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

NOTICE OF FILING OF BLACKLINE OF DISCLOSURE STATEMENT FOR DEBTORS' AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

PLEASE TAKE NOTICE that on October 9, 2015, the above-captioned debtors and debtors in possession (collectively, the "**Debtors**") filed the *Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* [D.I. 577] (the "**Disclosure Statement**") with the U.S. Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").

PLEASE TAKE FURTHER NOTICE that on the date hereof, the Debtors filed the *Disclosure Statement for Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* [D.I. 631] (the "**Amended Disclosure Statement**").

PLEASE TAKE FURTHER NOTICE that for the convenience of the Bankruptcy Court and parties in interest, the Debtors attach hereto as **Exhibit A** a blackline comparison of the Amended Disclosure Statement against the Disclosure Statement.

[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.

PLEASE TAKE FURTHER NOTICE that the Debtors reserve the right to amend, supplement, or otherwise modify the Amended Disclosure Statement.

Dated: October 30, 2015
Wilmington, Delaware

/s/ Joseph C. Barsalona II

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EXHIBIT A

(Blackline of Disclosure Statement)

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

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DISCLAIMER

THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS BEING DISTRIBUTED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE "DEBTORS' AMENDED 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 AMENDED 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' Amended 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 STANDARD 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~~—~~; *provided, however*, that if such Holder votes to accept the Plan and if Class 4 and Class 6 accept the Plan in accordance with section 1126(c) of the Bankruptcy Code~~—~~

    - such Holder who is an Eligible Holder (other than a member of the Consortium) and does not participate in the

Offering may, in lieu of receiving its Pro Rata Share of the New Class B LLC Units, affirmatively elect on its ballot to receive a General Unsecured Note in accordance with Section 4.6 of the Plan on account of such Holder's Allowed Senior Notes Claims; and

- such Holder who is an Ineligible Holder may, in lieu of receiving its Pro Rata Share of the New Class B LLC Units, affirmatively elect on its ballot to receive a General Unsecured Note in accordance with Section 4.6 of the Plan on account of such Holder's Allowed Senior Notes Claims.

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.~~subject and subordinate in all respects to the Exit Facilities) bearing interest at a rate of [8.0]% per annum, payable-in-kind, and maturing on a date that is [no earlier than six (6) months after the date that the Exit Facilities mature], in an aggregate principal amount equal to the lesser of (x) [3.5]% of such Holder's Allowed General Unsecured Claim or (y) such Holder's Pro Rata Share (calculated including the aggregate dollar amount of Allowed Class 4 Senior Note Claims which shall receive General Unsecured Notes in accordance with Section 4.4 of the Plan) of $[2] million. 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~~,~~ (in USD millions), 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)	$0.0	100.00%
2	Term Loan Claims	Yes	$67.8	100.00%
3	Other Secured Claims	No (presumed to accept)	$0.0	100.00%
4	Senior Notes Claims	Yes	$260.9	3.24%
5	Qualified Unsecured Trade Claims	Yes	$1.5	100.00%
6	General Unsecured Claims	Yes	$4.7	3.24%
7	Intercompany Claims	No (presumed to accept)	$0.0	N/A

Class	Designation	Entitled to Vote	Estimated Amount	Estimated Recovery
8	Equity Interests in Debtor Subsidiaries	No (presumed to accept)	—	100.00%
9	Equity Interests in Parent	No (presumed to reject)	—	0.00%

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 (or otherwise delivered to the appropriate Master Ballot Agents in accordance with such Master Ballot Agents' instructions) so that such Master Ballot ~~Agent has~~Agents have 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~~Standard 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. Again, 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, or 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, **Standard 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:

O'Melveny and Myers LLP
Times Square Tower
7 Times Square
New York, New York 10036
Telephone: (212) 326-2000
Facsimile: (212) 326-2061
Attn: John J. Rapisardi, Esq.
Peter Friedman, Esq.
Joseph Zujkowski, Esq.
Diana Perez, Esq.

-and-

Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Telephone: (302) 651-7700
Facsimile: (302) 651-7701
Attn: Mark D. Collins, Esq.
Jason M. Madron, Esq.

Perella Weinberg Partners LP.
767 Fifth Avenue
New York, NY 10153
Phone: (212) 287-3200
Fax: (212) 287-3201
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 or about 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. Subsequently, the Canadian Court recognized a number of further orders made by the Bankruptcy Court in the Chapter 11 Cases, including the Final DIP Order, the Bid Procedures Order, and the Bar Date Order. A full record of the orders made by the Canadian Court may be found at the public website maintained by Canadian Counsel to the Debtors - http://www.gowlings.com/colt/.

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~~filing of this Disclosure Statement, the ~~Debtors do not intend to prosecute~~hearing on the KEIP Motion ~~prior~~ has been continued to a date to ~~October 26, 2015~~be determined. The Debtors will file and serve an additional notice in connection with the KEIP Motion once a new hearing date and objection deadline is established.

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].~~On June 15, 2015, the Debtors filed their *Motion, Pursuant to 11 U.S.C. §§ 105, 363, and 365, and Fed. R. Bankr. P. 2002, 6004, 6006, 9008 and 9014, for Entry of (A) an Order (I) Approving Bid Procedures in Connection with the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances, and Other Interests, (II) Approving Procedures Related to the Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection with Such Sale, (III) Approving the Form and Manner of Notice Thereof, (IV) Scheduling the Hearing to Consider Approval of Such Sale, and (V) Granting Certain Related Relief; and (B) an Order Approving the Sale of Substantially All of the Debtors' Assets* [D.I. 13] (the "**Sale Motion**"). 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~~Sale 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~~Sale 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~~Sale 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~~175 strategic and financial purchasers, resulting in the execution of approximately ~~20~~35 non-disclosure agreements with potential bidders and submission of several written indications of interest.

The hearing on approval of the ~~Bid Procedures Motion~~bid procedures in connection with the sale of substantially all of the Debtors' assets was adjourned on numerous occasions in light of objections filed by the Committee and UAW and informal opposition from several other creditor constituencies. ~~The~~An order approving ~~Bid Procedures Motion~~the bid procedures (the "**Bid Procedures Order**") was ultimately ~~approved~~entered 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

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].

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~~The Debtors also did not receive a Qualified Bid ~~is received~~ prior to the October 16, 2015 bid deadline, and, consequently, the October 20, 2015 auction was not conducted. With permission from the ~~Debtors will discuss~~Bankruptcy Court, the October 26, 2015 sale hearing was not held because the Debtors did not receive a Qualified Bid by the bid deadline. The Debtors reserve all of their rights with ~~the Plan Support Parties and the "Consultation Parties" specified in~~respect to the continuation of the Sale Motion including, without limitation, their rights to seek amendment of the Bid Procedures Order and to reschedule a hearing on the Sale Motion for a future date to be determined.

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~~. With the express written consent of the Plan Support Parties, the "Non-Debtor Termination Events" in respect of Bankruptcy Court approval of the Restructuring Support Agreement and this Disclosure Statement has been extended from November 9, 2015, to November 11, 2015.

The Debtors have filed the RSA Motion and ~~have requested~~ a hearing on the RSA Motion ~~to be~~is scheduled before the Bankruptcy Court on November ~~6~~10, 2015, at ~~10~~11:00 a.m. (~~prevailing~~ Eastern ~~time~~Standard 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~~ filed as Exhibit A to the Plan. 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~~is 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 ~~$[●]~~ $[26.7] million in Administrative Expense Claims (of which approximately ~~$[●]~~ $[10.6] million is estimated for fees and expenses of the Debtors' Professionals) and ~~$[●]~~ $[0.3] 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~~.~~; *provided*, *however*, that copies of any invoices for such fees and expenses shall be provided contemporaneously to the U.S. Trustee; *provided*, *further*, *however*, that such invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential information (the "**Redactions**"), and the provision of such invoices shall not constitute a waiver of the attorney-client privilege or any benefits of the attorney work product doctrine. If the U.S. Trustee objects to the reasonableness of such fees and expenses, and such objection cannot be resolved within ten (10) days of receipt of such invoices, the U.S. Trustee shall file with the Court and serve on such party an objection limited to the reasonableness of such fees and expenses. Without limiting the foregoing, if the U.S. Trustee objects to the Redactions and such objection cannot be resolved within ten (10) days of receipt of such invoices, the party subject to such Redaction objection shall file with the Court and serve on the Debtors and the U.S. Trustee request for Court resolution of the disputes concerning the propriety of the disputed Redactions. The Debtors shall pay in accordance with the terms and conditions of Section 2.3 of the Plan (i) the full amount invoiced if no objection has been filed on or before the Effective Date, and (ii) the undisputed fees, costs, and expenses reflected on any invoice to which an objection has been filed on or before the Effective Date. 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 Group Expenses as defined in the DIP Senior Loan Agreement (including, but not limited to, all DIP Fee Obligations) and all Lender Group 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~~Credit Agreements; *provided, however*, that copies of any invoices for such Lender Group Expenses shall be provided contemporaneously to the U.S. Trustee; *provided, further, however*, that such invoices may include Redactions, and the provision of such invoices shall not constitute a waiver of the attorney-client privilege or any benefits of the attorney work product doctrine. If the U.S. Trustee objects to the reasonableness of such Lender Group Expenses, and such objection cannot be resolved within ten (10) days of receipt of such invoices, the U.S. Trustee shall file with the Court and serve on such party an objection limited to the reasonableness of such Lender Group Expenses. Without limiting the foregoing, if the U.S. Trustee objects to the Redactions and such objection cannot be resolved within ten (10) days of receipt of such invoices, the party subject to such Redaction objection shall file with the Court and serve on the Debtors and the U.S. Trustee request for Court resolution of the disputes concerning the propriety of the disputed Redactions. The Debtors shall pay in accordance with the terms and conditions of

Section 2.4 of the Plan (i) the full amount invoiced if no objection has been filed on or before the Effective Date, and (ii) the undisputed Lender Group Expenses reflected on any invoice to which an objection has been filed on or before the Effective Date.

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 ~~$[●],~~$[67.8] million, 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 ~~$[●].~~ $[0.0].

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~~.~~; *provided, however*, that if such Holder votes to accept the Plan and if Class 4 and Class 6 accept the Plan in accordance with section 1126(c) of the Bankruptcy Code—

(i) such Holder who is an Eligible Holder (other than a member of the Consortium) and does not participate in the Offering may, in lieu of receiving its Pro Rata Share of the New Class B LLC Units, affirmatively elect on its ballot to receive a General Unsecured Note in accordance with Section 4.6 of the Plan on account of such Holder's Allowed Senior Notes Claims; and

(ii) such Holder who is an Ineligible Holder may, in lieu of receiving its Pro Rata Share of the New Class B LLC Units, affirmatively elect on its ballot to receive a General Unsecured Note in accordance with Section 4.6 of the Plan on account of such Holder's Allowed Senior Notes Claims.

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 ~~$[●].~~$[1.5] million.

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~~ Allowed General Unsecured Claims include Allowed ~~unsecured~~Trade Claims ~~of the Debtors' trade creditors~~ that are not ~~the Holders of~~ Qualified Unsecured Trade Claims, and Allowed General Unsecured Claims include 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 ~~$[●].~~$[4.7] million.

The Plan provides that except to the extent that a Holder of an Allowed ~~General Unsecured~~Class 6 Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each such 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~~Class 6 Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter~~. Allowed~~, a note (subject and subordinate in all respects to the Exit Facilities) (a "**General Unsecured** ~~Claims will not include~~**Note**") bearing interest ~~from~~at a rate of [8.0]% per annum, payable-in-kind, and maturing on a date that is [no earlier than six (6) months after the ~~Petition Date or include any penalty on~~ date that the Exit Facilities mature], in an aggregate principal amount equal to the lesser of (x) [3.5]% of such ~~Claim~~Holder's Allowed General Unsecured Claim or (y) such Holder's Pro Rata Share (calculated including the aggregate dollar amount of Allowed Class 4 Senior Note Claims which shall receive General Unsecured Notes in accordance with Section 4.4 of the Plan) of $[2] million.

~~A~~A substantially final 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 ~~$[●]~~$[0.0] (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**"). Certain of the material terms of the Senior Loan Exit Credit Agreement are summarized below. 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.

Capitalized terms used in this Section V.C.1 that are not otherwise defined herein or in the Plan shall have the meanings assigned to such terms in the Senior Loan Exit Term Sheet. To the extent that the definition of a capitalized term in this Disclosure Statement or in the Plan is inconsistent

with the definition of such capitalized term in the Senior Loan Exit Term Sheet, the definition of such term in the Senior Loan Exit Term Sheet shall control only with respect to this Section V.C.1.

Borrower:	Reorganized Colt Defense LLC (the "**US Borrower**") and reorganized Colt Canada Corporation (together, the "**Borrowers**").
Lenders:	Those entities holding the Loans under the Senior Exit Facility (collectively the "**Lenders**").
Administrative Agent and Collateral Agent:	**[**Cantor Fitzgerald Securities], or such other third-party appointed by the Lenders (collectively in such capacities, the "**Agent**"). [Borrowers shall pay to the Agent an agent fee on the Closing Date.]
Term Loan Facility:	A senior term loan exit facility (the "**Senior Exit Facility**") in an aggregate principal amount of up to $[40] million (the "**Loans**") in a single deemed borrowing on the Closing Date (as defined below).
Guarantors:	All Loans and other obligations under the Senior Exit Facility (collectively, the "**Obligations**") shall be fully and unconditionally guaranteed by Colt Holding Company LLC or such other parent company that owns, directly or indirectly the equity of the operating companies as of the Closing Date ("**Holdings**"), and all of its direct and indirect, existing and subsequently formed or acquired domestic and foreign subsidiaries (other than the Borrowers, collectively, the "**Guarantors**"), including but not limited to, Colt Security LLC ("**Colt Security**"), Colt Finance Corp. ("**Colt Finance**"), New Colt Holding Corp. ("**New Colt**"), Colt's Manufacturing Company, LLC ("**Colt's Manufacturing**"), Colt Defense Technical Services LLC ("**Colt Technical**"), Colt International Coöperatief U.A. ("**Colt International**") and CDH II Holdco Inc. ("**CDH**"), in each case to the extent applicable as reorganized. The Guarantors also shall include one or more newly formed wholly-owned subsidiaries of Holdings or the Borrowers (organized in jurisdictions acceptable to the Lenders, collectively referred to as the "**IP Holdco**") that shall own substantially all of the currently owned or subsequently created or acquired intellectual property assets of Holdings and its subsidiaries that comprise Collateral (as defined below). The Agent and the Lenders shall have a second priority lien and security interest in the assets and stock of IP Holdco, junior only to those securing the Exit Term Loan Facility. The Guarantors and the Borrowers may be referred to individually as a "**Loan Party**" and collectively as the "**Loan Parties**".
Closing Fee:	3.00% of the initial principal amount of the Senior Exit Facility payable in kind in full on the Closing Date.

Maturity:	The Senior Exit Facility shall mature on the date that is 5 years from the Closing Date (the "**Maturity Date**"); *provided, however*, that the Maturity Date shall be shortened, automatically and without any action on the part of the Agent, Lenders or Loan Parties, to the date that is 365 days prior to the scheduled date of termination of the West Hartford Lease (as defined below).
Amortization:	None.
Purpose and Availability:	Upon satisfaction or waiver of the conditions precedent to funding to be specified in the Definitive Documentation, the Loans shall be available in a single deemed borrowing on the Closing Date and, together with the Senior DIP Reduction, shall be deemed to have been utilized to repay in full all of the obligations outstanding under that certain First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement, dated as of June 24, 2015 (as amended, the "**DIP Senior Loan**") among the "Loan Parties" party thereto, the Agent and the "Lenders" party thereto.
Collateral:	The Obligations at all times shall be secured by substantially all of the assets and properties, personal and real, of the Loan Parties, including, without limitation, intellectual property and related assets and proprietary rights, leasehold interests (which, for this purpose, shall include any rights to purchase), and all of the ownership interests in each of the Loan Parties (except in Holdings), including IP Holdco (collectively, the "**Collateral**"). The Agent and the Lenders shall have at all times a fully perfected first priority lien in, and security interest on, all of the Collateral, other than the Term Loan Priority Collateral, in which they shall have a fully perfected second priority lien, junior only to the lien of the Exit Term Loan Lenders. "**Term Loan Priority Collateral**" shall mean, collectively, intellectual property (including ownership interests in IP Holdco) and all property and assets related thereto, all claims under business interruption insurance and the policies providing such coverage (it being agreed that 50% of any proceeds shall be paid to the Lenders, and the other 50% to the Exit Term Loan Lenders (as defined below)), all rights in, and all rights in respect of, any IP Licenses (as defined below), and all of the proceeds and products of the foregoing. Term Loan Priority Collateral shall not include inventory that is or becomes branded with, or produced, marketed or disposed of, through the use or other application of, any intellectual property, and no proceeds arising from any disposition of any such inventory shall be, or be deemed to be, attributable to Term Loan Priority Collateral. Such inventory and proceeds shall constitute Collateral. The Exit Term Loan Lenders (as defined below) shall have a junior lien on the Collateral, other than Term Loan Priority Collateral, subject to the Intercreditor Agreement. The liens and security interests of the Agent and the Lenders in the Term Loan Priority Collateral

shall be permitted to be junior only to the liens and security interests granted to secure the Exit Term Loan Obligations (as defined below).

Other Senior Debt: After giving effect to the transactions contemplated to occur on the Closing Date, the Loan Parties shall incur or be deemed to incur loans and other obligations (collectively, the "**Exit Term Loan Obligations**") to be provided by one or more lenders (collectively, the "**Exit Term Loan Lenders**") in an original principal amount of up to $[87.6] million (the "**Exit Term Loan Facility**"). All of the proceeds of the Exit Term Loan Facility shall be used to refinance in full all of the outstanding obligations under (i) that certain Senior Secured Super-Priority Debtor in Possession Loan Agreement, dated as of June 16, 2015 (as amended, the "**DIP Term Loan**") among certain of the Loan Parties, Wilmington Savings Fund Society, FSB, as agent, and the lenders party thereto and (ii) that certain Term Loan Agreement, dated as of November 17, 2014 among certain of the Loan Parties party thereto, Wilmington Savings Fund Society, FSB, as agent, and the lenders party thereto (as amended, the "**Pre-Petition Term Loan**" and together with the DIP Term Loan, the "**Existing Term Loan Facilities**"). The Exit Term Loan Obligations shall be secured by a second priority lien on the Collateral except that they shall be secured by a first priority lien and security interest on the Collateral constituting Term Loan Priority Collateral.

The relative rights and priorities in the Collateral and of the holders of each of the Senior Exit Facility and the Exit Term Loan Facility will be set forth in an intercreditor agreement in a form substantially consistent with the existing intercreditor agreement between the Existing Term Loan Facilities and the DIP Senior Loan (the "**Intercreditor Agreement**"), subject to certain modifications required by the Lenders including as set forth on Annex A hereto.

In the event that the Exit Term Loan Facility is refinanced at any time (subject to any additional limitations in the Intercreditor Agreement), and such refinanced facility (x) has a Yield (to be mutually defined) or (y) reporting or information provisions that are more favorable (as determined by the Lenders) to the lenders thereunder as compared to the terms, provisions or economics under the Senior Exit Facility as in effect on the Closing Date, the Loan Parties shall be required to amend the Senior Exit Facility at such time so as to provide the Agent and the Lenders with the benefit of all such more favorable terms, provisions and economics.

Interest: Interest on the outstanding principal balance of the Loans shall be paid in cash monthly in arrears at the rate of 10.0% *per annum*.

Default Interest:	2.00% *per annum* plus the rate otherwise applicable.
Optional Prepayments:	Permitted at any time, but subject to the Prepayment Premium as defined and set forth below.
Mandatory Prepayments:	Events requiring offers of prepayment of the Loans shall include, without limitation, dispositions (other than in the ordinary course, with priority of payments to be as set forth in the Intercreditor Agreement based on the type of Collateral, and other than in respect of the Term Loan Priority Collateral in respect to which the proceeds shall be required to be used to prepay the Exit Term Loan Obligations) including dispositions in the form of IP Licenses, issuances of additional debt (with an exception for certain permitted debt), condemnation or loss, and change of control. In addition, a percentage (to be determined) of any Excess Cash Flow (to be mutually defined) shall be subject to prepayment of the Obligations (without a right to waive or change such obligation from the terms set forth in the Senior Exit Facility as of the Closing Date without the consent of the Exit Term Loan Lenders under the Exit Term Loan Facility). 75% (or, if the Loan Parties' then-trailing twelve month EBITDA (to be mutually defined) is greater than $35 million, then 50%) of IP License Proceeds (as defined below) shall be required to be offered for prepayment of the Obligations, to the extent the aggregate amount of all such proceeds exceeds $10.0 million following the Closing Date, unless the Exit Term Loan Facility is in effect and requires that a percentage of such IP License Proceeds be paid in respect to such facility. As used in this Section V.C.1, "**IP License Proceeds**" means the net proceeds of royalties and other payments (upfront or otherwise) received in connection with each license of intellectual property owned or controlled by a Loan Party to a third party (an "**IP License**"), including Grandfathered IP Licenses (as defined below). The Loan Parties may, under certain limited circumstances to be set forth in the Definitive Documentation, reinvest some of the proceeds otherwise required to be used to prepay the Obligations. The Intercreditor Agreement shall provide that all mandatory prepayments on account of Excess Cash Flow may not be waived by the Lenders without the consent of the Exit Term Loan Lenders. The Definitive Documentation shall make clear that any prepayment amounts (other than in respect of Excess Cash Flow) waived by the Lenders and not required to be applied in prepayment of the Exit Term Loan Obligations may be retained by the Borrowers as cash on their balance sheet (but

that the waiver of any prepayment does not constitute a waiver of any other applicable provisions set forth in such documentation).

All prepayments (except prepayments resulting from a condemnation or event of loss) shall be accompanied by all accrued and unpaid interest and the applicable Prepayment Premium.

Prepayment/Repayment Premium: "**Prepayment Premium**" means, with respect to any principal amount of the Loans repaid, the following additional amounts: during the one year period from the Closing Date, 6%; during the next one year period, 5%; during the next one year period, 4%; during the next six month period, 3%; and thereafter, none.

For the avoidance of doubt, the Prepayment Premium shall be due and owing to the Lenders including in the event of acceleration of the Loans (whether voluntary or involuntary and including whether upon a chapter 11 filing or otherwise) or a mandatory prepayment; *provided, however* no Prepayment Premium shall be due in respect to a mandatory prepayment of any Excess Cash Flow.

Affirmative Covenants: To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders (it being understood that covenants relating directly to the bankruptcy case and the DIP Senior Loan shall be removed). Affirmative covenants shall include, among other things, financial reporting in respect of the financial covenants applicable at such time of not less frequently than monthly (within 21 days after the end of each calendar month) and other monthly, quarterly and annual financial reporting within 30 days (for monthly reports), 45 days (for quarterly reports) and 90 days (for annual reports); *provided, however*, that solely with respect to the annual reports for the fiscal year ended December 31, 2015, the annual reports shall be due within 60 days (unaudited) and 115 days (audited) of the end of such fiscal year. Management of the Loan Parties shall (i) hold quarterly conference calls with the Lenders and (ii) offer to host an annual meeting, in person, with the Lenders, in each case regarding financial results and performance of the Loan Parties, operations of the Loan Parties, and/or any other matters.

Negative Covenants: To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders. Negative covenants shall permit: (i) the Exit Term Loan Facility on the terms in effect on the Closing Date and as amended subject to the Intercreditor Agreement limitations; (ii) $50.0 million borrowed on the Closing Date pursuant to a facility agreement (the "**Third Lien Agreement**") in form and

substance satisfactory to the Agent and the Lenders[2], subject to an intercreditor acceptable to the Agent and the Lenders[3]; (iii) unsecured junior indebtedness of up to $25.0 million on terms acceptable to the Agent and Lenders subject to a subordination agreement[4] acceptable to the Agent and the Lenders; (iv) in the event that the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease, third party mortgages (which may be from one or more third party mortgagees) and an additional mortgage securing this Facility, the Exit Term Loan Facility (junior to this Facility), and the Third Lien Agreement (junior to both this Facility and the Exit Term Loan Facility) on terms acceptable to the Agent and the Lenders shall be permitted; (v) IP Licenses for specified, non-perpetual periods of time on customary, market and otherwise reasonable and commercial terms, *provided*, that: (a) the Definitive Documentation shall not permit the Loan Parties to license (or allow the licensing or sublicensing of) any intellectual property rights to third parties in connection with firearm products except (1) solely for the purpose of acting as a contract manufacturer for one or more of the Loan Parties, or (2) solely for the marketing, sale, distribution and final assembly of firearms for which one or more of the Loan Parties manufactured (or had manufactured by a contract manufacturer, other than such third party) all or a substantial portion of the components of such firearm (collectively, the "**Prohibited IP Licenses**"), except that IP Licenses that would otherwise be Prohibited IP Licenses that are currently in existence (and were, as of the date of the DIP Term Loan Agreement, in existence), and set forth in detail on a schedule (collectively, the "**Grandfathered IP Licenses**") shall not be deemed to be Prohibited IP Licenses; (b) each IP License shall be subject to the Agent's perfected second priority lien, and shall be included in the definition of Term Loan Priority Collateral; (c) all IP License Proceeds shall be required to be in cash and be deposited in an account over which the Agent has control and a perfected second priority lien (the "**IP Proceeds Account**"), junior only to the lien securing the Exit Term Loan Facility, and such account and proceeds shall be included in the definition of Term Loan Priority Collateral; (d) each IP License shall be of reasonable duration and shall include

[2] The covenant permitting such indebtedness will not permit the payment of any cash on account of such indebtedness (principal, interest of otherwise) will not permit PIK interest exceeding 8%, and will require that terms of such indebtedness are less restrictive on the Loan Parties than the terms under the Senior Exit Facility.

[3] Among other provisions, this intercreditor agreement shall not permit the lenders under the Third Lien Exit Facility to take any remedial actions while the Senior Exit Facility remains outstanding and the Obligations have not been paid in full.

[4] The subordination agreement will include an unlimited standstill period and other limitations on remedial actions.

reasonable and customary provisions typical for agreements of such kind and designed to ensure the ownership, validity, enforceability, and preservation of the value of the intellectual property subject to such license; and (e) the aggregate Value (to be mutually defined) of IP Licenses entered into after the Closing Date shall not exceed $15.0 million (with the determination of Value of each IP License measured at the time entered into, renewed, amended, extended, or otherwise changed, and with determinations of Value being made in good faith by the board of directors of Holdings; *provided*, that any determination of Value in excess of $5 million shall be made by a third party appraiser reasonably acceptable to the Lenders); (vi) the payment of management fees pursuant to a management agreement in form and substance acceptable to the Agent and Lenders of up to $1.0 million per year; *provided*, *however*, that (a) cash payments on account of such fees may commence no earlier than the third fiscal quarter of 2017 (and for the 2017 fiscal year, be limited to $500,000), (b) the aggregate amount of such fees otherwise payable in cash for the 2016 fiscal year and first six months of 2017 that have accrued, payment in cash in equal monthly installments of $62,500 commencing with the first month of the third fiscal quarter of 2017 until paid in full (or for so long as cash payments are permitted, whichever is earlier), (c) no cash payments shall be permitted at any time during the existence of any default or event of default under this Senior Exit Facility or if, *pro forma* for such payment, the Loan Parties would fail to be in compliance with any applicable financial covenants, and (d) payments of such fees to any person also entitled to board fee payments shall be reduced by the amount of such board fee payments (the foregoing limitation on payment of management fees shall not preclude payment by the Loan Parties of customary board fees of up to $50,000 for insider board members and such other customary amount for non-insider independent board members); and (vii) the Borrowers shall not be permitted to withdraw any sums on deposit in the IP Proceeds Account until such time as the balance therein, after giving effect to any such withdrawal, would be not less than $7.0 million (it being understood that the Loan Parties shall not be obligated to fund the IP Proceeds Account with cash other than IP Proceeds).

Financial Covenants: Financial covenants will include the following: (i) minimum Liquidity (to be mutually defined but shall be limited to unrestricted cash in the United States and in Canada, to the extent such cash is subject to a perfected lien in favor of the Agent (for purposes of this covenant, cash on deposit in the IP Proceeds Account in the United States and Canada and subject to the Agent's second priority lien (and the Exit Term Loan Facility agent's first priority lien) shall be considered unrestricted cash) of not less than $10.0 million as of the last day of each calendar month and not less than $7.0 million at any time); and (ii) maintenance of a Fixed Charge Coverage Ratio (to be mutually

defined but as EBITDA (*less* capital expenditures, *less* member distributions, less management fees, *less* rent expenses (to the extent not reducing net income) and *less* foreign and domestic cash income taxes, *plus* the benefit of actual expense reductions over the course of the succeeding three fiscal quarters and the benefit of revenues to be received on account of billed and shipped orders over the course of the succeeding three fiscal quarters, *less* the amount of expenses previously assumed to be reduced in a succeeding fiscal quarter but not actually realized in such fiscal quarter, and *less* the amount of revenue assumed to be received in a succeeding fiscal quarter but not actually received in such fiscal quarter), *divided by* cash interest expenses) of at least 1:1 tested every quarter commencing for the quarter ending June 2017. For purposes of determining compliance with the Fixed Charge Coverage Ratio for the quarters ending in 2017, the Borrowers shall have the option to compute the numerator and denominator thereof by reference either to the most recently ended twelve month period, or the most recently ended quarters in 2017. The Definitive Documentation will contain provisions permitting the Borrowers to (x) during calendar year 2016, cure financial covenant breaches, and (y) during all other calendar years cure a limited amount of financial covenant breaches, in each case (x) and (y), with limited amounts of cash proceeds of certain equity issuances or unsecured junior indebtedness (subject to terms, conditions and limitations acceptable to the Lenders). Any cure amount shall be required to be funded within 5 days following the last date when financial reporting is due.

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**"). Certain of the material terms of the Term Loan Exit Credit Agreement are summarized below. 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.

Capitalized terms used in this Section V.C.2 that are not otherwise defined herein or in the Plan shall have the meanings assigned to such terms in the Term Loan Exit Term Sheet. To the extent that the definition of a capitalized term in this Disclosure Statement or in the Plan is inconsistent with the definition of such capitalized term in the Term Loan Exit Term Sheet, the definition of such term in the Term Loan Exit Term Sheet shall control only with respect to this Section V.C.2.

Borrower:	Reorganized Colt Defense LLC (the "**US Borrower**") and reorganized Colt Canada Corporation (together, the "**Borrowers**").[5]
Lenders:	Morgan Stanley Senior Funding, Inc. ("**MSSF**") or one or more of its affiliates, and any person agreeing with MSSF to assume a portion of the Loans (as defined below) of MSSF or its affiliates (collectively the "**Lenders**").
Administrative and Collateral Agent:	Wilmington Savings Fund Society, FSB, or such other third-party appointed by MSSF (collectively in such capacities, the "**Agent**").
Term Loan Facility:	A term loan facility (the "**Facility**") in an aggregate principal amount of up to $98.5 million (the "**Loans**") in a single deemed borrowing on the Closing Date (as defined below).
Guarantors:	All Loans and other obligations under the Facility and under any interest rate protection or other hedging arrangements entered into with the Agent, any Lender, or any affiliates of the foregoing (collectively, the "**Obligations**") shall be fully and unconditionally guaranteed by Colt Holding Company LLC or such other parent company that owns, directly or indirectly the equity of the operating companies as of the Closing Date ("**Holdings**"), and all of its direct and indirect, existing and subsequently formed or acquired domestic and foreign subsidiaries (other than the Borrowers, collectively, the "**Guarantors**"), including but not limited to, Colt Security LLC ("**Colt Security**"), Colt Finance Corp. ("**Colt Finance**"), New Colt Holding Corp. ("**New Colt**"), Colt's Manufacturing Company, LLC ("**Colt's Manufacturing**"), Colt Defense Technical Services LLC ("**Colt Technical**"), Colt International Cooperatief U.A. ("**Colt International**") and CHD II Holdco Inc. ("**CHD**"), in each case to the extent applicable as reorganized. The Guarantors also shall include one or more newly formed wholly-owned subsidiaries of Holdings or the Borrowers (organized in jurisdictions acceptable to the Lenders, collectively referred to as the "**IP Holdco**") that shall own substantially all of the currently owned or subsequently created or acquired intellectual property assets of Holdings and its subsidiaries that comprise Collateral (as defined below) on which the Agent and the Lenders have a first priority lien and security interest. The Guarantors and the Borrowers may be referred to individually as a "**Loan Party**" and collectively as the "**Loan Parties**".

[5] The Borrowers are expected to be the main US operating company and the Canadian operating company.

Closing Fee:	3.00% of the initial principal amount of the Facility payable in cash in full on the Closing Date.
Maturity:	The Facility shall mature on the date that is five (5) years from the Closing Date (the "**Maturity Date**"); *provided*, *however*, that the Maturity Date shall be shortened, automatically and without any action on the part of the Agent, Lenders or Loan Parties, to the date that is 365 days prior to the scheduled date of termination of the West Hartford Lease (as defined below).
Amortization:	None.
Purpose and Availability:	Upon satisfaction or waiver of the conditions precedent to funding to be specified in the Definitive Documentation, the Loans shall be available in a single deemed borrowing on the Closing Date and shall be deemed to have been utilized to repay in full all of the obligations outstanding under (a) that certain Senior Secured Superpriority Debtor-in-Possession Term Loan Agreement, dated as of June 16, 2015 (as amended, the "**DIP Term Loan**") among certain of the Loan Parties party thereto, the Agent and the Lenders and (b) that certain Term Loan Agreement, dated as of November 17, 2014 (as amended, the "**Prepetition Term Loan Agreement**" and, together with the DIP Term Loan, the "**Existing Loan Facilities**") among certain of the Loan Parties party thereto, the Agent and the Lenders.
Collateral:	The Obligations at all times shall be secured by substantially all of the assets and properties, personal and real, of the Loan Parties, including, without limitation, intellectual property and related assets and proprietary rights, leasehold interests (which, for this purpose, shall include any rights to purchase), and all of the ownership interests in each of the Loan Parties (except in Holdings), including IP Holdco (collectively, the "**Collateral**"). The Agent and the Lenders shall have at all times a fully perfected first priority lien in, and security interest on, all of the Collateral consisting of intellectual property (including ownership interests in IP Holdco) and all property and assets related thereto, all claims under business interruption insurance and the policies providing such coverage (it being agreed that 50% of any proceeds shall be paid to the Agent and the Lenders and the other 50% to the Senior Loan Lenders (as defined below)), all rights in, and all rights in respect of, any IP Licenses (as defined below), and all of the proceeds and products of the foregoing (collectively, the "**Term Loan Priority Collateral**"). The Senior Loan Lenders shall have a junior lien on the Term Loan Priority Collateral subject to the Intercreditor Agreement (as defined below). The liens and security interests of the Agent and the Lenders in Collateral other than Term Loan Priority Collateral shall be permitted to be junior only to the liens and security interests granted to secure the Senior Loan Obligations (as defined below).

Other Senior Debt:	After giving effect to the transactions contemplated to occur on the Closing Date, the Loan Parties shall incur or be deemed to incur loans and other obligations (collectively, the "**Senior Loan Obligations**") to be provided by one or more lenders (collectively, the "**Senior Loan Lenders**") of up to $[40.0] million, plus up to a 3% closing fee thereon payable in kind, to the extent paid on the Closing Date (the "**Senior Loan Facility**"). An amount of the proceeds of the Senior Loan Facility shall be used to refinance in full all of the outstanding obligations under that certain First Amended and Restated Senior Secured Super-Priority Debtor in Possession Credit Agreement, dated as of _____, 2015 (the "**DIP Senior Loan**") among the Loan Parties, Cortland Capital Markets Services LLC as agent and the lenders party thereto, and any remaining proceeds shall be retained by the US Borrower. The Senior Loan Obligations shall be secured by the Collateral on the same terms as the Obligations, and shall have a first priority lien and security interest on the Collateral other than the Term Priority Collateral. The relative rights and priorities in the Collateral and of the holders of each of the Facility and the Senior Loan Facility will be set forth in an intercreditor agreement in a form substantially consistent with the existing intercreditor agreement between the Existing Term Loan Facility and the DIP Senior Loan (the "**Intercreditor Agreement**"), subject to certain modifications required by the Lenders including as set forth on Annex A to the Term Loan Exit Term Sheet. In the event that the Senior Loan Facility is refinanced at any time, (subject to any additional limitations in the Intercreditor Agreement), and such refinanced facility (x) has a Yield (to be mutually defined) or (y) reporting or information provisions that are more favorable (as determined by the Lenders) to the lenders thereunder as compared to the terms, provisions or economics under the Senior Loan Facility as in effect on the Closing Date, the Loan Parties shall be required to amend the Facility at such time so as to provide the Agent and the Lenders with the benefit of all such more favorable terms, provisions and economics.
Interest:	Interest on the outstanding principal balance of the Loans shall be paid in cash monthly in arrears at the rate of 10.0% *per annum*.
Default Interest:	2.00% *per annum* plus the rate otherwise applicable.
Optional Prepayments:	Permitted at any time, but subject to the Prepayment Premium as defined and set forth below.
Mandatory Prepayments:	Events requiring offers of prepayment of the Loans shall include, without limitation, dispositions (other than in the ordinary course, with priority of payments to be as set forth in the

Intercreditor Agreement based on the type of Collateral) including dispositions in the form of IP Licenses, issuances of additional debt (with an exception for certain permitted debt), condemnation or loss, and change of control.

In addition, a portion of any Excess Cash Flow (to be mutually defined) shall be subject to prepayment of the Senior Loan Obligations (without a right to waive or change such obligation from the terms set forth in the Senior Loan Facility as of the Closing Date).

75% (or, if the Loan Parties' then-trailing twelve month EBITDA (to be mutually defined) is greater than $35 million, then 50%) of IP License Proceeds (as defined below) shall be required to be offered for prepayment of the Loans to the extent the aggregate amount of all such proceeds exceeds $10.0 million following the Closing Date. As used in the Term Loan Exit Term Sheet, "**IP License Proceeds**" means the net proceeds of royalties and other payments (upfront or otherwise) received in connection with each license of intellectual property owned or controlled by a Loan Party to a third party (an "**IP License**"), including Grandfathered IP Licenses (as defined below).

The Loan Parties may, under certain limited circumstances to be set forth in the Definitive Documentation, reinvest some of the proceeds otherwise required to be used to prepay the Obligations.

The Lenders shall be permitted in their sole discretion to waive all or any portion of any mandatory prepayment (it being understood that a prepayment waived by the Lenders may not be waived by the Senior Lenders (to the extent applicable)). The Definitive Documentation shall make clear that any amounts waived by the Lenders and not required to be applied in prepayment of the Senior Loan Obligations may be retained by the Borrowers as cash on their balance sheet (but that the waiver of any prepayment does not constitute a waiver of any other applicable provisions set forth in such documentation).

All prepayments (except prepayments resulting from a condemnation or event of loss), shall be accompanied by all accrued and unpaid interest and the applicable Prepayment Premium.

Prepayment/Repayment Premium: "**Prepayment Premium**" means, with respect to any principal amount of the Loans repaid, the following additional amounts: during the one year period from the Closing Date, 6%; during the next one year period, 5%; during the next one year period, 4%; during the next six month period, 3%; and thereafter, none.

For the avoidance of doubt, the Prepayment Premium shall be due and owing to the Lenders including in the event of acceleration of the Loans (whether voluntary or involuntary and including whether upon a chapter 11 filing or otherwise).

Affirmative Covenants: To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders (it being understood that covenants relating directly to the bankruptcy case and the DIP Term Loan shall be removed). Affirmative covenants shall include financial reporting in respect of the financial covenants applicable at such time of not less frequently than monthly (within 21 days after the end of each calendar month) and other monthly, quarterly and annual financial reporting within 30 days (for monthly reports), 45 days (for quarterly reports) and 90 days (for annual reports); *provided, however*, that solely with respect to the annual reports for the fiscal year ended December 31, 2015, the annual reports shall be due within 60 days (unaudited) and 115 days (audited) of the end of such fiscal year.

Negative Covenants: To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders. Negative covenants shall permit: (i) the Senior Loan Facility on the terms in effect on the Closing Date and as amended subject to the Intercreditor Agreement limitations; (ii) $50.0 million borrowed on the Closing Date pursuant to a facility agreement (the "**Third Lien Agreement**") in form and substance satisfactory to the Agent and the Lenders[6], subject to an intercreditor acceptable to the Agent and the Lenders[7]; (iii) unsecured junior indebtedness of up to $25.0 million on terms acceptable to the Agent and Lenders subject to a subordination agreement[8] acceptable to the Agent and the Lenders; (iv) in the event that the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease, a third party first mortgage (which may be from one or more third party mortgagees) and an additional mortgage securing the Senior Loan Facility (senior to this Facility), this Facility and the Third Lien Agreement (junior to this Facility) on terms acceptable to the Agent and the Lenders

[6] The covenant permitting such indebtedness will not permit the payment of any cash on account of such indebtedness (principal, interest of otherwise) will not permit PIK interest exceeding 8%, and will require that terms of such indebtedness are less restrictive on the Loan Parties than the terms under this Facility.

[7] Among other provisions, this intercreditor agreement shall not permit the lenders under the Third Lien Facility to take any remedial actions while the Facility remains outstanding and the Obligations have not been paid in full.

[8] The subordination agreement will include an unlimited standstill period and other limitations on remedial actions.

shall be permitted; (v) IP Licenses for specified, non-perpetual periods of time on customary, market and otherwise reasonable and commercial terms, *provided*, that: (a) the Definitive Documentation shall not permit the Loan Parties to license (or allow the licensing or sublicensing of) any intellectual property rights to third parties in connection with firearm products except (1) solely for the purpose of acting as a contract manufacturer for one or more of the Loan Parties, or (2) solely for the marketing, sale, distribution and final assembly of firearms for which one or more of the Loan Parties manufactured (or had manufactured by a contract manufacturer, other than such third party) all or a substantial portion of the components of such firearm (collectively, the "**Prohibited IP Licenses**"), except that IP Licenses that would otherwise be Prohibited IP Licenses that are currently in existence (and were, as of the date of the DIP Term Loan Agreement, in existence), and set forth in detail on a schedule (collectively, the "**Grandfathered IP Licenses**") shall not be deemed to be Prohibited IP Licenses; (b) each IP License shall be subject to the Agent's perfected first priority lien, and shall be included in the definition of Term Loan Priority Collateral; (c) all IP License Proceeds shall be required to be in cash and be deposited in an account over which the Agent has control and a perfected first priority lien (the "**IP Proceeds Account**"), and such account and proceeds shall be included in the definition of Term Loan Priority Collateral; (d) each IP License shall be of reasonable duration and shall include reasonable and customary provisions typical for agreements of such kind and designed to ensure the ownership, validity, enforceability and preservation of the value of the intellectual property subject to such license; and (e) the aggregate Value (to be mutually defined) of IP Licenses entered into after the Closing Date shall not exceed $15.0 million (with the determination of Value of each IP License measured at the time entered into, renewed, amended, extended or otherwise changed, and with determinations of Value being made in good faith by the board of directors of Holdings; *provided*, that any determination of Value in excess of $5 million shall be made by a third party appraiser reasonably acceptable to the Lenders); (vi) the payment of management fees pursuant to a management agreement in form and substance acceptable to the Agent and Lenders of up to $1.0 million per year; *provided*, *however*, that (a) cash payments on account of such fees may commence no earlier than the third fiscal quarter of 2017 (and for the 2017 fiscal year, be limited to $500,000), (b) the aggregate amount of such fees otherwise payable in cash for the 2016 fiscal year and first six months of 2017 that have accrued, payment in cash in equal monthly installments of $62,500 commencing with the first month of the third fiscal quarter of 2017 until paid in full (or for so long as cash payments are permitted, whichever is earlier), (c) no cash payments shall be permitted at any time during the existence of any default under this Facility or if, *pro forma* for

such payment, the Loan Parties would fail to be in compliance with any applicable financial covenants and (d) payments of such fees to any person also entitled to board fee payments shall be reduced by the amount of such board fee payments (the foregoing limitation on payment of management fees shall not preclude payment by the Loan Parties of customary board fees of up to $50,000 for insider board members and such other customary amount for non-insider independent board members); and (vii) the Borrowers shall not be permitted to withdraw any sums on deposit in the IP Proceeds Account until such time as the balance therein, after giving effect to any such withdrawal, would be not less than $7.0 million (it being understood that the Loan Parties shall not be obligated to fund the IP Proceeds Account with cash other than IP Proceeds).

Financial Covenants: Financial covenants will include the following: (i) minimum Liquidity (to be mutually defined but shall be limited to unrestricted cash in the U.S. and in Canada, to the extent such cash is subject to a perfected lien in favor of the Agent (for purposes of this covenant, cash on deposit in the IP Proceeds Account in the U.S. and Canada and subject to the Agent's first priority lien shall be considered unrestricted cash) of not less than $10.0 million as of the last day of each calendar month and not less than $7.0 million at any time; and (ii) maintenance of a Fixed Charge Coverage Ratio (to be mutually defined but as EBITDA (*less* capital expenditures, *less* member distributions, less management fees, *less* rent expenses (to the extent not reducing net income) and *less* foreign and domestic cash income taxes, *plus* the benefit of actual expense reductions over the course of the succeeding three fiscal quarters and the benefit of revenues to be received on account of billed and shipped orders over the course of the succeeding three fiscal quarters, *less* the amount of expenses previously assumed to be reduced in a succeeding fiscal quarter but not actually realized in such fiscal quarter, and *less* the amount of revenue assumed to be received in a succeeding fiscal quarter but not actually received in such fiscal quarter), *divided by* cash interest expenses) of at least 1:1 tested every quarter commencing for the quarter ending June 2017. For purposes of determining compliance with the Fixed Charge Coverage Ratio for the quarters ending in 2017, the Borrowers shall have the option to compute the numerator and denominator thereof by reference either to the most recently ended twelve month period, or the most recently ended quarters in 2017. The Definitive Documentation will contain provisions permitting the Borrowers to (x) during calendar year 2016, cure financial covenant breaches, and (y) during all other calendar years cure a limited amount of financial covenant breaches, in each case with limited amounts of cash proceeds of certain equity issuances or unsecured junior indebtedness (subject to terms, conditions and limitations acceptable to the Lenders). Any

cure amount shall be required to be funded with 5 days following the last date when financial reporting is due.

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%)~~calculated such that (x) holders of New Class B LLC Units as of the Effective Date will be entitled to ~~twenty-five percent (~~receive a portion of distributions to equity holders equal to 25~~%)~~% multiplied by a fraction calculated by dividing (i) the aggregate principal amount of Senior Notes Claims that receive New Class B LLC Units in Class 4 on account of such Senior Notes Claims by (ii) the total aggregate principal amount of all Senior Notes Claims (the "**Class B Participation**") and (y) holders of New Class A LLC Units will be entitled to receive a portion of distributions to equity holders equal to 100% less the Class B Participation (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~~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) 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 (i) provide notice of such election in the Plan Supplement or through a separate filing with the Bankruptcy Court and (ii) 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~~-~~ in the Plan Supplement. 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~~In the event such Holder fails to timely repay or return such distribution~~ shall result in the Holder owing~~, the ~~applicable~~Debtors or Reorganized ~~Debtor annualized interest at the federal judgment rate, as in effect as of the Petition Date, on~~Debtors may pursue any rights and remedies against such ~~amount owed for each Business Day after the 10-day grace period specified above until the amount is repaid~~Holder under applicable law.

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~~ on or before the ~~date~~later of ~~entry~~(i) the General Bar Date and (ii) the thirtieth (30th) day after service 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. Exculpation and Limitation of Liability

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 due and payable~~,~~ pursuant to section 1930 of title 28 of the U.S. Code prior to the Effective Date shall be paid by the Debtors. On and after the Effective Date, the either the Debtors or the Reorganized Debtors shall pay any and all such fees when due and payable, and shall file with the Bankruptcy Court quarterly reports in a form reasonably acceptable to the United States ~~Code,~~Trustee. Each and every one of the Debtors and Reorganized Debtors shall remain obligated to pay quarterly fees to the Office of the U.S. Trustee until the ~~Chapter 11 Cases are~~earliest of that particular Debtor's case being closed, dismissed or 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~~ to a ~~Final Order resolving such dispute. The Debtors will pay all of the foregoing fees on a per-Debtor basis~~case under chapter 7 of the Bankruptcy Code.

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 the requirements of section 1127 of the Bankruptcy Code, Rule 3019 of the Federal Rules of Bankruptcy Procedure, 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

A. ~~The Debtors will file an amended version of this Disclosure Statement not later than fourteen (14) days before~~ Financial Projections

As further discussed below, the ~~date scheduled for~~Debtors believe the ~~hearing by~~Plan meets the ~~Bankruptcy Court to consider approval of the Disclosure Statement (~~feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as ~~amended), which, among other things, will contain (i)~~ confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors.

In connection with developing the Plan, and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors' management has, through the development of financial projections ~~that establish that the Plan is feasible~~filed as ~~required~~**Exhibit C** to this Disclosure Statement (the "**Financial Projections**"), analyzed the Reorganized Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their business. The Debtors believe that the Reorganized Debtors will have sufficient liquidity to fund obligations as they arise, thereby maintaining value. Accordingly, the Debtors believe the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code ~~and (ii)~~. The Debtors prepared the Financial Projections in good faith, based upon estimates and assumptions made by the Debtors' management.

The Financial Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by the assumed Effective Date. Any significant delay in the assumed Effective Date of the Plan may have a significant negative impact on the operations and financial performance of the Debtors, including, but not limited to, an increased risk of inability to meet sales forecasts and higher reorganization expenses. Additionally, the estimates and assumptions in the Financial Projections, while considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They also are based on factors such as industry performance, general business, economic, competitive, regulatory, market, and financial conditions, all of which are difficult to predict and generally beyond the Debtors' control. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that the actual and projected results will differ and the actual results may be materially different from those reflected in the Financial Projections. No representations can be made as to the accuracy of the Financial Projections or the Reorganized Debtors' ability to achieve the projected results. Therefore, the Financial Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Financial Projections should not be regarded as an ~~analysis of the estimated~~ indication that the Debtors considered or consider the Financial Projections to reliably predict future performance. The Financial Projections are subjective in many respects, and thus are susceptible to interpretations and periodic revisions based on actual experience and recent developments. The Debtors do not intend to update or otherwise revise the Financial Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Financial Projections are not borne out. The Financial Projections should be read in conjunction with the assumptions and qualifications set forth herein.

B. Valuation Analysis

1. Overview

The Debtors have been advised by PWP, its financial advisor, with respect to the reorganization value of the Reorganized Debtors on a going concern basis. PWP has determined the estimated range of reorganization value of the Reorganized Debtors to be approximately $175 to $205 million as of an assumed Valuation Date of December 31, 2015.

The estimated range of the reorganization value of the Reorganized Debtors reflects work performed by PWP on the basis of information in respect of the business and assets of the Debtors provided to PWP as of October 27, 2015. Changes in facts and circumstances between such date and the Effective Date, including, without limitation, a delay in the Effective Date, may result in changes to the reorganization value of the Reorganized Debtors. PWP will consider any such changes in facts and circumstances and may modify its estimate of the reorganization value prior to the Effective Date.

The foregoing estimates of the reorganization value of the Reorganized Debtors is based on a number of assumptions, including a successful reorganization of the Debtors' business and finances in a timely manner, the implementation of the Reorganized Debtors' Business Plan (the "**Business Plan**"), the achievement of the forecasts reflected in the Business Plan, access to adequate exit financing, continuity of a qualified management team, market conditions through the period covered by the Projections, and the Plan becoming effective in accordance with the estimates and other assumptions discussed below.

With respect to the Debtor's Financial Projections, which were prepared by the management of the Debtors, and are included as **Exhibit C** to this Disclosure Statement, PWP has assumed that the Financial Projections have been reasonably prepared in good faith and on a basis reflecting the best currently available estimates and judgments of the management of the Debtors as to the future operating and financial performance of the Reorganized Debtors. PWP's estimate of a range of reorganization values assumes that operating results projected by the Debtors will be achieved by the Reorganized Debtors in all material respects, including revenue growth and improvements in operating margins, earnings and cash flow. If the business performs at levels above or below those set forth in the Financial Projections, such performance may have a material impact on the Financial Projections and on the estimated range of values derived therefrom.

In estimating the range of the reorganization value of the Reorganized Debtors, PWP: (i) reviewed certain historical financial information of the Debtors for recent years and interim periods; (ii) reviewed certain internal financial and operating data of the Debtors, including the Financial Projections (iii) met with certain members of management of the Debtors to discuss the Financial Projections and the Debtors' operations and future prospects; (iv) reviewed publicly available financial data and considered the market value of public companies that PWP deemed generally comparable to the operating businesses of the Debtors; (v) considered relevant precedent transactions in industries most comparable to the Debtors' operating businesses; (vi) considered certain economic and industry information relevant to the operating businesses; and (vii) conducted such other studies, analyses, inquiries, and investigations as it deemed appropriate. PWP assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors, as well as publicly available information.

In addition, PWP did not independently verify management's Financial Projections in connection with such estimates of the reorganization value of the Reorganized Debtors, and no other valuations or appraisals of the Debtors were sought or obtained in connection herewith.

Estimates of the reorganization value of the Reorganized Debtors do not purport to be appraisals or necessarily reflect the values that may be realized if assets are sold as a going concern, in liquidation, or otherwise.

In the case of the Reorganized Debtors, the estimates of the reorganization value prepared by PWP represent the hypothetical reorganization value of the Reorganized Debtors. Such estimates were developed for purposes of the formulation and negotiation of the Plan and the analysis of implied relative recoveries to creditors thereunder. Such estimates reflect computations of the range of the estimated reorganization value of the Reorganized Debtors through the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the re-sale of any New Class A LLC Units or New Class B LLC Units issued pursuant to the Plan, which may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimate of the ranges of the reorganization value of the Reorganized Debtors set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Debtors, PWP, the Debtors' other advisors or any other person assumes responsibility for their accuracy. In addition, the valuation of newly issued New Class A LLC Units or New Class B LLC Units is subject to additional uncertainties and contingencies, all of which are difficult to predict.

Actual market prices of such New Class A LLC Units or New Class B LLC Units at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, available liquidity, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors which generally influence the prices of securities.

2. Valuation Methodology

PWP performed a variety of analyses and considered a variety of factors in preparing its estimate of the reorganization value of the Reorganized Debtors. PWP primarily relied on two widely-recognized valuation methodologies: comparable public company analysis and discounted cash flow analysis. While a precedent transactions analysis was also performed, PWP did not rely on this analysis in determining its estimated reorganization value as it was determined that the relevant characteristics were incomparable to Colt. PWP made judgments as to the relative significance of each analysis in determining the Debtors' estimated reorganization value range. PWP's valuation must be considered as a whole, and selecting just one methodology or portions of the analyses, without considering the analyses as a whole, could create a misleading or incomplete conclusion as to the Reorganized Debtors' reorganization value.

The following summary does not purport to be a complete description of the analyses and factors undertaken to support PWP's conclusions. The preparation of a valuation is a complex process involving various determinations as to the most appropriate analyses and factors to consider, as well as

the application of those analyses and factors under the particular circumstances. As a result, the process involved in preparing a valuation is more complex than the summary provided below.

a. Comparable Public Company Analysis

A comparable public company analysis estimates value based on a comparison of the target company's financial statistics with the financial statistics of public companies that are similar to the subject company. It establishes a benchmark for asset valuation by deriving the value of "comparable" assets through a standardized approach that uses a common variable such as revenues, earnings, and cash flows. The analysis includes a detailed financial comparison of each company's income statement, balance sheet, and cash flow statement. In addition, each company's performance, profitability, margins, leverage and business trends are also examined. Based on these analyses, a number of financial multiples and ratios are calculated to measure each company's relative performance and valuation.

A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the target company. Criteria for selecting comparable companies include, among other relevant characteristics, similar lines of businesses, business risks, target market segments, growth prospects, maturity of businesses, market presence, size, and scale of operations. The selection of truly comparable companies is often difficult and subject to interpretation. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining reorganization value.

While calculating the current trading value for the comparable companies, PWP analyzed the current value for the comparable companies as a multiple of projected fiscal year end 2016 earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). These multiples were then applied to the Debtors' fiscal year end 2016 forecasted Adjusted EBITDA to determine the range of reorganization values. Adjusted EBITDA ("**Adjusted EBITDA**") is measured as earnings (defined as operating income (loss) plus other income less other expenses) before interest, taxes, depreciation and amortization and excluding restructuring, other one-time charges and working capital adjustments.

PWP did not apply the same analysis for fiscal year end 2015, as the Debtors' fiscal year end 2015 Adjusted EBITDA is expected to be negative.

b. Discounted Cash Flow Analysis

The discounted cash flow ("**DCF**") valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a "forward looking" approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to the Debtors. The expected future cash flows have two components: the present value of the projected unlevered after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing firm value beyond the time horizon of the Financial Projections). PWP's discounted cash flow valuation is based on a four year projection of the Debtors' operating results (FY2016E-FY2019E). PWP discounted the projected cash flows using the Debtors' estimated weighted average cost of capital, and calculated the terminal value of the Debtors using trailing EBITDA multiples consistent with the EBITDA multiples at various points in the business cycle for the comparable companies.

The DCF approach relies on a company's ability to project future cash flows with some degree of accuracy. Because the Financial Projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the

Financial Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized. PWP cannot and does not make any representations or warranties as to the accuracy or completeness of the Financial Projections.

c. Precedent Transactions Analysis

While a precedent transactions analysis was performed, PWP did not rely on this analysis in determining its estimated reorganization value as it was determined that the relevant characteristics were incomparable to the Debtors'.

PWP evaluated various merger and acquisition transactions that have occurred in the firearms and outdoor recreation and leisure industries over the past fifteen (15) years. Over that time period, there were a limited number of precedent transactions, and of those that are relevant, limited financial information was disclosed. In addition, many of these transactions occurred under drastically different credit and other market conditions from those prevailing currently. These considerations reduce the relevance of the precedent transaction analysis. PWP calculated multiples of the target companies by dividing the disclosed purchase price of the target's equity, plus any debt assumed as part of the transaction less any cash on the target's balance sheet, by disclosed LTM EBITDA. PWP also noted that the Debtors' LTM EBITDA was expected to be negative as of the Effective Date.

The estimates of the reorganization value of the Reorganized Debtors determined by PWP represent estimated reorganization values and do not reflect values that could be attainable in public or private markets. The estimate of the range of the reorganization value of the Reorganized Debtors ascribed in the analysis does not purport to be an estimate of the post-reorganized publicly trading value. Any such trading value may be materially different from the estimate of the reorganization value range for the Reorganized Debtors associated with PWP's valuation analysis.

PWP notes that its estimate of a range of reorganization values assumes that the operating and financial results projected by the Debtors will be achieved by the Reorganized Debtors in all material aspects. The Reorganized Debtors require significant new capital to cover ongoing operational losses (as a turnaround is effected), working capital needs and capital expenditures. This new capital is being provided in the form of a New Third Lien Exit Facility that will provide the Reorganized Debtors with cash on its balance sheet on the Effective Date. Unlike other companies in the industry, the Reorganized Debtors will not have access to additional sources of liquidity in the form of a revolving credit facility or a working capital facility. The Reorganized Debtors' management believes that adequate liquidity/cash on hand for the Reorganized Debtors is $20 million. It is estimated that the Reorganized Debtors will have cash on hand of $21.3 million on the Effective Date (taking into account reserves for payments of professional fees post the Effective Date).

ESTIMATE OF FULLY DISTRIBUTABLE EQUITY VALUE ($mm)		
	Low	High
Estimated Enterprise Value	**$175.0**	**$205.0**
Less: Senior Loan Exit Facility	(41.2)	(41.2)
Less: Term Loan Exit Facility	(87.8)	(87.8)
Less: Third Lien Exit Facility	(50.0)	(50.0)
Less: Note to General Unsecured Claims	(2.0)	(2.0)
Plus: Cash at Effective Date	21.3	21.3
Fully Distributable Equity Value	**$15.3**	**$45.3**

The estimated range of reorganization values assumes that the new capital (as referenced above) will be raised successfully. Absent the new capital infusion, the Reorganized Debtors are unlikely to meet their Financial Projections. Under the scenario where there is no new capital injection into the Reorganized Debtors, the reorganization value is likely to be consistent with the values implied under the Liquidation Analysis as set forth in **Exhibit D**.

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.

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 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 and holders of General Unsecured Notes.

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, the General Unsecured Notes 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, the General Unsecured Notes 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.

F. Certain Risks Relating to the General Unsecured Notes Issued Under the Plan

The following risks specifically apply only to holders of the General Unsecured Notes 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 such securities. These risks are described elsewhere in this Section VII.

The Debtors may not be able to generate sufficient cash to service all of their indebtedness and may be forced to take other actions to satisfy their obligations under their outstanding debt instruments, which may not be successful.

The Debtors' ability to make scheduled payments on or refinance their debt obligations, including the General Unsecured Notes, depends on the Debtors' financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond the Debtors' control. The Debtors may be unable to maintain a level of cash flows from operating activities sufficient to permit them to pay the principal, premium, if any, and interest on their indebtedness, including the General Unsecured Notes. The Debtors' inability to generate sufficient cash flows to satisfy their debt obligations, or to refinance their indebtedness on commercially reasonable terms or at all, would materially and adversely affect their financial position and results of operations. The Debtors could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance their indebtedness. In addition, the terms of the Debtors' existing or future debt agreements may restrict the Debtors from adopting some of these alternatives. If the Debtors cannot make scheduled payments on their debt, the Debtors will be in default and the lenders under the Senior Loan Exit Facility, Term Loan Exit Facility, and the Third Lien Exit Facility or holders of the General Unsecured Notes, subject to the Exit Intercreditor Agreement, could declare all outstanding principal and interest to be due and payable, and the lenders under the Senior Loan Exit Facility, Term Loan Exit Facility, and the Third Lien Exit Facility could terminate their commitments and foreclose against the assets securing their borrowings, and the Debtors could be forced into a future case of bankruptcy or liquidation.

Despite the expected level of the Debtors' indebtedness following the effectiveness of the Plan, the Debtors may still incur substantially more debt subsequent to the effectiveness of the Plan. This could further exacerbate the risks to the Debtors' financial condition described above.

The Debtors may incur significant additional indebtedness in the future. Although the Exit Credit Agreements and the Debtors' other debt agreements will contain restrictions on the incurrence of additional indebtedness, these restrictions will be subject to a number of qualifications and exceptions and, under certain circumstances, the additional indebtedness incurred in compliance with these restrictions could be substantial. If the Debtors incur any additional indebtedness that ranks equally with the General Unsecured Notes, subject to collateral arrangements, the holders of that debt will be entitled to share ratably with holders of the General Unsecured Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of the Debtors. This could reduce the amount of proceeds paid to holders of the General Unsecured Notes. These restrictions also will not prevent the Debtors from incurring obligations that do not constitute indebtedness. If new debt is added to the Debtors' current debt levels, the related risks that the Debtors now face could intensify.

The restrictive covenants governing the General Unsecured Notes may be less protective than those typically found in covenant packages for non-investment grade debt securities.

Although the General Unsecured Notes will contain restrictive covenants, these covenants will be less protective than is customary for non-investment grade debt securities and will be subject to a number of important exceptions and qualifications.

Failure to comply with covenants in the Senior Loan Exit Facility, the Term Loan Exit Facility, the Third Lien Exit Facility, the Debtors' other debt agreements or in any future financing agreements could result in cross-defaults, which cross-defaults could jeopardize the Debtors' ability to satisfy their obligations under the notes.

Various risks, uncertainties and events beyond the Debtors control could affect their ability to comply with the covenants, financial tests and ratios that will be required by the Senior Loan Exit Facility, the Term Loan Exit Facility, the Third Lien Exit Facility, the Debtors' other debt agreements or in any future financing agreements the Debtors may enter into. Failure to comply with any of the covenants in such agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default may permit lenders under the Senior Loan Exit Facility, the Term Loan Exit Facility, and the Third Lien Exit Facility to cease to make further extensions of credit, and, subject to the Exit Intercreditor Agreement, may allow holders of the Debtors' debt to accelerate the maturity of the debt under these agreements and foreclose upon any collateral securing that debt. Under these circumstances, the Debtors may not have sufficient funds or other resources to satisfy all of the Debtors' obligations, including the Debtors' ability to repay the Senior Loan Exit Facility, the Term Loan Exit Facility, the Third Lien Exit Facility, their other indebtedness or their obligations under the General Unsecured Notes. In addition, limitations imposed by any future financing agreements on the Debtors' ability to incur additional debt and to take other actions could significantly impair the Debtors' ability to obtain other financing.

The General Unsecured Notes incur paid in kind interest.

The interest obligations on the General Unsecured Notes will be paid in the form of additional General Unsecured Notes. The payment of interest through an increase in the principal amount of the outstanding General Unsecured Notes or the issuance of additional General Unsecured Notes would increase the amount of Reorganized Debtors' indebtedness and would increase the risks associated with Reorganized Debtors' level of indebtedness.

The Debtors' operations may not be profitable after the Effective Date, which could have an adverse impact on the value of the General Unsecured Notes.

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 General Unsecured Notes 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 General Unsecured Notes may not be able to recover in future cases of bankruptcy, liquidation, insolvency, or reorganization*."

The amount of General Unsecured Notes to be provided to holders of Senior Notes does not reflect any independent valuation of General Unsecured Notes 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 the General Unsecured Notes, the 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.

Holders of General Unsecured Notes may not be able to recover in future cases of bankruptcy, liquidation, insolvency, or reorganization.

The General Unsecured Notes will be the Debtors' unsecured obligations. Holders of their secured indebtedness, including the lenders under the Senior Loan Exit Facility, the Term Loan Exit Facility, and the Third Lien Exit Facility, will have claims that are senior to claims of a holder of the General Unsecured Notes, to the extent of the value of the assets

securing such other indebtedness. As a result, in the event of any distribution or payment of assets of the Debtors in any bankruptcy, liquidation, insolvency or reorganization, holders of secured indebtedness will have a prior claim to those assets that constitute their collateral. In any of the foregoing events, there may not be sufficient assets to pay all amounts due on the General Unsecured Notes.

It is unlikely that a registration statement with respect to resales of the General Unsecured Notes will be filed with the SEC and there may be restrictions on your ability to transfer or resell the General Unsecured Notes issued pursuant to the Plan.

The issuance of the General Unsecured Notes pursuant to the Plan will be exempt from registration under the Securities Act of 1933 (the "Securities Act") and state securities laws. The General Unsecured Notes may be transferred or resold only in transactions registered, or exempt from registration, under the Securities Act and applicable state securities laws. It is unlikely that a registration statement covering the resale of the General Unsecured Notes issued pursuant to the Plan will be filed with the Securities and Exchange Commission or a registered exchange offer to exchange the General Unsecured Notes for publicly tradable notes will be made. As a result, for so long as the General Unsecured Notes remain outstanding, they may be transferred or resold only in transactions exempt from the securities registration requirements of U.S. federal and applicable state securities laws.

An active trading market may not develop for the General Unsecured Notes.

There is no established trading market for the General Unsecured Notes and an active trading market for the General Unsecured Notes may not be developed or maintained in the future. It is unlikely that the General Unsecured Notes will be listed on any securities exchange. As a result, there may be limited liquidity in any trading market that does develop for the General Unsecured Notes. The liquidity of any market for the General Unsecured Notes 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 General Unsecured Notes. In addition, future trading prices of the General Unsecured Notes 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 is not developed and maintained or such trading market is not liquid, holders of the General Unsecured Notes may be unable to sell their General Unsecured Notes at their fair market value or at all.

The price of General Unsecured Notes 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 General Unsecured Notes develops following the consummation of the Plan, the market price of General Unsecured Notes 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 General Unsecured Notes. 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

any of the Debtors, regardless of the outcome, it could result in substantial costs and a diversion of management's attention and resources.

The Reorganized Debtors will no longer be required to file periodic and other reports with the SEC and their financial information will provide less information than the information the Debtors currently file with the SEC.

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 Term 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. Consequently, at the time a holder of the General Unsecured Notes chooses to sell its General Unsecured Notes, it may not have sufficient current information regarding the Reorganized Parent's or its subsidiaries' results of operations or financial condition.

Because each guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.

You will have the benefit of any guarantees of the guarantors. However, any such guarantees by the guarantors will be limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, a guarantor's liability under its guarantee could be reduced to zero, depending upon the amount of other obligations of such guarantor.

Holders of General Unsecured Notes will be required to recognize interest income as it accrues for U.S. federal income tax purposes, without regard to when cash payments of interest are received.

Under the terms of the General Unsecured Note, interest is not paid currently but instead will accrue and be added to the amount payable at maturity. A U.S. Holder (as defined in "Certain United States Federal Income Tax Consequences of the Plan") of the General Unsecured Note will be required to recognize interest income as it accrues, regardless of such holder's method of accounting. See "Certain United States Federal Income Tax Consequences of the Plan."

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 (or otherwise delivered to the appropriate Master Ballot Agents in accordance with such Master Ballot Agents' instructions) 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~~Standard 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. Again, 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 STANDARD 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~~December [7], 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~~Standard 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~~Standard 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~~

The Debtors' liquidation analysis, which is attached as **Exhibit D**, is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the assets of the Debtors under the direction of a Bankruptcy Court-appointed trustee. The hypothetical chapter 7 liquidation used for the liquidation analysis assumes that the Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to consummate a forced "fire sale" of the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. This is by its very nature a speculative assumption and likely represents the best-case scenario of any chapter 7 liquidation, and even in such a best-case scenario the value of the assets would be depressed, sale proceeds would be diminished, and costs and delay would be greater, thereby reducing recoveries to Holders of Claims and Equity Interests relative to their recoveries under the Plan.[9] The Debtors believe that all Holders of Claims and Equity Interests, including Holders of Senior Notes Claims, will under the Plan on account of such Claims or Equity Interests as of the Effective Date of the Plan, receive or retain property of value greater than the amounts that such Holders would receive or retain if the Debtors were liquidated under chapter 7 on such date. Accordingly, the Debtors believe that the Plan satisfies the "best interests" as required for confirmation of the Plan.

The first step in meeting the "best interests" test is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The total amount available would be the sum of the proceeds from the disposition of the Debtors' assets and the Cash held by the Debtors at the time of the commencement of the chapter 7 cases. For the purpose of this analysis, the Debtors' assets excluding Cash are based on the latest available balance sheet. The Cash is based on an estimate for the Debtors' Cash balance on the Effective Date. The next step is to reduce that total by the amount of any Claims secured by such assets, the costs and expenses of liquidation, and such additional Administrative Expense Claims and priority Claims that may result from the termination of the Debtors' businesses and the use of chapter 7 for the purposes of liquidation. Finally, the present value of that amount (taking into account the time necessary to accomplish the liquidation) is allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code (see discussion below) and can then be compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' liquidation costs under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that a trustee may engage, plus any unpaid expenses incurred by the Debtors during a Chapter 11 Case and allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals, and costs and expenses of members of any statutory committee of unsecured creditors appointed by the United States Trustee pursuant to section 1102 of the Bankruptcy Code and any other committee so appointed. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors both prior to, and during the pendency of, the Chapter 11 Cases. The foregoing types of Claims, costs, expenses, and fees and such other Claims that may arise in a liquidation case or result from a pending Chapter 11

[9] The Bankruptcy Code may authorize the trustee to operate the business of the debtor for a limited period of time, if such operation is in the best interest of the estate and is consistent with the orderly liquidation of the estate. For example, it may benefit the estate to operate the business in order to convert work in progress into finished goods.

Case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured Claims.

In applying the "best interests test," it is possible that Claims and Equity Interests in the chapter 7 case may not be classified as in the Plan. In the absence of a contrary determination by the Bankruptcy Court, all prepetition unsecured Claims, which have the same rights upon liquidation would be treated as one Class for purposes of determining the potential distribution of the liquidation proceeds resulting from the Debtors' chapter 7 cases. Moreover by virtue of a chapter 7 case, the trustee may have to reject certain unexpired leases and executory contracts that would otherwise be assumed under a chapter 11 plan, thereby giving rise to additional unsecured claims. The distributions for the liquidation proceeds would be calculated ratably according to the amount of the Claim held by each creditor. Therefore, creditors who are or claim to be third-party beneficiaries of any contractual subordination provisions might be required to seek or enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. Section 510 of the Bankruptcy Code specifies that such contractual subordination provisions are enforceable in a chapter 7 liquidation case.

The Debtors believe that the most likely outcome of liquidation proceedings under chapter 7 would be the application of the absolute priority rule for distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full, with interest, and no equity Holder receives any distribution until all creditors are paid in full with interest. Consequently, the Debtors believe that in a liquidation there would be little or no distributions on account of unsecured claims, including the Senior Notes Claims.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a Chapter 11 Case, including, without limitation, (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (ii) the increased costs and expenses associated with the delay of a chapter 7 liquidation; (iii) the erosion in value of assets in a chapter 7 case in the contexts of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail; and (iv) substantial increases in Claims that would be satisfied on a priority basis or on a parity with creditors in a Chapter 11 Case, the Debtors have determined that confirmation of the Plan will provide each creditor and equity Holder with a recovery that is not less than it would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

Moreover, the Debtors believe that the value of any distributions from the liquidation proceeds to each Class of Allowed Claims in a chapter 7 case would be less than the value of distributions under the Plan because such distributions in chapter 7 may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a year or more after the completion of such liquidation in order to resolve the claims and prepare for distributions. In the event litigation were necessary to resolve Claims asserted in the chapter 7 cases, the delay would be further prolonged.

The Debtors' liquidation analysis attached as Exhibit D is based upon a number of significant assumptions that are described. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

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.~~

In connection with confirmation of the Plan, section 1129(a)(11) of the Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. This is the so-called feasibility test. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections set forth in **Exhibit C** to this Disclosure Statement and described in Section VI.A above. Based upon such projections, the Debtors believe that they will have sufficient Cash resources to make the payments required pursuant to the Plan (including the satisfaction of Disputed Claims in the event such Claims become Allowed), repay and service debt obligations and maintain operations on a going-forward basis. Accordingly, the Debtors believe that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization of the Debtors, and therefore, the Plan complies with section 1129(a)(11) of the Bankruptcy Code.

PLEASE BE ADVISED THAT THE FINANCIAL PROJECTIONS SET FORTH IN EXHIBIT C ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS. ACTUAL OPERATING RESULTS AND VALUES MAY VARY MATERIALLY.

The Financial Projections should be read in conjunction with the Risk Factors set forth in Section VII of this Disclosure Statement and with the assumptions, qualifications, and footnotes to tables containing the Financial Projections set forth therein and the historical consolidated financial information (including the notes and schedules thereto). The Financial Projections were prepared in good faith based upon assumptions believed to be reasonable and applied in a manner consistent with past practice.

The prospective financial information included in this Disclosure Statement has been prepared by, and is the responsibility of, the Company's management. The Company and its management believe that the Financial Projections have been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

While presented with numerical specificity, the Financial Projections are approximations based upon a variety of estimates and assumptions subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond the Debtors' control. Actual results may vary materially from those presented. The Financial Projections have not been prepared to comply with the guidelines established with respect to projections by the Securities and Exchange Commission or the American Institute of Certified Public Accountants ("**AICPA**"), have not been audited, and are not presented in accordance with Generally Accepted Accounting Principles ("**GAAP**").

In connection with confirmation of the Plan, the Debtors will be required to estimate the Debtors' reorganization value, the fair value of their assets, and their actual liabilities as of the most recent date available. Such determination will be based upon the fair values as of that date, which could be materially greater or less than the value assumed in the Financial Projections. Any fresh-start

reporting adjustments that may be required in accordance with Statement of Position 90-7 Financial Reporting by Entities in Reorganization under the Bankruptcy Code, including any allocation of the Debtors' reorganization value to the Debtors' assets in accordance with the procedures specified in Financial Accounting Standards Board Statement 141 will be made when the Debtors emerge from chapter 11.

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 either its Pro Rata share of the New Class B LLC Units~~,~~ or a General Unsecured Note. The tax treatment of ~~such~~an exchange of the Claim for New Class B Units 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.

A Holder of an Allowed Class 4 Senior Note Claim that receives a General Unsecured Note in exchange for such Claim 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 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.

Under the terms of the General Unsecured Note, interest is not paid currently but instead will accrue and be added to the amount payable at maturity. A holder of the General Unsecured Note will be required to recognize interest income as it accrues, regardless of such holder's method of accounting.

The discussion above assumes that the receipt of the New Class B LLC Units or a General Unsecured Note 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 assumptions or 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,~~General Unsecured Note 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~~General Unsecured Note 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~~Standard Time) on December [7], 2015.

Dated: October ~~9~~30, 2015

Respectfully Submitted,

COLT HOLDING COMPANY LLC,

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

COLT DEFENSE LLC

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

COLT SECURITY LLC

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

COLT FINANCE CORP.

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

NEW COLT HOLDING CORP.

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

COLT'S MANUFACTURING COMPANY LLC

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

COLT DEFENSE TECHNICAL SERVICES LLC

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

COLT CANADA CORPORATION

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

COLT INTERNATIONAL COÖPERATIEF U.A.

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

CDH II HOLDCO INC.

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

~~**EXHIBIT A**~~

~~EXHIBIT B~~

Miscellaneous:

15-11296-LSS Colt Holding Company LLC

Type: bk	Chapter: 11 v	Office: 1 (Delaware)
Assets: y	Judge: LSS	Case Flag: MEGA, LEAD, CLMSAGNT, APPEAL

U.S. Bankruptcy Court

District of Delaware

Notice of Electronic Filing

The following transaction was received from Joseph Charles Barsalona II entered on 10/30/2015 at 11:16 PM EDT and filed on 10/30/2015

Case Name: Colt Holding Company LLC
Case Number: 15-11296-LSS
Document Number: 632

Docket Text:
Exhibit(s) *Notice of Filing of Disclosure Statement for Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (related document(s)[631]) Filed by Colt Holding Company LLC. (Attachments: # (1) Exhibit A) (Barsalona II, Joseph)

The following document(s) are associated with this transaction:

Document description: Main Document
Original filename:W:\CSM\Colt - Notice of Filing of Blackline of Disclosure Statement.pdf
Electronic document Stamp:
[STAMP bkecfStamp_ID=983460418 [Date=10/30/2015] [FileNumber=13456082-0] [21d6b7491fadaa30cbca5502fbee7f78c48157967080a38f05ea1105a5b4e04c2a28ae4236a521ffea86c8742847367cae27d20fbfd800590270fd92aeebbeec]]
Document description: Exhibit A
Original filename:W:\CSM\Colt Disclosure Exhibit A.pdf
Electronic document Stamp:
[STAMP bkecfStamp_ID=983460418 [Date=10/30/2015] [FileNumber=13456082-1] [3041317efd1032c463e83f0fac6b17f7bd4e372b8e772a89cbf892275e65a699bc809f1d23c3c56fef2eaf153369a683b998b9b41a78b28f30c016ee200562ed]]

15-11296-LSS Notice will be electronically mailed to:

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