be zero unless it is greater than the lesser of (x) $10 million or (y) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. The Debtors have not determined whether they will be in a net unrealized built-in loss or net realized built-in gain position or be deemed to have a net unrealized built-in loss/gain of zero on the Effective Date.

b. Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "**382(l)(5) Exception**"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, such losses will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization.

If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Debtors' ability to use Pre-Change Losses after that second "ownership change" would be eliminated prospectively.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "**382(l)(6) Exception**"). Under the 382(l)(6) Exception, the limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce its Pre-Change Losses by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo another change of ownership within two years without triggering the elimination of its Pre-Change Losses.

The determination of the application of section 382(l)(5) of the Tax Code is highly fact specific. The Debtors have not yet determined whether, if they qualify for the special rule under section 382(l)(5) of the Tax Code, they would rely on section 382(l)(5) or section 382(l)(6). Any election to rely on section 382(l)(6) of the Tax Code rather than section 382(l)(5) would have to be made in the Reorganized Parent's consolidated U.S. federal income tax return for the taxable year in which the ownership change occurs.

C. Certain U.S. Federal Income Tax Consequences to Certain Holders of Claims

1. Consequences to Holders of Class 2 Claims

The Debtors anticipate that pursuant to the Term Loan Exit Term Sheet, the holders of the Allowed Class 2 Term Loan Claims will provide the Reorganized Debtors with a Term Loan Exit Facility. If the Term Loan Exit Facility represents a significant modification of the Term Loan under

Applicable Tax Law, a holder of the Allowed Class 2 Term Loan Claims will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the issue price of such holder's share of the Term Loan Exit Facility and (b) the holder's adjusted tax basis in its Claim. 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 tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim constitutes a capital asset in the hands of the holder, whether the Claim was purchased at a discount, and whether and to what extent the holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest" and "Market Discount" below. If the Term Loan Exit Facility does not represent a significant modification of the Term Loan, a holder of the Allowed Class 2 Term Loan Claims will generally not recognize income, gain or loss for U.S. federal income tax purposes pursuant to the satisfaction of the Allowed Class 2 Term Loan Claim under the Plan, and such holder should have a tax basis in its interest in the Term Loan Exit Facility equal to its tax basis in the Claim.

2. Consequences to Holders of Class 4 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each holder of an Allowed Class 4 Senior Notes Claim will receive its Pro Rata share of the New Class B LLC Units. The tax treatment of such exchange to the holders is unclear. The Plan provides that the New Class B LLC Units shall be deemed to be transferred, directly or indirectly, by Reorganized Parent to the Debtors that are the Senior Notes obligors, and such New Class B LLC Units shall be deemed to be then transferred by such obligors to the Holders in satisfaction of their Claims. On this basis, such Holders may take the position under applicable tax authority that the exchange is a taxable transaction to the Holders in which they generally recognize income, gain, or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the fair market value of the New Class B LLC Units and (b) the Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss would be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest" and "Market Discount" below. The Holder's tax basis in the New Class B LLC Units would be their fair market value as of the Effective Date and its holding period for the New Class B LLC Units would begin on the day after the Effective Date.

However, it is possible that the Holders of Allowed Class 4 Senior Notes Claims could be treated as exchanging their Claims for the New Class B LLC Units in a transaction governed by Section 351 of the Tax Code. In that event, such Holders would not recognize any income, gain, or loss on the exchange except as described in the discussion of "Accrued Interest" and "Market Discount" below. A Holder's tax basis in its New Class B LLC Units received would generally equal its tax basis in the Claim surrendered by such Holder, increased by the amount of any gain recognized upon the exchange, and its holding period for the New Class B LLC Units received should generally include the Holder's holding period in the Claims surrendered therefor. A different methodology for determining basis might apply to a Holder who also participates in the Offering.

The discussion above assumes that the receipt of the New Class B LLC Units is the sole consideration received by Holders of the Senior Notes Claims pursuant to the Plan, and that the opportunity afforded to some (but not all) of such Holders to participate in the Offering will not be treated as additional consideration in respect of the Senior Notes.

There can be no assurance that the IRS will agree with the tax consequences to the Holders of Allowed Class 4 Senior Notes Claims as set forth herein. Given the uncertainties described

above, each Holder of Allowed Class 4 Senior Notes Claims is urged to consult its own tax advisors regarding the tax treatment of the receipt of New Class B LLC Units in satisfaction of its Claim.

3. Consequences to Holders of Class 5 Claims

Pursuant to the Plan, each Allowed Class 5 Qualified Unsecured Trade Claim, except to the extent that such holders agree to less favorable treatment, will receive Cash as payment in full on account of such Qualified Unsecured Trade Claim upon the later of (i) the Effective Date (for any portion of the Qualified Unsecured Trade Claim that is due on or prior to the Effective Date) and (ii) the date such Allowed Qualified Unsecured Trade Claim (for any portion thereof that is due after the Effective Date) comes due in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date. Such holders will generally recognize income, gain, or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim and (b) the holder's adjusted tax basis in its Claim. 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 tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim constitutes a capital asset in the hands of the holder, whether the Claim was purchased at a discount and whether and to what extent the holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest" and "Market Discount" below.

4. Consequences to Holders of Class 6 Claims

Pursuant to the Plan, each Holder of an Allowed Class 6 General Unsecured Claim shall receive, in full and complete settlement, release, and discharge of such Claim, a note (subordinate to the Exit Facilities) or other consideration as reasonably agreed upon by the Debtors and the RSA Creditor Parties, on the later of (i) the Effective Date and (ii) the date on which such General Unsecured Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter. Such holders will generally recognize income, gain, or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the principal amount of the note or the value of any other consideration received in exchange for its Claim and (b) the holder's adjusted tax basis in its Claim. 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 tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim constitutes a capital asset in the hands of the holder, whether the Claim was purchased at a discount and whether and to what extent the holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest" and "Market Discount" below.

5. Accrued Interest

To the extent that any amount received by a holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the holder as ordinary interest income (to the extent not already taken into income by the holder). Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest was previously included in the holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on a holder's Allowed Claims, the extent to which such consideration will be attributable to

accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, 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. The IRS could take the position that the consideration received by the holder should be allocated in some way other than as provided in the Plan. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

6. Market Discount

Under the "market discount" provisions of the Tax Code, some or all of any gain realized by a holder of a Claim who exchanges the Claim for an amount on the Effective Date may be recognized as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. These provisions apply to taxable dispositions as well as certain otherwise non-taxable dispositions of Claims, such as those pursuant to Section 351 of the Tax Code. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its revised issue price, by at least an amount equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity.

Any gain recognized by a holder on the taxable disposition (and certain otherwise tax-free dispositions) of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claim was considered to be held by the holder (unless the holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a nonrecognition transaction for other property (other than a transaction governed by Section 351 of the Code), any market discount that accrued on the Allowed Claims (i.e., up to the time of the exchange) but was not recognized by the holder prior to, or at the time of the exchange, is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property is treated as ordinary income to the extent of such accrued, but not recognized, market discount. Holders of Claims should consult their own tax advisors regarding the application of the market discount rules to the disposition, taxable or otherwise, of their Claims.

7. Limitation on Use of Capital Losses

A holder of a Claim or Equity Interest who recognizes capital losses as a result of the disposition thereof under the Plan will be subject to limits on the use of such capital losses. For a non-corporate 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 (a) $3,000 annually ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate 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 holders, capital losses may only be used to offset capital gains. A corporate 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.

8. Information Reporting and Backup Withholding

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding requirements. Reorganized Debtors may be required to withhold and sell on behalf of a holder an amount of New Class B LLC Units sufficient to satisfy the withholding requirements applicable to such holder, unless such holder makes other arrangements (such as remitting to Reorganized Debtors directly the amount of taxes owed).

In general, information reporting requirements may apply to distributions or payments under the Plan. Furthermore, interest, dividends and other reportable payments may, under certain circumstances, be subject to backup withholding at the then-applicable rate (currently 28%). Backup withholding generally applies if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) under certain circumstances, is notified by the IRS of a failure to report interest or dividends properly, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct and that the holder is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment to a holder may be refunded by the IRS or allowed as a credit against the holder's U.S. federal income tax liability, provided that the required information is properly furnished to the IRS. Certain persons are exempt from backup withholding, including, under certain circumstances, corporations and financial institutions. Holders of Allowed Claims are urged to consult their own tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

In addition, Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. Holders of Allowed Claims are urged to consult their own tax advisors regarding whether the exchanges contemplated by the Plan would be subject to these regulations and require disclosure on the applicable holder's tax returns.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, PROVINCIAL, CANADIAN OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XII.

CONCLUSION

The Debtors, with the support of the Plan Support Parties, believe the Plan is in the best interests of all creditors and urge the Holders of Allowed Term Loan Claims, Allowed Senior Notes Claims, Allowed Qualified Unsecured Trade Claims, and Allowed General Unsecured Claims to vote to accept the Plan and to evidence such acceptance by returning their signed ballots so that they will be received by the Voting Agent no later than 4:00 p.m. (prevailing Eastern time) on December [7], 2015.

Dated: October 9, 2015

Respectfully Submitted,

COLT HOLDING COMPANY LLC,

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

COLT DEFENSE LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT SECURITY LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT FINANCE CORP.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

NEW COLT HOLDING CORP.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT'S MANUFACTURING COMPANY LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT DEFENSE TECHNICAL SERVICES LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT CANADA CORPORATION

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT INTERNATIONAL COÖPERATIEF U.A.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

CDH II HOLDCO INC.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
COLT HOLDING COMPANY LLC, *et al.*,[1]	:	Case No. 15-11296 (LSS)
Debtors.	:	Jointly Administered

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

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[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are Colt Holding Company LLC (0094); Colt Security LLC (4276); Colt Defense LLC (1950); Colt Finance Corp. (7687); New Colt Holding Corp. (6913); Colt's Manufacturing Company LLC (9139); Colt Defense Technical Services LLC (8809); Colt Canada Corporation (5534); Colt International Coöperatief U.A. (6822); and CDH II Holdco Inc. (1782). The address of the Debtors' corporate headquarters is: 547 New Park Avenue, West Hartford, Connecticut 06110.

Colt Holding Company LLC, Colt Security LLC, Colt Defense LLC, Colt Canada Corporation, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., Colt Defense Technical Services LLC, Colt International Coöperatief U.A., and CDH II Holdco Inc., as debtors and debtors in possession in the above-captioned chapter 11 cases, jointly propose the following chapter 11 plan of reorganization, as it may be amended, supplemented, restated, or modified from time to time, pursuant to section 1121(a) of title 11 of the United States Code. Only Holders of Allowed Term Loan Claims, Allowed Senior Notes Claims, Allowed Qualified Unsecured Trade Claims, and Allowed General Unsecured Claims are entitled to vote on the Plan. Prior to voting to accept or reject the Plan, such Holders are encouraged to read the Plan, the accompanying Disclosure Statement, and their respective exhibits and schedules in their entirety. No materials other than the Plan, the Disclosure Statement, and their respective exhibits and schedules have been authorized by the Debtors for use in soliciting acceptances or rejections of the Plan.

SECTION 1. DEFINITIONS AND INTERPRETATION

A. Definitions.

The following terms used herein shall have the respective meanings defined below (such meanings to be equally applicable to both the singular and plural):

1.1 ***Additional Offering Amount*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.2 ***Administrative Expense Claim*** means any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases described in sections 503(b) or 1129(a)(4) of the Bankruptcy Code and entitled to priority under sections 507(a)(2) or 507(b) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Debtors' Estates or operating the Debtors' businesses; (b) any indebtedness or obligations incurred or assumed by the Debtors, as debtors in possession, during the Chapter 11 Cases; (c) any Allowed compensation for professional services rendered, and Allowed reimbursement of expenses incurred, by a Professional retained by order of the Bankruptcy Court or otherwise Allowed pursuant to section 503(b) of the Bankruptcy Code; and (d) any Administrative Expense Claims Allowed by Final Order of the Bankruptcy Court in connection with the assumption of contracts or otherwise. Any DIP Facility Claim and any fees or charges assessed against the Estate of any of the Debtors under section 1930, chapter 123 of title 28 of the United States Code are excluded from the definition of "Administrative Expense Claim."

1.3 ***Administrative Expense Claim Bar Date*** means the date that is not later than fourteen (14) days before the date scheduled for the Confirmation Hearing.

1.4 ***Allowed*** means, with respect to any Claim or Equity Interest, such Claim or Equity Interest or portion thereof against or in any Debtor: (a) as to which the deadline for objecting or seeking estimation has passed, and no objection or request for estimation has been filed; (b) as to which any objection or request for estimation that has been filed has been settled, waived, withdrawn, or denied by a Final Order; or (c) that is allowed pursuant to the terms of (i)

a Final Order, (ii) an agreement by and among the Holder of such Claim or Equity Interest and the Debtors or the Reorganized Debtors, as applicable, or (iii) the Plan.

1.5 ***Amended Certificate of Formation*** means the amended and restated certificates of formation for the applicable Reorganized Debtor, on terms and conditions acceptable to the Debtors, the Consortium, the Sciens Group, and the Term Loan Exit Lenders, substantially final forms of which shall be contained in the Plan Supplement.

1.6 ***Backstop Agreement*** means the Backstop Agreement that shall be included in the Plan Supplement, the terms of which shall be consistent with the Restructuring Term Sheet and otherwise acceptable to the Consortium and the Reorganized Debtors.

1.7 ***Backstop Parties*** has the meaning ascribed to such term in the Restructuring Support Agreement.

1.8 ***Bankruptcy Code*** means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect on the Petition Date, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

1.9 ***Bankruptcy Court*** means the United States Bankruptcy Court for the District of Delaware, or such other court having jurisdiction over the Chapter 11 Cases or any proceeding within, or appeal of an order entered in, the Chapter 11 Cases.

1.10 ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure, the Official Bankruptcy Forms, or the local rules of the Bankruptcy Court, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

1.11 ***Business Day*** means any day, other than a Saturday, Sunday, or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

1.12 ***Canadian Court*** means the Ontario Superior Court of Justice (Commercial List), or such other Canadian court having jurisdiction over the Canadian Proceedings or any proceeding within, or appeal of an order entered in, the Canadian Proceedings.

1.13 ***Canadian Proceedings*** means the recognition proceeding commenced by Colt Holding Company LLC as foreign representative of the Debtors, pursuant to Part IV of the CCAA, to, among other things, recognize the jointly administered Chapter 11 Cases as a "foreign main proceeding."

1.14 ***Cash*** means legal tender of the United States of America.

1.15 ***Causes of Action*** means all claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages,

judgments, remedies, rights of setoff, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross-claims of any of the Debtors and/or the Estates (including, but not limited to, those actions listed in the Plan Supplement) that are or may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date against any entity, based in law or equity, including, but not limited to, under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise or in law, equity, or otherwise and whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, whether asserted or unasserted as of the date of entry of the Confirmation Order. For the avoidance of doubt, "Cause of Action" includes: (i) the right to object to Claims or Equity Interests; (ii) any claim pursuant to section 362 of the Bankruptcy Code; (iii) any counterclaim or defense, including fraud, mistake, duress, usury, or recoupment; and (iv) any claim or cause of action arising under or authorized by sections 510, 542 through 551, and 553 of the Bankruptcy Code.

1.16 ***CCAA*** means the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c. C-36, as amended.

1.17 ***Chapter 11 Cases*** means the jointly administered cases under chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court.

1.18 ***Claim*** means a claim as defined in section 101(5) of the Bankruptcy Code, as supplemented by section 102(2) of the Bankruptcy Code, against a Debtor, including, but not limited to: (a) any right to payment from a Debtor whether or not any such right is reduced to judgment, liquidated, unliquidated, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (b) any right to an equitable remedy for breach of performance if such performance gives rise to a right of payment from a Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured, whether or not asserted.

1.19 ***Class*** means any group of substantially similar Claims or Equity Interests classified by the Plan pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

1.20 ***Collateral*** means any property or interest in property of the Estate of any Debtor subject to a Lien, charge, or other encumbrance to secure the payment or performance of a Claim, which Lien, charge, or other encumbrance is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable non-bankruptcy law.

1.21 ***Colt Defense Long Term Incentive Plan*** means that certain Colt Defense LLC Long Term Incentive Plan implemented by Colt Defense LLC on March 1, 2012.

1.22 ***Committee*** means the official committee of unsecured creditors appointed by the United States Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as reconstituted from time to time.

1.23 ***Confirmation Date*** means the date upon which the Clerk of the Bankruptcy Court enters the Confirmation Order.

1.24 ***Confirmation Hearing*** means the hearing(s) to be held by the Bankruptcy Court to consider confirmation of the Plan under section 1129 of the Bankruptcy Code.

1.25 ***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.26 ***Confirmation Recognition Order*** means an order of the Canadian Court recognizing and enforcing the Confirmation Order in Canada.

1.27 ***Consortium*** means the ad hoc consortium of holders of the Senior Notes, the members of which are identified in the *Amended Joint Verified Statement of Ashby & Geddes, P.A. and Brown Rudnick LLP Pursuant to Federal Rule of Bankruptcy Procedures 2019* [D.I. 167], filed with the Bankruptcy Court on or about July 7, 2015.

1.28 ***Debtor Subsidiaries*** means, collectively, Colt Defense LLC, Colt Security LLC, Colt Canada Corporation, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., Colt Defense Technical Services LLC, Colt International Coöperatief U.A., and CDH II Holdco Inc.

1.29 ***Debtors*** means, collectively, Colt Holding Company LLC, Colt Security LLC, Colt Defense LLC, Colt Canada Corporation, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., Colt Defense Technical Services LLC, Colt International Coöperatief U.A., and CDH II Holdco Inc.

1.30 ***DIP Agents*** means, collectively, the DIP Senior Loan Agent and the DIP Term Loan Agent.

1.31 ***DIP Credit Agreements*** means, collectively the DIP Senior Loan Agreement and the DIP Term Loan Agreement.

1.32 ***DIP Facilities*** means, collectively, the DIP Senior Loan Facility and the DIP Term Loan Facility.

1.33 ***DIP Facility Claims*** means all Claims against any Debtor related to, arising out of, or in connection with the DIP Facilities. Without limitation of the generality of the foregoing, DIP Facility Claims shall include all "Obligations" as defined in and arising under the DIP Senior Loan Agreement (including, without limitation, all DIP Fee Obligations) and all "Obligations" as defined in and arising under the DIP Term Loan Agreement.

1.34 ***DIP Fee Obligations*** has the meaning ascribed to such term under the DIP Senior Loan Agreement.

1.35 ***DIP Intercreditor Agreement*** means that certain intercreditor agreement, dated as of June 14, 2015, by and between the Debtors, the DIP Senior Loan Agent, the DIP Term Loan Agent, the Senior Loan Agent, and the Term Loan Agent.

1.36 ***DIP Lenders*** means, collectively, the DIP Senior Loan Lenders and the DIP Term Loan Lenders.

1.37 ***DIP Order*** means the *Final Order: (I) Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507 Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Liens and Superpriority Administrative Expense Status, (C) Use Cash Collateral of Prepetition Secured Parties; and (II) Granting Related Relief* [D.I. 202], entered by the Bankruptcy Court on or about July 10, 2015.

1.38 ***DIP Senior Loan Agent*** means the agent or agents for the DIP Senior Loan Lenders under the DIP Senior Loan Agreement.

1.39 ***DIP Senior Loan Agreement*** means that certain First Amended and Restated Senior Secured Super-Priority Debtor-In-Possession Credit Agreement, amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, dated as of June 24, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corporation, as borrowers, CDH II Holdco Inc. and the subsidiaries of Colt Defense LLC, as guarantors, Cortland Capital Market Services LLC, as agent, and the lenders from time to time thereunder.

1.40 ***DIP Senior Loan Claims*** means all Claims derived from, based upon, relating to, or arising under the DIP Senior Loan Facility.

1.41 ***DIP Senior Loan Facility*** means, collectively, (a) the DIP Senior Loan Agreement and (b) the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with, the foregoing.

1.42 ***DIP Senior Loan Lenders*** means the lenders under the DIP Senior Loan Agreement.

1.43 ***DIP Term Loan Agent*** means the agent or agents for the DIP Term Loan Lenders under the DIP Term Loan Agreement.

1.44 ***DIP Term Loan Agreement*** means that certain Senior Secured Superpriority Debtor-In-Possession Term Loan Agreement as amended pursuant to Amendment No. 1 and Amendment No. 2 thereto and as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, dated as of June 14, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., and Colt Canada Corporation, as borrowers, CDH II Holdco Inc. and the subsidiaries of Colt Defense LLC, as guarantors, Wilmington Savings Fund Society, FSB, as agent, and the lenders named therein.

1.45 ***DIP Term Loan Claims*** means all Claims derived from, based upon, relating to, or arising under the DIP Term Loan Facility.

1.46 ***DIP Term Loan Facility*** means, collectively, (a) the DIP Term Loan Agreement and (b) the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with, the foregoing.

1.47 ***DIP Term Loan Lenders*** means the lenders under the DIP Term Loan Agreement.

1.48 ***Disallowed*** means, with respect to any Claim or Equity Interest, such Claim or Equity Interest or portion thereof that has been disallowed or expunged by a Final Order or agreement by the Holder of the Claim or Equity Interest and the Debtors or the Reorganized Debtors.

1.49 ***Disbursement Agent*** means the Debtors or the Reorganized Debtors, or any Person designated by the Debtors or the Reorganized Debtors prior to the Confirmation Hearing, in the capacity as disbursement agent under the Plan.

1.50 ***Disclosure Statement*** means that certain disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.51 ***Disclosure Statement Recognition Order*** means an order of the Canadian Court recognizing and enforcing the order of the Bankruptcy Court approving the Disclosure Statement.

1.52 ***Disputed*** means, with respect to any Claim or Equity Interest, all or the portion of any Claim against, or Equity Interest in, any Debtor that is neither Allowed nor Disallowed, including any Claim or Equity Interest as to which the Debtors have interposed an objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules and such objection or request for estimation has not been withdrawn or determined by a Final Order, or that otherwise is disputed by the Debtors in accordance with applicable law.

1.53 ***Distribution Record Date*** means the date of the commencement of the Confirmation Hearing.

1.54 ***Effective Date*** means the Business Day on or after the Confirmation Date specified by the Debtors on which (i) no stay of the Confirmation Order or the Confirmation Recognition Order is in effect and (ii) the conditions to the effectiveness of the Plan specified in Section 9.2 have been satisfied or waived.

1.55 ***Eligible Holder*** means each Holder of Senior Notes other than Fidelity/Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Reorganized Debtors, and the Sciens Group may agree) in principal amount of Senior Notes and is an "accredited investor."

1.56 ***Entity*** has the meaning set forth in section 101(15) of the Bankruptcy Code.

1.57 ***Equity Interest*** means all outstanding ownership interests in any of the Debtors, including any interest evidenced by common or preferred stock, membership interest, option, or other right to purchase or otherwise receive any ownership interest in any of the Debtors, or any right to payment or compensation based upon any such interest, whether or not such interest is owned by the Holder of such right to payment or compensation.

1.58 ***Estates*** means the estates of the Debtors created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

1.59 ***Exit Facilities*** means, collectively, those certain financing agreements to be entered into on the Effective Date (the "***Exit Credit Agreements***") and the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with, the foregoing, having the principal terms and conditions set forth in the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, and with respect to the Third Lien Exit Facility, the Offering Term Sheet. Forms of the Exit Credit Agreements shall be included in the Plan Supplement.

1.60 ***Exit Intercreditor Agreement*** means that certain intercreditor agreement, upon terms and conditions substantially similar to those of the DIP Intercreditor Agreement, subject to certain modifications acceptable to the Exit Lenders, including those set forth on Annex A to the Term Loan Exit Term Sheet. A form of the Exit Intercreditor Agreement shall be included in the Plan Supplement.

1.61 ***Exit Lenders*** means, collectively, the institutions party from time to time as lenders under the Exit Facilities.

1.62 ***Fidelity/Newport*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.63 ***Final Distribution Date*** means, in the event there exist on the Effective Date any Disputed Claims, a date selected by the Reorganized Debtors in their sole discretion, on which (a) the deadline to object to Disputed Claims has expired and (b) all objections to Disputed Claims have been settled, waived, withdrawn, or otherwise resolved by Final Order.

1.64 ***Final Order*** means an order or judgment entered by the Bankruptcy Court or other court of competent jurisdiction (including the Canadian Court): (a) that has not been reversed, stayed, modified, amended, or revoked, and as to which (i) any right to appeal or seek leave to appeal, certiorari, review, reargument, stay, or rehearing has been waived or (ii) the time to appeal or seek leave to appeal, certiorari, review, reargument, stay, or rehearing has expired and no appeal, motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing is pending or (b) as to which an appeal has been taken, a motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing has been filed and (i) such appeal, motion for leave to appeal or petition for certiorari, review, reargument, stay, or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which leave to appeal, certiorari, review, reargument, stay, or rehearing was sought and (ii) the time to appeal (in the event leave is granted), appeal further or seek leave to appeal, certiorari, further review, reargument, stay, or rehearing has expired and no such appeal, motion for leave to appeal, or petition for certiorari, further review, reargument, stay, or rehearing is pending; *provided*, *however*, that no order or judgment shall fail to be a "Final Order" solely because of the possibility that a motion pursuant to sections 502(j) or 1144 of the Bankruptcy Code, rules 59 or 60 of the Federal Rules of Civil Procedure, any analogous rules under the *Ontario Rules of Civil Procedure* in connection with the Canadian Proceedings, or Bankruptcy Rules 9023 and 9024 may be filed with respect to such order or judgment.

1.65 ***General Bar Date*** means November 20, 2015.

1.66 ***General Unsecured Claim*** means any Claim against any of the Debtors that is (a) not an Administrative Expense Claim, Priority Tax Claim, DIP Facility Claim, Priority Non-Tax Claim, Term Loan Claim, Other Secured Claim, Senior Notes Claim, Qualified Unsecured Trade Claim, or Intercompany Claim or (b) otherwise determined by the Bankruptcy Court to be a General Unsecured Claim.

1.67 ***General Unsecured Note*** has the meaning set forth in Section 4.6(b). A form of the General Unsecured Note shall be included in the Plan Supplement.

1.68 ***Governmental Unit*** has the meaning set forth in section 101(27) of the Bankruptcy Code.

1.69 ***Holder*** means the beneficial holder of any Claim or Equity Interest.

1.70 ***Impaired*** has the meaning set forth in section 1124 of the Bankruptcy Code.

1.71 ***Intercompany Claim*** means any Claim held by (a) a Debtor against another Debtor or (b) a non-Debtor subsidiary of a Debtor against a Debtor.

1.72 ***Lien*** means a lien as defined in section 101(37) of the Bankruptcy Code on or against any of the Debtors' property or the Estates.

1.73 ***Liquidity Event*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.74 ***New Class A LLC Units*** means the equity interests of Reorganized Parent issued pursuant to the Offering (subject to dilution by New Class A LLC Units granted in accordance with the New Management Incentive Plan and issued under the West Hartford Facility Term Sheet) on the terms and conditions summarized in the Offering Term Sheet and to be set forth in the Reorganized Parent LLC Agreement, and which shall be issued in accordance with the Offering Procedures.

1.75 ***New Class B LLC Units*** means the equity interests of Reorganized Parent issued to the Holders of Allowed Senior Notes Claims pursuant to this Plan (subject to dilution by the automatic conversion of New Class A LLC Units upon a Liquidity Event) with the terms described in the Restructuring Term Sheet, to be set forth in the Reorganized Parent LLC Agreement.

1.76 ***New Equity Interests*** means, collectively, New Class A LLC Units and New Class B LLC Units, in each case to the extent outstanding.

1.77 ***New Management Incentive Plan*** means a management incentive plan to be implemented on or after the Effective Date, subject to the terms of the Restructuring Term Sheet, providing for grants of restricted units, Cash, options, warrants, and/or other equity-based compensation to the management of the Reorganized Debtors of up to 10% of the New Class A LLC Units of Reorganized Parent. A form of the New Management Incentive Plan shall be included in the Plan Supplement.

1.78 ***New Organizational Documents*** means, in addition to the Amended Certificate of Formation, any new or amended and restated certificates of incorporation, by-laws, certificates of formation, limited liability company agreements (or documents of similar import, as applicable) for the applicable Reorganized Debtor, on terms and conditions consistent with the Restructuring Term Sheet and acceptable to the Debtors, the Plan Support Parties, and the Term Loan Exit Lenders, substantially final forms of which shall be contained in the Plan Supplement.

1.79 ***NPA*** means NPA Hartford LLC, as landlord under the West Hartford Facility Lease.

1.80 ***Offering*** means the $50 million in new capital to be provided to the Reorganized Debtors on the Effective Date in connection with a private offering consisting of (i) the Third Lien Exit Facility and (ii) the New Class A LLC Units. The terms of conditions of the Offering are summarized in the Offering Term Sheet. The aggregate new capital raised through the Offering may be increased by up to $5 million in accordance with the terms set forth in the Restructuring Term Sheet regarding the Additional Offering Amount.

1.81 ***Offering Procedures*** means those certain rights offering procedures with respect to the Offering, which shall be in accordance with the Restructuring Term Sheet and which shall be included in the Plan Supplement.

1.82 ***Offering Record Date*** means the date to be established in the Offering Procedures as of which a Holder of the Senior Notes must be an Eligible Holder for purposes of participating in the Offering.

1.83 ***Offering Term Sheet*** means the term sheet attached as Exhibit C to the Plan.

1.84 ***Offering Units*** means the units comprised of (i) the debt issued pursuant to the Third Lien Exit Facility and (ii) the New Class A LLC Units.

1.85 ***Order Establishing Interim Compensation Procedures*** means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [D.I. 295], entered by the Bankruptcy Court on or about July 29, 2015.

1.86 ***Other Secured Claim*** means any Secured Claim that is not a Term Loan Claim or a DIP Facility Claim.

1.87 ***Parent*** means Colt Holding Company LLC.

1.88 ***Participating Consortium Holders*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.89 ***Participating Holders*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.90 ***Person*** has the meaning set forth in section 101(41) of the Bankruptcy Code.

1.91 ***Petition Date*** means June 14, 2015.

1.92 ***Plan*** means this joint plan of reorganization under chapter 11 of the Bankruptcy Code, including the exhibits and schedules hereto and the Plan Supplement, as may be amended, supplemented, or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the terms hereof.

1.93 ***Plan Documents*** means the documents to be executed, delivered, assumed, or performed in connection with the consummation and implementation of the Plan.

1.94 ***Plan Supplement*** means the compilation of documents (or forms thereof), schedules, and exhibits filed not later than ten (10) calendar days prior to the first date on which the Confirmation Hearing is scheduled to be held, as such documents, schedules, and exhibits may be altered, amended, modified, or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the terms of this Plan.

1.95 ***Plan Support Parties*** means any Person or Entity that is party to the Restructuring Support Agreement.

1.96 ***Prepetition Intercreditor Agreement*** means that certain Intercreditor Agreement dated as of February 9, 2015, by and among the Senior Loan Agent, the Term Loan Agent, and the Debtors.

1.97 ***Prepetition RSA*** means that certain Restructuring Support Agreement dated May 31, 2015, by and among (i) the Debtor Subsidiaries, (ii) certain lenders under that certain Credit Agreement dated as of February 9, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, and Cortland Capital Market Services LLC, as agent, (iii) certain Term Loan Lenders, (iv) certain Holders of Senior Notes Claims, (v) the Sciens Group, and (vi) NPA.

1.98 ***Priority Non-Tax Claim*** means any Claim against any of the Debtors entitled to priority in right of payment under section 507(a) of the Bankruptcy Code that is not an Administrative Expense Claim or a Priority Tax Claim.

1.99 ***Priority Return*** means the threshold at which Reorganized Parent has made cumulative distributions to holders of New Class A LLC Units in an amount of $50,000,000.

1.100 ***Priority Tax Claim*** means any Claim of a governmental authority of the kind entitled to priority in payment as specified in sections 502(i) or 507(a)(8) of the Bankruptcy Code.

1.101 ***Pro Rata Share*** means, with respect to any distribution on account of any Allowed Claim in any Class, a distribution equal in amount to the ratio (expressed as a percentage) that the amount of such Allowed Claim bears to the aggregate amount of all Claims, as applicable, other than Disallowed Claims, as the case may be, in such Class.

1.102 ***Professionals*** means (a) all professionals employed in the Chapter 11 Cases pursuant to sections 327, 328, 363, or 1103 of the Bankruptcy Code or otherwise and (b) all professionals or other entities seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

1.103 ***Qualified Unsecured Trade Claim*** means (a) all General Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date, which Entities have either (x) executed a Qualified Vendor Support Agreement prior to or on the Voting Deadline or (y) indicated on its Class 5 ballot that, in consideration for its Allowed Claim receiving the treatment provided for Class 5, such Entity elects to be bound to provide payment terms no less advantageous (from the perspective of the Reorganized Debtors) than those terms provided to the Debtors as of twelve months prior to the Petition Date for at least twelve months following the Effective Date; *provided*, *however*, that such Entity receives the payment on its Allowed Claim in accordance with the Plan; *provided*, *further*, that the Debtors are and remain in compliance with such payment terms for the duration of the twelve months; or (b) all Claims designated by the Debtors as a "Qualified Unsecured Trade Claim" for purposes of the Plan by an order of the Bankruptcy Court or agreement of the applicable parties; *provided*, *however*, that Qualified Unsecured Trade Claims shall not include Administrative Expense Claims or Priority Non-Tax Claims.

1.104 ***Qualified Vendor Support Agreement*** means an agreement or similar arrangement satisfactory to the Debtors in which the Holder of a General Unsecured Claim directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, such Holder with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date, shall agree to provide payment terms no less advantageous (from the perspective of the Reorganized Debtors) than those terms provided as of twelve months prior to the Petition Date for at least twelve months following the Effective Date.

1.105 ***Released Parties*** means, collectively, (a) all Persons engaged or retained by the Debtors in connection with the Chapter 11 Cases (including in connection with the preparation of, and analyses relating to, the Plan and the Disclosure Statement); (b) the Debtors and Reorganized Debtors; (c) the Term Loan Agent; (d) the DIP Agents; (e) the Term Loan Lenders; (f) the DIP Lenders; (g) the Consortium, and each member of the Consortium; (h) all Holders of Senior Notes to the extent such Holders vote to accept the Plan; (i) the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC; (j) NPA and VALNIC Capital Real Estate Fund I LLC; (k) the Senior Notes Indenture Trustee, (l) each Holder of a Claim or Equity Interest who either votes to accept the Plan or is conclusively presumed to have accepted the Plan; (m) the Committee; (n) all Persons engaged or retained by the parties listed in (b) through (m) of this definition in connection with the Chapter 11 Cases (including in connection with the preparation of and analyses relating to the Plan and the Disclosure Statement); and (o) any and all affiliates, officers, directors, partners, employees, members, managers, members of boards of managers, advisors, attorneys, actuaries, financial advisors, accountants, investment bankers, agents, professionals, and representatives of each of the foregoing Persons and Entities (whether current or former, in each case, in his, her, or its capacity as such).

1.106 ***Releasing Parties*** means each of the following in its capacity as such: (a) the Term Loan Agent; (b) the DIP Agents; (c) the Term Loan Lenders; (d) the DIP Lenders; (e) NPA and VALNIC Capital Real Estate Fund I LLC; (f) each Holder of a Claim or Equity Interest who either votes to accept the Plan or is conclusively presumed to have accepted the Plan; (g) the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC; (h) the Committee; and (i) each Holder of a Claim or Equity Interest who is entitled to vote on the Plan and (x) either votes to reject the Plan or abstains from voting to accept or reject the Plan and (y) does not check the appropriate box on such Holder's timely submitted ballot to indicate that such Holder opts out of the releases set forth in Section 10.4.

1.107 ***Reorganized Colt*** means Colt Defense LLC and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.108 ***Reorganized Debtor*** means any Debtor and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.109 ***Reorganized Parent*** means Colt Holding Company LLC and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.110 ***Reorganized Parent LLC Agreement*** means that certain limited liability company agreement of Reorganized Parent describing and governing the rights and obligations of Reorganized Parent, the holders of New Class A LLC Units, and the holders of New Class B LLC Units. The Reorganized Parent LLC Agreement shall become effective on the Effective Date and shall provide customary minority member protections as set forth in the Restructuring Term Sheet and reasonably agreed to among the Plan Support Parties. The material terms of the Reorganized Parent LLC Agreement are set forth in the Restructuring Term Sheet, and a form of the Reorganized Parent LLC Agreement shall be included in the Plan Supplement.

1.111 ***Requisite Consenting Lenders*** has the meaning set forth in the Restructuring Support Agreement.

1.112 ***Restructuring Support Agreement*** means that certain agreement, dated as of October 9, 2015, by and among the Debtors and the Plan Support Parties, including all exhibits thereto, as may be amended, supplemented, or modified from time to time in accordance with its terms. A copy of the Restructuring Support Agreement is attached to the Disclosure Statement as Exhibit A.

1.113 ***Restructuring Term Sheet*** means that certain term sheet attached as Exhibit A to the Restructuring Support Agreement.

1.114 ***Restructuring Transactions*** has the meaning set forth in Section 5.2.

1.115 ***Retained Actions*** has the meaning set forth in Section 7.4.

1.116 ***RSA Creditor Parties*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.117 ***Sciens Group*** means Sciens Capital Management LLC together with each of its affiliates (to the extent that Sciens Capital Management LLC or an investment advisor under common control with Sciens Capital Management LLC retains voting control over such affiliate), officers, directors, partners, employees, members, managers, advisors, attorneys, financial advisors, accountants, investment bankers, agents, professionals, and representatives.

1.118 ***Secured Claim*** means a Claim against any Debtor that is secured by a valid, perfected, and enforceable Lien on, or security interest in, property of such Debtor, or that has the benefit of rights of setoff under section 553 of the Bankruptcy Code, but only to the extent of the value of the Holder's interest in such Debtor's interest in such property, or to the extent of the amount subject to setoff, the value of which shall be determined as provided in section 506 of the Bankruptcy Code.

1.119 ***Securities Act*** means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

1.120 ***Senior Loan Agent*** means Cortland Capital Market Services LLC in its capacity as agent under that certain Credit Agreement dated February 9, 2015, by and among Colt Defense LLC, Colt Canada Corporation, and Colt's Manufacturing Company LLC, as borrowers, the other Debtors, as guarantors, Cortland Capital Market Services LLC, as agent, and the institutions party from time to time as lenders thereunder.

1.121 ***Senior Loan Exit Facility*** means that certain senior loan facility provided by the Senior Loan Exit Lenders to the Reorganized Debtors on the terms and conditions set forth in the Senior Loan Exit Term Sheet.

1.122 ***Senior Loan Exit Lenders*** means the institutions party from time to time as lenders under the Senior Loan Exit Facility.

1.123 ***Senior Loan Exit Term Sheet*** means the term sheet attached as Exhibit A to the Plan.

1.124 ***Senior Notes*** means those certain 8.75% Senior Notes due 2017 of Colt Defense LLC and Colt Finance Corp. in the aggregate outstanding principal amount of $250,000,000 issued pursuant to and in accordance with the Senior Notes Indenture.

1.125 ***Senior Notes Claims*** means all Claims against any Debtor related to, arising out of, or in connection with, the Senior Notes.

1.126 ***Senior Notes Indenture*** means that certain Indenture dated as of November 10, 2009 (as supplemented by the supplemental indenture, dated as of June 19, 2013 and the supplemental indenture, dated as of July 12, 2013), by and among Colt Defense LLC, Colt Finance Corp., the other Debtors as guarantors, and the Senior Notes Indenture Trustee.

1.127 ***Senior Notes Indenture Trustee*** means Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB).

1.128 ***Term Loan Agent*** means Wilmington Savings Fund Society, FSB, in its capacity as agent for the Term Loan Lenders under the Term Loan Agreement.

1.129 ***Term Loan Agreement*** means that certain Term Loan Agreement dated November 18, 2014, as amended, by and among Colt Defense LLC, Colt Canada Corporation, Colt's Manufacturing Company LLC, New Colt Holding Corp., and Colt Finance Corp., as borrowers, the other Debtors, as guarantors, the Term Loan Agent, and the Term Loan Lenders.

1.130 ***Term Loan Claims*** means all Claims derived from, based upon, relating to, or arising under the Term Loan Agreement.

1.131 ***Term Loan Exit Documents*** means the credit agreement governing the Term Loan Exit Facility and all other documents, related to or evidencing the loans and obligations thereunder, to be dated as of the Effective Date, each such document in form and substance acceptable to the Debtors and the Term Loan Exit Lenders.

1.132 ***Term Loan Exit Facility*** means that certain term loan facility provided by the Term Loan Exit Lenders to the Reorganized Debtors on the terms and conditions set forth in the Term Loan Exit Term Sheet.

1.133 ***Term Loan Exit Lenders*** means the institutions party from time to time as lenders under the Term Loan Exit Facility.

1.134 ***Term Loan Exit Term Sheet*** means the term sheet, in form and substance acceptable to the Term Loan Exit Lenders, attached as Exhibit B to the Plan.

1.135 ***Term Loan Lenders*** means the institutions party from time to time as lenders under the Term Loan Agreement.

1.136 ***Third Lien Exit Facility*** means that certain Third Lien Exit Facility to be provided on the terms set forth in the Offering Term Sheet and in accordance with the Offering Procedures, the documentation for which shall be included in the Plan Supplement.

1.137 ***Unimpaired*** means, with respect to any Claim or Equity Interest, such Claim or Equity Interest that is not Impaired.

1.138 ***Voting Agent*** means Kurtzman Carson Consultants LLC.

1.139 ***Voting Deadline*** means 4:00 p.m. (prevailing Eastern time) on December [7], 2015.

1.140 ***West Hartford Facility*** means the Debtors' corporate headquarters and primary manufacturing facility in West Hartford, Connecticut.

1.141 ***West Hartford Facility Lease*** means that certain net lease, dated as of October 26, 2005 (as amended), by and between Colt Defense LLC, as tenant, and NPA Hartford LLC, as landlord, for the West Hartford Facility.

1.142 ***West Hartford Facility Term Sheet*** means the "Chapter 11 Plan Term Sheet" attached as Exhibit B to the Restructuring Term Sheet.

B. Interpretation, Application of Definitions, and Rules of Construction.

(a) For purposes of the Plan and unless otherwise specified herein: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) unless otherwise specified, any reference in the Plan to an existing document, schedule, or exhibit, whether or not filed with the Bankruptcy Court (or the Canadian Court, as applicable), shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (iii) any reference to an Entity as a Holder of a Claim or Equity Interest includes that Entity's permitted successors and assigns; (iv) unless otherwise specified, all references in the Plan to sections are references to sections of the Plan; (v) the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to a particular provision of the Plan; (vi) subject to the provisions of any contract, certificate of incorporation, bylaw, certificate of formation, limited liability company agreement, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with, applicable federal law, including the Bankruptcy Code and Bankruptcy Rules; (vii) captions and headings to sections of the Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (viii) unless otherwise set forth in the Plan, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (ix) any term used in capitalized form in the Plan that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; and (x) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, as applicable to the Chapter 11 Cases or the Canadian Proceedings, unless otherwise stated.

(b) In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

(c) All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

SECTION 2. UNCLASSIFIED CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Tax Claims, and DIP Facility Claims have not been classified, and, thus, are excluded from the Classes of Claims and Equity Interests set forth in Section 3.

2.1 ***Administrative Expense Claims.***

(a) *Filing Administrative Expense Claims*. The Holder of an Administrative Expense Claim, other than (i) a Claim covered by Section 2.3 or Section 2.4 hereof, (ii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due),

or (iii) an Administrative Expense Claim that has been Allowed on or before the Administrative Expense Claim Bar Date, must file and serve on the Debtors a request for payment of such Administrative Expense Claim so that it is received no later than the Administrative Expense Claims Bar Date. **Holders required to file and serve, who fail to file and serve, a request for payment of Administrative Expense Claims by the Administrative Expense Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Expense Claims against the Debtors or Reorganized Debtors and their property and such Administrative Expense Claims shall be deemed discharged as of the Effective Date.** All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Section 10.6 hereof. Notwithstanding the foregoing, pursuant to section 503(b)(1)(D) of the Bankruptcy Code, no Governmental Unit shall be required to file a request for payment of any Administrative Expense Claim of a type described in sections 503(b)(1)(B) or 503(b)(1)(C) of the Bankruptcy Code as a condition to such Claim being Allowed. All requests for payment of Administrative Expense Claims shall be filed with the Bankruptcy Court at the following address:

United States Bankruptcy Court for the District of Delaware
824 North Market Street, 3rd Floor
Wilmington, Delaware 19801

With a copy delivered by mail to the following address:

Colt Claims Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, California 90245

Requests for payment of Administrative Expense Claims may **not** be delivered by facsimile, telecopy, or electronic mail transmission.

(b) *Allowance of Administrative Expense Claims*. An Administrative Expense Claim, with respect to which a request for payment has been properly and timely filed pursuant to Section 2.1(a) shall become an Allowed Administrative Expense Claim if no objection to such request is filed with the Bankruptcy Court and served on the Debtors and the requesting party on or before the later of (i) the one-hundred-and-twentieth (120th) day after the Effective Date or (ii) the sixtieth (60th) day after the filing of the applicable request for payment of Administrative Expense Claims, if applicable, as the same may be modified or extended from time to time by order of the Bankruptcy Court. If an objection is timely filed, the Administrative Expense Claim shall become an Allowed Administrative Expense Claim only to the extent allowed by Final Order or as such Claim is settled, compromised, or otherwise resolved pursuant to Section 7.4 of the Plan.

(c) *Payment of Allowed Administrative Expense Claims*. Except to the extent that the Holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment, and except as provided in Section 2.3 below, each Holder of an Allowed Administrative Expense Claim against the Debtors shall receive, in full and complete settlement, release, and discharge of such Claim, Cash equal to the unpaid amount of such Allowed

Administrative Expense Claim either on, or as soon as practicable after, the latest of (a) the Effective Date; (b) the date on which such Administrative Expense Claim becomes Allowed; (c) the date on which such Administrative Expense Claim becomes due and payable in the ordinary course of business under any agreement or understanding between the applicable Debtor and the Holder of such Allowed Administrative Expense Claim; and (d) such other date as may be mutually agreed to by such Holder and the Debtors or Reorganized Debtors, as applicable, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. Notwithstanding the foregoing, any Allowed Administrative Expense Claim representing obligations incurred in the ordinary course of business or assumed by any of the Debtors shall be paid in full, in Cash, or performed by the applicable Debtor or Reorganized Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or regulations governing, instruments evidencing, or other documents relating to, such transactions.

2.2 ***Priority Tax Claims.***

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim against the Debtors shall receive, in full and complete, settlement, release, and discharge of such Claim, deferred Cash payments equal to the unpaid amount of such Allowed Priority Tax Claim over a period of not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors and each Holder thereof, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders.

2.3 ***Professional Fees.***

Each Professional requesting compensation pursuant to sections 328, 330, 331, 363, or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Effective Date shall (a) file with the Bankruptcy Court, and serve on the Reorganized Debtors, an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases on or before the forty-fifth (45th) day following the Effective Date and (b) after notice and a hearing in accordance with the procedures established by the Bankruptcy Code and any prior orders of the Bankruptcy Court in the Chapter 11 Cases, be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court.

For the avoidance of doubt, the immediately preceding paragraph shall not affect any professional-service Entity that is permitted to receive, and the Debtors are permitted to pay without seeking further authority from the Bankruptcy Court or the Canadian Court, compensation for services and reimbursement of expenses in the ordinary course of business (and in accordance with any relevant prior order of the Bankruptcy Court or the Canadian Court), the payments for which may continue notwithstanding the occurrence of confirmation of the Plan.

Except as otherwise specifically provided in the Plan, from and after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may, upon submission of appropriate documentation and in the ordinary course of business, pay the post-Effective Date charges incurred by the Debtors for any Professional's fees, disbursements, expenses, or related support

services without application to or obtaining approval from the Bankruptcy Court or the Canadian Court. On the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for fees and charges incurred from and after the Effective Date in the ordinary course of business without any further notice to, or action, order, or approval of the Bankruptcy Court or the Canadian Court.

Notwithstanding the above (or anything herein to the contrary), all reasonable fees and expenses of Professionals previously approved on an interim basis pursuant to the Order Establishing Interim Compensation Procedures, the payment of which has been deferred through the Effective Date (the "**Deferred Professional Fees**"), shall be paid in Cash on the Effective Date or as soon as practicable thereafter; *provided*, *however*, that such Deferred Professional Fees are subject to final allowance in accordance with this Section 2.3.

Further notwithstanding the above (or anything herein to the contrary), all DIP Fee Obligations and all other unpaid reasonable and documented fees and expenses of the professional advisors retained by the DIP Senior Loan Lenders, the DIP Senior Loan Agent, the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, the Term Loan Agent, the Consortium, and the Senior Notes Indenture Trustee, whether incurred prepetition or postpetition, and all reasonable and documented fees and expenses required to be paid pursuant to paragraph 28 of the Restructuring Support Agreement, shall be deemed to be Allowed Administrative Expense Claims for purposes hereof and shall be paid in Cash in full on or before the Effective Date without requirement of application to or approval by the Bankruptcy Court or the Canadian Court. Without limitation of the generality of the foregoing, (a) in the case of the DIP Senior Loan Lenders, the DIP Senior Loan Agent, the Consortium, and the Senior Notes Indenture Trustee, such professional advisors shall include (i) Brown Rudnick LLP, (ii) Ashby & Geddes, P.A., (iii) GLC Advisors & Co. LLC, (iv) Osler, Hoskin & Harcourt LLP, and (v) Holland & Knight LLP; (b) in the case of the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, and the Term Loan Agent, such professional advisors shall include Willkie Farr & Gallagher LLP, Cassels Brock & Blackwell LLP, Morris Nichols Arsht & Tunnell LLP, and Pryor Cashman LLP; (c) in the case of the Senior Notes Indenture Trustee, such professional advisors shall include Loeb & Loeb LLP and Reed Smith LLP; (d) in the case of the Sciens Group, such professional advisors shall include Skadden, Arps, Slate, Meagher & Flom LLP; and (e) in the case of NPA, such professional advisors shall include Finn Dixon & Herling LLP.

2.4 *DIP Facility Claims.*

Pursuant to the Plan, the DIP Senior Loan Claims shall be Allowed in the aggregate principal amount of approximately $41,666,666.67, plus accrued postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date. Pursuant to the Plan, the DIP Term Loan Claims shall be Allowed in the aggregate principal amount of approximately $33,333,333.33, plus accrued postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date.

On the Effective Date, all DIP Senior Loan Claims shall be paid in full in Cash by and with: (i) proceeds of the $40,000,000 Senior Loan Exit Facility (as defined in the Restructuring Term Sheet); and (ii) the Senior DIP Reduction (as defined in the Restructuring Term Sheet), which shall be in the amount (not to exceed $5,000,000) equal to the amount of all DIP Senior Loan Claims less the initial principal balance of the $40,000,000 Senior Loan Exit Facility (which initial principal balance is exclusive of the 3% paid in kind closing fee).

On the Effective Date, all DIP Term Loan Claims shall be converted to claims and obligations in accordance with the terms of the Term Loan Exit Term Sheet (other than DIP Term Loan Claims for reimbursement of costs and expenses of the DIP Term Loan Lenders and the DIP Term Loan Agent, which shall be paid in full in Cash in accordance with the terms of the DIP Term Loan Agreement).

For the avoidance of doubt, (i) the distributions to the DIP Lenders under this Section 2.4 shall be in full satisfaction of all of the DIP Facility Claims, and (ii) no make-whole or other prepayment penalty is due or owing under the DIP Credit Agreements.

Notwithstanding the foregoing (or anything herein to the contrary), all Lender Expenses as defined in the DIP Senior Loan Agreement (including, but not limited to, all DIP Fee Obligations) and all Lender Expenses as defined in the DIP Term Loan Agreement shall be paid in full in Cash on the Effective Date or in accordance with the terms of the DIP Senior Loan Agreement.

SECTION 3. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

The following table designates the Classes of Claims against, and Equity Interests in, each of the Debtors, and specifies which of those Classes are (a) Impaired and entitled to vote to accept or reject each Plan, as applicable, in accordance with section 1126 of the Bankruptcy Code or (b) Unimpaired and presumed to accept each Plan, as applicable, and therefore are not entitled to vote to accept or reject such Plans. A Claim or Equity Interest or portion thereof shall be deemed classified in a particular Class only to the extent that such Claim or Equity Interest or portion thereof qualifies within the description of such Class and shall be deemed classified in a different Class to the extent that the portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is considered to be in a particular Class only to the extent that such Claim or Equity Interest has not been paid or otherwise settled prior to the Effective Date. To the extent that a specified Class does not include any Allowed Claims or Allowed Equity Interests, then, as applicable, such Class shall be deemed not to exist.

This Plan, though proposed jointly and consolidated for purposes of making distributions to Holders of Claims or Equity Interests under this Plan, constitutes a separate Plan proposed by each Debtor. Therefore, the classifications set forth herein shall be deemed to apply separately with respect to each Plan proposed by, and the Claims against and Equity Interests in, each Debtor.

Class	Designation	Impairment	Entitled to Vote
1	Priority Non-Tax Claims	Unimpaired	No (presumed to accept)
2	Term Loan Claims	Impaired	Yes
3	Other Secured Claims	Unimpaired	No (presumed to accept)
4	Senior Notes Claims	Impaired	Yes
5	Qualified Unsecured Trade Claims	Impaired	Yes
6	General Unsecured Claims	Impaired	Yes
7	Intercompany Claims	Unimpaired	No (presumed to accept)
8	Equity Interests in Debtor Subsidiaries	Unimpaired	No (presumed to accept)
9	Equity Interests in Parent	Impaired	No (presumed to reject)

SECTION 4. TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 *Priority Non-Tax Claims (Class 1).*

(a) Classification. Class 1 consists of all Allowed Priority Non-Tax Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Holder of an Allowed Priority Non-Tax Claim shall receive, in full and complete settlement, release, and discharge of such Claim, Cash in an amount equal to the Allowed amount of such Claim either on, or as soon as practicable after, the latest of (i) the Effective Date; (ii) the date on which such Priority Non-Tax Claim becomes Allowed; (iii) the date on which such Priority Non-Tax Claim becomes due and payable in the ordinary course of business under any agreement or understanding between the applicable Debtor and the Holder of such Claim; and (iv) such other date as may be mutually agreed to by and among such Holder and the Debtors or the Reorganized Debtors, as applicable, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders.

(c) Impairment and Voting. Class 1 is Unimpaired. The Holders of Claims in Class 1 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.2 *Term Loan Claims (Class 2).*

(a) Classification. Class 2 consists of all Allowed Term Loan Claims. Pursuant to the Plan, the Term Loan Claims shall be Allowed in the aggregate principal amount of $[●], plus reasonable and documented fees and expenses of the Term Loan Agent and the Term Loan Lenders, accrued prepetition interest and postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date.

(b) Treatment. On the Effective Date, in exchange for the full and complete settlement, release, and discharge of such Claims, all Term Loan Claims shall be satisfied in full in accordance with the Term Loan Exit Term Sheet and by the payment of the reasonable and documented fees and expenses of the Term Loan Lenders and the Term Loan Agent pursuant to Section 2.3 of the Plan. For the avoidance of doubt, (i) the distributions to the Term Loan Lenders under this Section 4.2 shall be in full satisfaction of all of the Term Loan Lenders' prepetition and postpetition Claims, and (ii) no make-whole, prepayment penalty, or default interest under the Term Loan Agreement shall be due to the Term Loan Lenders.

(c) Impairment and Voting. Class 2 is Impaired, and accordingly, the Holders of Claims in Class 2 are entitled to vote to accept or reject the Plan.

4.3 ***Other Secured Claims (Class 3).***

(a) Classification. Class 3 consists of all Allowed Other Secured Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, each Holder of an Allowed Other Secured Claim shall receive, in full and complete settlement, release, and discharge of such Claim, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable, in each case subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders: (i) reinstatement of its Allowed Other Secured Claim in accordance with section 1124(2) of the Bankruptcy Code (including any Cash necessary to satisfy the requirements for reinstatement), such that such Claim is rendered Unimpaired; (ii) either (w) Cash in the full amount of such Allowed Other Secured Claim, including any non-default postpetition interest Allowed pursuant to section 506(b) of the Bankruptcy Code, (x) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim, to the extent of the value of such Holder's secured interest in such Collateral, (y) the Collateral securing such Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (z) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code; or (iii) such other treatment as may be mutually agreed to by and among such Holder and the Debtors or the Reorganized Debtors, as applicable. Any cure amount that the Debtors may be required to pay pursuant to section 1124(2) of the Bankruptcy Code on account of any such reinstated Other Secured Claim or any distributions due pursuant to clause (ii) above shall be paid or made, as applicable, either on, or as soon as practicable after, the latest of (1) the Effective Date; (2) the date on which such Other Secured Claim becomes Allowed; (3) the date on which such Other Secured Claim becomes due and payable; and (4) such other date as may be mutually agreed to by such Holder and the Debtors or the Reorganized Debtors, as applicable.

(c) Reservation of Rights. The failure of the Debtors or any other party in interest to file an objection, prior to the Effective Date, with respect to any Other Secured Claim that is reinstated by the Plan shall be without prejudice to the rights of the Reorganized Debtors or any other party in interest to contest or otherwise defend against such Claim in an appropriate forum (including the Bankruptcy Court, if applicable, in accordance with Section 11 below) when and if such Claim is sought to be enforced.

(d) Impairment and Voting. Class 3 is Unimpaired. The Holders of Claims in Class 3 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.4 *Senior Notes Claims (Class 4).*

(a) Classification. Class 4 consists of all Allowed Senior Notes Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, on the Effective Date or as soon as practicable thereafter, each Holder of an Allowed Senior Notes Claim shall receive its Pro Rata Share of the New Class B LLC Units. All reasonable and documented fees and expenses of the Senior Notes Indenture Trustee shall be paid in accordance with Section 2.3 above.

(c) Impairment and Voting. Class 4 is Impaired, and accordingly, the Holders of Claims in Class 4 are entitled to vote to accept or reject the Plan.

4.5 *Qualified Unsecured Trade Claims (Class 5).*

(a) Classification. Class 5 consists of all Allowed Qualified Unsecured Trade Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full in Cash on account of such Allowed Qualified Unsecured Trade Claim upon the later of (i) the Effective Date (for any portion of the Allowed Qualified Unsecured Trade Claim that is due on or prior to the Effective Date), (ii) the date such Allowed Qualified Unsecured Trade Claim (for any portion thereof that is due after the Effective Date) comes due in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date, and (iii) the date on which a Disputed Qualified Unsecured Trade Claim is deemed to be Allowed; *provided*, *however*, that Holders of Allowed Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims.

(c) Impairment and Voting. Class 5 is Impaired, and accordingly, the Holders of Claims in Class 5 are entitled to vote to accept or reject the Plan.

4.6 *General Unsecured Claims (Class 6).*

(a) Classification. Class 6 consists of all Allowed General Unsecured Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed General Unsecured Claim shall receive a note (subordinate to the Exit Facilities) (a "**General Unsecured Note**") or other consideration as reasonably agreed upon by the Debtors, the RSA Creditor Parties, and the Term Loan Exit Lenders, such consideration to represent a percentage recovery that is reasonably equivalent to the percentage of recovery realized by the Holders of Allowed Class 4 Senior Notes Claims, on the later of (i) the Effective Date and (ii) the date on which such General Unsecured Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter. Allowed General Unsecured Claims shall not include interest from and after the Petition Date or include any penalty on such Claim.

A form of the General Unsecured Note shall be included in the Plan Supplement.

(c) Impairment and Voting. Class 6 is Impaired, and accordingly, the Holders of Claims in Class 6 are entitled to vote to accept or reject the Plan.

4.7 ***Intercompany Claims (Class 7).***

(a) Classification. Class 7 consists of all Allowed Intercompany Claims.

(b) Treatment. On the Effective Date, all Allowed Intercompany Claims shall, in full and complete settlement, release, and discharge of such Claims, either be (i) reinstated, in full or in part, and treated in the ordinary course of business or (ii) cancelled and discharged, consistent with the Reorganized Debtors' business plan; *provided* that each Allowed Intercompany Claim held by a non-Debtor shall receive no less favorable treatment than other Holders of General Unsecured Claims; *provided*, *further*, that Holders of Intercompany Claims shall not receive or retain any property on account of such Intercompany Claim to the extent that such Intercompany Claim is cancelled and discharged.

(c) Impairment and Voting. Class 7 is Unimpaired. The Holders of Claims in Class 7 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.8 ***Equity Interests in Debtor Subsidiaries (Class 8).***

(a) Classification. Class 8 consists of all Allowed Equity Interests in Debtor Subsidiaries.

(b) Treatment. On the Effective Date, all Allowed Equity Interests in Debtor Subsidiaries shall be reinstated and otherwise unaffected by the Plan. Equity interests in Debtor Subsidiaries are Unimpaired solely to preserve the Debtors' corporate structure and Holders of those Equity Interests shall not otherwise receive or retain any property on account of such Equity Interests.

(c) Impairment and Voting. Class 8 is Unimpaired. The Holders of Equity Interests in Class 8 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.9 ***Equity Interests in Parent (Class 9).***

(a) Classification. Class 9 consists of all Equity Interests in the Parent.

(b) Treatment. On the Effective Date, all Equity Interests in the Parent shall be cancelled without further notice to, approval of, or action by, any Entity.

(c) Impairment and Voting. Class 9 is Impaired. The Holders of Equity Interests in Class 9 are conclusively presumed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.10 ***Subordinated Claims.***

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

SECTION 5. MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 ***Compromise of Controversies.***

In consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019. All distributions made to Holders of Allowed Claims and Allowed Equity Interests in any Class in accordance with the Plan are intended to be, and shall be, final. Entry of the Confirmation Recognition Order shall constitute the Canadian Court's approval of such compromise and settlement.

5.2 ***Restructuring Transactions.***

On or after the Confirmation Date (or, with respect to Debtor entities incorporated in Canada, on or after the date of entry of the Confirmation Recognition Order), the Debtors shall be authorized to enter into such transactions and take such other actions as may be necessary or appropriate to effect a corporate restructuring of their businesses, to otherwise simplify the overall corporate structure of the Debtors, or to organize certain of the Debtors under the laws of jurisdictions other than the laws of which such Debtors currently are organized, which restructuring may include one or more mergers, consolidations, dispositions, liquidations, or dissolutions as may be determined by the Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors vesting in one or more surviving, resulting, or acquiring Entities (collectively, the "**Restructuring Transactions**"). In each case in which the surviving, resulting,

or acquiring Entity in any such transaction is a successor to a Debtor, such surviving, resulting, or acquiring Entity shall perform the obligations of such Debtor pursuant to the Plan to satisfy the Allowed Claims against, or Allowed Equity Interests in, such Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring Entity, which may provide that another Debtor shall perform such obligations.

In effecting the Restructuring Transactions, the Debtors shall be permitted to (i) execute and deliver appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation, or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable state law and such other terms to which the applicable entities may agree; (ii) execute and deliver appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, duty, or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (iii) file appropriate certificates or articles of merger, consolidation, or dissolution pursuant to applicable state law; and (iv) take all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. Notwithstanding the foregoing, the Debtors shall not undertake any Restructuring Transaction that (i) results in Reorganized Parent not being taxed as a "C" corporation from and after the Effective Date, or (ii) contradicts the terms set forth in the Exit Facilities.

The exchange of the Allowed Senior Notes Claims for the New Class B LLC Units shall be deemed to be a Restructuring Transaction that is accomplished in the following manner: the New Class B LLC Units shall be deemed to be transferred, directly or indirectly, by Reorganized Parent to the Debtors that are the Senior Notes obligors, as described in Treasury Regulations Section 1.1032-3, and such New Class B LLC Units shall be deemed to be then transferred by such obligors to the Holders in satisfaction of their Claims.

5.3 *Exit Financing; Sources of Cash for Plan Distribution.*

Except as otherwise provided in the Plan, the Confirmation Order, or the Confirmation Recognition Order, on the Effective Date and without the need for any further corporate action and without further action by the Holders of Claims or Equity Interests, the Reorganized Debtors shall enter into the Exit Credit Agreements in accordance with the Senior Loan Exit Term Sheet and the Term Loan Exit Term Sheet, and shall raise capital through the consummation of the Offering in accordance with the Offering Term Sheet and the Offering Procedures. All Cash required for payments to be made under the Plan shall be obtained from Cash on hand, including Cash from operations, and proceeds of the Exit Credit Agreements and the Offering, and shall be made available for distributions to Disputed Claims that become Allowed and are entitled to Cash distributions.

The Reorganized Debtors, in consultation with the Consortium and other RSA Creditor Parties, may, subject to the terms of the Term Loan Exit Documents and the Exit Intercreditor Agreement, obtain financing for the Senior Loan Exit Facility from any third-party financing source(s) on terms equal to or better than the terms of the DIP Senior Loan Agreement. In the event that such financing cannot be obtained by the Reorganized Debtors, the Senior Loan

Exit Facility shall be provided by Fidelity/Newport and the Participating Holders on a pro rata basis consistent with the percentage of the portion of the Offering to be provided collectively by Fidelity/Newport and the Participating Holders (including, but not limited to, the Backstop Parties) as provided in the Restructuring Term Sheet. If it is to be provided by the Participating Holders, the terms and conditions of the Senior Loan Exit Facility shall be mutually acceptable to Fidelity/Newport, the Participating Holders, the Term Loan Exit Lenders, and the Reorganized Debtors, but in any event, no less favorable to the Reorganized Debtors than the terms of the Term Loan Exit Facility. For the avoidance of doubt, in the event that arrangements to finance the Senior Loan Exit Facility as described above cannot otherwise be made, it shall be a condition to participation in the Offering that Fidelity/Newport and each Participating Holder provide the same percentage of the Senior Loan Exit Facility as their participation of the portion of the Offering being collectively provided by them. For the avoidance of doubt, the Consortium members who participate in the DIP Senior Loan may elect to fund all or a portion of their share of the Senior Loan Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Loan Exit Facility.

5.4 ***Offering: Third Lien Exit Facility and New Class A LLC Units.***

(a) Offering: Prior to the Effective Date, pursuant to the Restructuring Term Sheet and the Offering Procedures, the Reorganized Debtors shall conduct the Offering and distribute the Offering Units to Fidelity/Newport, the Sciens Group, and the Participating Holders as of the Offering Record Date who elect to participate in the Offering. The Noteholder Offering Allocation (defined below) of the Offering shall be fully backstopped by the Backstop Parties on the terms and conditions set forth in the Backstop Agreement, a form of which shall be included in the Plan Supplement. The Plan Supplement shall also include forms of Subscription Agreements pursuant to which Fidelity/Newport and Sciens Group shall each respectively subscribe to the Offering.

In accordance with the Offering Term Sheet and the Offering Procedures, the Reorganized Debtors shall raise not less than $50 million in new capital from the Offering as follows: (x) Sciens Group or its affiliates shall subscribe to $15 million of the Offering, (y) Fidelity/Newport shall subscribe to $15 million of the Offering, and (z) each Holder of Senior Notes other than Fidelity/Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Reorganized Debtors, and the Sciens Group may agree) in principal amount of the Senior Notes and is an "accredited investor" (each such holder, an "**Eligible Holder**") shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering (the "**Noteholder Offering Allocation**") as further allocated as set forth herein. The new capital raised in connection with the Offering may be increased by up to $5 million (the "**Additional Offering Amount**") by the mutual agreement of the Reorganized Debtors, Sciens Group, Fidelity/Newport, and the Consortium, such Additional Offering Amount to be allocated to each of Sciens Group, Fidelity/Newport, and Eligible Holders that participate in the Offering on a pro rata basis as set forth in the Restructuring Term Sheet.

(b) Summary of Principal Terms of Offering: The terms and conditions of the Offering shall be set forth in the Offering Procedures and related documents to be included in the Plan Supplement, the terms of which shall be consistent with the Restructuring Term Sheet. The following is a summary of certain of the key terms of the Offering.

The Noteholder Offering Allocation shall be evidenced on the books and records of the transfer agent and issued in the name of each such Eligible Holder's institutional broker(s), which shall be such Eligible Holder's DTC Participant(s) for the Senior Notes. Such DTC Participant(s) shall be considered the holders of record for the Noteholder Offering Allocation; *provided*, *however*, that Reorganized Parent shall not be subject to public reporting requirements as a result of such direct ownership.

Purpose: The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors' pending Chapter 11 Cases and other Claims required to be paid on the Effective Date under the Plan, and (iii) to pay the $5 million Senior DIP Reduction.

The Offering Consideration shall be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A LLC Units may be transferred separately from each other, subject to the restrictions provided in the Reorganized Parent LLC Agreement, the Restructuring Term Sheet, and any additional definitive documentation.

Offering Allocation: Prior to the commencement of the Offering to the Eligible Holders of the Senior Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that do not become Participating Consortium Noteholders shall have the opportunity to participate in the Offering as Eligible Holders.

(i) Each Eligible Holder, other than a Participating Consortium Noteholder, shall be offered the opportunity to purchase a dollar amount of Offering Units equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) and (b) the fraction equal to the principal amount of the Senior Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the Senior Notes beneficially held by Fidelity/ Newport (the, "**Offering Denominator**" and such fraction, the "**Eligible Holder Pro Rata Share**").

(ii) An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the aggregate principal amount of the Senior Notes not beneficially held by the Participating Consortium Noteholders or Fidelity/Newport divided by the Offering Denominator shall be set aside for the backstop parties (the "**Backstop Set Aside Amount**"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Offering Units equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (ii) the fraction equal to the principal amount of the Senior Notes held by such Participating

Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount times (ii) the fraction equal to principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the Senior Notes held by all Participating Consortium Noteholders (such fraction, the "**Participating Consortium Noteholder Pro Rata Share**").

(iii) In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Offering Units representing the Participating Noteholder's Pro Rata Share of any remaining Offering Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing.

(iv) Each of the Backstop Parties has agreed to participate in the Offering as Participating Consortium Noteholders.

The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including, without limitation, the Backstop Parties and the Debtors, and shall be as set forth in the Offering Procedures.

New Class A LLC Units: The terms and conditions of the New Class A LLC Units and New Class B LLC Units shall be as summarized in the Offering Term Sheet and set forth in the Reorganized Parent LLC Agreement, and shall be consistent with the Restructuring Term Sheet. Certain of the principal terms of the New Class A LLC Units are also summarized below.

Voting	Except as set forth in the Offering Term Sheet in respect of any matter to be voted on by the holders of New Class B LLC Units, the New Class A LLC Units and the New Class B LLC Units will vote together as a single class on all matters to be voted on by equity holders in Reorganized Parent. The holders of New Class A LLC Units shall be entitled to cast one hundred (100) votes for each unit of New Class A LLC Units held by such holder.
Dividends	Holders of New Class A LLC Units shall be entitled to receive 100% of distributions made by Reorganized Parent until such time as the Priority Return has been paid in full to holders of New Class A LLC Units. After the Priority Return has been paid in full to holders of New Class A LLC Units, holders of New Class A LLC Units shall be entitled to participate with the New Class B LLC Units in distributions to

equity holders in Reorganized Parent at a ratio of 75% to 25% (the "**Participation Ratio**"); *provided*, *however*, that: (i) one-half (1/2) of the New Class A LLC Units issuable in connection with the New Management Incentive Program and one-half (1/2) of the New Class A LLC Units to be issued to NPA shall not dilute the excess distributions to be received by the New Class B LLC Units issued on the Effective Date, such that such New Management Incentive Program units and NPA units shall only dilute the excess distribution to be received by the holders of the other New Class A LLC Units issued on the Effective Date, and (ii) the remaining one-half (1/2) of the New Class A LLC Units issuable in connection with the New Management Incentive Program and one-half (1/2) of the New Class A LLC Units to be issued to NPA shall dilute all New Class A LLC Units and New Class B LLC Units in accordance with the Participation Ratio. The effect of such dilution is further set forth in the example attached hereto as Exhibit D. In the event that there is any inconsistency between the description of the terms of the New Class A LLC Units in this Plan and the example attached hereto as Exhibit D, the example attached hereto as Exhibit D shall control.

Conversion

Each New Class A LLC Unit shall automatically convert into and become New Class B LLC Units upon the occurrence of:

(i) a Liquidity Event ("**Liquidity Event**"), which shall include,

(a) A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "**Qualified IPO**"). If a Qualified IPO does not generate cash proceeds that are distributed to the holders of New Class A LLC Units in excess of the Priority Return, then Reorganized Parent shall issue New Class B LLC Units to holders of New Class A LLC Units with a value equal to the unpaid portion of the Priority Return upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units

as a result of the Qualified IPO,

(b) A sale, merger, or business combination transaction generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return, or

(c) An asset sale or a series of asset sales generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return in excess of the Reorganized Debtors' funded debt; or

(ii) The payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero.

Third Lien Exit Facility: The Third Lien Exit Facility shall have a third priority lien on substantially all of the assets of the Reorganized Debtors and shall be consistent with the terms of the Term Loan Exit Documents, and subject to the terms of the Exit Intercreditor Agreement and such other terms and conditions as agreed upon by the RSA Credit Parties including, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in Cash or entirely in kind, at the option of the Reorganized Debtors; (ii) a term of five (5) years; (iii) minimum liquidity covenants and other minimal financial covenants to be determined; and (iv) include a junior debt basket of $25 million. The Exit Credit Agreement with respect to the Third Lien Exit Facility shall be included in the Plan Supplement.

5.5 *New Class B LLC Units.*

The terms and conditions of the New Class B LLC Units shall be set forth in the Plan Supplement and shall be consistent with the Restructuring Term Sheet. Certain of the principal terms of the New Class B LLC Units are summarized below.

Voting	New Class B LLC Units will vote together with New Class A LLC Units as a single class in respect of any matter to be voted on by the holders of New Equity Interests. The holders of New Class B LLC Units shall be entitled to cast one (1) vote per New Class B LLC Unit. Any matter that disproportionately and adversely affects the New

	Class B LLC Units (including issuances of New Class B LLC Units without a concurrent proportionate issuance of New Class A LLC Units) will require a separate class vote of the holders of New Class B LLC Units.
Dilution	Holders of Allowed Senior Notes Claims shall receive their Pro Rata Share of 100% of the New Class B LLC Units on the Effective Date, which shall be subject to dilution upon conversion of the New Class A LLC Units on the terms and conditions summarized in the Offering Term Sheet.
Dividends	The right of holders of the New Class B LLC Units to receive distributions shall be contingent upon the payment in full to the holders of New Class A LLC Units of the Priority Return. After the payment in full to the holders of New Class A LLC Units of the Priority Return, holders of New Class B LLC Units shall be entitled to receive distributions at the Participation Ratio.

5.6 ***Exit Intercreditor Agreement.***

On the Effective Date and without the need for any further corporate, limited liability, or partnership action, and without further action by the Holders of Claims or Equity Interests, the Reorganized Debtors and the agents under the Exit Credit Agreements on behalf of themselves and the lenders under the Exit Credit Agreements, as appropriate, shall enter into the Exit Intercreditor Agreement. The Exit Intercreditor Agreement shall include, among other things, provisions (a) with respect to lien priorities, enforcement of remedies, application of proceeds, and other rights substantially identical to those in the DIP Intercreditor Agreement, subject to certain modifications acceptable to the Exit Lenders, including those set forth on Annex A to the Term Loan Exit Term Sheet; and (b) providing for the subordination of the Third Lien Exit Facility to the other Exit Facilities. A form of the Exit Intercreditor Agreement shall be included in the Plan Supplement.

5.7 ***Cancellation of Liens.***

Except as provided otherwise under the Exit Credit Agreements, the DIP Credit Agreements, or this Plan, on the Effective Date, all Liens securing any Secured Claim (other than a Lien with respect to a Secured Claim that is reinstated pursuant to Section 4.4 above) shall be deemed released, and the Holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of any Debtor (including any cash collateral) held by such Holder, and to take such actions as may be requested by the Reorganized Debtors to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases. The filing of the Confirmation Order or the Confirmation Recognition Order, as

applicable, with any federal, state, provincial, or local agency or department shall constitute good and sufficient evidence of, but shall not be required to effect, the termination of such Liens.

5.8 *Cancellation of Notes and Instruments.*

So long as the treatments provided in, and the distributions contemplated by, Section 4 are effectuated or made, on the Effective Date, but subject to this Section 5.7, each of (a) the Term Loan Agreement; (b) the Senior Notes Indenture; (c) the DIP Senior Loan Agreement; (d) the DIP Term Loan Agreement; and (e) any notes, bonds, indentures, certificates, or other instruments or documents evidencing or creating any Claims that are Impaired by the Plan, shall be cancelled and deemed terminated and satisfied and discharged with respect to the Debtors, and the Holders thereof shall have no further rights or entitlements in respect thereof against the Debtors, except the rights to receive the distributions, if any, to which the Holders thereof are entitled under the Plan; *provided*, *however*, the agreements and other documents evidencing the DIP Senior Loan Claims, Term Loan Claims, and the DIP Term Loan Claims shall continue in effect solely for the purposes of (a) allowing the DIP Senior Loan Agent, Term Loan Agent, and DIP Term Loan Agent to make distributions under this Plan and to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the DIP Senior Loan Agreement, Term Loan Agreement, and DIP Term Loan Agreement, respectively, in doing so; and (b) permitting the Term Loan Lenders, DIP Term Loan Lenders, DIP Senior Loan Lenders, Term Loan Agent, DIP Term Loan Agent, and DIP Senior Loan Agent to maintain or assert any right or remedy it may have for indemnification, contribution, or otherwise against the Debtors, Term Loan Lenders, DIP Term Loan Lenders, or DIP Senior Loan Lenders, as applicable, arising under the Term Loan Agreement, DIP Term Loan Agreement, or DIP Senior Loan Agreement.

5.9 *Corporate Actions.*

(a) Due Authorization. On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the members, stockholders, or directors of one or more of the Debtors shall be deemed to have occurred and shall be in effect on and after the Effective Date pursuant to the applicable general corporation (or similar) law of the jurisdictions in which the Debtors are incorporated, formed, or organized, as applicable, without any requirement of further action by the members, stockholders, or directors of the Debtors or the Reorganized Debtors.

(b) General. On the Effective Date, all actions of the Debtors and Reorganized Debtors contemplated by the Plan shall be deemed authorized and approved in all respects without the need for any further corporate or limited liability company action, including, to the extent applicable, (i) the selection of the directors, members, and officers for the Reorganized Debtors; (ii) the execution of and entry into the Exit Credit Agreements; (iii) the execution of and entry into the Exit Intercreditor Agreement; (iv) the issuance of the New Class A LLC Units and New Class B LLC Units; (v) the execution of the Reorganized Parent LLC Agreement; (vi) the assumption of the West Hartford Facility Lease or purchase of the West Hartford Facility, in each case subject to the West Hartford Facility Term Sheet; and (vii) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). On the Effective Date, the appropriate officers, members, and boards of directors of the

Reorganized Debtors shall be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including, to the extent applicable, (i) the Exit Credit Agreements; (ii) the Exit Intercreditor Agreement; (iii) the New Management Incentive Plan; (iv) the Reorganized Parent LLC Agreement; (v) the assumption of the West Hartford Facility Lease or purchase of the West Hartford Facility, in each case subject to the West Hartford Facility Term Sheet; and (vi) any and all other agreements, documents, securities, and instruments relating to the foregoing (including, without limitation, security documents). The authorizations and approvals contemplated in this Section 5.9 shall be effective notwithstanding any requirements under any applicable non-bankruptcy law.

(c) Board of Directors of Reorganized Parent. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each proposed member of Reorganized Parent's initial board of directors (and, to the extent such Person is an insider, the nature of any compensation for such Person) shall be disclosed in the Plan Supplement. The composition of the board of directors of Reorganized Parent (the "Board of Directors") shall be in accordance with the Restructuring Term Sheet and shall consist initially of seven (7) members as follows:

(i) the CEO of Reorganized Colt;

(ii) two (2) directors designated by Fidelity/Newport;

(iii) two (2) independent directors; and

(iv) two (2) directors designated by Sciens Group.

The Participating Consortium Holders shall have the right to designate one (1) of the independent directors, and Fidelity/Newport and Sciens Group shall collectively have the right to designate one (1) of the independent directors; *provided*, *however*, that any independent director so designated shall be reasonably acceptable to each of Fidelity/Newport or the Sciens Group (as applicable) and the Participating Consortium Holders other than Fidelity/Newport.

In the event that a Liquidity Event is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of New Class B LLC Units (but not any holders of New Class A LLC Units which have been converted into New Class B LLC Units) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.

Participating Holders other than Fidelity/Newport shall have the right to appoint one (1) board observer (the "**Board Observer**"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport obtain the right to designate one (1) director as described above.

(d) Reorganized Parent LLC Agreement. The holders of New Class A LLC Units and New Class B LLC Units shall automatically be deemed to be parties to the Reorganized Parent LLC Agreement, substantially in the form contained in the Plan Supplement, without the need for execution thereof by any such holder other than the Reorganized Debtors. The Reorganized Parent LLC Agreement shall be binding on all parties receiving, and all holders of, New Class A LLC Units and New Class B LLC Units regardless of whether such parties and holders execute the Reorganized Parent LLC Agreement.Private Company. It is anticipated that the Reorganized Parent shall be a private company as of the Effective Date of a Plan and shall not register its equity with the Securities Exchange Commission or list such equity on an exchange; *provided*, *however*, that the Reorganized Parent may implement procedures to facilitate trading of such equity, *e.g.*, providing investors with access (on a secure website) to current information concerning the Reorganized Parent and its subsidiaries on a consolidated basis.Officers of the Reorganized Debtors. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each of the initial officers of the Reorganized Debtors (and, to the extent such Person is an insider, the nature of any compensation for such Person) shall be disclosed in the Plan Supplement. **West Hartford Facility Lease**

If the Debtors elect, by delivery of a written notice to NPA by the earlier of (i) the tenth (10th) day prior to the scheduled first day of the Confirmation Hearing on this Plan or (ii) November 30, 2015, to purchase the West Hartford Facility on the Effective Date of the Plan (the "**Purchase Option**"), the Debtors will purchase the West Hartford Facility from NPA on the terms set forth in the West Hartford Facility Term Sheet. The purchase price, to be paid on the Effective Date of the Plan, would be $13 million in Cash, plus seven and one-half percent (7.5%) of New Class A LLC Units, each as more fully set forth in the West Hartford Facility Term Sheet.

Unless the Debtors exercise the Purchase Option as set forth above and in accordance with the West Hartford Facility Term Sheet, Reorganized Colt will lease the West Hartford Facility from NPA on the terms set forth in the West Hartford Facility Term Sheet, as set forth in Section 8.7 below. The terms of such lease extension include, among other things, issuing to NPA seven and one-half percent (7.5%) of New Class A LLC Units, as more fully set forth in the West Hartford Facility Term Sheet.

In either case, the Debtors will pay in Cash in full on the Effective Date of the Plan all of NPA's outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of VALNIC Capital Real Estate Fund I LLC), and any other liquidated sums then due and payable under the West Hartford Facility Lease.

5.11 *New Management Incentive Plan.*

On the Effective Date, without the need for any further corporate action and without further action by the holders of Claims or Equity Interests, the New Management Incentive Plan shall become effective and shall replace the Colt Defense Long Term Incentive Plan. The solicitation of votes on the Plan shall include, and be deemed to be, a solicitation for approval of the New Management Incentive Plan. Entry of the Confirmation Order shall constitute such approval.

5.12 ***Authorization, Issuance, and Delivery of New Class A LLC Units and New Class B LLC Units.***

(a) On the Effective Date, the Reorganized Parent is authorized to issue or cause to be issued the New Class A LLC Units and New Class B LLC Units for distribution in accordance with the terms of this Plan, the Amended Certificate of Formation of the Reorganized Parent, and the New Organizational Documents without the need of any further corporate or equity holder action.

(b) The New Class A LLC Units and New Class B LLC Units shall not be registered under the Securities Act and shall not be listed for public trading on any securities exchange, in each case, as of the Effective Date. Distribution of New Class A LLC Units and New Class B LLC Units may be made by delivery of one or more certificates representing such units as described herein, by means of book entry registration on the books of the transfer agent for units of New Class A LLC Units and New Class B LLC Units or by means of book entry in accordance with the customary practices of DTC, as and to the extent practicable.

(c) In the period pending distribution of the New Class A LLC Units and New Class B LLC Units to any holder entitled pursuant to this Plan to receive New Class A LLC Units and New Class B LLC Units, such holder shall be bound by, have the benefits of, and be entitled to enforce the terms and conditions of the Reorganized Parent LLC Agreement and shall be entitled to exercise any voting rights and receive any dividends or distributions paid with respect to such holder's New Class A LLC Units and New Class B LLC Units (including receiving any proceeds arising from permitted transfers of such New Class A LLC Units and New Class B LLC Units) and exercise all of the rights with respect of the New Class A LLC Units and New Class B LLC Units (so that such holder shall be deemed for tax purposes to be the owner of the New Class A LLC Units and New Class B LLC Units).

SECTION 6. DISTRIBUTIONS

6.1 ***Distribution Record Date.***

Distributions hereunder to the Holders of Allowed Claims and Allowed Equity Interests shall be made to the Holders of such Claims and Equity Interests as of the Distribution Record Date. Transfers of Claims and Equity Interests after the Distribution Record Date shall not be recognized for purposes of this Plan. On the Distribution Record Date, the Senior Notes Indenture Trustee shall provide a true and correct copy of the registry for the Senior Notes to the Debtors. The Debtors, the Reorganized Debtors, or any party responsible for making distributions pursuant to this Section 6.1 shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date.

6.2 ***Date of Distributions.***

Except as otherwise provided herein, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the

event that any payment 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, but shall be deemed to have been completed as of the required date.

6.3 [Reserved]

6.4 *Disbursement Agent.*

(a) General. Unless otherwise provided in the Plan, all distributions under the Plan shall be made on the Effective Date by the Reorganized Debtors as Disbursement Agent or such other Entity designated by the Reorganized Debtors as a Disbursement Agent. No Disbursement Agent hereunder, including, without limitation, the Senior Notes Indenture Trustee, the Term Loan Agent, and the DIP Agents, shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

(b) Senior Notes Indenture Trustee. The Senior Notes Indenture Trustee shall be deemed to be the Holder of all Senior Notes Claims for purposes of distributions to be made under the Plan, and all distributions on account of Allowed Senior Notes Claims shall be made through the Senior Notes Indenture Trustee or as otherwise agreed to by the Reorganized Debtors and the Senior Notes Indenture Trustee. All distributions to Holders of Allowed Senior Notes Claims shall be governed by the Senior Notes Indenture Trustee.

(d) Term Loan Agent. The Term Loan Agent shall be deemed to be the Holder of all Term Loan Claims for purposes of distributions to be made hereunder, and all distributions on account of Term Loan Claims shall be made to the Term Loan Agent.

(e) DIP Agents. The DIP Agents shall be deemed to be the Holder of all DIP Facility Claims for purposes of distributions to be made hereunder, and all distributions on account of DIP Facility Claims shall be made to the DIP Agents, as applicable, or as otherwise agreed to by the Reorganized Debtors and the DIP Agents.

6.5 *Rights and Powers of Disbursement Agent.*

Each Disbursement Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated by the Plan; (c) without further order of the Bankruptcy Court or the Canadian Court, employ professionals and incur reasonable fees and expenses to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursement Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by such Disbursement Agent to be necessary and proper to implement the provisions of the Plan.

6.6 *Expenses of the Disbursement Agent.*

The amount of any reasonable fees and documented expenses incurred by each Disbursement Agent acting in such capacity (including taxes and reasonable attorneys' fees and

expenses) on or after the Effective Date shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

6.7 *Delivery of Distributions.*

(a) General. All distributions to any Holder of an Allowed Claim or Allowed Equity Interest shall be made to the address of such Holder as set forth in the books and records of the Debtors or its agents, as applicable, unless the Debtors or Reorganized Debtors have been notified in writing of a change of address.

(b) Undeliverable Distributions. In the event that any distribution to any Holder is returned as undeliverable or is otherwise unclaimed, the Disbursement Agent shall make no further distribution to such Holder unless and until such Disbursement Agent is notified in writing of such Holder's then current address. On, or as soon as practicable after, the date on which a previously undeliverable or unclaimed distribution becomes deliverable and claimed, the Disbursement Agent shall make such distribution without interest thereon. Any Holder of an Allowed Claim or Allowed Equity Interest that fails to assert a claim hereunder for an undeliverable or unclaimed distribution within one year after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting such Claim against any of the Debtors, the Estates, or the Reorganized Debtors or their property. After the first anniversary of the Effective Date, all property or interests in property not distributed pursuant to this Section 6.7(b) shall be deemed unclaimed property pursuant to section 347(b) of the Bankruptcy Code. Such property or interests in property shall be returned by the Disbursement Agent to the Reorganized Debtors, and the Claim of any other Holder to such property or interests in property shall be discharged and forever barred notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary. Nothing contained herein shall require, or be construed to require, the Disbursement Agent to attempt to locate any Holder of an Allowed Claim or Allowed Equity Interest.

6.8 *Manner of Payment Under Plan.*

At the option of the applicable Disbursement Agent, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements. All distributions of Cash shall be made by or on behalf of the applicable Debtor.

6.9 *Setoffs and Recoupment.*

The Debtors and the Reorganized Debtors may, but shall not be required to, set off or recoup against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), or the distributions to be made hereunder on account of such Claim, any Claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; *provided*, *however*, that neither the failure to exercise such setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or Reorganized Debtors of any such Claim the Debtors or the Reorganized Debtors may have against the Holder of such Claim.

6.10 ***Distributions After Effective Date.***

Distributions made after the Effective Date to Holders of Disputed Claims or Disputed Equity Interests that are not Allowed Claims or Allowed Equity Interests, as the case may be, as of the Effective Date but that later become Allowed Claims or Allowed Equity Interests shall be deemed to have been made on the Effective Date.

6.11 ***Allocation of Distributions Between Principal and Interest.***

The aggregate consideration to be distributed to the Holders of Allowed Claims under the Plan shall be treated as first satisfying an amount equal to the stated principal amount of the Allowed Claims of such Holders, as determined for federal income tax purposes, and any remaining consideration as satisfying accrued, but unpaid, interest, if any.

6.12 ***No Postpetition Interest on Claims and Equity Interests/No Fees and Expenses.***

Unless otherwise specifically provided for in this Plan, the Confirmation Order, or any other order entered by the Bankruptcy Court, and except with respect to Secured Claims that, pursuant to section 506 of the Bankruptcy Code, include accrued interest, (a) postpetition interest shall not accrue on or after the Petition Date on account of any Claim or Equity Interest and no Holder of a Claim or Equity Interest shall be entitled to interest accruing on or after the Petition Date on any such Claim or Equity Interest and (b) no Holder of a Claim or Equity Interest shall be entitled to the payment of any fees or expenses incurred in connection with such Claim or Equity Interest.

6.13 ***Claims Paid or Payable by Third Parties.***

(a) Claims Paid by Third Parties. The Debtors or Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be Disallowed without an objection having to be filed and without any further notice to, or action, order, or approval of the Bankruptcy Court or the Canadian Court, to the extent that the Holder of such Claim receives payment (before or after the Effective Date) on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or Reorganized Debtor on account of such Claim, such Holder shall, within ten (10) days of receipt thereof, repay or return the distribution to the applicable Debtor or Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the Allowed amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Debtor annualized interest at the federal judgment rate, as in effect as of the Petition Date, on such amount owed for each Business Day after the 10-day grace period specified above until the amount is repaid.

(b) Claims Payable by Third Parties. No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agree to

satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement the applicable portion of such Claim may be expunged without an objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court or the Canadian Court.

(c) Applicability of Insurance Policies. Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in this Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors, the Reorganized Debtors, or any Entity may hold against any other Entity under any insurance policies, including against insurers, nor shall anything contained in this Plan constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

6.14 ***Surrender of Cancelled Instruments or Securities.***

(a) Any Holder of a Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 above (including the Senior Notes Indenture Trustee) shall surrender such applicable instruments, securities, or other documentation to the Reorganized Debtors or certify in writing that such instrument, security, or other documentation has been cancelled, in accordance with written instructions to be provided to such Holder by the Reorganized Debtors, unless waived in writing by the Debtors or the Reorganized Debtors. Any distribution required to be made hereunder on account of any such Claim or Equity Interest shall be treated as an undeliverable distribution under Section 6.7(b) above pending the satisfaction of the terms of this Section 6.14(a).

(b) Subject to Section 6.15 below, other than for instruments, securities, or other documentation certified as cancelled by the Senior Notes Indenture Trustee in accordance with Section 6.14(a), any Holder of any Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 above that fails to surrender such applicable instruments, securities, or other documentation in accordance with Section 6.14(a) within one year after the Effective Date shall have such Claim or Equity Interest, and the distribution on account of such Claim or Equity Interest, disgorged or forfeited, as applicable, and shall forever be barred from asserting such Claim or Equity Interest against any of the Reorganized Debtors or their respective property.

6.15 ***Lost, Stolen, Mutilated, or Destroyed Debt or Equity Securities.***

In addition to any requirements under any applicable agreement, any Holder of a Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 above, which instruments, securities, or other documentation have been lost, stolen, mutilated, or destroyed, shall, in lieu of surrendering such instruments, securities, or other documentation, (a) deliver evidence of such loss, theft, mutilation, or destruction that is reasonably satisfactory to the Reorganized Debtors and (b) deliver to the Reorganized Debtors such security or indemnity as may be required by the Reorganized Debtors to hold the Reorganized Debtors harmless from any damages, liabilities, or costs incurred in treating such Entity as the Holder of such Allowed Claim or Allowed Equity Interest. Such Holder shall, upon compliance with this Section 6.15, be deemed to have surrendered such

instruments, securities, or other documentation for all purposes hereunder.

6.16 *Withholding and Reporting Requirements.*

In connection with this Plan and all distributions hereunder, 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. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, liquidating a portion of any distribution to generate sufficient funds to pay applicable withholding taxes or establishing any other mechanisms the Debtors, Reorganized Debtors, or the Disbursement Agents believe are reasonable and appropriate, including requiring a Holder of a Claim to submit appropriate tax and withholding certifications. Notwithstanding any other provisions of this Plan: (i) each Holder of an Allowed Claim that is to receive a distribution under this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations on account of such distribution; and (ii) no distribution shall be required to be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations or has, to the Reorganized Debtors' satisfaction, established an exemption therefrom.

SECTION 7. PROCEDURES FOR RESOLVING DISPUTED CLAIMS AND EQUITY INTERESTS

7.1 *No Proofs of Equity Interests Required.*

Except as otherwise provided in the Plan or by order of the Bankruptcy Court, Holders of Equity Interests shall not be required to file proofs of Equity Interests in the Chapter 11 Cases.

7.2 *Objections to Claims; Estimation of Claims.*

Except insofar as a Claim is Allowed under the Plan, the Debtors, the Reorganized Debtors or any other party in interest shall be entitled to object to Claims. Any objections to Claims shall be served and filed on or before (a) the one-hundred and twentieth (120th) day following the later of (i) the Effective Date and (ii) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a holder of such Claim, or (b) such later date as may be fixed by the Bankruptcy Court.

The Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, except that the Reorganized Debtors may not request estimation of any non-contingent or liquidated Claim if the Debtors' objection to such Claim was previously overruled by a Final Order, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute either

the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be 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.

7.3 ***Payments and Distributions on Disputed Claims.***

If an objection to a Claim is filed as set forth in Section 7.2, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

At such time as a Disputed Claim becomes Allowed or as soon as practicable thereafter, the Disbursement Agent shall distribute to the Holder of such Allowed Claim the property distributable to such Holder pursuant to Section 4 of the Plan. To the extent that all or a portion of a Disputed Claim is Disallowed, the Holder of such Claim shall not receive any distribution on account of the portion of such Claim that is Disallowed. Notwithstanding any other provision of the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date, except as provided for in the DIP Order or to the extent that section 506(b) of the Bankruptcy Code permits interest to accrue and be Allowed on such Claim.

7.4 ***Preservation of Claims and Rights to Settle Claims.***

Except as otherwise provided in the Plan, or in any contract, instrument, or other agreement or document entered into in connection with this Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, compromise, otherwise resolve, discontinue, abandon, or dismiss all Claims, rights, Causes of Action, suits, and proceedings, including those described in the Plan Supplement (collectively, the "**Retained Actions**"), whether at law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Entity (other than Claims, rights, Causes of Action, suits, and proceedings released pursuant to Section 10.4 below), without the approval of the Bankruptcy Court or the Canadian Court, subject to the terms of Section 7.2 hereof, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such Retained Actions, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) that hold such rights.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Retained Action against it as any indication that the Reorganized Debtors will not, or may not, pursue any and all available Retained Actions against it. The Reorganized Debtors expressly reserve all rights to prosecute any and all Retained Actions against any Entity. Unless any Retained Action against an Entity is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Retained Actions for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel,

issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches shall apply to such Retained Action upon, after, or as consequence of, confirmation or consummation of the Plan. For the avoidance of doubt, all Claims, Causes of Action, suits, and proceedings of the Debtors that are not Retained Actions are waived as of the Effective Date.

SECTION 8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 *Assumption of Contracts and Leases.*

Except for any executory contracts or unexpired leases that are (a) the subject of a motion to assume or reject pending on the Confirmation Date, which shall be assumed or rejected in accordance with the disposition of such motion or (b) identified in the Plan Supplement as executory contracts or unexpired leases to be rejected pursuant to the Plan, all executory contracts and unexpired leases to which any of the Debtors is a party are hereby specifically assumed as of the Effective Date. Entry of the Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving such contract and lease assumptions as of the Effective Date and determining that "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) by the Reorganized Debtors has been demonstrated and no further adequate assurance is required. The pendency of any motion to assume or reject executory contracts or unexpired leases shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date. Each executory contract and unexpired lease assumed pursuant to this Section 8.1 or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revest in, and be fully enforceable by, the applicable Reorganized Debtor(s) in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court (as recognized by the Canadian Court, if applicable) authorizing and providing for its assumption under applicable law.

Unless otherwise provided in the Plan, each executory contract and unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously terminated or is otherwise not in effect.

Modifications, amendments, supplements, and restatements to prepetition executory contracts or unexpired leases that have been executed by any of the Reorganized Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the executory contract or unexpired lease.

8.2 *Cure of Defaults.*

Any monetary amount by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, in accordance with section 365(b)(1) of the Bankruptcy Code, by payment of such amount in Cash on the Effective Date, or upon such other terms as the parties to such executory contract or unexpired lease may otherwise agree. If a

dispute arises regarding (a) the amount of any cure payments required under section 365(b)(1) of the Bankruptcy Code; (b) the ability of any Reorganized Debtor or any assignee thereof to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (c) any other matter pertaining to assumption under section 365 of the Bankruptcy Code, the cure payments required under section 365(b)(1) of the Bankruptcy Code, if any, shall be made following the entry of a Final Order resolving such dispute and shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date.

Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise, and payment of the applicable cure amount, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or non-monetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time prior to the effective date of assumption. Any proof of Claim filed with respect to an executory contract or unexpired lease that is assumed shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or the Canadian Court.

8.3 *Claims Based on Rejection of Executory Contracts or Unexpired Leases.*

All proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases must be filed on or before the later of (i) the General Bar Date and (ii) the thirtieth (30th) day after the date of entry of an order of the Bankruptcy Court approving such rejection or the date of withdrawal of a motion to assume. Any Claim arising from the rejection of an executory contract or unexpired lease for which proof of such Claim is not filed within such time period shall be forever barred from assertion against any of the Debtors, the Estates, or the Reorganized Debtors or their property, unless otherwise ordered by the Bankruptcy Court. Any Allowed Claim arising from the rejection of executory contracts or unexpired leases for which proof of such Claim has been timely filed shall be, and shall be treated as, an Allowed General Unsecured Claim under the terms hereof, subject to any limitation under section 502(b) of the Bankruptcy Code or otherwise.

8.4 *Indemnification of Directors, Officers, and Employees.*

Any obligations of the Debtors pursuant to their certificates of formation, bylaws, or organizational documents, as applicable, or any other agreements entered into by any Debtor at any time prior to the Effective Date, to defend, indemnify, reimburse, or limit the liability of any current and former directors, officers, agents, managers, or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such directors, officers, agents, managers, or employees, based upon any act or omission for or on behalf of the Debtors, irrespective of whether such indemnification is owed in connection with an event occurring before or after the Petition Date, shall not be discharged or impaired by confirmation of the Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors hereunder and assigned to the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code and shall continue as obligations of the Reorganized Debtors.

8.5 ***Compensation and Benefit Plans.***

All employee compensation and benefit plans, policies, and programs of the Debtors entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as if they were, executory contracts to be assumed pursuant to the Plan. Employee benefit plans, policies, and programs include, without limitation, all medical and health insurance, life insurance, dental insurance, disability benefits and coverage, leave of absence, retirement plans, retention plans, severance plans, and other such benefits. The Debtors' obligations under such plans, policies, and programs shall survive confirmation of the Plan and shall be performed by the applicable Debtor or Reorganized Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or regulations governing, instruments evidencing, or other documents relating to, such plans, policies, and programs. Notwithstanding the above, as of the Effective Date, the Debtors shall be deemed to have rejected the Colt Defense Long Term Incentive Plan and shall replace such plan with the New Management Incentive Plan.

8.6 ***Insurance Policies.***

All insurance policies (including all director and officer insurance policies) pursuant to which the Debtors have any obligations in effect as of the Effective Date shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed by the respective Debtors (and assigned to the Reorganized Debtors if necessary to continue such insurance policies in full force) pursuant to section 365 of the Bankruptcy Code and shall continue in full force and effect. All other insurance policies shall revest in the Reorganized Debtors.

8.7 ***The West Hartford Facility.***

As more fully set forth in Section 5.10 above, unless the Debtors, in consultation with the Consortium and the Sciens Group, exercise the Purchase Option, on the Effective Date the Debtors shall assume the West Hartford Facility Lease, as shall be amended in accordance with the terms set forth in the West Hartford Facility Term Sheet, and shall assign such amended West Hartford Facility Lease to Reorganized Colt. In connection with such assumption and assignment, if any, any and all amounts due to NPA, including prepetition and postpetition rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and fees and costs of VALNIC Capital Real Estate I LLC), and any other liquidated sums then due and payable under the West Hartford Facility Lease shall be paid in Cash in full on the Effective Date.

8.8 ***Reservation of Rights.***

Nothing contained in the Plan shall constitute an admission by the Debtors that any agreement, contract, or lease is an executory contract or unexpired lease subject to Section 8 of the Plan, as applicable, or that the Debtors or Reorganized Debtors have any liability thereunder.

8.9 *Contracts and Leases Entered into After the Petition Date.*

Contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business or following approval pursuant to a Bankruptcy Court order, as recognized by the Canadian Court if necessary, including any executory contracts and unexpired leases assumed by a Debtor, shall be performed by the applicable Debtor or Reorganized Debtor, as the case may be, liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed executory contracts and unexpired leases) shall survive and remain unaffected by entry of the Confirmation Order.

SECTION 9. CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE

9.1 *Conditions Precedent to Confirmation.*

It shall be a condition to confirmation of this Plan that the following conditions shall have been satisfied in full or waived in accordance with Section 9.3 of the Plan:

(a) The Restructuring Support Agreement, Exit Credit Agreements, Reorganized Parent LLC Agreement, Backstop Agreement, Offering Procedures, and either (x) the amended and extended West Hartford Facility Lease or (y) the purchase of the West Hartford Facility, in either case pursuant to the West Hartford Facility Term Sheet and in either case subject to the consummation of the Plan, shall have been approved by Final Order of the Bankruptcy Court;

(b) The Disclosure Statement shall have been approved by the Bankruptcy Court as having adequate information in accordance with section 1125 of the Bankruptcy Code pursuant to an order in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders;

(c) The Disclosure Statement Recognition Order shall have been entered by the Canadian Court in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders; and

(d) The Confirmation Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered on the docket for the Chapter 11 Cases and be in full force and effect.

9.2 *Conditions Precedent to the Effective Date.*

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions have been satisfied in full or waived in accordance Section 9.3 of the Plan:

(a) Entry of Confirmation Order. The Confirmation Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered on the docket for the Chapter 11 Cases and shall have become a Final Order in full force and effect.

(b) Entry of Confirmation Recognition Order. The Confirmation Recognition Order, in form and substance reasonably satisfactory to the Plan Support Parties and the Term Loan Exit Lenders, shall have been entered by the Canadian Court and shall have become a Final Order in full force and effect.

(c) Execution and Delivery of Other Documents. All other actions and all agreements, instruments, or other documents necessary to implement the Plan, including the Exit Credit Agreements (in form and substance acceptable to the Plan Support Parties and the Exit Lenders) and the Exit Intercreditor Agreement (in form and substance acceptable to the Plan Support Parties and the Exit Lenders), shall have been (i) effected or (ii) duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

(d) Exit Financing. The Debtors shall have access to funding under the Exit Facilities and the Offering (in the case of the Offering, in an amount not less than $50 million).

(e) DIP Financing. All financing provided to the Debtors under the DIP Facilities shall have been repaid, as provided in the DIP Credit Agreements, or other arrangements satisfactory to the DIP Lenders regarding the termination of such financing shall have been made.

(f) Offering. The Reorganized Debtors shall have consummated the Offering in accordance with the Offering Term Sheet and the Offering Procedures.

(g) New Management Incentive Plan. The Confirmation Order shall provide that Reorganized Parent shall execute and deliver the New Management Incentive Plan as soon as practicable after the Effective Date.

(h) West Hartford Facility. The Debtors or the Reorganized Debtors shall have either (i) amended and extended the West Hartford Facility Lease pursuant to, and in accordance with, the terms set forth in the West Hartford Facility Term Sheet; or (ii) purchased the West Hartford Facility pursuant to, and in accordance with, the terms set forth in the West Hartford Facility Term Sheet.

(i) Collective Bargaining Agreement. In accordance with the Restructuring Term Sheet, modifications to that certain Collective Bargaining Agreement dated as of April 1, 2014, reasonably acceptable to the Debtors and the RSA Creditor Parties shall have been made.

(j) Consents. All authorizations, consents, and approvals determined by the Debtors to be necessary to implement the Plan shall have been obtained.

(k) Amendments. The Plan and the Plan Documents shall not have been materially amended or modified without the consent of the Plan Support Parties and the Term Loan Exit Lenders, such consent not to be unreasonably withheld.

(l) Statutory Fees. All statutory fees and obligations then due and payable to the Office of the United States Trustee shall have been paid and satisfied in full.

(m) Regulatory Approvals. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement the Plan.

(n) Taxable Status, Issuance of New Class A LLC Units and New Class B LLC Units. The Debtors or Reorganized Debtors shall have taken all steps necessary for the Reorganized Parent (i) to be taxed as a "C" corporation and (ii) to have issued the New Class A LLC Units and New Class B LLC Units.

(o) Reorganized Parent LLC Agreement. The holders of the New Class A LLC Units and New Class B LLC Units shall have entered into the Reorganized Parent LLC Agreement.

(p) Board of Directors. The new Board of Directors of Reorganized Parent shall have been designated and appointed in accordance with the terms set forth in the Restructuring Term Sheet and Section 5.9(c) hereof.

(q) Other Acts. Any other actions that the Debtors, in consultation with the Plan Support Parties, determine are necessary to implement the terms of the Plan shall have been taken.

9.3 *Waiver of Conditions Precedent.*

Each of the conditions precedent in Section 9.1 and Section 9.2 of the Plan may be waived, in whole or in part, by the Debtors in writing, with the consent of the Plan Support Parties and the Term Loan Exit Lenders, but without notice to any other third parties or order of the Bankruptcy Court or any other formal action.

9.4 *Effect of Non-Occurrence of the Effective Date.*

If the conditions listed in Section 9.1 and Section 9.2 are not satisfied or waived in accordance with Section 9.3, then (a) the Confirmation Order and the Confirmation Recognition Order shall be of no further force or effect; (b) the Plan shall be null and void in all respects; (c) no distributions under the Plan shall be made; (d) 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; and (e) nothing contained in the Plan or the Disclosure Statement shall (i) be deemed to constitute a waiver or release of (x) any Claims by any creditor or (y) any Claims against, or Equity Interests in, the Debtors, (ii) prejudice in any manner the rights of the Debtors, or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtors in any respect.

SECTION 10. EFFECT OF CONFIRMATION

10.1 *Vesting of Assets; Continued Corporate Existence.*

On the Effective Date, except as otherwise provided in the Plan or the Exit Credit Agreements, pursuant to sections 1141(b) and 1141(c) of the Bankruptcy Code, all property of the Debtors' Estates shall vest in the Reorganized Debtors free and clear of all Claims, Liens,

encumbrances, charges, and other interests. 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 applicable organizational documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtors shall be authorized to operate their respective businesses and to use, acquire, or dispose of assets, without supervision or approval by the Bankruptcy Court or the Canadian Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

10.2 ***Binding Effect.***

Subject to the occurrence of the Effective Date and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062, on and after the Confirmation Date, the provisions of the Plan shall be immediately effective and enforceable and deemed binding upon any Holder of a Claim against, or Equity Interest in, the Debtors, and such Holder's respective successors and assigns, (whether or not the Claim or Equity Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the Plan, and whether or not such Holder is entitled to a distribution under the Plan), all Entities that are party, or subject, to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor counterparties to executory contracts, unexpired leases, and any other prepetition agreements.

10.3 ***Discharge of Claims.***

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of all Claims against, and Equity Interests in, the Debtors, and Causes of Action of any nature whatsoever arising on or before the Effective Date, known or unknown, including, without limitation, any interest accrued or expenses incurred on such Claims from and after the Petition Date, against the Debtors, and liabilities of, Liens on, obligations of, and rights against, the Debtors or any of their assets or properties arising before the Effective Date, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests, in each case whether or not: (a) a proof of Claim or Equity Interest based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Equity Interest based upon such debt or right is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Equity Interest has accepted the Plan. Any default by the Debtors with respect to any Claim that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. Except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), all Entities shall be precluded from asserting against the Debtors, the Reorganized Debtors, or their respective properties or interests in property, any other Claims based on any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except with respect to Claims reinstated pursuant to the Plan, the Confirmation Order shall be a

judicial determination of the discharge of all Claims arising before the Effective Date against the Debtors, subject to the occurrence of the Effective Date.

10.4 ***Releases.***

(a) **Releases by the Debtors**. **Pursuant to section 1123(b) of the Bankruptcy Code and to the extent allowed by applicable law, upon the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, shall be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction, including laws of Canada and the provincial laws applicable therein, or otherwise (other than the rights of the Debtors or Reorganized Debtors to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors, the Chapter 11 Cases, or the Canadian Proceedings; (ii) any investment by any Released Party in any of the Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any common or preferred equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of any such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases or the Canadian Proceedings; and (viii) the negotiation, formulation, preparation, or dissemination of the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the Plan (including, for the avoidance of doubt, the Plan Supplement), the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, and the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility) or related agreements, instruments, or other documents, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence. The Reorganized Debtors shall be bound, to the same extent the Debtors are bound, by the releases and discharges set forth above.**

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in this Section

10.4(a) by the Debtors, which includes by reference each of the related provisions and definitions contained in this Plan, and further, shall constitute its finding that each release described in this Section 10.4(a) is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims; (ii) in the best interests of the Debtors and all Holders of Equity Interests and Claims; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Debtors or Reorganized Debtors asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property. Entry of the Confirmation Recognition Order shall constitute the Canadian equivalent of the same.

(b) **Releases by Holders of Claims and Holders of Equity Interests**. **Upon the Effective Date, to the maximum extent permitted by applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Releasing Party, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan, and the Cash and other contracts, instruments, releases, agreements, or documents to be delivered in connection with the Plan, shall be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities, including any derivative claims assertable on behalf of any Debtor, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction, including laws of Canada and the provincial laws applicable therein, or otherwise (other than the rights of the Releasing Parties to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan and Claims reinstated pursuant to the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors, the Chapter 11 Cases, or the Canadian Proceedings; (ii) any investment by any Released Party in any of the Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any common or preferred equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of any such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases or the Canadian Proceedings; and (viii) the negotiation, formulation, preparation, or dissemination of the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the Plan (including, for the avoidance of doubt, the Plan Supplement), the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, and the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations,**

discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility) or related agreements, instruments, or other documents, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in this Section 10.4(b), which includes by reference each of the related provisions and definitions contained in this Plan, and further, shall constitute its finding that each release described in Section 10.4(b) is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such Claims and Equity Interests; (ii) in the best interests of the Debtors and all Holders of Claims and Equity Interests; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Releasing Parties asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property. Entry of the Confirmation Recognition Order shall constitute the Canadian equivalent of the same.

10.5 ***Exculpation and Limitation of Liability.***

None of the Debtors or Reorganized Debtors, or the direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, or agents (whether current or former, in each case, in his, her, or its capacity as such) of the Debtors or the Reorganized Debtors, including, for the avoidance of doubt, the Sciens Group and any other direct or indirect holders of Equity Interests in Colt Defense LLC, or the Released Parties shall have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the Canadian Proceedings, formulation, negotiation, preparation, dissemination, confirmation, solicitation, implementation, or administration of the Plan, the Plan Supplement, the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, the DIP Credit Agreements, the Exit Credit Agreements, the Term Loan Agreement, the Senior Notes Indenture, the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility), any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or any other pre- or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or confirming or consummating the Plan (including the issuance of any securities or the distribution of any property under the Plan); *provided, however,* that the foregoing provisions of this Section 10.5 shall have no effect on the liability of any Person or Entity that results from any such act or omission that is determined by a Final Order to have constituted willful misconduct, fraud, or gross

negligence and shall not impact the right of any Holder of a Claim or Equity Interest, or any other party to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan. Without limiting the generality of the foregoing, the Debtors and the Debtors' direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, and agents (whether current or former, in each case, in his, her, or its capacity as such) including, for the avoidance of doubt, the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC, shall, in all respects, be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan. The exculpated parties have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation 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.

10.6 *Injunction.*

(a) **General. All Persons or Entities who have held, hold, or may hold Claims or Equity Interests (other than Claims that are reinstated under the Plan), and all other parties in interest in the Chapter 11 Cases and the Canadian Proceedings, along with their respective current and former employees, agents, officers, directors, principals, and affiliates, are permanently enjoined, from and after the Effective Date, from, in respect of any claim or Cause of Action released or settled hereunder, (i) commencing or continuing in any manner any action or other proceeding of any kind, against the Released Parties, the Debtors, or the Reorganized Debtors, or in respect of any Claim or Cause of Action released or settled hereunder; (ii) enforcing, attaching, collecting, or recovering by any manner or means of any judgment, award, decree, or order against the Released Parties, the Debtors, or the Reorganized Debtors; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Released Parties, the Debtors, or the Reorganized Debtors; or (iv) asserting any right of setoff, subrogation, or recoupment of any kind, against any obligation due from the Released Parties, the Debtors, or the Reorganized Debtors, or against the property or interests in property of the Debtors or Reorganized Debtors, on account of such Claims or Equity Interests; *provided, however*, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms hereof and the contracts, instruments, releases, and other agreements and documents delivered under or in connection with the Plan.**

(b) **Injunction Against Interference With the Plan. Upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals, and affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim or Allowed Equity Interest, by accepting, or being eligible to accept, distributions under or reinstatement of such Claim or Equity Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in this section of the Plan.**

10.7 *Settlement of Claims Against the Sciens Group and NPA*

Without limiting the generality of Section 5.1, this Plan shall constitute a motion of the Debtors, on behalf of the Debtors' Estates, and the Plan Support Parties requesting approval of a settlement pursuant to Bankruptcy Rule 9019 of any and all Claims of the Debtors and their Estates against the Sciens Group and NPA (and any other named defendant in the draft complaint filed by the Committee in these cases) related to the West Hartford Facility Lease or any other matters. In exchange for the releases provided to the Sciens Group pursuant to Section 10.4(a), the Sciens Group has agreed to contribute $15 million to the Offering on the terms set forth in the Offering Term Sheet and to grant releases in favor of the Debtors pursuant to Section 10.4(b). In exchange for the releases provided to NPA (and other parties) pursuant to Section 10.4(a), NPA has agreed to either (i) an extension of the West Hartford Facility Lease or (ii) a sale of the West Hartford Facility, in each case on the terms set forth in the West Hartford Facility Term Sheet, and to grant releases in favor of the Debtors pursuant to Section 10.4(b).

10.8 *Term of Bankruptcy Injunction or Stays.*

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence as of the Confirmation Date, shall remain in full force and effect until the Effective Date. All stays provided for in the Canadian Proceedings pursuant to the orders of the Canadian Court shall remain in full force and effect until the Effective Date unless otherwise ordered by the Canadian Court.

10.9 *Termination of Subordination Rights and Settlement of Related Claims.*

The classification and manner of satisfying all Claims and Equity Interests under the Plan takes into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise. All subordination rights that a Holder of a Claim or Equity Interest may have with respect to any distribution to be made under the Plan, shall be discharged and terminated, and all actions related to the enforcement of such subordination rights shall be enjoined permanently. Accordingly, distributions under the Plan to Holders of Allowed Claims shall not be subject to payment of a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment, or other legal process by a beneficiary of such terminated subordination rights.

10.10 *Reservation of Rights.*

The Plan shall have no force or effect unless and until the Effective Date. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the 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 or any other party with respect to any Claims or Equity Interests or any other matter.

SECTION 11. RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code, and notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to,

the Plan, the Confirmation Order, and the Chapter 11 Cases, to the fullest extent permitted by law, including jurisdiction, to the extent applicable:

(a) To allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;

(b) To resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtors are party to or with respect to which any Debtor or Reorganized Debtor may be liable, and hear, determine, and, if necessary, liquidate, any Claims arising therefrom;

(c) To determine any and all motions, adversary proceedings, applications, contested matters, or other litigated matters pending on the Effective Date;

(d) To ensure that distributions to Holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the terms of the Plan;

(e) To adjudicate any and all disputes arising from or relating to distributions under the Plan;

(f) To enter, implement, or enforce such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan, and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Confirmation Order;

(g) To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated, or distributions pursuant to the Plan are enjoined or stayed;

(h) To issue injunctions, enter, and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(i) To modify the Plan before or after the Effective Date under section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

(j) To hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331, and 503(b) of the Bankruptcy Code incurred prior to the Confirmation Date; *provided*, *however*, that, from and after the Confirmation Date, the payment of fees and expenses of the Reorganized Debtors,

including fees and expenses of counsel, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(k) To hear and determine any rights, Claims, or Causes of Action held or reserved by, or accruing to, the Debtors or the Reorganized Debtors pursuant to the Bankruptcy Code, the Confirmation Order, or, in the case of the Debtors, any other applicable law;

(l) To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

(m) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Plan Documents, the Confirmation Order, any transactions contemplated thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing, or the effect of the Plan under any agreement to which the Debtors, the Reorganized Debtors, or any affiliate thereof are party;

(n) To hear and determine any issue for which the Plan or a Plan Document requires a Final Order of the Bankruptcy Court;

(o) To issue such orders as may be necessary or appropriate to aid in execution of the Plan or to maintain the integrity of the Plan following consummation, to the extent authorized by section 1142 of the Bankruptcy Code;

(p) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(q) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(r) To enter and enforce any order for the sale or transfer of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

(s) To hear and determine all disputes involving the existence, scope, and nature of the discharges, releases, or injunctions granted under the Plan and the Bankruptcy Code;

(t) To hear and determine all disputes involving or in any manner implicating the exculpation or indemnification provisions contained in the Plan;

(u) To hear and determine any matters arising under or related to sections 1141 and 1145 of the Bankruptcy Code;

(v) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(w) To recover all assets of the Debtors and property of the Debtors' Estates, wherever located; and

(x) To enter a final decree closing the Chapter 11 Cases.

SECTION 12. MISCELLANEOUS PROVISIONS

12.1 *Payment of Statutory Fees.*

On the Effective Date and thereafter, as may be required, the Debtors shall pay all fees payable, pursuant to section 1930 of title 28 of the United States Code, until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first; *provided* that in the event of a dispute regarding such fees, the fees in dispute shall be paid upon entry of a Final Order resolving such dispute. The Debtors shall pay all of the foregoing fees on a per-Debtor basis.

12.2 *Exemption from Securities Laws.*

To the maximum extent provided by section 1145(a) of the Bankruptcy Code and applicable non-bankruptcy law, the offer or sale of New Class B LLC Units to the Holders of Senior Notes under the Plan and in accordance with the Restructuring Term Sheet shall be exempt from registration under section 5 of the Securities Act and may be resold by Holders thereof without registration, unless the Holder is an "underwriter" (as defined in section 1145(b)(l) of the Bankruptcy Code) with respect to such securities, in each case, subject to the terms of any applicable securities laws. To the extent that section 1145 is not available to exempt the securities issued under, or in connection with, the Plan, including, without limitation, the offer or sale under the Plan of any securities in accordance with the Offering Term Sheet or the Restructuring Term Sheet, from registration under section 5 of the Securities Act, other provisions of the Securities Act, including, without limitation, section 3(a)(9), section 4(a)(2) or Regulation S of the Securities Act, and state securities laws, shall apply to exempt such issuance from the registration requirements of the Securities Act.

12.3 *Exemption from Certain Transfer Taxes.*

Pursuant to section 1146(a) of the Bankruptcy Code, any issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer from a Debtor to a Reorganized Debtor or any other Entity pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Without limiting the foregoing, any issuance, transfer, or exchange of a security or any making or delivery of an instrument of transfer pursuant to the Plan shall be exempt from the imposition and payment of any and all transfer taxes (including, without limitation, any and all stamp taxes or similar taxes and any interest, penalties, and addition to the tax that may be required to be paid in connection with the consummation of the Plan and the Plan Documents) pursuant to sections 1146(a), 505(a), 106, and 1141 of the Bankruptcy Code. Unless the Bankruptcy Court orders otherwise, all sales, transfers, and assignments of owned and leased

property approved by the Bankruptcy Court on or before the Effective Date shall be deemed to have been in furtherance of, or in connection with, the Plan.

12.4 ***Dissolution of Statutory Committees and Cessation of Fee and Expense Payment.***

On the Effective Date, all statutory committees (including the Committee) shall dissolve; *provided, however*, that, following the Effective Date, any statutory committees shall continue to have standing and a right to be heard with respect to (i) Claims and/or applications for compensation by professionals and requests for allowance of administrative expenses for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code, (ii) any appeals of the Confirmation Order that remain pending as of the Effective Date to which any statutory committees are a party, and (iii) any adversary proceedings or contested matter as of the Effective Date to which any statutory committees are a party. Upon the dissolution of any statutory committees, the current and former members of any statutory committees and their respective officers, employees, counsel, advisors, and agents, shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of any statutory committees' respective attorneys, accountants, and other agents shall terminate, except that any statutory committees and their respective professionals shall have the right to pursue, review, and object to any applications for compensation and reimbursement of expenses filed in accordance with Section 2.3 hereof. The Reorganized Debtors shall not be responsible for paying any fees and expenses incurred after the Effective Date by the professionals retained by any statutory committees, if any.

12.5 ***Substantial Consummation.***

On the applicable Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

12.6 ***Expedited Determination of Postpetition Taxes.***

The Reorganized Debtors shall be authorized to request an expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, the Debtors for any and all taxable periods ending after the Petition Date through, and including, the Effective Date.

12.7 ***Modification and Amendments.***

The Debtors shall not amend this Plan without the prior written consent of (a) the other Plan Support Parties, to the extent such consent is required under the Restructuring Support Agreement, and (b) the Term Loan Exit Lenders, such consent not to be unreasonably withheld. Otherwise, subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments, or modifications of the Plan may be proposed in writing by the Debtors at any time prior to or after the Confirmation Date, but prior to the Effective Date. Holders of Claims and Equity Interests that have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification complies with the requirements of this Section

12.7 and does not materially and adversely change the treatment of the Claim or Equity Interest of such Holder; *provided*, *however*, that any Holders of Claims or Equity Interests that were deemed to accept the Plan because such Claims or Equity Interests were Unimpaired shall continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims or Equity Interests continue to be Unimpaired.

Entry of a 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 resolicitation under Bankruptcy Rule 3019.

12.8 ***Additional Documents.***

On or before the Effective Date, the Debtors may enter into any 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 or Equity Interests receiving distributions pursuant to the Plan and all other parties in interest may, 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.

12.9 ***Effectuating Documents and Further Transactions.***

On and after the Effective Date, the Reorganized Debtors and their respective officers and members of the boards of directors are authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan.

12.10 ***Plan Supplement.***

The Plan Supplement will include certain documents relating to the Plan and its consummation and implementation, including, without limitation, forms of the Reorganized Parent LLC Agreement, the form of Subscription Agreement for Fidelity/Newport and the Sciens Group, the Backstop Agreement, the Exit Credit Agreements, the Exit Intercreditor Agreement, the Offering Procedures, the identity and affiliations of each of the officers and directors of the Reorganized Debtors, and a list of any executory contracts or unexpired leases to be rejected pursuant to the Plan. The Plan Supplement shall be filed with the Clerk of the Bankruptcy Court not later than ten (10) calendar days prior to the first date on which the Confirmation Hearing is scheduled to be held and may be altered, amended, modified, or supplemented by the Debtors prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be accessed on the docket electronically maintained by the Clerk of the Bankruptcy Court (for a minor fee) or on the Voting Agent's website www.kccllc.net/ColtDefense (free of charge) or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

12.11 ***Additional Intercompany Transactions.***

The Debtors and Reorganized Debtors, as applicable, are hereby authorized without the need for any further corporate action and without further action by the Holders of Claims or Equity Interests to (a) engage in intercompany transactions to transfer Cash for distribution pursuant to the Plan and (b) continue to engage in intercompany transactions (subject to applicable contractual limitations), including, without limitation, transactions relating to the incurrence of intercompany indebtedness.

12.12 ***Revocation or Withdrawal of the Plan.***

The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date to the extent permitted under the Restructuring Support Agreement. If the Debtors take such action, the Plan shall be deemed null and void in its entirety and of no force or effect, and any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Class of Claims), assumption of executory contracts or unexpired leases effected under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void. In such event, nothing contained in the Plan shall (a) constitute or be deemed to be a waiver or release of any Claim against, or Equity Interest in, any Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtors or any Entity in further proceedings involving the Debtors; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by any Debtor or any other Entity.

12.13 ***Severability.***

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, 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. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall 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 (a) valid and enforceable pursuant to its terms; (b) integral to the Plan; and (c) non-severable and mutually dependent.

12.14 ***Schedules and Exhibits Incorporated.***

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

12.15 ***Solicitation.***

The Debtors have, and upon the Confirmation Date shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, section 1125(e) of the Bankruptcy Code,

and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation. The Debtors, the Reorganized Debtors, and each of their respective principals, members, partners, officers, directors, employees, agents, managers, representatives, advisors, attorneys, accountants, and professionals shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and purchase of any securities offered or sold under the Plan, and therefore, are not, and on account of such offer, issuance, sale, solicitation, or purchase shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of any securities offered or sold under the Plan.

12.16 ***Governing Law.***

Except to the extent that the Bankruptcy Code, the CCAA, or other federal law, rule, or regulation is applicable, or to the extent an exhibit, schedule, or supplement to the Plan provides otherwise, the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof that would require application of the law of another jurisdiction; *provided*, *however*, that corporate or entity governance matters relating to the Reorganized Debtors shall be governed by the laws of the state of incorporation or organization of the relevant Reorganized Debtor.

12.17 ***Compliance with Tax Requirements.***

In connection with the Plan and all instruments issued in connection herewith and distributed hereunder, any Entity issuing any instruments or making any distribution under the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements. Any Entity issuing any instruments or making any distribution under the Plan to a Holder of an Allowed Claim or Allowed Equity Interest has the right, but not the obligation, not to make a distribution until such Holder has provided to such Entity the information necessary to comply with any withholding requirements of any such taxing authority, and any required withholdings (determined after taking into account all information provided by such Holder pursuant to this Section 12.17) shall reduce the distribution to such Holder.

12.18 ***Successors and Assigns.***

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, affiliate, officer, director, agent, representative, attorney, beneficiary, or guardian, if any, of each Entity.

12.19 ***Closing of Chapter 11 Cases and the Canadian Proceedings.***

The Reorganized Debtors shall, as promptly as practicable after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022, Del. Bankr. L.R. 3022-1, and any applicable order of the Bankruptcy

Court to close the Chapter 11 Cases. The Confirmation Order shall identify a Reorganized Debtor to serve as foreign representative, who shall, as promptly as practicable after the full administration of the Chapter 11 Cases (or at such other time as the Reorganized Debtors determine appropriate), seek to terminate the Canadian Proceedings.

12.20 ***Document Retention.***

On and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with their current document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors without order of the Bankruptcy Court or the Canadian Court.

12.21 ***Conflicts.***

In the event of any conflict between the terms and provisions in the Plan (without reference to the Plan Supplement) and the terms and provisions in the Disclosure Statement, the Plan Supplement, any other instrument or document created or executed pursuant to the Plan, or any order (other than the Confirmation Order or the Confirmation Recognition Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), the Plan (without reference to the Plan Supplement) shall govern and control; *provided*, *however*, that, notwithstanding anything herein to the contrary, in the event of a conflict or inconsistency between the terms of the Restructuring Support Agreement or the Restructuring Term Sheet and the terms of the Plan, the terms of the Plan shall control; *provided*, *further*, that, notwithstanding anything herein to the contrary, in the event of a conflict or inconsistency between the terms of the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, the Offering Term Sheet, the Offering Procedures, Reorganized Parent LLC Agreement, the West Hartford Facility Term Sheet, or any of the documents or instruments included in the Plan Supplement, and the terms of the Plan, the terms of the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, the Offering Term Sheet, the Offering Procedures, Reorganized Parent LLC Agreement, the West Hartford Facility Term Sheet, and any of the documents or instruments included in the Plan Supplement shall govern and control in all respects.

12.22 ***Service of Documents.***

All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors, to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors or the Reorganized Debtors:
COLT DEFENSE LLC
547 New Park Avenue
West Hartford, Connecticut 06110
Attn: John Coghlin
Telephone: (860) 236-6311
Facsimile: (860) 244-1335

Email: jcoghlin@colt.com

with copies to:

O'MELVENY & MYERS LLP
Times Square Tower
Seven Times Square
New York, New York 10036
Attn: John J. Rapisardi, Esq.
Joseph Zujkowski, Esq.
Telephone: (212) 326-2000
Facsimile: (212) 326-2061

-and-

RICHARDS, LAYTON & FINGER, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Attn: Mark D. Collins, Esq.
Jason M. Madron, Esq.
Telephone: (302) 651-7700
Facsimile: (302) 651-7701

After the Effective Date, the Reorganized Debtors shall be authorized to send a notice to Entities specifying that, in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors shall be authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have filed such renewed requests.

12.23 ***Deemed Acts.***

Whenever an act or event is expressed under the Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan, the Confirmation Order, and the Confirmation Recognition Order.

Dated: October 9, 2015

Respectfully Submitted,

COLT HOLDING COMPANY LLC,

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

COLT DEFENSE LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT SECURITY LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT FINANCE CORP.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

NEW COLT HOLDING CORP.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT'S MANUFACTURING COMPANY LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT DEFENSE TECHNICAL SERVICES LLC

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT CANADA CORPORATION

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: President and Chief Executive Officer

COLT INTERNATIONAL COÖPERATIEF U.A.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

CDH II HOLDCO INC.

By: /s/ Dennis Veillux
Name: Dennis Veillux
Title: Authorized Representative

EXHIBIT A

SENIOR LOAN EXIT TERM SHEET

[TO BE FILED]

EXHIBIT B

TERM LOAN EXIT TERM SHEET

[TO BE FILED]

EXHIBIT C

OFFERING TERM SHEET

OFFERING TERM SHEET
IN CONNECTION WITH THE PLAN OF REORGANIZATION OF
COLT HOLDING COMPANY, LLC, ET AL.

This Offering Term Sheet summarizes the principal terms for a private offering (the "Offering") and related transactions in connection with the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Plan") of Colt Holding Company, LLC, et al. (the "Debtors")[1]*. This Offering Term Sheet shall not constitute an offer to buy, sell or exchange for any of the securities or instruments described herein. It also shall not constitute a solicitation of the same.*

Offering Terms

Offering:	On or before the Effective Date, the Reorganized Debtors will raise at least $50 million in new capital (the "Offering Proceeds") from a private offering (the "Offering") of units (the "Offering Units") as further described herein.
Offering Units:	The Offering Units shall consist of (i) third lien secured debt to be issued pursuant to a third lien exit facility (the "Third Lien Exit Facility") and (ii) priority equity interests of Reorganized Parent (the "New Class A LLC Units" and, together with the third lien debt under the Third Lien Exit Facility, the "Offering Consideration") as follows: (x) affiliates of the Sciens Group will subscribe to $15 million of the Offering Consideration (the "Sciens Offering Allocation"), (y) Fidelity/Newport shall subscribe to $15 million and (z) each Holder of Senior Notes other than Fidelity/ Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Debtors and the Sciens Group may agree) in principal amount of the Senior Notes and is an "accredited investor" (each such holder, an "Eligible Holder") shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering Consideration (the "Noteholder Offering Allocation") as further allocated as set forth herein.
Additional Offering Amount:	The Offering Consideration may be increased by up to $5 million (the "Additional Offering Amount") by the mutual agreement of the Debtors, the Sciens Group, Fidelity/Newport and the Consortium, such Additional Offering Amount to be allocated to each of the Sciens Group, Fidelity/Newport and Eligible Holders that participate in the Offering on a pro rata basis (i.e., if the Offering Amount were increased by $5 million, affiliates of the Sciens Group would subscribe to $1.5 million of the Additional Offering Amount, Fidelity/Newport would subscribe to $1.5 million of the Additional Offering Amount and Eligible Holders that participate in the

1 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan.

Offering would subscribe to $2.0 million of the Additional Offering Amount).

Issuance/Transfers: The Offering Units will be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A LLC Units may be transferred separately from each other, subject to the restrictions provided below and any additional restrictions thereon in the definitive documentation.

Offering Proceeds / Uses: The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors pending chapter 11 cases and other claims required to be paid on the Effective Date under the Plan, and (iii) to pay down $5 million of the DIP Senior Loan (the "Senior DIP Reduction").

Offering Allocation: Prior to the commencement of the Offering to the Eligible Holders of the Senior Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. Such electing members of the Consortium shall be referred to as the "Participating Consortium Noteholders". For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that do not become Participating Consortium Noteholders shall have the opportunity to participate in the Offering as Eligible Holders. (Collectively, Participating Consortium Noteholders and Eligible Holders who elect to purchase Offering Units shall be described as "Participating Holders").

- Each Eligible Holder, other than a Participating Consortium Noteholder, shall be offered the opportunity to purchase a dollar amount of Units in the Offering equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the fraction equal to the principal amount of the Senior Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the Senior Notes beneficially held by Fidelity/ Newport (the, "Offering Denominator" and such fraction, the "Eligible Holder Pro Rata Share").
- An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the aggregate principal amount of the Senior Notes not beneficially held by the Participating

Consortium Noteholders or Fidelity/Newport divided by the Offering Denominator shall be set aside for the backstop parties (the "Backstop Set Aside Amount"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Units in the Offering equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (ii) the fraction equal to the principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount times the (ii) the fraction equal to principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the Senior Notes held by all Participating Consortium Noteholders (such fraction, the "Participating Consortium Noteholder Pro Rata Share").

- In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Units in the Offering representing the Participating Noteholder's Pro Rata Share of any remaining Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing.
- Each of Bowery, Phoenix and Matlin Patterson (the "Backstop Parties"), have agreed to participate in the Offering as Participating Consortium Noteholders.

Prior to the Offering, the Reorganized Company and the Consortium shall determine whether the Senior Exit Facility shall be provided by Participating Holders as provided herein and if it is, each Participating Holder shall be responsible for providing the same percentage of the Senior Exit Facility as the aggregate percentage of the Offering Units allocated to Eligible Holders and Fidelity/Newport which such Participating Holder has purchased or subscribed for.

The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including Bowery, Phoenix, Matlin Patterson and the Company.

Record Holders: The Noteholder Offering Allocation will be evidenced on the books and records of the transfer agent and issued in the name of each such Eligible Holder's institutional broker(s), which will be such Eligible Holder's DTC Participant(s) for the Senior Notes. Such DTC Participant(s) will be considered the holders of record for the

Noteholder Offering Allocation; provided, however, that Reorganized Parent is not subject to public reporting requirements as a result of such direct ownership.

Senior Exit Facility Participation:

On the Effective Date, the DIP Senior Loan shall be refinanced by the Senior DIP Reduction and a new $40,000,000 senior secured loan (the "Senior Exit Facility") as described on the DIP Senior Loan Exit Term Sheet. The Reorganized Debtors may arrange the Senior Exit Facility with third party financing sources on the same or better terms as those set forth in the DIP Senior Loan Exit Term Sheet.

In the event that the Reorganized Debtors are unable to arrange alternative financing in respect of the Senior Exit Facility on the same or better terms as those set forth in the DIP Senior Loan Exit Term Sheet, Fidelity/Newport and each Participating Holder who elects to participate in the Offering (but not any affiliate of the Sciens Group) shall fund their pro rata share of the Senior Exit Facility on terms and conditions to be mutually acceptable to Fidelity/Newport, the Participating Holders and the Reorganized Debtors, such terms to be no less favorable to the Reorganized Debtors than the terms of the Exit Facility set forth on the Term Loan Exit Term Sheet. As used in the preceding sentence, "pro rata" shall mean the dollar amount of the Offering for which each Participating Holder and Fidelity/Newport have each respectively subscribed divided by the $35 million total amount of the Offering which is collectively allocated to Fidelity/Newport and Eligible Holders (or $38.5 million in the event of the Additional Offering Amount). For example, if a Senior Exit Facility cannot be otherwise obtained on the same or more favorable terms to the Reorganized Debtors, Fidelity/ Newport shall be obligated to provide 42.8% (15/35, or 16.5/38.5 in the event of the Additional Offering Amount) of the $40 million Senior Exit Facility thereof. Interests in the Senior Exit Facility may be transferred separately from loans under the Third Lien Exit Facility and the New Class A LLC Units and the New Class B LLC Units (defined below) following the Effective Date.

In the event that Fidelity/Newport and Participating Holders who elect to participate in the Offering (other than any affiliate of the Sciens Group) fund the Senior Exit Facility, each of Fidelity/Newport and such Participating Holders may elect to fund all or a portion of their share of the Senior Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Exit Facility.

Third Lien Exit Facility Terms

Issuer:	[Colt Defense LLC].
Guarantors:	Reorganized Debtors other than [Colt Defense LLC].
Collateral:	The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Debtors.
Interest Rate:	Eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in cash or entirely in kind, at the option of the Reorganized Debtors.
Maturity:	[December] 2020.
Covenants:	Minimum liquidity covenants and other minimal financial covenants to be determined.
Other Terms:	Junior debt basket of $25 million, subject to such other terms and conditions as agreed upon by the RSA Creditor Parties.

New Class A LLC Unit Terms

Issuer:	Reorganized Parent.
Units to be Issued:	Class A limited liability company units.
Priority Return:	Per unit amount determined based on dividing the aggregate offering price ($50 million) by the number of New Class A LLC Units outstanding on a fully diluted basis (the "Priority Return"). The Priority Return is payable to holders of New Class A LLC Units before any amounts are paid to holders of New Class B LLC Units. There shall be no increase in the aggregate Priority Return for the issuance of New Class A LLC Units to NPA, under the New Management Incentive Plan, or otherwise. The Priority Return is payable in the event of a liquidation, dissolution, merger or sale of substantially all the assets of the Reorganized Debtors before any amounts are paid to holders of New Class B LLC Units.
Participation Ratio:	After the Priority Return is paid to holders of the New Class A LLC Units in full in cash, the New Class A LLC Units will convert (the "Conversion") into New Class B LLC Units at a conversion ratio (the "Conversion Ratio") such that the former holders of New Class A LLC Units receive 75% of future distributions to holders of New Class B LLC Units while the original holders of New Class B LLC Units receive 25% of future distributions to holders of New Class B

LLC Units (the "Participation Ratio"); provided, however, that (i) one-half of the New Class A LLC Units issuable in connection with the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA pursuant to the West Hartford Facility Lease Term Sheet shall not dilute the excess distributions to be received by the New Class B LLC Units issued on the Effective Date, such that such New Class A Units issued pursuant to the New Management Incentive Plan and to NPA pursuant to the West Hartford Facility Lease Term Sheet shall only dilute the excess distribution to be received by the holders of the other New Class A LLC Units issued on the Effective Date, and (ii) the remaining one-half of the New Class A LLC Units issuable in connection with the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA pursuant to the West Hartford Facility Lease Term Sheet shall dilute all New Class A LLC Units and New Class B LLC Units in accordance with the Participation Ratio.

Except as provided above, there shall be no adjustment to the Participation Ratio for future issuances of New Class A LLC Units or New Class B LLC Units. The Participation Ratio will be adjusted for changes in Reorganized Parent's capital structure (i.e. recapitalization, unit dividends, etc.).

Annex A attached hereto sets forth an illustration of the Participation Ratio, Conversion, and Priority Return. In the event that there is any inconsistency between the terms set forth in the body of this Offering Term Sheet and the illustration set forth on Annex A, the illustration shall control.

Conversion:

New Class A LLC Units will be automatically converted into New Class B LLC Units at the Conversion Ratio upon the following events (each of events 1 through 3 below, a "Liquidity Event"):

1. A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "Qualified IPO"). For example, if a Liquidity Event consisting of a Qualified IPO at an offering price of $10 per share, generates $100 million of net proceeds to Reorganized Parent, a portion of which proceeds are used to repay debt of Reorganized Colt (and $30 million of which are used to pay the then Priority Return of $50 million), the Company shall distribute the holders of New Class A LLC Units 2.0 million additional units of New Class B LLC Units (which will have an aggregate value of $20 million based upon the initial public offering price), upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a

result of the Qualified IPO.

2. Sale, merger or business combination transaction generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return.

3. Asset sale or a series of asset sales generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return in excess of funded debt.

4. The payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero.

For the avoidance of doubt, (1) if a Qualified IPO does not generate cash proceeds that are distributed to the holders of the New Class A LLC Units in excess of the Priority Return, then the Reorganized Debtors shall issue New Class B LLC Units to holders of New Class A LLC Units with a value equal to the unpaid portion of the Priority Return upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO; and (2) in any other Liquidity Event, holders of the New Class A LLC Units shall be paid the Priority Return in full in connection with the conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Liquidity Event, or a Liquidity Event will not be deemed to have occurred.

Voting: New Class A LLC Units will have 100 votes per unit and will vote together as a single class with the New Class B LLC Units.

Dividends: If and when declared by the Board of Directors (dividends or other distributions to reduce the Priority Return dollar for dollar).

New Class B LLC Unit Terms

Issuer: Reorganized Parent.

Units to be Issued: Class B limited liability company units (the "New Class B LLC Units").

Issuance: In addition to the Offering, on the Effective Date all of the Senior Notes shall be cancelled, and each Holder of Senior Notes shall receive, on account of its allowed claim in respect of such Senior Notes, such Holder's pro rata share of the New Class B LLC Units.

Post-Priority Return Participation Ratio:	The New Class B LLC Units will receive dividends and distributions in accordance with the Participation Ratio described above. There shall be no adjustment for future issuances of capital units. The Participation Ratio will be adjusted for changes in Reorganized Parent's capital structure (i.e. recapitalization, unit dividends, etc.).
Voting:	The New Class B LLC Units will have 1 vote per share and will vote together with the New Class A LLC Units. A separate vote by only holders of New Class B LLC Units shall be required for certain matters disproportionately and adversely affecting the New Class B LLC Units, including future disproportionate issuances of New Class B LLC Units (i.e. no issuance of New Class B LLC Units without a concurrent proportionate issuance of New Class A LLC Units) other than in connection with the conversion of New Class A LLC Units as provided above.
Dividends:	No dividends until the Priority Return is paid in full. Subsequently, if and when declared by the Board of Directors in accordance with the Participation Ratio.
Record Holders:	The New Class B LLC Units will be issued pursuant to an exemption from registration pursuant to Section 1145 of the Bankruptcy Code to either DTC or in book entry form to the DTC Trust Participants that own Senior Notes as of the record date for such distribution. The New Class A LLC Units will be issued to Eligible Holders as part of the units offering pursuant to an exemption from registration pursuant to Section 4(a)(2) of the Securities Act.

Corporate Governance

Corporate Organizational Documents:	The holders of New Class A LLC Units and New Class B LLC Units will be parties to the Reorganized Parent LLC Agreement, and the Reorganized Parent LLC Agreement and/or Reorganized Parent's organizational documents shall provide customary minority unit holder protections as set forth herein and reasonably agreed to among the RSA Creditor Parties, including, but not limited to: (a) Information Rights (as set forth herein). (b) Tag-Along, Drag-Along, Preemptive and Registration Rights (as set forth herein). (c) Restrictions on transfers to competitors (as set forth herein). (d) Affiliate transaction protections. (e) Right of first refusal, in favor of the Participating Consortium Noteholders, Fidelity/Newport and Sciens, over

proposed transfers of the New Class A LLC Units and the New Class B LLC Units, such right of first refusal to cease to apply if New Class A LLC Units or New Class B LLC Units are registered as provided below.

Registration Rights

Holders of a majority of the registrable securities may cause Reorganized Parent to commence an initial public offering in the event that Reorganized Parent has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date.

On or after the date that is six (6) months following an initial public offering, persons (acting as a group or individually) holding at least 20% in the aggregate of the registrable securities may make up to two (2) demands that Reorganized Parent register all or a portion of their units of registrable securities; provided, that any such offering of registrable securities generates proceeds of at least $50 million. The registration rights agreement will include other customary restrictions and limitations applicable to demand registrations.

For purposes of this section, registrable securities include the New Class A LLC Units and New Class B LLC Units issued in connection with the transactions contemplated hereby.

Each holder of registrable securities will have the right to cause Reorganized Parent to include all or a portion of its registrable securities on a registration statement filed by Reorganized Parent with respect to any other shares or units. The registration rights agreement will include customary restrictions and limitations applicable to piggyback registrations.

When Reorganized Parent is Form S-3 eligible, it will promptly file a shelf-registration statement covering the registrable securities and use its reasonable best efforts to keep the shelf effective. A holder of registrable securities shall have the right to request shelf takedowns, subject to customary restrictions.

Information Rights

NPA and all holders of (i) the Senior Exit Facility, (ii) the Third Lien Exit Facility, (iii) more than three percent (3%) of the voting power of the outstanding capital units of Reorganized Parent, or (iv) more than one percent (1%) of the voting power of the outstanding capital units of Reorganized Parent that are Participating Consortium Noteholders, shall have customary information rights, including, without limitation:

(i) annual and quarterly consolidated financial statements within 90 days and 45 days, respectively, of the respective period;

(ii) no later than 90 days prior to the end of Reorganized Parent's fiscal year, a copy of a comprehensive consolidated budget, including projections, of Reorganized Parent for the following fiscal year;

(iii) (x) upon request and (y) no later than ten (10) business days following the completion of any offering or sale of equity securities of Reorganized Parent, a copy of Reorganized Parent's consolidated capitalization table; and

(iv) management calls to be held at least quarterly.

A holder may elect to not receive the specified information on one or more occasions.

All of the foregoing information may be shared with bona fide prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Debtors and the holders of the New Class A LLC Units and may be provided through a restricted website.

Drag-Along Rights

Holders of more than an aggregate of 50% in voting power of the outstanding capital units of Reorganized Parent will have the right to drag-along the other holders of capital units of Reorganized Parent (the "Dragged Unit Holders") in any sale transaction to a third party who is not an affiliate and all other unit holders shall be required to consent to, and raise no objection against, such sale and to take all actions reasonably requested in order to consummate such sale; provided, however, that drag-along rights shall only be available in connection with transactions that have received the prior approval of a majority of the Board of Directors.

Subject to the foregoing, Dragged Unit Holders shall participate on the same terms and conditions as the initiating holders.

Dragged Unit Holders shall only be required to make representations and warranties with respect to ownership and authorization of capital units, and shall not be required to make business-related representations or warranties.

A drag-along is only permissible in circumstances where outstanding capital units are to receive the same consideration. Dragged Unit Holders' New Class B LLC Units shall be dragged at a price per unit (not less than zero) equal to the per unit price of New Class A LLC Units (on an as converted basis giving effect to the Participation Ratio) less the then per unit New Class A LLC

	Unit Priority Return. Drag-along rights terminate upon the completion of a Qualified IPO.
Tag-Along Rights	Except with respect to transfers by unit holders to their affiliates, holders of equity securities of Reorganized Parent will have the right to participate pro rata in (i) any direct or indirect transfer (through one or more related transactions) of 20% or more of the outstanding units of the same class by one or more other holders of the same class (a "Selling Unit Holder") on the same terms and conditions as the Selling Unit Holder, or (ii) any sale of capital units that otherwise would trigger Drag-Along rights as described above (without regard to the Board approval requirement), at the same price that would have applied if the Drag-Along rights had been exercised (each "Tag-Along Sale"). Tag-along sellers shall only be required to make representations and warranties with respect to ownership and authorization of capital units, and shall not be required to make business-related representations or warranties.
Preemptive Rights	NPA and each holder that is an "accredited investor" and holds more than 1% of the voting power of the outstanding capital units of Reorganized Parent shall have customary preemptive rights to subscribe for its pro rata share of any equity (including securities convertible into equity) issued by Reorganized Parent or any of its subsidiaries, including oversubscription rights and anti-dilution protections, subject to customary carve-outs (i.e., securities issued as consideration in a merger, acquisition or joint venture securities issued pursuant to approved compensation plans, securities issued upon conversion or exercise of options or other equity awards or convertible securities, securities issued on a pro rata basis in a unit split or unit dividend or similar transaction).
Transfers	Other than as set forth herein, there will be no transfer restrictions on transfers of New Class A LLC Units or New Class B LLC Units held by any holder (or their transferees); provided, however, that no transfers of New Class A LLC Units or New Class B LLC Units (or instruments convertible into New Class A LLC Units or New Class B LLC Units) shall be made to any competitor (as that term shall be agreed upon) of Reorganized Parent or its affiliates or shall be permitted if it would result in Reorganized Parent's being required to become a public filer under applicable securities laws. Each transferee will be required to enter into a joinder agreement to the Reorganized Parent LLC Agreement.
Board of Directors of	The initial Board of Directors of Reorganized Parent shall consist of

Reorganized Parent and the Reorganized Debtors:	seven (7) members as follows: (i) the CEO of the Reorganized Debtors; (ii) two (2) directors designated by Fidelity/Newport; (iii) two (2) independent directors; and (iv) two (2) directors designated by the Sciens Group. (a) The Participating Consortium Noteholders shall have the right to designate one (1) of the Independent Directors, and (b) Fidelity/Newport and the Sciens Group (or an affiliate of the Sciens Group) shall collectively have the right to designate one (1) of the independent directors; provided, that any independent director so designated shall be reasonably acceptable to each of Fidelity/Newport or the Sciens Group (or an affiliate of the Sciens Group), as applicable, and the Participating Holders other than Fidelity/Newport. In the event that a Liquidity Event is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of New Class B LLC Units (but not any holders of New Class A LLC Units which have been converted into New Class B LLC Units) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.
Board Observer:	The Participating Holders other than Fidelity/Newport shall have the right to appoint one (1) board observer (the "Board Observer"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport obtain the right to designate one (1) director as described above.
Indemnification of Directors:	The organizational documents of the Reorganized Parent shall provide for the indemnification of Reorganized Parent's and the Reorganized Debtors' directors to the fullest extent permitted by law as if such entities were Delaware corporations. In addition, Reorganized Parent will purchase a D&O insurance policy with such amounts of coverage and limits as are usual and customary for companies similarly situated to Reorganized Parent.

Board Committee Matters:	For so long as Fidelity/Newport and the Sciens Group (or an affiliate of the Sciens Group) are entitled to designate directors, each Board Committee shall include at least one designee of Fidelity/Newport and one designee of the Sciens Group (or an affiliate of the Sciens Group).
Board Voting:	The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors; provided, however, that the vote of a majority of the disinterested directors shall be required for the Board of Directors to approve and authorize Reorganized Parent or any of its subsidiaries to enter into any material transaction with any equityholder or affiliate thereof (including any director that is designated by such equityholder).
Protective Provisions:	In addition to any other vote or approval required under Reorganized Parent's organizational documents, Reorganized Parent will not, without the written consent of the holders of at least 66.67% of the voting power of the capital units casting a vote, either directly or indirectly: (i) amend, alter, or repeal any provision of the organizational documents of Reorganized Parent or the Reorganized Debtors; or (ii) increase or decrease the size of the Board of Reorganized Parent or the Reorganized Debtors. Unit holder voting requirements will otherwise be modeled after stockholder voting requirements for a corporation organized under the Delaware General Corporation Laws.
Status as Private Company	It is anticipated that Reorganized Parent will be a private company as of the Effective Date and will not register its equity with the Securities Exchange Commission or list such equity on an exchange; provided, that Reorganized Parent may implement procedures to facilitate trading of such equity, e.g., providing investors with access (on a secure website) to current information concerning Reorganized Parent and its subsidiaries on a consolidated basis. The organizational documents of Reorganized Parent will contain provisions to enable Reorganized Parent to remain as a private company, e.g., prohibitions on transfers of the equity of Reorganized Parent if such transfers would result in Reorganized Parent being required to be a public reporting company.

Annex A

Illustration

The following chart illustrates the distributions of the New Class A LLC Units, New Class B LLC Units and the Priority Return pursuant to this Offering Term Sheet. In the event that there is any inconsistency between the terms set forth in the body of the Offering Term Sheet and this illustration, this illustration shall control.

Distribution of Class A shares	% of Total
3rd lien **initial** Class A shares (A)	100.00%
Less: Management incentive (10.0% of A)	10.00%
Class shares after mgmt. incentive (B)	90.00%
Less: NPA share (7.5% of B)	6.75%
3rd lien **fully-diluted** Class A shares (C)	83.25%

Distribution of Class B shares	% of Total
8.75% Notes **initial** Class B shares	100.00%
Participation Ratio for Class A shares (after Priority Return)	77.09%
8.75% Notes **fully-diluted** Class B shares	22.91%

Class A value distribution (after Priority Return)	**Class A %**	**(x) Conversion Ratio**	**= Diluted Class B %**
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%

Distribution of Priority Return			
Total Priority Return			**$50.0**
Management allocation		10.00%	5.0
NPA allocation		6.75%	3.4
3rd lien allocation	**3rd lien %**		
Sciens	30.0%	24.98%	12.5
Newport/Fidelity	30.0%	24.98%	12.5
Other 8.75% Notes	40.0%	33.30%	16.7
Total 3rd lien allocation		83.25%	$41.6

EXHIBIT D

Illustration

The following chart illustrates the distributions of the New Class A LLC Units, New Class B LLC Units and the Priority Return pursuant to the Offering Term Sheet. In the event that there is any inconsistency between the terms set forth in the body of the Offering Term Sheet and this illustration, this illustration shall control.

Distribution of Class A shares	% of Total
3rd lien **initial** Class A shares (A)	100.00%
Less: Management incentive (10.0% of A)	10.00%
Class shares after mgmt. incentive (B)	90.00%
Less: NPA share (7.5% of B)	6.75%
3rd lien **fully-diluted** Class A shares (C)	83.25%

Distribution of Class B shares	% of Total
8.75% Notes **initial** Class B shares	100.00%
Participation Ratio for Class A shares (after Priority Return)	77.09%
8.75% Notes **fully-diluted** Class B shares	22.91%

Class A value distribution (after Priority Return)	Class A %	(x) Conversion Ratio	= Diluted Class B %
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%

Distribution of Priority Return			
Total Priority Return			**$50.0**
Management allocation		10.00%	5.0
NPA allocation		6.75%	3.4
3rd lien allocation	**3rd lien %**		
Sciens	30.0%	24.98%	12.5
Newport/Fidelity	30.0%	24.98%	12.5
Other 8.75% Notes	40.0%	33.30%	16.7
Total 3rd lien allocation		83.25%	$41.6

EXHIBIT B

EXECUTION VERSION

RESTRUCTURING SUPPORT AGREEMENT

This Restructuring Support Agreement (as amended, modified or supplemented from time to time, and including the exhibits and schedules hereto, this "**Agreement**"), dated as of October 9, 2015, is entered into by and among (a) Colt Holding Company LLC, a company organized under the laws of the State of Delaware ("**Colt**" or "**Colt Parties**") and its direct and indirect subsidiaries and affiliates signatory hereto (collectively, and together with Colt, the "**Company**"); (b) the undersigned lenders (solely in such capacity, the "**Consenting DIP Senior Lenders**") under that certain First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (as amended from time to time, the "**DIP Senior Loan**"), among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, the lenders party thereto, and Cortland Capital Market Services LLC, as agent; (c) the undersigned holders (solely in such capacity, the "**Consenting 8.75% Noteholders**" and together with the Consenting DIP Senior Lenders, and the "**Consenting Lenders**") of outstanding notes issued pursuant to that certain Indenture (the "**8.75% Indenture**"), dated November 10, 2009, for the issuance of 8.75% Senior Notes due 2017 among Colt Defense LLC, Colt Finance Corp., certain subsidiary guarantors, and Wilmington Trust FSB, as indenture trustee (the "**8.75 Notes**"; all holders of such 8.75% Notes, the "**8.75% Noteholders**"); and (d) Sciens Management LLC and each of its affiliates (to the extent that Sciens Management LLC or an investment advisor under common control with Sciens Management LLC retains voting control over such affiliate) (collectively, the "**Sciens Group**"), and (e) NPA Hartford LLC ("**NPA Hartford**"), solely in its capacity as landlord under that certain Net Lease, dated as of October 26, 2005 (as amended, the "**West Hartford Facility Lease**"), by and between Colt Defense LLC, as tenant, and NPA Hartford, as landlord, is a party to this Agreement. The Company, each of the Consenting Lenders, Sciens Group, and each person that becomes party hereto (except for NPA Hartford) in accordance with the terms hereof are collectively referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREAS, the Company previously filed voluntary cases (the "**Chapter 11 Cases**") under chapter 11 of the Bankruptcy Code (defined below) in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**");

WHEREAS, prior to the date hereof, in an effort to achieve a consensual resolution to the Chapter 11 Cases, the Parties have discussed a financial restructuring to be consummated through a plan of reorganization (the "**Restructuring**") of, among other things, the Company's outstanding indebtedness under the DIP Senior Loan, and the 8.75% Notes as set forth in the term sheet attached as **Exhibit A** (including all schedules and exhibits thereto, the "**Restructuring Term Sheet**");

WHEREAS, as set forth in the Restructuring Term Sheet, and subject to the terms and conditions contained herein, the Parties have agreed that the Restructuring will be effectuated through a chapter 11 plan of reorganization which shall include the terms described in the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Company, the Requisite Consenting Lenders (as defined below), the Sciens Group, and NPA Hartford (the "**Plan**"); and

WHEREAS, this Agreement and the Restructuring Term Sheet, which is incorporated herein by reference and is made part of this Agreement, set forth the agreement among the Parties concerning their commitment, subject to the terms and conditions hereof and thereof, to pursue, support, and implement the Restructuring.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Party, intending to be legally bound hereby agrees as follows:

1. DEFINITIONS.

The following terms used in this Agreement shall have the following definitions:

"**8.75% Indenture**" has the meaning set forth in the preamble hereof.

"**8.75% Noteholder Claims**" means the claims arising under the 8.75% Notes.

"**8.75% Noteholders**" has the meaning set forth in the preamble hereof.

"**8.75% Notes**" has the meaning set forth in the preamble hereof.

"**Agreement**" has the meaning set forth in the preamble hereof.

"**Bankruptcy Code**" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect on the Petition Date, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

"**Bankruptcy Court**" has the meaning set forth in the recitals hereof.

"**Breaching Party**" has the meaning set forth in **Section 6** hereof.

"**Chapter 11 Cases**" has the meaning set forth in the recitals hereof.

"**Colt**" or "**Colt Parties**" has the meaning set forth in the preamble hereof.

"**Company**" has the meaning set forth in the preamble hereof.

"**Confirmation Order**" means an order entered by the Bankruptcy Court, confirming the Plan, including all exhibits, appendices, supplements, and related documents, which shall be consistent in all material respects with this Agreement and the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Parties.

"**Consenting 8.75% Noteholders**" has the meaning set forth in the preamble hereof.

"**Consenting Lenders**" has the meaning set forth in the preamble hereof.

"**Consenting DIP Senior Lenders**" has the meaning set forth in the preamble hereof.

"**Definitive Documents**" means the Plan, the Disclosure Statement, and any and all other documents (including any related agreements, instruments, schedules or exhibits) that are contemplated by the Restructuring Term Sheet or that are otherwise necessary or desirable to implement, or otherwise relate to, the Restructuring or the Restructuring Term Sheet, including but not limited to this Agreement and all exhibits, schedules, and other documents relating to this Agreement, the Plan, and the Disclosure Statement, together with any amendments or supplements to any of the foregoing, all of which shall be consistent in all material respects with this Agreement (including, but not limited to, Section 25 thereof) and the Term Sheet and in form and substance satisfactory to the Parties;

"**DIP Senior Lender Claims**" means the claims arising under the DIP Senior Loan.

"**DIP Senior Loan**" means the undersigned lenders under that certain First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (as amended from time to time.

"**Disclosure Statement**" means a disclosure statement in respect of the Plan that complies with section 1125 of the Bankruptcy Code and that is consistent in all material respects with the terms of this Agreement and the Restructuring Term Sheet.

"**Effective Date**" shall mean the date on which the Plan becomes effective.

"**NPA Hartford**" has the meaning set forth in the preamble hereof.

"**Parties**" has the meaning set forth in the preamble hereof.

"**Petition Date**" means the date on which the Company commenced the Chapter 11 Cases.

"**Plan**" has the meaning set forth in the recitals hereof.

"**Plan Documents**" means the Plan and Disclosure Statement and all exhibits, schedules, and other documents ancillary thereto, all of which shall be consistent in all material respects with this Agreement and the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Parties and NPA Hartford.

"**Qualified Marketmaker**" means an entity that (x) holds itself out to the market as standing ready in the ordinary course of its business to purchase from customers and sell to customers claims against the Colt Parties (including debt securities or other debt) or enter with customers into long and short positions in claims against the Colt Parties (including debt securities or other debt), in its capacity as a dealer or market maker in such claims against the Colt Parties, and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

"**Requisite Consenting 8.75% Noteholders**" means Consenting 8.75% Noteholders holding at least 50.1% of the aggregate outstanding principal amount of 8.75% Noteholder Claims held by the Consenting 8.75% Noteholders, calculated as of such date the Consenting 8.75% Noteholders make a determination in accordance with this Agreement.

"**Requisite Consenting Lenders**" means the Requisite Consenting DIP Senior Lenders, and the Requisite Consenting 8.75% Noteholders, as the case may be.

"**Requisite Consenting DIP Senior Lenders**" means Consenting DIP Senior Lenders holding at least 50.1% of the aggregate outstanding principal amount of DIP Senior Lender Claims held by the Consenting DIP Senior Lenders, calculated as of such date the Consenting DIP Senior Lenders make a determination in accordance with this Agreement.

"**Restructuring**" has the meaning set forth in the recitals hereof.

"**Restructuring Term Sheet**" has the meaning set forth in the recitals hereof.

"**Sciens Group**" has the meaning set forth in the preamble hereof.

"**Solicitation**" means the solicitation of votes for the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.

"**Solicitation Materials**" means the Plan Documents and any other materials related to the Solicitation.

"**Termination Event**" has the meaning set forth in **Section 6** hereof.

"Transfer" means the transfer, loan, issue, pledge, hypothecate, assign, or otherwise dispose of (each a "Transfer"), directly or indirectly, in whole or in part, any claim against or interest in Colt Party in respect of the DIP Senior Loan, or the 8.75% Notes.

"**West Hartford Facility Lease**" has the meaning set forth in the preamble hereof.

2. RESTRUCTURING TERM SHEET.

The Restructuring Term Sheet and all exhibits thereto are expressly incorporated herein and made a part of this Agreement. The general terms and conditions of the Restructuring are set forth in the Restructuring Term Sheet; provided that the Restructuring Term Sheet is supplemented by the terms and conditions of this Agreement.

3. COMMITMENT OF CONSENTING LENDERS.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, each Consenting Lender agrees that it shall:

(a) vote (or cause the beneficial holder of such claim to vote) all DIP Senior Lender Claims, and 8.75% Noteholder Claims, as applicable, now or hereafter beneficially owned by such Consenting Lender or for which it now or hereafter serves as the nominee, investment manager, or advisor for beneficial holders thereof, in favor of the Plan in accordance with the applicable procedures set forth in the Solicitation Materials, and timely return a duly executed ballot in connection therewith within five (5) calendar days of its receipt of the Solicitation Materials; and

(b) support the Plan and not (i) withdraw or revoke its vote with respect to the Plan, except as otherwise expressly permitted pursuant to this Agreement (including upon the occurrence of the Termination Event,) (ii) object to the Plan or the Disclosure Statement, so long as each of the foregoing is consistent in all material respect with the Restructuring Term Sheet and this Agreement and not inconsistent with the terms therein and (iii) so long as this Agreement has not been terminated in accordance with its terms, support any alternative plan or §363 sale transaction which the other Parties do not support.

4. COMMITMENT OF THE COMPANY.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, and subject to the Company's fiduciary duties, including the Company's fiduciary duties as debtors in possession or under other applicable law, the Company shall take all necessary and appropriate actions in furtherance of the Restructuring and all other actions contemplated under this Agreement, the Restructuring Term Sheet, and the Plan Documents.

(a) Approval of Agreement. On or before October 9, 2015, the Colt Parties shall file a motion with the Bankruptcy Court seeking approval of this Agreement.

(b) Filing of the Plan. On or before October 9, 2015, the Colt Parties shall file the Plan with the Bankruptcy Court and the related Disclosure Statement.

(c) Confirmation of the Plan. Each Colt Party agrees to (i) act in good faith and use commercially reasonable efforts to support and complete successfully the Solicitations in accordance with the terms of this Agreement and (ii) do all things reasonably necessary and appropriate in furtherance of confirming the Plan and consummating the Restructuring in accordance with, and within the timeframes contemplated by, this Agreement (including within the deadlines set forth herein), in each case to the extent consistent with, upon the advice of counsel, the fiduciary duties of the boards of directors, managers, members or partners, as applicable, of each Colt Party; provided that no Colt Party shall be obligated to agree to any modification of any document that is inconsistent with the Plan. In furtherance of the foregoing, each Colt Party shall use its best efforts to distribute the Disclosure Statement and commence the Solicitation and prosecute and obtain confirmation of the Plan in accordance with the Bankruptcy Code and on terms consistent with this Agreement (including within the deadlines set forth in Section 7 hereof). Each Colt Party agrees that it shall neither take, nor cause or encourage any other person or entity (including, but not limited to, any non-debtor direct or indirect subsidiary or other affiliate) to take any action that would, or would reasonably be expected to, breach or be inconsistent with this Agreement or the Plan or Disclosure Statement or delay, impede, appeal against, or take any other negative action, directly or indirectly, to interfere with the acceptance of, or implementation of the transactions contemplated under the Plan or Disclosure Statement, including, but not limited to, support any alternative plan or §363 sale which the other Parties do not support.

(d) Amendments and Modifications of the Plan. The Plan may be amended from time to time following the date hereof by written approval of the applicable Colt Party and the Requisite Consenting Lenders, Sciens Group or NPA Hartford which are materially adversely affected by such amendment. Each of the Parties agrees to negotiate in good faith all

amendments and modifications to the Plan as reasonably necessary and appropriate to obtain Bankruptcy Court confirmation of the Plan pursuant to a final order of the Bankruptcy Court; provided that the Parties shall have no obligation to agree to any modification that (i) is inconsistent with the Colt Plan or the Restructuring Term Sheet, (ii) creates any material new obligation on any Party, or (iii) changes or otherwise materially adversely affects the economic treatment of such Party whether such change is made directly to the treatment of such Party or to the treatment of another Party or otherwise. Notwithstanding the foregoing, the Colt Parties may amend, modify, or supplement the Colt Plan, from time to time, (x) without the consent of any other Party, in order to cure any ambiguity, defect (including any technical defect) or inconsistency, provided that any such amendment, modification, or supplement does not adversely affect the rights, interests or treatment of any such Party under the Plan or (y) to the extent permitted under Section 25.

5. COMMITMENT OF THE SCIENS GROUP.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, the Sciens Group agrees that it shall support the Plan (including, subject to the limitations set forth in the Restructuring Term Sheet and mutually agreeable documentation relating thereto, the Sciens Group's commitment to provide new funding as described in the Restructuring Term Sheet) and not object to the Plan or the Disclosure Statement or support any alternative plan or §363 sale which the other Parties do not support.

6. COMMITMENT OF NPA HARTFORD.

Subject to the terms and conditions of this Agreement, so long as this Agreement has not been terminated, and as set forth in and subject to the terms and conditions of the Restructuring Term Sheet, NPA Hartford agrees to (i) enter into the lease or purchase transaction with respect to the West Hartford Facility Lease as described in Exhibit B to the Restructuring Term Sheet (including the exhibits thereto); (ii) not object to the Plan or the Disclosure Statement, so long as each of the Plan and Disclosure Statement and other applicable Definitive Documents is consistent with the terms and conditions set forth in the Restructuring Term Sheet (including with respect to the restructuring of the Company's capital structure as set forth in the Restructuring Term Sheet and Exhibit B to such Restructuring Term Sheet); and (iii) not support any alternative plan or §363 sale which the other Parties do not support.

7. TERMINATION OF OBLIGATIONS.

This Agreement shall automatically terminate one (1) business day following the delivery of written notice from any of the Consenting Lenders, NPA Hartford or the Sciens Group to the other Parties as applicable at any time after and during the continuance of a Non-Debtor Termination Event. In addition, this Agreement shall automatically terminate one (1) business day following delivery of notice from the Colt Parties to all Consenting Lenders, NPA Hartford and the Sciens Group at any time after the occurrence and during the continuance of a Company Termination Event. This Agreement shall terminate automatically without any further required action or notice that the Effective Date of the Plan occurs.

(a) A "Non-Debtor Termination Event" shall mean any of the following:

(i) The breach in any material respect by any Colt Party of any undertaking, representation, warranty, or covenant of the Colt Parties set forth herein that remains uncured for a period of five (5) business days after the receipt of written notice of such breach from the other affected Party;

(ii) The breach in any material respect by any Party (other than a Colt Party) of any undertaking, representation, warranty, or covenant of such Party set forth herein that remains uncured for a period of five (5) business days after the receipt of written notice of such breach from another affected Party (other than a Colt Party). (For the avoidance of doubt, a breach by a Party shall not entitle breaching Party itself to declare a Non-Debtor Termination Event to have occurred).

(iii) October 9, 2015, if the Debtors have not filed the Plan and Disclosure Statement with the Bankruptcy Court;

(iv) November 9, 2015, if the Bankruptcy Court has not entered an order approving the Colt Disclosure Statement;

(v) November 20, 2015, if the Debtors have not commenced solicitation of the Disclosure Statement in respect of the Plan;

(vi) On any date that the Colt Parties withdraw or cease prosecuting the Plan or Disclosure Statement or file any motion or application with the Bankruptcy Court that is not consistent with this Agreement and the Term Sheet;

(vii) December 18, 2015, if the Bankruptcy Court fails to enter an order confirming the Plan in form and substance reasonably satisfactory to the Requisite Lenders, the Consenting 8.75% Noteholders, the Sciens Group and NPA Hartford;

(viii) December 31, 2015 (the "Outside Date"), if the Effective Date for the Plan has not occurred;

(ix) November 9, 2015, if an order (the "Approval Order") has not been entered by the Bankruptcy Court approving this Agreement;

(x) The Bankruptcy Court grants relief that is inconsistent with this Agreement or the Restructuring Term Sheet in any materially adverse respect;

(xi) Any Colt Party files, propounds, or otherwise supports any plan of reorganization or liquidation, other than the Plan, or ceases to prosecute the Plan, or withdraws from this Agreement or enters into an alternative restructuring support agreement;

(xii) Any Colt Party makes any change or amendment to the Plan or Disclosure Statement or takes any other action that, individually or in the aggregate (together with all other such changes, amendments, actions and agreements), will, if and when the Plan was to be consummated, materially adversely affect the treatment of, the value of property distributed under or estimated recoveries by any of the Consenting Lenders, the

Consenting 8.75% Noteholders, NPA Hartford or the Sciens Group; or

(xiii) The occurrence of an Other Termination Event (defined below).

Notwithstanding the foregoing, any of the dates set forth in this Section 7(a) may be extended by agreement amongst the Colt Parties, the Requisite Consenting Lenders, NPA Hartford and the Sciens Group.

(b) A "Company Termination Event" shall mean any of the following:

(i) The breach in any material respect by any of the Consenting Lenders, NPA Hartford or the Sciens Group of any of their respective undertakings, representations, warranties or covenants set forth herein in any material respect which remains uncured for a period of five (5) business days after the receipt of written notice of such breach.

(ii) The board of directors of any of the Colt Parties reasonably determines in good faith based upon the advice of outside counsel that continued performance under this Agreement would be inconsistent with the exercise of its fiduciary duties under applicable law; or

(iii) The occurrence of the Outside Date or an Other Termination Event.

(c) An "Other Termination Event" shall mean the following:

(i) The issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling, judgment or order enjoining the consummation of or rendering illegal this Agreement, the Restructuring or the Plan, which ruling, judgment or order has not been not stayed, reversed or vacated within twenty (20) business days after such issuance;

(ii) On the date that the chapter 11 case for any of the Colt Parties shall have been converted to a case under chapter 7 of the Bankruptcy Code, or such cases shall have been dismissed by order of the Bankruptcy Court); or

(iii) On the date that an order is entered by the Bankruptcy Court or a Court of competent jurisdiction denying confirmation of the Plan for any of the Colt Parties or refusing to approve the Disclosure Statement, provided, that neither the Colt Parties nor any of the Consenting Lenders, NPA Hartford or the Sciens Group shall have the right to terminate this Agreement pursuant to this clause (iii) if the Bankruptcy Court declines to approve the Disclosure Statement or denies confirmation of the Plan subject only to modifications to the Plan or Disclosure Statement that would not allow the affected Party or Parties to terminate this Agreement or otherwise have a material adverse effect on the recovery or treatment that such affected Party would receive as compared to the recovery they would have otherwise received pursuant to the Restructuring Term Sheet attached hereto as of the date hereof.

(d) Mutual Termination. This Agreement may be terminated by written agreement of

all of the Parties.

(e) Effect of Termination. Upon the termination of this Agreement in accordance with this Section 7, this Agreement shall become void and of no further force or effect except as provided in Section 20 hereof.

(f) Automatic Stay. The Colt Parties acknowledge that after the commencement of the Colt Cases, the giving of notice of termination by any Party pursuant to this Agreement shall not be a violation of the automatic stay of section 362 of the Bankruptcy Code; provided that nothing herein shall prejudice any Party's rights to argue that the giving of notice of termination was not proper under the terms of this Agreement.

Notwithstanding the foregoing, in no event shall any such termination relieve a Party hereto from (i) liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and (ii) obligations under this Agreement that by their terms expressly survive any such termination; and provided, further that, notwithstanding anything to the contrary herein, the Termination Event may be waived in accordance with the procedures established by **Section 25** hereof, in which case the Termination Event shall be deemed not to have occurred, this Agreement shall be deemed to continue in full force and effect, and the rights and obligations of the Parties hereto shall be restored, subject to any modification set forth in such waiver. Upon the termination of this Agreement, any and all votes delivered prior to such termination shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the Company. If this Agreement has been terminated at a time when permission of the Bankruptcy Court shall be required for a Party to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Company shall not oppose any attempt by such Party to change or withdraw (or cause to change or withdraw) such vote at such time.

8. TRANSFER OF LENDER CLAIMS.

(a) Notwithstanding anything to the contrary herein, each Consenting Lender (on a several and not a joint basis) agrees that, for so long as this Agreement has not been terminated in accordance with its terms, it shall not sell, assign, transfer, convey, or otherwise dispose of, directly or indirectly, any or all of its DIP Senior Lender Claims, or 8.75% Noteholder Claims as the case may be (or any right related thereto, including, without limitation, any voting rights, if any, associated with such DIP Senior Lender Claims, or 8.75% Noteholder Claims), unless (a) the transferee, participant, or other party (i) is already a Party to this Agreement or an affiliate of a Party to this Agreement, which affiliate shall be deemed bound by this Agreement or (ii) agrees in writing to be subject to the terms and conditions of this Agreement as a "Consenting Lender", in which case such transferee shall be deemed to be a Consenting DIP Senior Lender, or Consenting 8.75% Noteholder, as applicable, for all purposes herein and (b) the transferor complies with any applicable transfer restrictions and/or conditions to transfer set forth in this **Section 8**. Any transfer of DIP Senior Lender Claims, or 8.75% Noteholder Claims to a transferee, participant, or other party that is not in accordance with this **Section 8** shall be deemed void *ab initio*. This Agreement shall in no way be construed to preclude any Consenting Lender from acquiring additional DIP Senior Lender Claims, or 8.75% Noteholder Claims; provided, however, that any such additional holdings shall automatically be deemed to be subject

to all of the terms of this Agreement and each such Consenting Lender agrees that such additional DIP Senior Lender Claims, and/or 8.75% Noteholder Claims shall be subject to this Agreement and that it shall vote (or cause to be voted) any such additional DIP Senior Lender Claims, and/or 8.75% Noteholder Claims entitled to vote on the Plan (in each case, to the extent still held by it or on its behalf at the time of such vote) in a manner consistent with this **Section 8**. Each Consenting Lender agrees to provide to counsel for the Company and the other Parties hereto with a notice of the acquisition or disposition of any additional DIP Senior Lender Claims, Term Loan Lender Claims or 8.75% Noteholder Claims, as the case may be, in each case within reasonable time after the consummation of the transaction disposing of, or acquiring, such DIP Senior Lender Claims, or 8.75% Noteholder Claims.

(b) Additional Proviso, notwithstanding the foregoing: (A) a Consenting Lender or a Consenting 8.75% Noteholder may Transfer its Loan Claims or 8.75% Note Claims to an entity that is acting in its capacity as a Qualified Marketmaker without the requirement that the Qualified Marketmaker become a Party; provided that (1) such Qualified Marketmaker must Transfer such right, title or interest within five (5) business days following its receipt thereof, (2) any subsequent Transfer by such Qualified Marketmaker of the right, title or interest in such Loan Claims is to a transferee that is or becomes a Consenting Lender at the time of such Transfer and (3) the transferring Consenting Lender or Consenting 8.75% Noteholder Lenders shall be solely responsible for the Qualified Marketmaker's failure to comply with the requirements of this Section; (B) to the extent that a Consenting Lender is acting in its capacity as a Qualified Marketmaker, it may Transfer any right, title or interest in such Loan Claims that the Qualified Marketmaker acquires from a holder of the Loan Claims who is not a Consenting Lender without the requirement that the transferee be or become a Consenting Lender or Consenting 8.75% Noteholder; or (C) this Section 8 shall not apply to the grant of any liens or encumbrances in favor of a bank or broker-dealer holding custody of securities in the ordinary course of business and which lien or encumbrance is released upon the Transfer of such securities

9. GOOD FAITH COOPERATION.

Each Party shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable) in respect of all matters concerning the pursuit, approval, implementation and consummation of the Restructuring. Furthermore, each Party shall take such action (including negotiating, drafting, executing and delivering any Definitive Documents and any other agreements and making and filing any required regulatory filings) as may be reasonably necessary to carry out the purposes and intent of this Agreement, the Restructuring Term Sheet, and the Restructuring. Furthermore, subject to the terms hereof, each Party shall take such action as may be reasonably necessary or reasonably requested by the other Parties to carry out the purposes and intent of this Agreement, and shall refrain from taking any action that would frustrate the purposes or intent of this Agreement.

10. REPRESENTATIONS.

(a) Each Party represents to each other Party, severally on behalf of itself and not on behalf of any Other Party, that the following statements are true, correct and complete as of the date of this Agreement:

(i) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, and has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution, delivery and performance of this Agreement by such Party does not and shall not (A) violate any provision of law, rule, or regulation applicable to it or any of its subsidiaries or its organizational documents or those of any of its subsidiaries or (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it or any of its subsidiaries is a party or under its organizational documents;

(iii) the execution, delivery, and performance by it of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state, or other governmental authority or regulatory body, except such filing as may be necessary and/or required for disclosure by the Securities and Exchange Commission or pursuant to state securities or "blue sky" laws, and approval by the Bankruptcy Court of the Company's authority to enter into and implement this Agreement; and

(iv) subject to the approval by the Bankruptcy Court of the Company's authority to enter into and implement this Agreement and the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws, both foreign and domestic, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(b) Each Consenting Lender further represents and warrants (severally and not jointly) that the following statements are true, correct, and complete as of the date of this Agreement:

(i) it is the beneficial owner of the principal amount of DIP Senior Lender Claims, and/or 8.75% Noteholder Claims, as applicable, or is the nominee, investment manager, or advisor for beneficial holders of such DIP Senior Lender Claims, or 8.75% Noteholder Claims, as the case may be, as indicated on its signature page hereto;

(ii) each nominee, investment manager, or advisor acting on behalf of a beneficial holder of a DIP Senior Lender Claim, or 8.75% Noteholder Claim represents and warrants to the other Consenting Lenders and to the Company that it has the legal authority to so act and to bind the applicable beneficial holder; and

(iii) other than pursuant to this Agreement, such DIP Senior Lender Claims, and 8.75% Noteholder Claims are free and clear of any equity, option, proxy, voting restriction, right of first refusal, or other limitation on disposition of any kind, that might materially adversely affect in any way the performance by such Consenting Lender of its obligations contained in this Agreement at the time such obligations are required to be performed.

11. REMEDIES.

All remedies that are available at law or in equity, including specific performance and injunctive or other equitable relief, to any Party for a breach of this Agreement by another Party shall be available to the non-breaching Party; provided, however, that it is understood and agreed by the Parties that money damages shall be an insufficient remedy for any breach of this Agreement by a Party, and each non-breaching Party may seek specific performance as against any breaching Party; provided further that, in connection with any remedy asserted in connection with this Agreement, each Party agrees to waive any requirement for the securing or posting of a bond in connection with any remedy. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party or any other Party.

12. CONFLICTS BETWEEN THIS AGREEMENT AND THE RESTRUCTURING TERM SHEET AND RELATED TRANSACTION DOCUMENTS AND BETWEEN THE PLAN AND THIS AGREEMENT.

In the event the terms and conditions as set forth in the Restructuring Term Sheet and this Agreement are inconsistent, the terms and conditions contained in the Restructuring Term Sheet (and the transaction related documents) shall govern. In the event of any conflict among the terms and provisions of the Plan, this Agreement, or the Restructuring Term Sheet, the terms and provisions of the Plan shall control. In the event of any conflict among the terms and provisions of the Confirmation Order, the Plan, this Agreement, or the Restructuring Term Sheet, the terms of the Confirmation Order shall control. Notwithstanding the foregoing, nothing contained in this **Section 12** shall affect, in any way, the requirements set forth herein for the amendment of this Agreement.

13. GOVERNING LAW.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflict of laws that would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement may be brought only in the Bankruptcy Court. By execution and delivery of this Agreement, each of the Parties hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit, or proceeding. EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO ABOVE.

14. EFFECTIVE DATE OF THIS AGREEMENT.

This Agreement shall become effective, and each Party shall be bound to the terms of this Agreement, as of the date the Company, the Consenting DIP Senior Lenders, the Sciens Group, and NPA Hartford have executed and delivered a signature page to this Agreement. This Agreement shall not be binding on or enforceable against any Party, and no Party shall have any rights or obligations under this Agreement, until this Agreement has become effective in accordance with this **Section 14**.

15. NOTICES.

All demands, notices, requests, consents, and other communications under this Agreement must be in writing, sent contemporaneously to all of the Parties, and will be deemed given when delivered if delivered personally, by email, by courier, by facsimile transmission, or mailed (first class postage prepaid) to the Parties at the following addresses, emails, or facsimile numbers:

If to the Company:

Colt Holding Company LLC
547 New Park Avenue
West Hartford, Connecticut 06110
Telephone: (860) 236-6311 x1325
Facsimile: (860) 244-1335
Attention: John H. Coghlin, General Counsel (jcoghlin@colt.com)

with a copy to (which shall not constitute notice):

O'Melveny & Myers LLP
7 Times Square
New York, New York 10036
Telephone: (212) 326-2000
Facsimile: (213) 326-2061
Attention: John J. Rapisardi (jrapisardi@omm.com)
Joseph Zujkowski (jzujkowski@omm.com)

If to the Consenting DIP Senior Lenders:

To each Consenting DIP Senior Lender at the address identified in such Consenting Senior Lender's signature page

with a copy to (which shall not constitute notice):

Brown Rudnick LLP
7 Times Square
New York, New York 10036
Telephone: (212) 209-4862
Facsimile: (212) 209-4801
Attention: Robert J. Stark (rstark@brownrudnick.com)

with a copy to:

Brown Rudnick LLP
One Financial Center
Boston, MA 02111
Telephone: (617) 856-8587
Facsimile: (617) 856-8201
Attention: Steven B. Levine (slevine@brownrudnick.com)

If to the Consenting 8.75% Noteholders:

To each Consenting 8.75% Noteholder at the address identified in such Consenting 8.75% Noteholder's signature page

with a copy to (which shall not constitute notice):

Brown Rudnick LLP
7 Times Square
New York, New York 10036
Telephone: (212) 209-4862
Facsimile: (212) 209-4801
Attention: Robert J. Stark (rstark@brownrudnick.com)

If to the Sciens Group:

Sciens Management LLC
667 Madison Avenue
New York, New York 10065
Telephone: (212) 471-6100
Facsimile: (212) 471-6199
Attention: Daniel Standen (standen@scienscapital.com)
Clifton Dameron (cdameron@scienscapital.com)

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, New York 10036
Telephone: (212) 735-2120
Facsimile: (917) 777-2120
Attention: Jay M. Goffman (jay.goffman@skadden.com)
Mark A. McDermott (mark.mcdermott@skadden.com)

If to NPA Hartford:

NPA Hartford LLC
c/o VALNIC Capital Real Estate Fund I, LLC.
7732 Atlantic Way
Miami Beach, FL 33141
Telephone: (917) 330-2313

Attention: Clifford Smallman ([Managing Member])

with a copy to (which shall not constitute notice):

Finn Dixon & Herling LLP
177 Broad Street, 15th Floor
Stamford, Connecticut 06901
Telephone: (203) 325-5000
Facsimile: (203) 325-5001
Attention: Henry P. Baer, Jr. (hbaer@fdh.com)

16. NO THIRD-PARTY BENEFICIARIES.

The terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors and permitted assigns, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person.

17. SETTLEMENT DISCUSSIONS; PRESERVATION OF RIGHTS.

This Agreement and the Restructuring Term Sheet are part of a proposed settlement of a dispute among the Parties. Regardless of whether or not the transactions contemplated herein are consummated, or whether or not the Termination Event has occurred, if applicable, nothing shall be construed herein as an admission of any kind or a waiver by any Party of any or all of such Party's rights or remedies. Except as expressly provided in this Agreement, the Parties expressly reserve any and all of their respective rights and remedies. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms. Furthermore, except as otherwise expressly set forth herein and in the Restructuring Term Sheet, nothing in this Agreement shall (a) limit the (i) ability of a Party to consult with any other Party; (ii) rights of any Party under any applicable bankruptcy, insolvency, foreclosure, or similar proceeding; (iii) ability of a Consenting Lender to sell or enter into any transactions in connection with the DIP Senior Lender Claims or any other claims against or interests in the Company, subject to **Section 8** above; (iv) rights of any Consenting Lender under the DIP Senior Loan, the 8.75% Indenture or any related documents, as applicable, or constitute a waiver or amendment of any provision of the DIP Senior Loan the 8.75% Indenture or any related documents, as applicable; (v) the rights of any Party in respect of the West Hartford Facility Lease; or (b) be construed to prohibit any Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases so long as any appearance by a Party and the positions advocated by such Party in connection therewith are consistent with the Restructuring Term Sheet, this Agreement, and the Plan and are not for the purpose of, and would not reasonably be expected to have the effect of, hindering, delaying, or preventing the consummation of the Restructuring.

18. SUCCESSORS AND ASSIGNS; SEVERABILITY; SEVERAL OBLIGATIONS.

This Agreement is intended to bind and inure to the benefit of the Parties and their respective permitted successors, assigns, heirs, executors, estates, administrators, and representatives. The invalidity or unenforceability at any time of any provision hereof in any

jurisdiction shall not affect or diminish in any way the continuing validity and enforceability of the remaining provisions hereof or the continuing validity and enforceability of such provision in any other jurisdiction. The agreements, representations, and obligations of the Consenting Lenders under this Agreement are, in all respects, several and not joint.

19. ENTIRE AGREEMENT; PRIOR NEGOTIATIONS.

This Agreement, including the Restructuring Term Sheet, the exhibits, schedules, and annexes, if any, hereto constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior negotiations, communications, agreements, and understandings, whether written or oral, between and among the Parties (and their respective advisors or managers) with respect to the subject matter of this Agreement; provided, however, that the Parties acknowledge and agree that any confidentiality agreements heretofore executed between the Company and any Consenting Lender, NPA Hartford, or the Sciens Group shall continue in full force and effect, as provided therein.

20. SURVIVAL OF AGREEMENT.

Notwithstanding (a) any sale, transfer, or assignment of DIP Senior Lender Claims, or 8.75% Noteholder Claims in accordance with **Section 8** above or (b) the termination of this Agreement in accordance with its terms, the agreements and obligations of the Parties in **Sections 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 15, 26 and 28** shall survive such sale and/or termination and shall continue in full force and effect for the benefit of the Consenting Lenders, NPA Hartford, the Sciens Group, and the Company in accordance with the terms hereof.

21. REPRESENTATION BY COUNSEL.

Each Party hereto acknowledges that it has been represented by counsel (or had the opportunity to and waived its right to do so) in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would provide any Party hereto with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the Parties hereto. None of the Parties hereto shall have any term or provision construed against such Party solely by reason of such Party having drafted the same.

22. INDEPENDENT DUE DILIGENCE AND DECISION-MAKING.

Each Party hereto hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate. Each Consenting Lender is acting independent of the other Consenting Lenders and shall not be responsible in any way for the performance of the obligations of any other Consenting Lender.

23. NO ADDITIONAL FIDUCIARY DUTIES.

Notwithstanding anything to the contrary herein, nothing in this Agreement shall create any additional fiduciary obligations on the part of the Company or any members, managers, or officers of the Company or its affiliated entities, in such person's capacity as a member, manager, or officer of the Company or their affiliated entities that did not exist prior to the execution of this Agreement. None of the Consenting Lenders shall have, by virtue of this Agreement, any fiduciary duties or other duties or responsibilities to each other, any other DIP Senior Lender, any other 8.75% Noteholder, the Sciens Group, NPA Hartford, the Company, or any of the Company's creditors, or other stakeholders. Notwithstanding anything herein to the contrary, this Agreement shall not prevent the Company from taking or failing to take any action that it is obligated to take (or not take, as the case may be) in the performance of any fiduciary duty or as otherwise required by applicable law which the Company owes to any other person or entity under applicable law.

24. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf). Signature pages executed by Consenting Lenders shall be delivered to (a) other Consenting Lenders in a redacted form that removes such Consenting Lender's holdings of DIP Senior Loans, Term Loans, and/or 8.75% Notes and (b) the Company, the Sciens Group and advisors to the Consenting Lenders in an unredacted form.

25. AMENDMENTS.

Except as otherwise provided in this Agreement, this Agreement (including the Restructuring Term Sheet) may not be modified, amended, or supplemented and a Termination Event may not be waived without prior written consent of the Company, the Sciens Group, NPA Hartford and the Requisite Consenting Lenders. In the event that an adversely affected Consenting Lender ("Non-Consenting Lender") does not consent to a waiver, change, modification, or amendment to this Agreement requiring the consent of such Non-Consenting Lender, but such waiver, change, modification, or amendment receives the consent of the Requisite Consenting Lenders in the affected class(es) of which Non-Consenting Party is a member, this Agreement shall be deemed to have been terminated only as to such Non-Consenting Lender, but this Agreement shall continue in full force and effect in respect to all other members of the consenting class that have so consented.

26. HEADINGS.

The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience of reference only and shall not, for any purpose, be deemed part of this Agreement and shall not affect the interpretation of this Agreement.

27. NO SOLICITATION.

This Agreement is not intended to be, and each signatory to this Agreement acknowledges that this Agreement is not (a) an offer for the purchase, sale, exchange, hypothecation, or other transfer of securities for purposes of the Securities Act of 1933 and the Securities Exchange Act of 1934 or (b) a solicitation of votes for the acceptance of a chapter 11 plan of reorganization (including the Plan) for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. Solicitation of acceptance of the Restructuring will not be solicited from any holder of DIP Senior Lender Claims, or 8.75% Noteholder Claims until such holder has received the disclosures required by section 1125 of the Bankruptcy Code or otherwise in compliance with applicable law.

28. FEES AND EXPENSES.

On the Effective Date, pursuant to the Restructuring Term Sheet all reasonable and documented professional fees and expenses of the Parties and NPA Hartford incurred in connection with the Company's restructuring (subject to approval of the Bankruptcy Court to the extent necessary) (collectively, the "Reimbursable Professional Fees") shall be paid. In the event this Agreement is terminated, all Reimbursable Professional Fees (except fees and expenses incurred by any Party or NPA Hartford whose breach caused the termination of this Agreement) shall be allowed as an administrative expense and shall be paid when the Colt Parties have sufficient available cash to pay such fees. The Company's agreement to pay or reimburse the Reimbursable Professional Fees of the Parties and NPA Hartford as set forth herein shall survive the termination of this Agreement with respect to such fees and expenses incurred prior to such termination.

29. DISCLOSURE; PUBLICITY.

The Company shall submit drafts to the advisors to the Consenting Lenders, the Sciens Group, and NPA Hartford of any press releases and/or public documents that constitute disclosure of the existence or terms of this Agreement or any amendment to the terms of this Agreement prior to making any such disclosure, and shall afford them a reasonable opportunity to comment on such documents and disclosures. Except as required by law or otherwise permitted under the terms of any other agreement between the Company and any Consenting Lender, no Party or its advisors shall (a) use the name of any Consenting Lender in any public manner or (b) disclose to any person (including, for the avoidance of doubt, any other Consenting Lender), other than the Company, advisors to the Company, and advisors to the Consenting Lenders, the principal amount or percentage of any DIP Senior Lender Claims, or 8.75% Noteholder Claims held by any Consenting Lender, in each case, without such Consenting Lender's prior written consent; provided, however, that (i) if such disclosure is required by law or regulation, the disclosing party shall use reasonable best efforts to afford the relevant Consenting Lender a reasonable opportunity to review and comment in advance of such disclosure and shall take all reasonable measures to limit such disclosure and (ii) the foregoing shall not prohibit the disclosure of the aggregate percentage or aggregate principal amount of DIP Senior Lender Claims and/or 8.75% Noteholder Claims held by all the Consenting Lenders collectively. Any public filing of this Agreement, with the Bankruptcy Court or otherwise, which includes executed signature pages to this Agreement shall include such signature pages

only in redacted form with respect to the holdings of each Consenting Lender (provided, that the holdings in such signature pages may be filed on an aggregate basis or in unredacted form with the Bankruptcy Court under seal).

30. ACKNOWLEDGEMENTS.

THIS AGREEMENT (INCLUDING THE RESTRUCTURING TERM SHEET) AND THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN ARE THE PRODUCT OF NEGOTIATIONS BETWEEN THE PARTIES AND THEIR RESPECTIVE REPRESENTATIVES. EACH PARTY HEREBY ACKNOWLEDGES THAT THIS AGREEMENT IS NOT AND SHALL NOT BE DEEMED TO BE A SOLICITATION OF VOTES FOR THE ACCEPTANCE OF THE PLAN OR REJECTION OF ANY OTHER CHAPTER 11 PLAN FOR PURPOSES OF SECTION 1125 OR 1126 OF THE BANKRUPTCY CODE OR OTHERWISE. THE PARTIES WILL NOT SOLICIT ACCEPTANCES OF THE PLAN FROM ANY PERSON OR ENTITY UNTIL SAID PERSON OR ENTITY HAS BEEN PROVIDED WITH A COPY OF THE RELEVANT DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. NOTHING IN THIS AGREEMENT SHALL REQUIRE ANY PARTY TO TAKE ANY ACTION PROHIBITED BY THE BANKRUPTCY CODE, THE SECURITIES ACT OF 1933 (OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER), THE SECURITIES EXCHANGE ACT OF 1934 (ANY RULE OR REGULATIONS PROMULGATED THEREUNDER), OR BY ANY OTHER APPLICABLE LAW OR REGULATION OR BY AN ORDER OR DIRECTION OF ANY COURT OR ANY STATE OR FEDERAL GOVERNMENTAL AUTHORITY

[Signature pages to follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SIGNED for and on behalf of

COLT DEFENSE LLC

by: _____
Name: Dennis Veilleux
Title: President and CEO

COLT HOLDING COMPANY LLC

by: _____
Name:
Title:

COLT SECURITY LLC

by: _____
Name:
Title:

COLT FINANCE CORP.

by: _____
Name:
Title:

NEW COLT HOLDING CORP.

by: _____
Name:
Title:

COLT'S MANUFACTURING COMPANY LLC

by: _____
Name:
Title:

COLT DEFENSE TECHNICAL SERVICES LLC

by: _____
Name:
Title:

COLT CANADA CORPORATION

by: _____
Name:
Title:

COLT INTERNATIONAL COÖPERATIEF U.A.

by: _____
Name:
Title:

CDH II HOLDCO INC.

by: _____
Name:
Title:

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ADVANTAGE CAPITAL MANAGEMENT, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Irvin Schlussel
Title: Managing Partner

Address/contact information for notice, as per **Section 15** of the Agreement:

Advantage Capital Management
1221 Brickell Avenue
Suite 2660
Miami, Florida 33131

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

AJ Capital I, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ALJ Capital II, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

LJR Capital, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

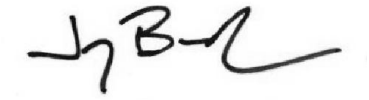
8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ARMORY ADVISORS LLC, on behalf of one or more of its funds and/or managed accounts



By: _____
Name: Jay Burnham
Title: Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Armory Advisors LLC
999 Fifth Avenue
Suite 450
San Rafael, California 94901

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

BOWERY INVESTMENT MANAGEMENT, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Vladimir Jelisavcic
Title: Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Bowery Investment Management, LLC
1325 Avenue of the Americas
28th Floor
New York, New York 10019

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

Bulwark Bay Investment Group LLC

By: _____

Name: Craig Carlozzi
Title: Portfolio Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

15 Broad St
6th Fl
Boston, MA 02109

DIP Senior Lender Claims (Principal Loans):

$ _____

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

FIDELITY NATIONAL FINANCIAL, INC., on behalf of one or more of its funds and/or managed accounts

By: _____
Name:
Title: Matthew G. Hartmann

Senior Vice President
Head of Fixed Income Trading
and Portfolio Management

Address/contact information for notice, as per **Section 15** of the Agreement:

Fidelity National Financial, Inc.
601 Riverside Avenue
Building 5, 7th Floor
Jacksonville, Florida 32204

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

KAMUNTING STREET CAPITAL MANAGEMENT, LP, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Allan Teh
Title: CEO

Address/contact information for notice, as per **Section 15** of the Agreement:

Kamunting Street Capital Management, LP
119 Washington Ave, Suite 600.
Miami Beach Fl 33139

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

MPAM CREDIT TRADING PARTNERS L.P., on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Christopher Welker
Title: Chief Operating Officer

Address/contact information for notice, as per **Section 15** of the Agreement:

MPAM Credit Trading Partners L.P.
600 Superior Avenue East
Suite 2550
Cleveland, Ohio 44114

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

NEW GENERATION ADVISORS, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Michael Weiner
Title: Vice President

Address/contact information for notice, as per **Section 15** of the Agreement:

New Generation Advisors, LLC
13 Elm Street
Suite 2
Manchester, Massachusetts 01944

DIP Senior Lender Claims (Principal Loans):

$[redacted] *(amount does not include additions to principal due to PIK interest)*

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

NEWPORT GLOBAL ADVISORS, LP, on behalf of one or more of its funds and/or managed accounts

By: Roger A Mcy
Name: Roger A May
Title: COO

Address/contact information for notice, as per **Section 15** of the Agreement:

Newport Global Advisors, LP
21 Waterway Avenue
Suite 150
The Woodlands, Texas 77380

DIP Senior Lender Claims (Principal Loans):

$[redacted] *(amount does not include additions to principal due to PIK interest)*

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

PHOENIX INVESTMENT ADVISER LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Jeffrey Schultz
Title: chief legal officer

Address/contact information for notice, as per **Section 15** of the Agreement:

Phoenix Investment Adviser LLC
The Graybar Building
420 Lexington Avenue
Suite 2040
New York, New York 10170

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

SCOGGIN LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Dev Chodry
Title: Member

Address/contact information for notice, as per **Section 15** of the Agreement:

Scoggin LLC
660 Madison Avenue
New York, New York 10065

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

VERTEX ONE ASSET MANAGEMENT INC., on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Tim Logie
Title: Portfolio Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Vertex One Asset Management Inc.
1177 W Hastings ~~3200 West Hastings St.~~
Suite ~~1920~~
Vancouver, British Columbia V~~6E 2K3~~ Canada
V6E 0C3

3200-1021 West Hasting St

DIP Senior Lender Claims (Principal Loans):

$ [redacted]

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

WOLVERINE ASSET MANAGEMENT, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Ken Nadel
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

Wolverine Asset Management, LLC
175 W. Jackson Boulevard
Suite 340
Chicago, Illinois 60604

DIP Senior Lender Claims (Principal Loans):

$[redacted] ***(amount includes additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SCIENS CAPITAL MANAGEMENT LLC:
(On behalf of its itself and its affiliates other than NPA Hartford LLC)

By: _____
Name: John P. Rigas
Title: Chairman and Chief Executive Officer

NPA HARTFORD LLC:

By: _____
Name: Clifford Smallman
Title: Managing Member,
VALNIC Capital Real Estate Fund I LLC

EXHIBIT A

RESTRUCTURING TERM SHEET

EXECUTION VERSION

THIS TERM SHEET IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OF COLT HOLDING COMPANY LLC OR COLT DEFENSE LLC OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS TERM SHEET IS AN ADMISSION OF FACT OR LIABILITY OR SHALL BE DEEMED BINDING ON ANY PARTY EXCEPT AS OTHERWISE SET FORTH IN THE RSA (DEFINED BELOW). THIS TERM SHEET CONTAINS MATERIAL NONPUBLIC INFORMATION AND, THEREFORE, IS SUBJECT TO FEDERAL SECURITIES LAWS.

COLT HOLDING COMPANY LLC, ET AL.
CHAPTER 11 PLAN TERM SHEET

This Chapter 11 Plan Term Sheet (the "Term Sheet") is the Restructuring Term Sheet as defined in and set forth as Exhibit A to that certain Restructuring Support Agreement, dated as of September 21, 2015 (the "RSA"), by and among Colt Holding Company LLC ("Colt Holding") and certain of its subsidiaries and affiliated entities (collectively, the "Company" and, upon the emergence from their respective chapter 11 cases, the "Reorganized Company"), certain of the Company's creditors (collectively, the "RSA Creditor Parties"), NPA Hartford LLC (the "Landlord"), and Sciens Capital Management LLC ("Sciens"). Except as set forth in the RSA, this Term Sheet does not constitute a contractual commitment of any party but merely represents the proposed terms for a restructuring of the Company's capital structure and is subject in all respects to the negotiation, execution and delivery of definitive documentation. This Term Sheet does not include a description of all the relevant terms and conditions of the restructuring contemplated herein. This Term Sheet represents a proposal made by certain holders of the 8.75% Notes (as defined below) acting as a steering committee (the "Steering Committee") for an ad hoc group of certain other holders of the 8.75% Notes (the "Consortium") and shall not be considered binding upon any 8.75% Noteholder which has not indicated its approval thereof. Each of the members of the Steering Committee is also a lender under the DIP Senior Loan (as defined below). Morgan Stanley Senior Funding Inc. ("Morgan Stanley") is also a lender under the DIP Term Loan (as defined below) and Prepetition Term Loan (as defined below). The Creditors' Committee ("Creditors' Committee") is the official committee of general unsecured creditors appointed in the Company's bankruptcy cases. The Landlord leases the Company's West Hartford Facility to the Company. Affiliates of Sciens are the owners of more than two-thirds of the equity in Colt Holding.

This Term Sheet shall not constitute an offer to buy, sell or exchange for any of the securities or instruments described herein. It also shall not constitute a solicitation of the same. Further, other than set forth in the RSA nothing herein constitutes a commitment to exchange any debt, lend funds to the Company or Reorganized Company, vote in a certain way or otherwise negotiate or engage in the transactions contemplated herein.

This Term Sheet is strictly confidential and may not be shared with anyone other than its intended recipients. It is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is intended to be entitled to the protections of Rule 408 of the Federal Rules of Evidence and all other applicable statutes or doctrines protecting the use or disclosure of confidential information and information exchanged in the context of settlement discussions.

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

Transaction Overview

Debtors:	Colt Holding Company LLC ("Colt Holdings"); Colt Security LLC ("Colt Security"); Colt Defense LLC ("Colt Defense");

	Colt Finance Corp. ("Colt Finance"); New Colt Holding Corp ("New Colt"); Colt's Manufacturing Company LLC ("Colt Manufacturing"); Colt Defense Technical Services LLC ("Colt Technical"); Colt Canada Corporation ("Colt Canada"); Colt International Cooperatief U.A. ("Colt International"); and CHD II Holdco Inc. ("CHD") (collectively, the "Debtors").
Supporting Creditors:	Creditors named in the Restructuring Support Agreement.
Milestones:	Milestones related to the Plan and the transactions contemplated by this Term Sheet shall be as set forth in the RSA.
Debt to be Restructured:	$52.3 million in principal plus all other amounts outstanding under the Term Loan Agreement (the "Prepetition Term Loan"), dated November 17, 2014, among Colt Defense LLC, Colt Finance Corp., New Colt Holding Corp., Colt's Manufacturing Company, LLC and Colt Canada Corporation as borrowers, certain subsidiary guarantors, Morgan Stanley Senior Funding, Inc. as lender (each lender under the Term Loan, a "Prepetition Term Loan Lender"), and Wilmington Savings Fund Society, FSB, as agent (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $250 million in principal plus all other amounts outstanding under the Notes issued pursuant to that certain Indenture (the "8.75% Indenture"), dated November 10, 2009, for the issuance of 8.75% Senior Notes due 2017 among Colt Defense LLC, Colt Finance Corp, certain subsidiary guarantors and Wilmington Trust FSB, as indenture trustee (the "8.75 Notes"; all holders of such 8.75% Notes, the "8.75% Noteholders") (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $41.667 million in principal outstanding under the First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement ("DIP Senior Loan") among Colt Defense LLC, Colt's Manufacturing Company LLC, Colt Canada Corporation, as borrowers, certain subsidiary guarantors, Cortland Capital Market Services LLC, as agent, and the lenders party thereto (the "DIP Senior Lenders") (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $33.333 million in principal outstanding under the Senior Secured Super-Priority Debtor in Possession Term Loan Agreement ("DIP Term Loan") among Colt Defense LLC, Colt Finance Corp., New Colt Holding Corp., Colt's Manufacturing Company, LLC and Colt Canada Corporation, as borrowers , certain subsidiary guarantors, Wilmington Savings Fund Society, FSB, as agent and the lenders party thereto (the "DIP Term Loan Lenders" and together with the Prepetition Term Loan Lenders,

	the "Term Lenders") (as it may be amended, amended and restated, replaced, modified, or supplemented from time to time)
New Holdco/ Reorganized Colt	"New Holdco" as used herein shall refer to Colt Holding Company LLC or, if necessary in order to implement the terms set forth herein, a newly formed Delaware entity which shall own 100% of the common equity in the Reorganized Company. New Holdco shall be organized as a C corporation for tax purposes. "Reorganized Colt" as used herein shall refer to New Holdco and the Debtors as reorganized following the Effective Date of the Plan.
Plan:	On or before September 30, 2015, the Debtors will propose a chapter 11 plan (the "Plan") that implements all of the terms set forth in this Term Sheet.

Treatment of Claims

Administrative Expense Claims (including 503(b)(9) Claims):	Payable in full in cash or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the requisite majority of each class of RSA Creditor Parties (collectively, the "Requisite Creditors"). Unclassified – Non-Voting
Priority Tax Claims:	Payable in deferred cash payments over a period not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. Unclassified – Non-Voting
Other Priority Claims:	Payable in full in cash or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. Unimpaired – Deemed to Accept
Other Secured Claims:	All allowed secured claims ("Other Secured Claims") shall be paid in full in cash, receive delivery of collateral securing any such claim and payment of any interest requested under section 506(b) of the Bankruptcy Code, or be treated on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. The

	aggregate amount of Other Secured Claims shall not exceed an amount to be reasonably agreed upon by the Debtors and the Requisite Creditors. Impaired – Entitled to Vote. The Debtors reserve the right to argue at confirmation that the Other Secured Claims are unimpaired.
DIP Senior Loan:	On the date on which the Plan is consummated and becomes effective (the, "Effective Date"), the DIP Senior Loan shall be refinanced by and with a new $40,000,000 senior secured loan (the "Senior Exit Facility") as described below and the up to $5 million cash Senior DIP Reduction (defined below). Impaired – Entitled to Vote For the avoidance of doubt: (i) the distribution to the DIP Senior Loan Lenders will be in full satisfaction of all of the DIP Senior Loan Lenders' claims on account of the DIP Senior Loan, and (ii) no make-whole, pre-payment penalty or other amount shall be due to the DIP Senior Loan Lenders.
Pre-Petition Term Loan and DIP Term Loan:	On the Effective Date, the Pre-Petition Term Loan and the DIP Term Loan shall be combined and converted into a secured facility (the "Term Loan Exit Facility") as described below. Impaired – Entitled to Vote For the avoidance of doubt: (i) the distribution to the Pre-Petition Term Loan Lenders and DIP Term Loan Lenders will be in full satisfaction of all of the Pre-Petition Term Loan Lenders' and DIP Term Loan Lenders' prepetition and post-petition Claims, and (ii) no make-whole, pre-payment penalty or other amount shall be due to the Pre-Petition Term Loan Lenders or DIP Term Loan Lenders.
8.75% Notes:	On the Effective Date, all of the 8.75% Notes shall be cancelled, and each 8.75% Noteholder shall receive, on account of its allowed claim in respect of such 8.75% Notes, such 8.75% Noteholder's *pro rata* share of New Class B Stock of New Holdco (the "New Class B Stock"). The basic terms of the New Class A Stock and the New Class B Stock are set forth in the New Equity Term Sheet attached as Exhibit A. The New Class B Stock will be issued pursuant to an exemption from registration pursuant to Section 1145 of the Bankruptcy Code to either DTC depositary or in book entry form to the DTC Participants that own 8.75% Notes as of the record date for such distribution. As described below under the heading "*Status As Private*

	Company", it is intended that New Holdco will be a private company as of the Effective Date. For the avoidance of doubt, the distribution of the New Class B Stock to the 8.75% Noteholders will be in full satisfaction of all of the 8.75% Noteholders' claims. Impaired – Entitled to Vote
General Unsecured Claims (excluding Convenience Claims):	Each holder of a general unsecured claim trade claim shall be paid in full in cash on the Effective Date. Each holder of another type of general unsecured claim (other than those based on the 8.75% Notes) shall, on account of its allowed unsecured claim (each, a "General Unsecured Claim"), receive on or promptly after the Effective Date, a note (subordinate to the Exit Facilities) or other consideration as reasonably agreed upon by the Debtors and the RSA Creditor Parties, such consideration to represent a percentage recovery that is reasonably equivalent to the percentage of recovery realized by the 8.75% Noteholders. For the avoidance of doubt, the General Unsecured Claims do not include the Convenience Claims (defined below). Impaired – Entitled to Vote
Intercompany Claims:	All intercompany claims between and among Colt Holdings and its direct and indirect subsidiary Debtors shall be reinstated or compromised by New Holdco, as the case may be, consistent with its business plan; provided that each intercompany claim held by a non-debtor shall receive no less favorable treatment than other holders of general unsecured claims. Unimpaired – Not entitled to Vote
Equity Interests:	All existing equity interests (including, without limitation, membership interests, options, and warrants) in Colt Holding shall be cancelled and extinguished as of the Effective Date. Impaired – Deemed to Reject.

The Offering

The Offering:	In connection with the Plan, on or before the Effective Date, the Reorganized Debtors will raise $50 million in new capital (the "Offering Proceeds") from a private offering (the "Offering") of units (the "Offering Units") consisting of (i) third lien secured debt to be issued pursuant to a third lien exit facility (the "Third Lien Exit Facility") and (ii) shares of the New Class A Stock (the "New Class A Stock" and, together with the third lien debt under the Third Lien Exit Facility, the "Offering Consideration") as follows: (x) Sciens or its affiliates will subscribe to $15

	million of the Offering Consideration (the "Sciens Offering Allocation"), (y) Fidelity Newport Holdings LLC or another entity wholly owned by Fidelity National Financial and Newport Global Advisors ("Fidelity/Newport"), shall subscribe to $15 million and (z) each 8.75% Noteholder other than Fidelity/ Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Company and Sciens may agree) in principal amount of the 8.75% Notes and is an "accredited investor" (each such holder, an "Eligible Holder") shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering Consideration (the "Noteholder Offering Allocation") as further allocated as set forth herein. The Offering Consideration may be increased by up to $5 million (the "Additional Offering Amount") by the mutual agreement of the Company, Sciens, Fidelity/Newport and the Consortium, such Additional Offering Amount to be allocated to each of Sciens, Fidelity/Newport and Eligible Holders that participate in the Offering on a pro rata basis (i.e., if the Offering Amount were increased by $5 million, Sciens or its affiliates would subscribe to $1.5 million of the Additional Offering Amount, Fidelity/Newport would subscribe to $1.5 million of the Additional Offering Amount and Eligible Holders that participate in the Offering would subscribe to $2.0 million of the Additional Offering Amount).
Uses:	The Noteholder Offering Allocation will be evidenced on the books and records of the transfer agent and issued in the name of each such Eligible Holder's institutional broker(s), which will be such Eligible Holder's DTC Participant(s) for the 8.75% Notes. Such DTC Participant(s) will be considered the holders of record for the Noteholder Offering Allocation; provided, however, that New Holdco is not subject to public reporting requirements as a result of such direct ownership.
Issuance/Dilution:	The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors pending chapter 11 cases and other claims required to be paid on the Effective Date under the Plan, and (iii) to pay down up to $5 million of the DIP Senior Loan (the "Senior DIP Reduction"). The Offering Consideration will be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A Stock may be transferred separately from each other, subject to the restrictions provided below and any additional restrictions thereon in the definitive documentation. For the avoidance of doubt, in the event that the Reorganized Colt is unable to arrange alternative financing in respect of the Senior Exit Facility on the same or better terms,

	Fidelity/Newport and each Participating Holder (defined below) who elects to participate in the Offering (but not Sciens) shall fund their pro rata share of the Senior Exit Facility on terms and conditions to be mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, such terms to be no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility. As used in the preceding sentence, "pro rata" shall mean the dollar amount of the Offering for which each Participating Holder and Fidelity/Newport have each respectively subscribed divided by the $35 million total amount of the Offering which is collectively allocated to Fidelity/Newport and Eligible Holders (or $38.5 million in the event of the Additional Offering Amount). For example, if a Senior Exit Facility cannot be otherwise obtained on the same or more favorable terms to the Reorganized Colt, Fidelity/ Newport shall be obligated to provide 42.8% (15/35, or 16.5/38.5 in the event of the Additional Offering Amount) of the $40 million Senior Exit Facility thereof. Interests in the Senior Exit Facility may also trade separately from the Third Lien Exit Facility Loans and the New Class A Stock and the New Class B Stock following the Effective Date. The New Class A Stock is subject to dilution in connection with (x) the management incentive plan (discussed below and on Exhibit A) and (y) the New Class A Stock to be issued to the Landlord pursuant to Exhibit B to this Term Sheet.
Offering Allocation:	Prior to the commencement of the Offering to the Eligible Holders of the 8.75% Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. Such electing members of the Consortium shall be referred to as the "Participating Consortium Noteholders". For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that do not become Participating Consortium Noteholders shall have the opportunity to participate in the Offering as Eligible Holders. (Collectively, Participating Consortium Noteholders and Eligible Holders who elect to purchase Units in the Offering shall be described as "Participating Holders"). • Each Eligible Holder, other than a Participating Consortium Noteholder, shall be offered the opportunity to purchase a dollar amount of Units in the Offering equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the fraction equal to the principal amount of the 8.75% Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the 8.75% Notes beneficially held by Fidelity/ Newport (the, "Offering

	Denominator" and such fraction, the "Eligible Holder Pro Rata Share"). • An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the aggregate principal amount of the 8.75% Notes not beneficially held by the Participating Consortium Noteholders or Newport/Fidelity divided by the Offering Denominator shall be set aside for the backstop parties (the "Backstop Set Aside Amount"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Units in the Offering equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (ii) the fraction equal to the principal amount of the 8.75% Notes held by such Participating Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount times the (ii) the fraction equal to principal amount of the 8.75% Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the 8.75% Notes held by all Participating Consortium Noteholders (such fraction, the "Participating Consortium Noteholder Pro Rata Share"). • In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Units in the Offering representing the Participating Noteholder's Pro Rata Share of any remaining Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing. • Each of Bowery, Phoenix and Matlin Patterson (the "Backstop Parties"), have agreed to participate in the Offering as Participating Consortium Noteholders. Prior to the Offering, the Reorganized Company and the Consortium shall determine whether the Senior Exit Facility shall be provided by Participating Holders as provided herein and if it is, each Participating Holder shall be responsible for providing the same percentage of the Senior Exit Facility as the aggregate percentage of the Offering Units allocated to Eligible Holders and Fidelity/Newport which such Participating Holder has purchased or subscribed for. The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including Bowery, Phoenix, Matlin

	Patterson and the Company.
Exit Facilities:	The Reorganized Colt, in consultation with the Consortium and other RSA Creditor Parties, may in its sole discretion obtain financing for the Senior Exit Facility from any third party financing source(s) on terms equal to or better than the terms of the DIP Senior Loan. In the event that such financing cannot be obtained by the Company, the Senior Exit Facility shall be provided by Fidelity/Newport and the Participating Holders on a pro rata basis consistent with the percentage of the total $35 million of the Offering (or $38.5 million if the full Additional Offering Amount is raised) to be provided collectively by Fidelity/Newport and the Participating Holders (including, but not limited to, the Backstop Parties) as provided above. If it is to be provided by the Participating Holders, the terms and conditions of the Senior Exit Facility shall be mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, but in any event, no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility. For the avoidance of doubt, in the event that arrangements to finance the Senior Exit Facility as described above cannot otherwise be made, it shall be a condition to participation in the Offering that Fidelity/Newport and each Participating Holder provide the same percentage of the Senior Exit Facility as their participation in the $35 million of the Offering (or $38.5 million if the full Additional Offering Amount is raised) being collectively provided by them. The Consortium Members who participated in the DIP Senior Loan may elect to fund all or a portion of their share of the Senior Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Exit Facility. The Senior Exit Facility shall (i) be in the principal amount equal to the aggregate principal amount plus accrued and unpaid interest outstanding under the DIP Senior Loan as of the Effective Date less the Senior DIP Reduction; (ii) have a first priority lien on substantially all of the assets of the Reorganized Company and New Holdco other than intellectual property and other assets defined as Term Loan Priority Collateral in the DIP Intercreditor Agreement and Prepetition Intercreditor Agreement ("Term Loan Priority Collateral"), and a second lien on the intellectual property and other Term Loan Priority Collateral of the Reorganized Company and otherwise be on terms and conditions mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, such terms to be no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility In addition to the usual items that customarily require the consent of each affected lender (i.e., principal forgiveness, extension or reduction of the term, change to the interest rate,

	changing cash payment of principal to PIK, or the amount and timing of payment of the prepayment premium, etc.), changes to financial and other material covenants of the Senior Exit Facility shall require a vote of at least 66.67% of the lenders under the Senior Exit Facility. The Term Loan Exit Facility shall be on terms to be agreed upon between the Company, the lenders under the Term Loan Exit Facility, the RSA Creditor Parties, the Landlord, and Sciens. The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Company and will be subject to such other terms and conditions as agreed upon by the RSA Creditor Parties including, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in cash or entirely in kind, at the option of the Reorganized Company; (ii) a term of five (5) years; (iii) minimum liquidity covenants and other minimal financial covenants to be determined; and (iv) include a junior debt basket of $25 million.
Intercreditor Agreement:	The lenders or the agents under the respective documents evidencing the Senior Exit Facility, the Term Loan Exit Facility, and the Third Lien Exit Facility, will enter into the Reorganized Company Intercreditor Agreement upon terms and conditions, substantially similar to those of the DIP Intercreditor Agreement.

Corporate Governance

Shareholder Agreement and Other Corporate Organizational Documents:	Under the Plan, the holders of New Class A Stock and New Class B Stock will be deemed to be parties to a Stockholders Agreement, and the Stockholders Agreement and/or New Holdco's organizational documents shall provide customary minority stockholder protections as set forth herein and reasonably agreed to among the RSA Creditor Parties. The RSA Creditor Parties agree to discuss in the negotiations the following minority stockholder protections: (a) Information Rights (as set forth herein). (b) Tag-Along, Drag-Along, Preemptive and Registration Rights (as set forth herein). (c) Restrictions on transfers to competitors (as set forth herein).

	(d) Affiliate transaction protections. (e) Right of first refusal over proposed transfers of the New Class A Stock and the New Class B Stock, such right of first refusal to cease to apply if New Class A Stock or New Class B Stock is registered as provided below.
Registration Rights	Holders of a majority of the registrable securities may cause New Holdco to commence an initial public offering in the event that New Holdco has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date. On or after the date that is six (6) months following an initial public offering, persons (acting as a group or individually) holding at least 20% in the aggregate of the registrable securities may make up to two (2) demands that New Holdco register all or a portion of their share of registrable securities; provided, that any such offering of registrable securities generates proceeds of at least $50 million. The registration rights agreement will include other customary restrictions and limitations applicable to demand registrations. For purposes of this section, registrable securities include all shares of the New Class A Stock and New Class B Stock issued in connection with the transactions contemplated hereby. Each holder of registrable securities will have the right to cause New Holdco to include all or a portion of its registrable securities on a registration statement filed by New Holdco with respect to any other shares. The registration rights agreement will include customary restrictions and limitations applicable to piggyback registrations. When New Holdco is Form S-3 eligible, it will promptly file a shelf-registration statement covering the registrable securities and use its reasonable best efforts to keep the shelf effective. A holder of registrable securities shall have the right to request shelf takedowns, subject to customary restrictions.
Information Rights	All holders of (i) the Senior Exit Facility, (ii) the Third Lien Exit Facility, (iii) more than three percent (3%) of the voting power of the outstanding capital stock of New Holdco, and (iv) more than one percent (1%) of the voting power of the outstanding capital stock of New Holdco that are Participating Consortium Noteholders, shall have customary information rights, including, without limitation: (i) annual and quarterly consolidated financial statements within 90 days and 45 days, respectively, of the respective period; (ii) no later than 90 days prior to the end of New Holdco's fiscal

	year, a copy of a comprehensive consolidated budget, including projections, of New Holdco for the following fiscal year; (iii) (x) upon request and (y) no later than ten (10) business days following the completion of any offering or sale of equity securities of New Holdco, a copy of New Holdco's consolidated capitalization table; and (iv) management calls to be held at least quarterly. A holder may elect to not receive the specified information on one or more occasions. All of the foregoing information may be shared with bona fide prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Company and the holders of the New Class A Stock and may be provided through a restricted website.
Drag-Along Rights	Holders of more than an aggregate of 50% in voting power of the outstanding capital stock will have the right to drag-along the other holders of capital stock (the "Dragged Stockholders") in any sale transaction to a third party who is not an affiliate and all other stockholders shall be required to consent to, and raise no objection against, such sale and to take all actions reasonably requested in order to consummate such sale; provided, however, that drag-along rights shall only be available in connection with transactions that have received the prior approval of a majority of the Board of Directors. A drag-along is only permissible in circumstance where outstanding shares of capital stock are to receive the same consideration (adjusted as provided in Exhibit A to give effect to the New Class A Stock Priority Return (defined below)). Subject to the foregoing, Dragged Stockholders shall participate on the same terms and conditions as the initiating holders. Dragged Stockholders shall only be required to make representations and warranties with respect to ownership and authorization of capital stock, and shall not be required to make business-related representations or warranties.
Tag-Along Rights	Except with respect to transfers by stockholders to their affiliates, holders of equity securities of New Holdco will have the right to participate *pro rata* (as set forth in Exhibit A) in any direct or indirect transfer (through one or more related transactions) of 20% or more of the outstanding shares of the

	same class by one or more other holders of the same class (a "Selling Stockholder") on the same terms and conditions as the Selling Stockholders (a "Tag-Along Sale"). Tag-along sellers shall only be required to make representations and warranties with respect to ownership and authorization of capital stock, and shall not be required to make business-related representations or warranties.
Preemptive Rights	Each holder of more than 1% of the voting power of the outstanding capital stock of the New Holdco shall have customary preemptive rights to subscribe for its pro rata share of any equity (including securities convertible into equity) issued by New Holdco or any of its subsidiaries, including oversubscription rights and anti-dilution protections, subject to customary carve-outs (i.e., securities issued as consideration in a merger, acquisition or joint venture securities issued pursuant to approved compensation plans, securities issued upon conversion or exercise of options or other equity awards or convertible securities, securities issued on a pro rata basis in a stock split or stock dividend or similar transaction).
Transfers	Other than as set forth herein, there will be no transfer restrictions on transfers of New Class A Stock or New Class B Stock held by any holder (or their transferees); provided, however, that no transfers of any shares of capital stock (or instruments convertible into capital stock) shall be made to any competitor (as that term shall be agreed upon) of New Holdco or their affiliates or shall be permitted if it would result in New Holdco's being required to become a public filer under applicable securities laws. Each transferee will be required to enter into a joinder agreement to the Stockholder Agreement.
Board of Directors of New Holdco and Reorganized Colt:	Under the Plan, the initial Board of Directors of New Holdco and Reorganized Colt shall consist of seven (7) members as follows: (i) the CEO of the Reorganized Company; (ii) two (2) directors designated by Fidelity/Newport; (iii) two (2) independent directors; and (iv) two (2) directors designated by Sciens. (a) The Participating Consortium Holders shall have the right to designate one (1) of the Independent Directors, and (b) Fidelity/Newport and Sciens shall collectively have the right to designate one (1) of the independent directors; provided, that any independent director so designated shall be reasonably acceptable to each of Fidelity/Newport or Sciens (as applicable)

	and the Participating Holders other than Fidelity/Newport. In the event that a Liquidity Event (as defined on Exhibit A hereto) is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of Class B Shares (but not any holders of Class A Shares which have been converted into Class B Shares) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.
Board Observer:	The Participating Holders other than Fidelity/Newport shall have the right to appoint one (1) board observer (the "Board Observer"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport obtain the right to designate one (1) director as described above.
Indemnification of Directors:	The organizational documents of the Reorganized Company shall provide for the indemnification of New Holdco's and the Reorganized Company's directors to the fullest extent permitted by law as if such entities were Delaware corporations. In addition, New Holdco will purchase a D&O insurance policy with such amounts of coverage and limits as are usual and customary for companies similarly situated to the New Holdco.
Board Committee Matters:	For so long as Fidelity/Newport and Sciens are entitled to designate directors, each Board Committee shall include at least one designee of Fidelity/Newport and one designee of Sciens.
Board Voting:	The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors; provided, however, that the vote of a majority of the disinterested directors shall be required for the Board of Directors to approve and authorize New Holdco or any of its subsidiaries to enter into any material transaction with any equityholder or affiliate thereof (including any director that is designated by such equityholder).
Protective Provisions:	In addition to any other vote or approval required under New Holdco's organizational documents, New Holdco will not, without the written consent of the holders of at least 66.67% of the voting power of the capital stock casting a vote, either directly or indirectly: (i) amend, alter, or repeal any provision of the organizational

	documents of New Holdco or the Reorganized Company; or (ii) increase or decrease the size of the Board of New Holdco or the Reorganized Company. Stockholder voting requirements will otherwise be modeled after stockholder voting requirements for a corporation organized under the Delaware General Corporation Laws.
Voting Rights:	The voting rights of any new equity securities issued in connection with the restructuring shall be consistent with section 1123(a)(6) of the Bankruptcy Code.
Corporate Structure	Under the *Plan*, the corporate structure of the Reorganized Company shall be acceptable to and determined by the RSA Creditor Parties, in consultation with the Debtors.
Status as Private Company	Under the *Plan*, it is anticipated that New Holdco will be a private company as of the Effective Date of a Plan and will not register its equity with the Securities Exchange Commission or list such equity on an exchange; provided, that New Holdco may implement procedures to facilitate trading of such equity, e.g., providing investors with access (on a secure website) to current information concerning New Holdco and its subsidiaries on a consolidated basis. The organizational documents of the New Holdco will contain provisions to enable New Holdco to remain as a private company, e.g., prohibitions on transfers of the equity of New Holdco if such transfers would result in New Holdco being required to be a public reporting company.

General Provisions

Lease	The Landlord and Reorganized Colt shall agree to enter into a new lease or purchase agreement for the Company's West Hartford Facility on the terms and conditions set forth on Exhibit B hereto. The Company shall elect whether to enter into a new lease or purchase agreement for the West Hartford Facility by the deadline for doing so set forth in Exhibit B hereto, after consultation with the Consortium and Sciens.
Management/Consulting Agreement:	The Reorganized Company (or one or more entities comprising the Reorganized Company) will enter into Consulting Services Agreement with affiliates of Fidelity/Newport and Sciens for services and fees in an amount and scope to be determined but not to exceed in the aggregate $1,000,000 annually. Any fees will be split 50:50 by Fidelity/Newport and Sciens. Payments under such Consulting Services Agreement shall only be payable so long as the Reorganized Company is in compliance with its obligations under the Term Loan Exit Facility.
Management Incentive Plan:	Under the *Plan*, to be decided by the Board and to be implemented after the Effective Date, a management incentive plan that provides for grants of restricted stock, cash, options, warrants, and/or other equity-based compensation to the management of New Holdco and the Reorganized Company of up to 10% of the New Class A Stock of New Holdco. The New Class A Common Stock issuable pursuant to the Management Incentive Plan ("MIP") shall proportionately dilute the New Class A Stock issued pursuant to the Offering and to the Landlord in the manner set forth on Exhibit A hereto.
Tax Issues:	New Holdco and the Reorganized Company shall seek to implement the restructuring in a tax efficient manner; provided that, under the Plan, the reorganized Company will maintain its status as a C corporation for tax purposes and the holders of Reorganized Equity will not receive a Schedule K-1.
Injunction:	Ordinary and customary injunction provisions shall be included in the Plan.
Releases:	Under the *Plan*, (but subject to entry into the lease renewal or purchase and Sciens' being offered the opportunity to participate in the Offering as provided above) and to the fullest extent permitted by applicable law, the Plan shall provide for comprehensive mutual release, indemnification and exculpation provisions from and for the benefit of the Debtors, the RSA Creditor Parties, Sciens Capital Management LLC (and its affiliates), NPA Hartford LLC, the Trustee for the 8.75% Notes, Wilmington Savings Fund Society, FSB as agent for the Prepetition Term Loan and DIP Term Loan, and Cortland Capital Market Services, LLC as agent for the DIP Senior Loan

	and all individuals serving, or who have served since the petition date as a manager, director, managing member, officer, partner, shareholder or employee of any of the foregoing and the attorneys and other advisors to each of the foregoing.
Professional Fees	On or after the Effective Date, the reasonable and documented professional fees and expenses of the following parties shall be paid in full in cash: (i) the Debtors, (ii) the Official Creditors' Committee; (iii) the Term Lenders, (iv) the Consortium, (v) Sciens, and (vi) the Landlord.
Collective Bargaining Agreement	The Company shall use diligent efforts to negotiate with the union to obtain favorable modifications to the CBA.

Conditions

Closing Conditions:	This restructuring shall be subject to (i) the execution of definitive documentation mutually acceptable to the parties to the RSA, (ii) the entry of an order confirming the Plan, which order is not subject to a stay of execution, (iii) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed and, to the extent required, filed with the applicable governmental units in accordance with applicable laws, (iv) the Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtors or the RSA Creditor Parties to be necessary to implement the Plan and that are required by law, regulation or order; (v) the agreement of Colt to pay all fees and expenses of the legal and financial advisors of the RSA Creditor Parties, Sciens, and the Landlord in cash on the Effective Date as provided above and (vi) modifications to the collective bargaining agreement reasonably acceptable to the Company and the RSA Creditor Parties.

COLT HOLDING COMPANY LLC, ET AL.
Chapter 11 Plan Term Sheet
EXHIBIT A

(New Equity Terms)

New Class A Stock

- Voting: 100 votes per share (votes together as a single class with the New Class B Stock)
- Dividends: If and when declared by the Board (dividends to reduce Priority Return dollar for dollar). As provided below, until the Priority Return is paid in full to the holders of New Class A Stock, no dividends will be paid on the New Class B Stock.
- Priority Return: Per share amount determined based on dividing the aggregate offering price ($50 million) by the number of shares of New Class A Stock outstanding on a fully diluted basis (the "Priority Return")
    - No increase in aggregate Priority Return for issuance of New Class A Stock to Landlord or under MIP or otherwise.
    - Priority Return is payable in the event of liquidation, dissolution, merger or sale of substantially all the assets before any amounts are paid to holders of New Class B Stock
    - As provided above, Priority Return to be reduced dollar for dollar by any dividends or other distributions paid in respect of the New Class A Stock
- Participation: Participates pro rata with the New Class B Stock on distributions in excess of the Priority Return at a ratio of 75% to 25% (the "Participation Ratio"); provided, however, that (i) one-half of the shares of New Class A Stock issuable in connection with the MIP and one-half of the shares of New Class A Stock to be issued to the Landlord shall not dilute the excess distributions to be received by the New Class B Stock issued on the Effective Date, such that such MIP and Landlord shares shall only dilute the excess distribution to be received by the holders of the other New Class A Stock issued on the Effective Date, and (ii) the remaining one-half of the shares of New Class A Stock issuable in connection with the MIP and one-half of the shares of New Class A Stock to be issued to the Landlord shall dilute all New Class A Stock and New Class B Stock in accordance with the Participation Ratio:
    - Except as provided above, no adjustment to the Participation Ratio for future issuances of New Class A Stock (including, but not limited to Landlord Shares and MIP) or issuances of New Class B Stock
    - Participation Ratio to be adjusted for changes in capital structure (i.e. recapitalization, stock dividends, etc.)
- Convertibility into New Class B Stock: (the conversion ratio to be determined to give effect to the Participation Ratio (including the proviso thereto)
    - New Class A Stock shall automatically convert into New Class B Stock upon:
        - Liquidity Event ("Liquidity Event"), which shall include:
            - A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "Qualified IPO"). For example, if a Liquidity Event consisting of a Qualified IPO at an offering price of $10 per share, generates $100 million of net proceeds to New Holdco, a portion of which proceeds are used to repay debt of Reorganized Colt (and $30 million of which are used to pay the then Priority Return of $50 million), the Company shall distribute the holders of the New Class A Stock 2.0 million additional shares of New Class B Stock (which will have an aggregate value of $20 million based upon the

initial public offering price), upon the automatic conversion of the New Class A Stock into New Class B Stock as a result of the Qualified IPO.
- Sale, merger or business combination transaction generating proceeds that are distributed to the holders of New Class A Stock in the aggregate of at least the then outstanding Priority Return.
- Asset sale or a series of asset sales generating proceeds that are distributed to the holders of New Class A Stock in the aggregate of at least the then outstanding Priority Return in excess of funded debt.

▪ Payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero

o For the avoidance of doubt:
▪ If a Qualified IPO does not generate cash proceeds that are distributed to the holders of the New Class A Stock in excess of the Priority Return, then the Reorganized Company shall issue shares of New Class B Stock to holders of New Class A Stock with a value equal to the unpaid portion of the Priority Return upon the automatic conversion of the New Class A Stock into New Class B Stock as a result of the Qualified IPO; and
▪ In any other Liquidity Event, holders of the New Class A Stock shall be paid the Priority Return in full in connection with the conversion of the New Class A Stock into New Class B Stock as a result of the Liquidity Event, or a Liquidity Event will not be deemed to have occurred..

- Preemptive Rights: As provided in Term Sheet (holders of 1% of voting power); terminates on a qualified IPO
- Drag and Tag Along Rights: As provided in Term Sheet; New Class B Stock drags at a price per share (not less than zero) equal to the per share New Class A Stock Price (on an as converted basis giving effect to the Participation Ratio) less the then per share New Class A Stock Priority Return; terminates on a qualified IPO

New Class B Stock

- Voting: One vote per share (votes together as a class with New Class A Stock). Separate Class Vote required for certain matters disproportionately and adversely affecting the New Class B Stock, including future disproportionate issuances of New Class B Stock (i.e. no issuance of New Class B Stock without a concurrent proportionate issuance of New Class A Stock) other than in connection with the conversion of New Class A Stock as provided above.
- Dividends: No dividends until Priority Return is paid in full
- Priority Return: None
- Drag and Tag Price: See above
- Preemptive Rights: See above
- Participation: Participates pro rata with the New Class A Stock on distributions in excess of the Priority Return at the Participation Ratio
  - o No adjustment for future issuances of capital stock
  - o Participation Ratio to be adjusted for changes in capital structure (i.e. recapitalization, stock dividends, etc.)

Illustration

The following chart illustrates the distributions of the New Class A Stock, New Class B Stock and the Priority Return pursuant to this Exhibit. In the event that there is any inconsistency between the

description of the terms of the New Class A Stock in this Exhibit and the Restructuring Term Sheet and this example, this example shall control.

Distribution of Class A shares	**% of Total**
3rd lien **initial** Class A shares (A)	100.00%
Less: Management incentive (10.0% of A)	10.00%
Class shares after mgmt. incentive (B)	90.00%
Less: NPA share (7.5% of B)	6.75%
3rd lien **fully-diluted** Class A shares (C)	83.25%

Distribution of Class B shares	**% of Total**
8.75% Notes **initial** Class B shares	100.00%
Participation Ratio for Class A shares (after Priority Return)	77.09%
8.75% Notes **fully-diluted** Class B shares	22.91%

Class A value distribution (after Priority Return)	**Class A %**	**(x) Conversion Ratio**	**= Diluted Class B %**
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%

Distribution of Priority Return			
Total Priority Return			**$50.0**
Management allocation		10.00%	5.0
NPA allocation		6.75%	3.4
3rd lien allocation	**3rd lien %**		
Sciens	30.0%	24.98%	12.5
Newport/Fidelity	30.0%	24.98%	12.5
Other 8.75% Notes	40.0%	33.30%	16.7
Total 3rd lien allocation		83.25%	$41.6

COLT HOLDING COMPANY LLC, ET AL.
Chapter 11 Plan Term Sheet

EXHIBIT B

The agreement set forth in this Exhibit B is expressly and explicitly conditioned upon, and subject in its entirety to, the global restructuring of Colt Defense LLC, et al., in its pending chapter 11 bankruptcy cases as set forth in the Colt Holding Company LLC, et al., Chapter 11 Plan Term Sheet attached hereto (the "Term Sheet").[1]

A. Lease

Unless Colt elects, by written notice as set forth in Section B. below by the earlier of (i) the tenth (10th) day prior to the first scheduled day of a confirmation hearing on the Plan and (ii) November 30, 2015, to buy the West Hartford facility (the "Property") in accordance with the terms set forth in B. below (the "Purchase Option"), Colt will lease the Property from the Landlord on the following terms:

1. On the Effective Date of the Plan, the existing lease of the Property will be assumed, as revised in accordance herewith, and will be assigned to Reorganized Colt.

2. The revised lease will have an additional five-year term expiring on the fifth anniversary of the Effective Date (unless extended as provided below) at the following annual rates:

   - Year 1 - $972,497
   - Year 2 - $1,001,669
   - Year 3 - $1,031,725
   - Year 4 - $1,062,679
   - Year 5 - $1,094,557

3. Two one-year renewal options on the following terms:

   a. Exercise price - $300,000 for each extension, payable at time of exercise

   b. Options must be exercised no later than one year in advance of expiration of lease (i.e., expiration of original term or extension period, as applicable)

   c. Annual rates:

      (i) First Option Period - $1,127,500

      (ii) Second Option Period - $1,155,000

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[1] Capitalized terms used herein and not defined herein shall have the same meaning as in the Term Sheet.

4. Payment in full on the effective date of the Plan of the Landlords outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of Valnic Capital Real Estate Fund I LLC) and any other liquidated sums then due and payable under the lease..

5. Security: $1.5 million standby letter of credit.

6. Issuance to the Landlord of 7.5% of the New Class A Stock of Reorganized Colt on a fully diluted basis (except for dilution attributable to the MIP and conversion of the Class A Shares into Class B Shares as provided under Exhibit A to the Term Sheet) in the form of New Class A Stock (as defined in the Term Sheet). For the avoidance of doubt, the New Class A Stock issued to the Landlord shall be issued to the Landlord on the Effective Date of the Plan, and shall have the same rights, protections, terms and conditions as the other New Class A Stock. as described in Exhibit A hereto, except that the New Class A Stock issued to the Landlord shall be non-voting (to the extent permitted under the Bankruptcy Code)[2]

7. So long as the Lease is in effect, Reorganized Colt shall have a 30 day "right of first offer" for any proposed sale of the Property by the Landlord on the terms set forth by the Landlord. If Reorganized Colt does not agree to purchase the Property on such terms, then Landlord shall have one year to sell the Property to any other party on Substantially Similar Terms (as defined below). As used herein, "Substantially Similar Terms" means terms of sale having a purchase price of not less than 90% of the purchase price specified by the Landlord to Colt, and otherwise on terms and conditions not materially less favorable to Landlord than the offer to Colt.

8. NPA Hartford and Valnic, and each of their members, agents, equity holders, employees, etc., shall receive full and final releases from all parties.

B. <u>Sale</u>

If Colt elects, by delivery of a written notice to the Landlord by the earlier of (i) the tenth (10th) day prior to the scheduled first day of a confirmation hearing on the Plan or (ii) November 30, 2015, to buy the Property on the Effective Date of the Plan in accordance with terms set forth below, Colt will buy the Property from the Landlord on the following terms:

1. Sale Price: $13 million in cash on the effective date of the Plan, PLUS issuance to the Landlord of 7.5% of the New Class A Stock of Reorganized Colt on a fully diluted basis (except for dilution attributable to the management incentive plan and conversion of the Class A Shares into Class B Shares as provided under Exhibit A to the Term Sheet) in the form of New Class A Stock. For the avoidance of doubt, the New Class A Stock shall be issued to the Landlord on the effective date of the Plan, and shall have the same rights, protections, terms and conditions as the other New Class A Stock as described on Exhibit

[2] For the avoidance of doubt, if either the lease or purchase transaction contemplated in this Term Sheet is consummated as set forth herein ,on the Effective Date, the Landlord will either receive 7.5% of the New Class A Stock (in addition to the other consideration specified herein in connection with such lease) pursuant to a revised lease under Section A hereof, or it will receive 7.5% of the New Class A Stock (in addition to the other consideration specified herein in connection with such purchase) pursuant to a purchase under Section B hereof, but it shall not receive both.

A hereto, except that the New Class A Stock issued to the Landlord shall be non-voting (to the extent permitted under the Bankruptcy Code. (See footnote 3).

2. Payment in full on the Effective Date of the Plan of all of Landlord's outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of Valnic) and any other liquidated sums then due and payable under the lease.

3. NPA Hartford and Valnic, and each of their members, agents, equity holders, employees, etc., shall receive full and final releases from all parties.