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
	:	**Hearing Date: November 6, 2015 at 10:00 a.m. (EST)** **Obj. Deadline: October 30, 2015 at 4:00 p.m. (EDT)**

DEBTORS' MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER THE RESTRUCTURING SUPPORT AGREEMENT

Colt Holding Company LLC ("**Colt**") and its affiliated debtors and debtors in possession (collectively, the "**Debtors**") respectfully request entry of an order, substantially in the form attached hereto as Exhibit A (the "**RSA Order**"), approving and authorizing the Debtors to enter into and perform under the Restructuring Support Agreement attached as Exhibit 1 to the RSA Order (the "**RSA**").[2] In support of the motion, the Debtors respectfully represent:

PRELIMINARY STATEMENT

1. The Debtors are focused on emerging from bankruptcy and providing the best recoveries possible to their stakeholders. To that end, they have pursued a bankruptcy sale process while simultaneously attempting to facilitate an agreement among major creditor

[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.

[2] Capitalized terms that are used and not defined herein shall have the same meanings as set forth in the RSA.

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constituencies that could be implemented through a plan of reorganization. The RSA is the result of these efforts.

2. The RSA contemplates a plan of reorganization that restructures $250 million of unsecured bond debt, provides the Company with a $50 million capital infusion that will enable Colt to fully fund its chapter 11 cases and fund an operational turnaround going forward and, critically, ensure that the Debtors obtain a lease extension or purchase their primary operating facility in West Hartford, Connecticut (the "**West Hartford Facility**"), rather than rely on a highly uncertain litigation strategy to remain in their only U.S. operating facility. Specifically, under the plan that the RSA would put the Debtors on the path to pursue, the Debtors obtain a long-term lease extension for or the purchase of the West Hartford Facility. The RSA is supported by major constituencies in these cases: the members of the Ad Hoc Consortium of 8.75% Senior Notes due 2017 that hold approximately 61.1% of the outstanding principal amount of the Senior Notes, certain of whom are the Company's DIP Senior Loan Lenders, the Debtors' equity sponsor, and the landlord under the West Hartford Facility Lease. The RSA also will allow the Debtors to restructure and extend their $42.5 million DIP Senior Loan rather than being forced to repay it now, and provides for the same treatment of the prepetition Term Loan and DIP Term Loan through new five-year exit facilities on principal terms that have been finalized with Morgan Stanley. And, the RSA will provide an opportunity to address the Debtors' collective bargaining agreements and retirement obligations in a constructive manner, rather than facing the very real prospect of having to entirely reject those obligations. For these reasons, there are clearly sound business reasons for the Court to authorize the Debtors to enter into and perform under the RSA, as required under applicable Third Circuit law.

JURISDICTION

3. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. §§ 157 and 1334, and venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b).[3]

BACKGROUND

4. On June 14, 2015 (the "**Petition Date**"), each of the Debtors filed a voluntary petition with this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to manage and operate their businesses as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code. On June 16, 2015, this Court entered an order directing joint administration of the Debtors' chapter 11 cases for procedural purposes only pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1 [D.I. 69].

5. On June 25, 2015, the Office of the United States Trustee for the District of Delaware appointed a statutory committee of unsecured creditors (the "**Creditors' Committee**") pursuant to section 1102(a)(1) of the Bankruptcy Code.

RELIEF REQUESTED

6. The Debtors request entry of the RSA Order, substantially in the form attached hereto as Exhibit A, authorizing the Debtors to enter into and perform under the RSA. The statutory predicates for the relief are sections 363 and 105 of the Bankruptcy Code.

[3] Pursuant to rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "**Local Rules**"), the Debtors hereby expressly confirm their consent to the entry of a final order by this Court in connection with this motion if it is later determined that this Court, absent consent of the parties, cannot enter final orders or judgments in connection therewith consistent with Article III of the United States Constitution.

BASIS FOR RELIEF REQUESTED

I. FACTS SPECIFIC TO RELIEF REQUESTED[4]

A. Parties to the RSA

7. In addition to the Debtors, the "**Plan Support Parties**" to the RSA consist of the following:

- 100% of the lenders (the "**Consenting DIP Senior Lenders**") under that certain First Amended and Restated Senior Secured Super-Priority Debtor-In-Possession Credit Agreement, as amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, dated as of June 24, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corp., as borrowers, CDH II Holdco Inc. and the subsidiaries of Colt Defense LLC, as guarantors, and Cortland Capital Market Services LLC, as agent;
- holders of 61.1% in principal amount of outstanding notes (the "**Consenting 8.75% Noteholders**," together with the Consenting DIP Senior Lenders, the "**Consenting Lenders**") issued pursuant to that certain Indenture dated November 10, 2009, for the issuance of 8.75% Senior Notes due 2017 among Colt Defense LLC, Colt Finance Corp., certain subsidiary guarantors, and Wilmington Trust FSB, as indenture trustee;
- Sciens Capital Management LLC 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**"), solely in its capacity as landlord under that certain Net Lease dated as of October 26, 2005 (as amended and extended to December 4, 2015, the "**West Hartford Facility Lease**").

B. Commitments of the Plan Support Parties

1. General Commitments

8. The RSA commits the Plan Support Parties to prosecute a plan of reorganization (the "**Plan**") whose principal terms and conditions are summarized in the "**Plan Term Sheet**" appended to the RSA. In all events, the Debtors' obligations are subject to a "fiduciary out." As

[4] The description of the terms of the RSA in this Motion is a summary. Parties should refer to the RSA (which is Exhibit 1 to the RSA Order) for the RSA's complete terms.

will be further detailed in the Plan, the Plan contemplates the following treatment of claims and Interests:

- Administrative Expense Claims – Allowed Administrative Expense Claims will be either paid 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 majority of each class of RSA Creditor Parties (the "**Requisite Creditors**"). 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 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 Creditors. 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 DIP Senior Loan Exit Term Sheet and the Term Loan Exit Term Sheet, as appropriate. These claims are unclassified under the Plan. The Term Loan Exit Term Sheet and the treatment of Term Loan Claims and DIP Term Loan Claims under the Plan have been approved by the Term Loan Lenders and the DIP Term Loan Lenders, although the Term Loan Lenders and the DIP Term Loan Lenders are not party to the RSA.

- Priority Non-Tax Claims – Allowed Priority Non-Tax Claims will be either paid 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 Creditors. 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, which have been approved by the Term Loan Lenders. 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 Creditors. These claims are unimpaired under the Plan.

- Senior Notes Claims – Each Holder of an Allowed Senior Notes Claim will receive its pro rata Share of the New Class B LLC Units. These claims are impaired under the Plan.

- Qualified Unsecured Trade Claims – Each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in cash 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 post-petition 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 or other consideration that is reasonably equivalent to the percentage recovery realized on account of the Senior Notes Claims. These claims are impaired under the Plan.

- Intercompany Claims – All Allowed Intercompany Claims will either be (i) reinstated, in full or in part, and treated in the ordinary course of business or (ii) cancelled and discharged, consistent with the Reorganized Debtors' business plan. These claims are unimpaired under the Plan.

- Equity Interests in Debtor Subsidiaries – All Allowed Equity Interests in Debtor Subsidiaries will be reinstated and otherwise unaffected by the Plan. Equity interests in Debtor Subsidiaries will be unimpaired solely to preserve the Debtors' corporate structure and Holders of those Equity Interests will not otherwise receive or retain any property on account of such Equity Interests.

- Equity Interests in Parent - All existing Equity Interests in Colt Holding Company LLC will be cancelled without further notice to, approval of, or action by, any Entity. These Equity Interests are impaired under the Plan.

9. The Debtors have also agreed to file the Plan and Disclosure Statement on or before October 9, 2015, and each of the Consenting Lenders, the Sciens Group, and NPA agrees to support the Plan and not object to the Plan or the Disclosure Statement. The Plan Support Parties also agree not to support any alternative plan or section 363 sale transaction not

supported by all of the Plan Support Parties. Each of the Consenting Lenders further agrees to vote in favor of the Plan.

2. Commitments with Respect to West Hartford Facility

10. In connection with the RSA, and as set forth in the Plan Term Sheet, NPA has agreed to enter into a lease extension with the Debtors or to sell the West Hartford Facility to the Debtors, thereby enabling the Debtors to emerge as a going concern and continue operations in West Hartford, and avoid the substantial expense and likely disruption to the manufacturing process that would accompany any relocation effort. NPA's commitments help ensure that the Company continues to operate out of its West Hartford Facility for the foreseeable future and preserve the jobs of over 700 existing employees. The principal terms and conditions of the lease extension or purchase are set forth in Exhibit B to the Plan Term Sheet. If the Plan is not consummated in accordance with the RSA, there is no guarantee that the term of the West Hartford Facility Lease will be extended or that the terms of any extension beyond December 4, 2015, if any, will be as favorable to the Debtors as the terms set forth in the RSA. The Debtors' U.S. operations face substantial risk without a lease extension beyond December 4, 2015.

C. Other Key Terms of the RSA

1. RSA Milestones

11. The RSA sets forth the following milestones, the failure of which may result in the termination of the RSA:

- October 9, 2015, if the Debtors have not filed the Plan and Disclosure Statement with the Bankruptcy Court;
- November 9, 2015, if the Bankruptcy Court has not entered (i) an order approving the Disclosure Statement and (ii) an order approving the RSA;
- November 20, 2015, if the Debtors have not commenced solicitation of the Disclosure Statement in respect of the Plan;

- December 18, 2015, if the Bankruptcy Court fails to enter an order confirming the Plan in a form and substance satisfactory to the Plan Support Parties; and
- December 31, 2015, if the effective date for the Plan has not occurred.

2. Debtors' Fiduciary Out

12. The RSA provides that the Debtors may terminate the RSA if their board of directors reasonably determines in good faith based upon the advice of outside counsel that continued performance under the RSA would be inconsistent with the exercise of its fiduciary duties under applicable law.

II. LEGAL BASIS FOR RELIEF REQUESTED

A. Entering Into the RSA Is an Exercise of the Debtors' Business Judgment Under Section 363 of the Bankruptcy Code

13. The Debtors should be permitted to enter into the RSA under sections 363(b) and 105(a) of the Bankruptcy Code. Courts in this and other districts have relied on both sections 105(a) and 363(b) when approving a restructuring support agreement, finding that such relief is entirely consistent with the applicable provisions of the Bankruptcy Code. *See, e.g.*, *In re Energy Future Holdings Corp.*, Case No. 14-10979 (CSS) (Bankr. D. Del. Sept. 18, 2015) (D.I. 6097) (order authorizing debtors to implement terms of a postpetition plan support agreement), *appeal filed, id.* [D.I. 6245]; *In re Exide Techs.*, Case No. 13-11482 (KJC) (Bankr. D. Del Feb. 4, 2015) (D.I. 3087) (same); *In re Nebraska Book Co., Inc.*, Case No. 11-12005 (PJW) (Bankr. D. Del Mar. 26, 2012) (D.I. 1039) (same); *In re Overseas Shipholding Grp., Inc.*, Case No. 12-20000 (PJW) (Bankr. D. Del. Apr. 7, 2014) (D.I. 2878) (same); *In re Visteon Corp.*, Case No. 09-11786 (CSS) (Bankr. D. Del. June 17, 2010) (D.I. 3427) (same); *see also In re Tronox Inc.*, Case No. 09-10156 (Bankr. S.D.N.Y. Dec. 23, 2009) (D.I. 1030) (same); *In re Bally Total Fitness of Greater New York*, Case No. 08-14818 (Bankr. S.D.N.Y. July 9, 2009) (D.I.

1231) (same); *In re Movie Gallery, Inc.*, Case No. 07-33849 (Bankr. E.D. Va. Feb. 6, 2008) (D.I. 1430) (same).

14. Section 363(b) of the Bankruptcy Code allows a debtor, "after notice and a hearing [to] use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). In the Third Circuit, courts have authorized a debtor's use of property of the estate outside the ordinary course of business when such use has a "sound business purpose" and is proposed in good faith. *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999); *In re Del. & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991); *see also In re Martin*, 91 F.3d 389, 395 (3d Cir. 1996). Courts authorize a debtor to use property of the estate outside the ordinary course of business if the debtor can show that: (i) a sound business reason or emergency justifies the proposed use; (ii) adequate and reasonable notice was provided to all interested parties; (iii) the proposed use was requested in good faith; and (iv) fair and reasonable consideration is provided in exchange for the use of estate assets. *See In re Exaeris, Inc.*, 380 B.R. 741, 744 (Bankr. D. Del. 2008); *In re Decora Indus., Inc.*, No. 00-4459, 2002 WL 32332749, at *7–8 (D. Del. May 20, 2002); *Hudson*, 124 B.R. at 176.

15. Once a debtor articulates a valid business justification under section 363, a presumption arises that the debtor's decision was made on an informed basis, in good faith, and in the honest belief the action was in the best interest of the company. *See In re Integrated Res., Inc*., 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)); *see also In re Bridgeport Holdings, Inc.*, 388 B.R. 548, 567 (Bankr. D. Del. 2008). Further, once "the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." *Comm. of Asbestos-Related Litigants v. Johns Manville Corp., (In re Johns-*

Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). The business judgment rule has vitality in chapter 11 cases and shields a debtor's management from judicial second-guessing. *See Integrated Res.*, 147 B.R. at 656; *Johns-Manville*, 60 B.R. at 615–16 ("[T]he Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a debtor's management decisions.").[5] Thus, if a debtor's actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1) of the Bankruptcy Code.

16. In addition to relying on section 363(b) to authorize debtors to enter into an RSA, courts also rely on their broad power under section 105(a) of the Bankruptcy Code, which permits a court to "issue any order. . . that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Entering into the RSA will facilitate the Debtors' efforts to confirm a chapter 11 plan and exit these cases, and is therefore "appropriate to carr[ying] out the provisions of" the Bankruptcy Code.

B. The RSA Provides the Debtors with a Viable Path to Plan Confirmation

17. Entering into the RSA is a sound exercise of the Debtors' business judgment and is justified under the circumstances. The benefits of the RSA are numerous. *First*, the RSA sets forth the principal terms and conditions for refinancing and repayment of the Debtors' current DIP facilities and prepetition secured debt. *Second*, the RSA contemplates a Plan that eliminates $250 million of unsecured bond debt (in exchange for junior membership interests in the reorganized company) and the infusion of $50 million of new capital on the effective date of the Plan, which will facilitate all plan recoveries, provide necessary working capital for the

[5] The business judgment rule is the appropriate test for entry into the RSA, and the Court need not apply the heightened "entire fairness" standard. *See, e.g.*, *In re Residential Capital, LLC*, Case No. 12-12020, 2013 WL 3286198, at *19 (Bankr. S.D.N.Y. June 27, 2013) (declining to apply "entire fairness" test because, among other things, plan support agreement involved non-insider parties and "numerous proposed compromises and settlements").

reorganized Debtors, and facilitate payment of administrative expenses as of the effective date of the Plan. *Third*, the RSA will allow the Debtors to continue U.S. operations in West Hartford through a long-term lease extension or by allowing the Debtors to purchase the West Hartford Facility outright. *Fourth*, entry into the RSA envisions benefits to the Debtors' other constituencies, such as the Debtors' employees and retirees, whose jobs will be preserved and whose benefits arrangements will be assumed under the Plan. *Fifth*, entry into the RSA gives the Debtors and their constituencies certainty instead of being forced to rely on risky, uncertain litigation strategies which, even if successful, could be pyrrhic victories.

18. In sum, entering into the RSA marks a crucial next step for the Debtors toward maximizing the value of these estates, emerging from chapter 11, and allowing the Debtors to move forward as a going concern in West Hartford. Accordingly, the Debtors submit that doing so is in keeping with the sound exercise of their business judgment and request that the Court enter the RSA Order.

C. The RSA Is Entirely Fair Under the Circumstances

19. Critically, the RSA reflects the agreement and participation of substantial independent creditors of the Debtors, including the Consenting Lenders, which the Court will recall were, during the early months of these proceedings, adamant adversaries of the Debtors and the Sciens Group. Notably, the terms of the Plan, as set forth in the Plan Term Sheet, provide a substantial majority of the equity of the Reorganized Debtors, and a substantial majority of the Reorganized Debtors' board seats, to non-Sciens parties. The heightened scrutiny of an insider transaction, therefore, is inapplicable under these circumstances. *See, e.g.*, *In re Residential Capital, LLC*, Case No. 12-12020, 2013 WL 3286198, at *19 (Bankr. S.D.N.Y. June 27, 2013) (declining to apply "entire fairness" test because plan support agreement

"involve[ed] numerous parties" and "numerous proposed compromises and settlements," among other things).

20. Even if the Court applies heightened scrutiny, however, the Debtors should be authorized to enter into the RSA with the Plan Support Parties because the transaction is entirely fair under the circumstances.

21. Under Delaware law, the entire fairness standard embodies two elements: fair dealing and fair price. *See Kahn v. Lynch Commc'ns Sys., Inc.*, 669 A.2d 79, 84 (Del. 1995) (citing *Weinberger v. UOP, Inc.*, 457 A.2d 701 (Del. 1983)). The inquiry, however, is a holistic one; thus, the absence of either fair price or fair dealing does not inevitably mean the transaction is entirely unfair. *Valeant Pharms. Int'l v. Jerney*, 921 A.2d 732, 748 (Del. Ch. 2007).

22. The fair price aspect of the entire fairness standard involves consideration of "all relevant factors 'relat[ing] to the economic or financial considerations of the proposed [transaction].'" *Solar Cells, Inc. v. True N. Partners, LLC*, No. Civ. A. 19477, 2002 WL 749163, at *5 (Del. Ch. Apr. 25, 2002) (quoting *Weinberger*, 457 A.2d at 711). In the context of interested transactions, entire fairness is recognized as being as close an approximation as can be judicially constructed to what arm's-length bargaining might produce. *See e.g.*, *Getty Oil Co. v. Skelly Oil Co.*, 267 A.2d 883, 886–87 (Del. 1970); *Valeant*, 921 A.2d at 748. While the Debtors' strongly believe that the consideration provided to their estates under the RSA is fair, this issue is more appropriately addressed at plan confirmation, rather than at this juncture. The element of fair dealing focuses on the procedural evenhandedness of a transaction, and "embraces questions of when the transaction was timed, how it was initiated, structured, negotiated, disclosed to the directors, and how the approvals of the directors and the stockholders were obtained." *Weinberger*, 457 A.2d at 711.

23. The RSA is the result of extensive arm's-length negotiations and the product of fair dealing in all respects. *First*, the RSA was extensively negotiated among, and is supported by, the Consenting Lenders, the Sciens Group, and NPA—parties that were adverse to each other at the outset of these cases—thereby establishing the entire fairness of the transaction (and rendering application of heightened scrutiny inappropriate). Although the Term Loan Lenders and DIP Term Loan Lenders are not party to the RSA, the Term Loan Exit Term Sheet and the treatment of Term Loan Claims and DIP Term Loan Claims under the Plan were separately negotiated among, and approved by, the Term Loan Lenders, DIP Term Loan Lenders, and Plan Support Parties. *Second*, the inclusion of the Sciens Group in the RSA does not negate the fact that the RSA presents the best restructuring option that the Debtors currently have, and one that is manifestly fair to the Debtors' stakeholders. Entry into the RSA is the first step toward allowing the Debtors to (i) raise $50 million of new capital, (ii) propose a plan supported by 100% of secured debt under the senior DIP facility and approximately 61.1% in principal amount of bondholder debt, and (iii) emerge from chapter 11 successfully and expeditiously with continued operation in West Hartford. Without the support of the Sciens Group, NPA, or the Consenting Lenders, the Debtors may face the potential for a costly, contentious, and prolonged stay in bankruptcy, which likely would raise uncertainty over the fate of the West Hartford Facility and produce lower recoveries and a range of other bad outcomes for the Debtors' stakeholders. *Third*, the RSA is supported by Independent Committee of the Governing Board of Colt Defense LLC. *Fourth*, the Debtors may terminate the RSA if their board of directors reasonably determines in good faith based upon the advice of outside counsel that continued performance under the RSA would be inconsistent with the exercise of its fiduciary duties under applicable law. *Fifth*, further underscoring the fairness of the process is the fact that

confirmation of the plan, and thus consummation of the transactions thereunder, will be subject to the vote of impaired creditors, whether party to the RSA or not.

24. Accordingly, the Debtors respectfully submit that entry into the RSA is entirely fair under the circumstances and that the Motion should be granted.

D. The RSA Complies With Section 1125 of the Bankruptcy Code

25. Entering into the RSA does not constitute a "solicitation" of the Plan Support Parties' votes in favor of the plan related thereto under section 1125 of the Bankruptcy Code. Section 1125(b) provides that "[a]n acceptance or rejection of a plan may not be solicited after the commencement of the case under this title . . . unless, at the time of or before such solicitation, there is transmitted . . . a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information." 11 U.S.C. § 1125(b). Courts considering both prepetition and postpetition restructuring support agreements have held that such agreements are not "solicitations" if they permit a party to the agreement to later vote to reject a plan if there are any material deviations from the representations made at the time of signing the plan support agreement. *See, e.g., In re Energy Future Holdings Corp.*, Case No. 14-10979 (CSS) (Bankr. D. Del. Sept. 17, 2015), Transcript of Hearing at 79:10–12 (concluding that entry into a postpetition restructuring support agreement is "more akin to a solicitation of future acceptances which the Third Circuit specifically allows as opposed to a solicitation of votes on the plan"), *appeal filed, id.* [D.I. 6245]; *In re Neb. Book Co.*, No. 11-12005 (Bankr. D. Del. Sep. 7, 2011) (D.I. 557) (approving a postpetition restructuring support agreement pursuant to which creditor agreed to vote in favor of plan provided there were no material modifications to the agreed upon plan); *In re Intermet Corp.*, Case No. 08-11859 (KG) (Bankr. D. Del. June 5, 2009) (D.I. 1066) (same); *In re Owens Corning*, Case No. 00-03837 (KG) (Bankr. D. Del. June 29, 2006) (D.I. 18208) (same); *In re Heritage Org., L.L.C.*, 376 B.R. 783, 789-95 (Bankr. N.D. Tex.

2007) (finding that an agreement to vote for a plan in a term sheet does not constitute a solicitation for an official vote); *In re Kellogg Square P'ship*, 160 B.R. 336 (Bankr. D. Minn. 1993) (holding that secured creditors' agreement to vote for plan prior to approval of disclosure statement did not violate statutory restrictions on solicitation); *Transworld Airlines, Inc. v. Texaco, Inc. (In re Texaco, Inc.)*, 81 B.R. 813 (Bankr. S.D.N.Y. 1988) (holding that parties' agreement to use best efforts to obtain confirmation of chapter 11 plan did not violate statutory restrictions on solicitation of votes for the plan).

26. Bankruptcy courts have roundly rejected a broad reading of "solicitation." *See Century Glove, Inc. v. First Am. Bank of New York*, 860 F.2d 94, 101 (3d Cir. 1988) ("'[S]olicitation' must be read narrowly."). Certain courts in this district, however, have declined to approve postpetition restructuring support agreements with specific enforcement provisions based on the rationale that these agreements improperly bind parties to a single reorganization structure in violation of section 1125(b) of the Bankruptcy Code. *See In re Stations Holdings Co. Inc.*, No. 02-10882(MFW), 2002 WL 31947022 (Bankr. D. Del. Sept. 30, 2002); *In re NII Holdings Inc.*, 288 B.R. 356 (Bankr. D. Del. 2002).

27. Later decisions in this district, however, have approved postpetition restructuring support agreements as compliant with section 1125 of the Bankruptcy Code. *See In re Indianapolis Downs, LLC*, 486 B.R. 286 (Bankr. D. Del. 2013) ("[A] narrow construction of 'solicitation' affords [the] parties the opportunity to memorialize their agreements in a way that allows a Chapter 11 case to move forward."); *In re Neb. Book Co.*, No. 11-12005 (PJW) (Bankr. D. Del. Sep. 7, 2011) (D.I. 557) (approving postpetition plan support agreement). Moreover, and as the *Indianapolis Downs* court noted, the *Stations* and *NII Holdings* decisions were "two-page

orders [that did] not contain any legal analysis and, consistent with this Court's practice, are of only the most limited (if any) precedential value." *See Indianapolis Downs*, 486 B.R. at 295.

28. Accordingly, the Debtors' and the other Plan Support Parties' negotiation and execution of the RSA do not constitute improper solicitation under section 1125(b) of the Bankruptcy Code, and the Debtors submit that they should be permitted to enter into the RSA.

E. Waiver of the Stay Under Bankruptcy Rule 6004(h)

29. The urgency of the relief requested justifies immediate relief. To ensure the relief requested is implemented immediately, the Debtors request that the Court waive the 14-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

NOTICE

30. The Debtors will provide notice of this motion on the date hereof via U.S. first class mail to: (i) the U.S. Trustee; (ii) counsel to the Creditors' Committee; (iii) counsel to the Prepetition Senior Loan Agent; (iv) counsel to the Term Loan Agent; (v) counsel to the Senior Notes Indenture Trustee; (vi) the DIP Term Loan Lender and Prepetition Term Loan Lender; (vii) counsel to the DIP Term Loan Lender and Prepetition Term Loan Lender; (viii) the DIP Senior Loan Lenders and Prepetition Senior Loan Lenders; (ix) counsel to the DIP Senior Loan Lenders and Prepetition Senior Loan Lenders; (x) the Internal Revenue Service and Canada Revenue Agency; (xi) the Securities and Exchange Commission; (xii) the Pension Benefit Guaranty Corporation; (xiii) any local, state, provincial, or federal agencies that regulate the Debtors' businesses; and (xiv) any party that has requested notice pursuant to Bankruptcy Rule 2002(i). A copy of the motion is also available on the Debtors' case website at http://www.kccllc.net/coltdefense.

31. The Debtors submit that no other or further notice is necessary under the circumstances.

NO PRIOR MOTION

32. The Debtors have not made any prior motion for the relief sought in this motion to this Court or any other.

[Remainder of page intentionally left blank.]

The Debtors respectfully request entry of an order granting the relief requested in its entirety and any other relief as is just and proper.

Dated: October 9, 2015
Wilmington, Delaware

/s/ Joseph C. Barsalona II

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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
	:	**Hearing Date: November 6, 2015 at 10:00 a.m. (EST)** **Objection Deadline: October 30, 2015 at 4:00 p.m. (EDT)**

NOTICE OF "DEBTORS' MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER THE RESTRUCTURING SUPPORT AGREEMENT" AND HEARING THEREON

PLEASE TAKE NOTICE that, on October 9, 2015, Colt Holding Company LLC and its affiliated debtors and debtors in possession (collectively, the "Debtors"), filed the **Debtors' Motion for Entry of an Order Authorizing the Debtors to Enter into and Perform Under the Restructuring Support Agreement** (the "Motion") with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Motion must be in writing, filed with the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served upon and received by the undersigned co-counsel for the Debtors on or before **October 30, 2015 at 4:00 p.m. (Eastern Daylight Time).**

[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 if an objection is timely filed, served and received and such objection is not otherwise timely resolved, a hearing to consider such objection and the Motion will be held before The Honorable Laurie Selber Silverstein at the Bankruptcy Court, 824 North Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801 on **November 6, 2015 at 10:00 a.m. (Eastern Standard Time).**

IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

[*Remainder of page intentionally left blank.*]

Dated: October 9, 2015
Wilmington, Delaware

/s/ Joseph C. Barsalona II

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EXHIBIT A

Proposed RSA Order

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
	:	**Re: Docket No. __**

ORDER AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER THE RESTRUCTURING SUPPORT AGREEMENT

Upon the motion (the "**Motion**")[2] of the Debtors for entry of an order (this "**Order**") approving and authorizing the Debtors to enter into and perform under the Restructuring Support Agreement, attached hereto as Exhibit 1, with the other parties thereto (the "**RSA Parties**"), all as more fully set forth in the Motion; and due and sufficient notice of the Motion having been provided under the particular circumstances; and it appearing that no other or further notice need be provided; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and that this Court may enter a final order consistent with Article III of the United States Constitution; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and a hearing

[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.

[2] Capitalized terms used but not defined in this Order have the meanings used in the Motion.

having been scheduled and, to the extent necessary, held to consider the relief requested in the Motion (the "**Hearing**"); and upon the record of the Hearing (if any was held), and all of the proceedings before the Court; and the Court having found and determined that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors, and any parties in interest; and that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and after due deliberation thereon and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.

2. Any objections to the RSA Motion not previously withdrawn, waived or settled, and all reservations of rights included therein, are hereby overruled with prejudice.

3. The RSA shall be binding and enforceable against the Debtors, the Consenting Lenders, the Sciens Group, and NPA in accordance with its terms.

4. The failure to describe specifically or include any particular provision of the RSA or related documents in the Motion or this Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the RSA be enforceable by the Plan Support Parties in its entirety.

5. The RSA and any related agreements, documents, or other instruments may be modified, amended, or supplemented by the Plan Support Parties, solely in accordance with the terms thereof, without further order of the Court; provided, however, that (i) any material amendment to the RSA or the documents that are the subject of this Order shall not occur without the Court's approval; and (ii) the Debtors shall file a notice listing any non-material amendments to the RSA and such documents.

6. The Plan Support Parties are granted all rights and remedies provided to them under the RSA, including, without limitation, the right to specifically enforce the RSA in accordance with its terms.

7. Nothing herein shall act as an approval of the Disclosure Statement or Plan, or a finding of fact or conclusion of law in connection therewith.

8. Notwithstanding the applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

9. The Debtors are authorized and empowered to take all actions necessary or appropriate to implement the relief granted in this Order.

10. This Court shall retain jurisdiction over all matters arising from or related to the implementation or interpretation of this Order.

Dated: _____, 2015
Wilmington, Delaware

_____
THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Restructuring Support Agreement

EXECUTION VERSION

RESTRUCTURING SUPPORT AGREEMENT

This Restructuring Support Agreement (as amended, modified or supplemented from time to time, and including the exhibits and schedules hereto, this "**Agreement**"), dated as of October 9, 2015, is entered into by and among (a) Colt Holding Company LLC, a company organized under the laws of the State of Delaware ("**Colt**" or "**Colt Parties**") and its direct and indirect subsidiaries and affiliates signatory hereto (collectively, and together with Colt, the "**Company**"); (b) the undersigned lenders (solely in such capacity, the "**Consenting DIP Senior Lenders**") under that certain First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (as amended from time to time, the "**DIP Senior Loan**"), among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, the lenders party thereto, and Cortland Capital Market Services LLC, as agent; (c) the undersigned holders (solely in such capacity, the "**Consenting 8.75% Noteholders**" and together with the Consenting DIP Senior Lenders, and the "**Consenting Lenders**") of outstanding notes issued pursuant to that certain Indenture (the "**8.75% Indenture**"), dated November 10, 2009, for the issuance of 8.75% Senior Notes due 2017 among Colt Defense LLC, Colt Finance Corp., certain subsidiary guarantors, and Wilmington Trust FSB, as indenture trustee (the "**8.75 Notes**"; all holders of such 8.75% Notes, the "**8.75% Noteholders**"); and (d) Sciens Management LLC and each of its affiliates (to the extent that Sciens Management LLC or an investment advisor under common control with Sciens Management LLC retains voting control over such affiliate) (collectively, the "**Sciens Group**"), and (e) NPA Hartford LLC ("**NPA Hartford**"), solely in its capacity as landlord under that certain Net Lease, dated as of October 26, 2005 (as amended, the "**West Hartford Facility Lease**"), by and between Colt Defense LLC, as tenant, and NPA Hartford, as landlord, is a party to this Agreement. The Company, each of the Consenting Lenders, Sciens Group, and each person that becomes party hereto (except for NPA Hartford) in accordance with the terms hereof are collectively referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREAS, the Company previously filed voluntary cases (the "**Chapter 11 Cases**") under chapter 11 of the Bankruptcy Code (defined below) in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**");

WHEREAS, prior to the date hereof, in an effort to achieve a consensual resolution to the Chapter 11 Cases, the Parties have discussed a financial restructuring to be consummated through a plan of reorganization (the "**Restructuring**") of, among other things, the Company's outstanding indebtedness under the DIP Senior Loan, and the 8.75% Notes as set forth in the term sheet attached as **Exhibit A** (including all schedules and exhibits thereto, the "**Restructuring Term Sheet**");

WHEREAS, as set forth in the Restructuring Term Sheet, and subject to the terms and conditions contained herein, the Parties have agreed that the Restructuring will be effectuated through a chapter 11 plan of reorganization which shall include the terms described in the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Company, the Requisite Consenting Lenders (as defined below), the Sciens Group, and NPA Hartford (the "**Plan**"); and

WHEREAS, this Agreement and the Restructuring Term Sheet, which is incorporated herein by reference and is made part of this Agreement, set forth the agreement among the Parties concerning their commitment, subject to the terms and conditions hereof and thereof, to pursue, support, and implement the Restructuring.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Party, intending to be legally bound hereby agrees as follows:

1. DEFINITIONS.

The following terms used in this Agreement shall have the following definitions:

"**8.75% Indenture**" has the meaning set forth in the preamble hereof.

"**8.75% Noteholder Claims**" means the claims arising under the 8.75% Notes.

"**8.75% Noteholders**" has the meaning set forth in the preamble hereof.

"**8.75% Notes**" has the meaning set forth in the preamble hereof.

"**Agreement**" has the meaning set forth in the preamble hereof.

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

"**Bankruptcy Court**" has the meaning set forth in the recitals hereof.

"**Breaching Party**" has the meaning set forth in **Section 6** hereof.

"**Chapter 11 Cases**" has the meaning set forth in the recitals hereof.

"**Colt**" or "**Colt Parties**" has the meaning set forth in the preamble hereof.

"**Company**" has the meaning set forth in the preamble hereof.

"**Confirmation Order**" means an order entered by the Bankruptcy Court, confirming the Plan, including all exhibits, appendices, supplements, and related documents, which shall be consistent in all material respects with this Agreement and the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Parties.

"**Consenting 8.75% Noteholders**" has the meaning set forth in the preamble hereof.

"**Consenting Lenders**" has the meaning set forth in the preamble hereof.

"**Consenting DIP Senior Lenders**" has the meaning set forth in the preamble hereof.

"**Definitive Documents**" means the Plan, the Disclosure Statement, and any and all other documents (including any related agreements, instruments, schedules or exhibits) that are contemplated by the Restructuring Term Sheet or that are otherwise necessary or desirable to implement, or otherwise relate to, the Restructuring or the Restructuring Term Sheet, including but not limited to this Agreement and all exhibits, schedules, and other documents relating to this Agreement, the Plan, and the Disclosure Statement, together with any amendments or supplements to any of the foregoing, all of which shall be consistent in all material respects with this Agreement (including, but not limited to, Section 25 thereof) and the Term Sheet and in form and substance satisfactory to the Parties;

"**DIP Senior Lender Claims**" means the claims arising under the DIP Senior Loan.

"**DIP Senior Loan**" means the undersigned lenders under that certain First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (as amended from time to time.

"**Disclosure Statement**" means a disclosure statement in respect of the Plan that complies with section 1125 of the Bankruptcy Code and that is consistent in all material respects with the terms of this Agreement and the Restructuring Term Sheet.

"**Effective Date**" shall mean the date on which the Plan becomes effective.

"**NPA Hartford**" has the meaning set forth in the preamble hereof.

"**Parties**" has the meaning set forth in the preamble hereof.

"**Petition Date**" means the date on which the Company commenced the Chapter 11 Cases.

"**Plan**" has the meaning set forth in the recitals hereof.

"**Plan Documents**" means the Plan and Disclosure Statement and all exhibits, schedules, and other documents ancillary thereto, all of which shall be consistent in all material respects with this Agreement and the Restructuring Term Sheet and shall otherwise be reasonably acceptable in form and substance to the Parties and NPA Hartford.

"**Qualified Marketmaker**" means an entity that (x) holds itself out to the market as standing ready in the ordinary course of its business to purchase from customers and sell to customers claims against the Colt Parties (including debt securities or other debt) or enter with customers into long and short positions in claims against the Colt Parties (including debt securities or other debt), in its capacity as a dealer or market maker in such claims against the Colt Parties, and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

"**Requisite Consenting 8.75% Noteholders**" means Consenting 8.75% Noteholders holding at least 50.1% of the aggregate outstanding principal amount of 8.75% Noteholder Claims held by the Consenting 8.75% Noteholders, calculated as of such date the Consenting 8.75% Noteholders make a determination in accordance with this Agreement.

"**Requisite Consenting Lenders**" means the Requisite Consenting DIP Senior Lenders, and the Requisite Consenting 8.75% Noteholders, as the case may be.

"**Requisite Consenting DIP Senior Lenders**" means Consenting DIP Senior Lenders holding at least 50.1% of the aggregate outstanding principal amount of DIP Senior Lender Claims held by the Consenting DIP Senior Lenders, calculated as of such date the Consenting DIP Senior Lenders make a determination in accordance with this Agreement.

"**Restructuring**" has the meaning set forth in the recitals hereof.

"**Restructuring Term Sheet**" has the meaning set forth in the recitals hereof.

"**Sciens Group**" has the meaning set forth in the preamble hereof.

"**Solicitation**" means the solicitation of votes for the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.

"**Solicitation Materials**" means the Plan Documents and any other materials related to the Solicitation.

"**Termination Event**" has the meaning set forth in **Section 6** hereof.

"Transfer" means the transfer, loan, issue, pledge, hypothecate, assign, or otherwise dispose of (each a "Transfer"), directly or indirectly, in whole or in part, any claim against or interest in Colt Party in respect of the DIP Senior Loan, or the 8.75% Notes.

"**West Hartford Facility Lease**" has the meaning set forth in the preamble hereof.

2. RESTRUCTURING TERM SHEET.

The Restructuring Term Sheet and all exhibits thereto are expressly incorporated herein and made a part of this Agreement. The general terms and conditions of the Restructuring are set forth in the Restructuring Term Sheet; provided that the Restructuring Term Sheet is supplemented by the terms and conditions of this Agreement.

3. COMMITMENT OF CONSENTING LENDERS.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, each Consenting Lender agrees that it shall:

(a) vote (or cause the beneficial holder of such claim to vote) all DIP Senior Lender Claims, and 8.75% Noteholder Claims, as applicable, now or hereafter beneficially owned by such Consenting Lender or for which it now or hereafter serves as the nominee, investment manager, or advisor for beneficial holders thereof, in favor of the Plan in accordance with the applicable procedures set forth in the Solicitation Materials, and timely return a duly executed ballot in connection therewith within five (5) calendar days of its receipt of the Solicitation Materials; and

(b) support the Plan and not (i) withdraw or revoke its vote with respect to the Plan, except as otherwise expressly permitted pursuant to this Agreement (including upon the occurrence of the Termination Event,) (ii) object to the Plan or the Disclosure Statement, so long as each of the foregoing is consistent in all material respect with the Restructuring Term Sheet and this Agreement and not inconsistent with the terms therein and (iii) so long as this Agreement has not been terminated in accordance with its terms, support any alternative plan or §363 sale transaction which the other Parties do not support.

4. COMMITMENT OF THE COMPANY.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, and subject to the Company's fiduciary duties, including the Company's fiduciary duties as debtors in possession or under other applicable law, the Company shall take all necessary and appropriate actions in furtherance of the Restructuring and all other actions contemplated under this Agreement, the Restructuring Term Sheet, and the Plan Documents.

(a) Approval of Agreement. On or before October 9, 2015, the Colt Parties shall file a motion with the Bankruptcy Court seeking approval of this Agreement.

(b) Filing of the Plan. On or before October 9, 2015, the Colt Parties shall file the Plan with the Bankruptcy Court and the related Disclosure Statement.

(c) Confirmation of the Plan. Each Colt Party agrees to (i) act in good faith and use commercially reasonable efforts to support and complete successfully the Solicitations in accordance with the terms of this Agreement and (ii) do all things reasonably necessary and appropriate in furtherance of confirming the Plan and consummating the Restructuring in accordance with, and within the timeframes contemplated by, this Agreement (including within the deadlines set forth herein), in each case to the extent consistent with, upon the advice of counsel, the fiduciary duties of the boards of directors, managers, members or partners, as applicable, of each Colt Party; provided that no Colt Party shall be obligated to agree to any modification of any document that is inconsistent with the Plan. In furtherance of the foregoing, each Colt Party shall use its best efforts to distribute the Disclosure Statement and commence the Solicitation and prosecute and obtain confirmation of the Plan in accordance with the Bankruptcy Code and on terms consistent with this Agreement (including within the deadlines set forth in Section 7 hereof). Each Colt Party agrees that it shall neither take, nor cause or encourage any other person or entity (including, but not limited to, any non-debtor direct or indirect subsidiary or other affiliate) to take any action that would, or would reasonably be expected to, breach or be inconsistent with this Agreement or the Plan or Disclosure Statement or delay, impede, appeal against, or take any other negative action, directly or indirectly, to interfere with the acceptance of, or implementation of the transactions contemplated under the Plan or Disclosure Statement, including, but not limited to, support any alternative plan or §363 sale which the other Parties do not support.

(d) Amendments and Modifications of the Plan. The Plan may be amended from time to time following the date hereof by written approval of the applicable Colt Party and the Requisite Consenting Lenders, Sciens Group or NPA Hartford which are materially adversely affected by such amendment. Each of the Parties agrees to negotiate in good faith all

amendments and modifications to the Plan as reasonably necessary and appropriate to obtain Bankruptcy Court confirmation of the Plan pursuant to a final order of the Bankruptcy Court; provided that the Parties shall have no obligation to agree to any modification that (i) is inconsistent with the Colt Plan or the Restructuring Term Sheet, (ii) creates any material new obligation on any Party, or (iii) changes or otherwise materially adversely affects the economic treatment of such Party whether such change is made directly to the treatment of such Party or to the treatment of another Party or otherwise. Notwithstanding the foregoing, the Colt Parties may amend, modify, or supplement the Colt Plan, from time to time, (x) without the consent of any other Party, in order to cure any ambiguity, defect (including any technical defect) or inconsistency, provided that any such amendment, modification, or supplement does not adversely affect the rights, interests or treatment of any such Party under the Plan or (y) to the extent permitted under Section 25.

5. COMMITMENT OF THE SCIENS GROUP.

Subject to the terms and conditions of this Agreement, and so long as this Agreement has not been terminated, the Sciens Group agrees that it shall support the Plan (including, subject to the limitations set forth in the Restructuring Term Sheet and mutually agreeable documentation relating thereto, the Sciens Group's commitment to provide new funding as described in the Restructuring Term Sheet) and not object to the Plan or the Disclosure Statement or support any alternative plan or §363 sale which the other Parties do not support.

6. COMMITMENT OF NPA HARTFORD.

Subject to the terms and conditions of this Agreement, so long as this Agreement has not been terminated, and as set forth in and subject to the terms and conditions of the Restructuring Term Sheet, NPA Hartford agrees to (i) enter into the lease or purchase transaction with respect to the West Hartford Facility Lease as described in Exhibit B to the Restructuring Term Sheet (including the exhibits thereto); (ii) not object to the Plan or the Disclosure Statement, so long as each of the Plan and Disclosure Statement and other applicable Definitive Documents is consistent with the terms and conditions set forth in the Restructuring Term Sheet (including with respect to the restructuring of the Company's capital structure as set forth in the Restructuring Term Sheet and Exhibit B to such Restructuring Term Sheet); and (iii) not support any alternative plan or §363 sale which the other Parties do not support.

7. TERMINATION OF OBLIGATIONS.

This Agreement shall automatically terminate one (1) business day following the delivery of written notice from any of the Consenting Lenders, NPA Hartford or the Sciens Group to the other Parties as applicable at any time after and during the continuance of a Non-Debtor Termination Event. In addition, this Agreement shall automatically terminate one (1) business day following delivery of notice from the Colt Parties to all Consenting Lenders, NPA Hartford and the Sciens Group at any time after the occurrence and during the continuance of a Company Termination Event. This Agreement shall terminate automatically without any further required action or notice that the Effective Date of the Plan occurs.

(a) A "Non-Debtor Termination Event" shall mean any of the following:

(i) The breach in any material respect by any Colt Party of any undertaking, representation, warranty, or covenant of the Colt Parties set forth herein that remains uncured for a period of five (5) business days after the receipt of written notice of such breach from the other affected Party;

(ii) The breach in any material respect by any Party (other than a Colt Party) of any undertaking, representation, warranty, or covenant of such Party set forth herein that remains uncured for a period of five (5) business days after the receipt of written notice of such breach from another affected Party (other than a Colt Party). (For the avoidance of doubt, a breach by a Party shall not entitle breaching Party itself to declare a Non-Debtor Termination Event to have occurred).

(iii) October 9, 2015, if the Debtors have not filed the Plan and Disclosure Statement with the Bankruptcy Court;

(iv) November 9, 2015, if the Bankruptcy Court has not entered an order approving the Colt Disclosure Statement;

(v) November 20, 2015, if the Debtors have not commenced solicitation of the Disclosure Statement in respect of the Plan;

(vi) On any date that the Colt Parties withdraw or cease prosecuting the Plan or Disclosure Statement or file any motion or application with the Bankruptcy Court that is not consistent with this Agreement and the Term Sheet;

(vii) December 18, 2015, if the Bankruptcy Court fails to enter an order confirming the Plan in form and substance reasonably satisfactory to the Requisite Lenders, the Consenting 8.75% Noteholders, the Sciens Group and NPA Hartford;

(viii) December 31, 2015 (the "Outside Date"), if the Effective Date for the Plan has not occurred;

(ix) November 9, 2015, if an order (the "Approval Order") has not been entered by the Bankruptcy Court approving this Agreement;

(x) The Bankruptcy Court grants relief that is inconsistent with this Agreement or the Restructuring Term Sheet in any materially adverse respect;

(xi) Any Colt Party files, propounds, or otherwise supports any plan of reorganization or liquidation, other than the Plan, or ceases to prosecute the Plan, or withdraws from this Agreement or enters into an alternative restructuring support agreement;

(xii) Any Colt Party makes any change or amendment to the Plan or Disclosure Statement or takes any other action that, individually or in the aggregate (together with all other such changes, amendments, actions and agreements), will, if and when the Plan was to be consummated, materially adversely affect the treatment of, the value of property distributed under or estimated recoveries by any of the Consenting Lenders, the

Consenting 8.75% Noteholders, NPA Hartford or the Sciens Group; or

(xiii) The occurrence of an Other Termination Event (defined below).

Notwithstanding the foregoing, any of the dates set forth in this Section 7(a) may be extended by agreement amongst the Colt Parties, the Requisite Consenting Lenders, NPA Hartford and the Sciens Group.

(b) A "Company Termination Event" shall mean any of the following:

(i) The breach in any material respect by any of the Consenting Lenders, NPA Hartford or the Sciens Group of any of their respective undertakings, representations, warranties or covenants set forth herein in any material respect which remains uncured for a period of five (5) business days after the receipt of written notice of such breach.

(ii) The board of directors of any of the Colt Parties reasonably determines in good faith based upon the advice of outside counsel that continued performance under this Agreement would be inconsistent with the exercise of its fiduciary duties under applicable law; or

(iii) The occurrence of the Outside Date or an Other Termination Event.

(c) An "Other Termination Event" shall mean the following:

(i) The issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling, judgment or order enjoining the consummation of or rendering illegal this Agreement, the Restructuring or the Plan, which ruling, judgment or order has not been not stayed, reversed or vacated within twenty (20) business days after such issuance;

(ii) On the date that the chapter 11 case for any of the Colt Parties shall have been converted to a case under chapter 7 of the Bankruptcy Code, or such cases shall have been dismissed by order of the Bankruptcy Court); or

(iii) On the date that an order is entered by the Bankruptcy Court or a Court of competent jurisdiction denying confirmation of the Plan for any of the Colt Parties or refusing to approve the Disclosure Statement, provided, that neither the Colt Parties nor any of the Consenting Lenders, NPA Hartford or the Sciens Group shall have the right to terminate this Agreement pursuant to this clause (iii) if the Bankruptcy Court declines to approve the Disclosure Statement or denies confirmation of the Plan subject only to modifications to the Plan or Disclosure Statement that would not allow the affected Party or Parties to terminate this Agreement or otherwise have a material adverse effect on the recovery or treatment that such affected Party would receive as compared to the recovery they would have otherwise received pursuant to the Restructuring Term Sheet attached hereto as of the date hereof.

(d) Mutual Termination. This Agreement may be terminated by written agreement of

all of the Parties.

(e) Effect of Termination. Upon the termination of this Agreement in accordance with this Section 7, this Agreement shall become void and of no further force or effect except as provided in Section 20 hereof.

(f) Automatic Stay. The Colt Parties acknowledge that after the commencement of the Colt Cases, the giving of notice of termination by any Party pursuant to this Agreement shall not be a violation of the automatic stay of section 362 of the Bankruptcy Code; provided that nothing herein shall prejudice any Party's rights to argue that the giving of notice of termination was not proper under the terms of this Agreement.

Notwithstanding the foregoing, in no event shall any such termination relieve a Party hereto from (i) liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and (ii) obligations under this Agreement that by their terms expressly survive any such termination; and provided, further that, notwithstanding anything to the contrary herein, the Termination Event may be waived in accordance with the procedures established by **Section 25** hereof, in which case the Termination Event shall be deemed not to have occurred, this Agreement shall be deemed to continue in full force and effect, and the rights and obligations of the Parties hereto shall be restored, subject to any modification set forth in such waiver. Upon the termination of this Agreement, any and all votes delivered prior to such termination shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the Company. If this Agreement has been terminated at a time when permission of the Bankruptcy Court shall be required for a Party to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Company shall not oppose any attempt by such Party to change or withdraw (or cause to change or withdraw) such vote at such time.

8. TRANSFER OF LENDER CLAIMS.

(a) Notwithstanding anything to the contrary herein, each Consenting Lender (on a several and not a joint basis) agrees that, for so long as this Agreement has not been terminated in accordance with its terms, it shall not sell, assign, transfer, convey, or otherwise dispose of, directly or indirectly, any or all of its DIP Senior Lender Claims, or 8.75% Noteholder Claims as the case may be (or any right related thereto, including, without limitation, any voting rights, if any, associated with such DIP Senior Lender Claims, or 8.75% Noteholder Claims), unless (a) the transferee, participant, or other party (i) is already a Party to this Agreement or an affiliate of a Party to this Agreement, which affiliate shall be deemed bound by this Agreement or (ii) agrees in writing to be subject to the terms and conditions of this Agreement as a "Consenting Lender", in which case such transferee shall be deemed to be a Consenting DIP Senior Lender, or Consenting 8.75% Noteholder, as applicable, for all purposes herein and (b) the transferor complies with any applicable transfer restrictions and/or conditions to transfer set forth in this **Section 8**. Any transfer of DIP Senior Lender Claims, or 8.75% Noteholder Claims to a transferee, participant, or other party that is not in accordance with this **Section 8** shall be deemed void *ab initio*. This Agreement shall in no way be construed to preclude any Consenting Lender from acquiring additional DIP Senior Lender Claims, or 8.75% Noteholder Claims; provided, however, that any such additional holdings shall automatically be deemed to be subject

to all of the terms of this Agreement and each such Consenting Lender agrees that such additional DIP Senior Lender Claims, and/or 8.75% Noteholder Claims shall be subject to this Agreement and that it shall vote (or cause to be voted) any such additional DIP Senior Lender Claims, and/or 8.75% Noteholder Claims entitled to vote on the Plan (in each case, to the extent still held by it or on its behalf at the time of such vote) in a manner consistent with this **Section 8**. Each Consenting Lender agrees to provide to counsel for the Company and the other Parties hereto with a notice of the acquisition or disposition of any additional DIP Senior Lender Claims, Term Loan Lender Claims or 8.75% Noteholder Claims, as the case may be, in each case within reasonable time after the consummation of the transaction disposing of, or acquiring, such DIP Senior Lender Claims, or 8.75% Noteholder Claims.

(b) Additional Proviso, notwithstanding the foregoing: (A) a Consenting Lender or a Consenting 8.75% Noteholder may Transfer its Loan Claims or 8.75% Note Claims to an entity that is acting in its capacity as a Qualified Marketmaker without the requirement that the Qualified Marketmaker become a Party; provided that (1) such Qualified Marketmaker must Transfer such right, title or interest within five (5) business days following its receipt thereof, (2) any subsequent Transfer by such Qualified Marketmaker of the right, title or interest in such Loan Claims is to a transferee that is or becomes a Consenting Lender at the time of such Transfer and (3) the transferring Consenting Lender or Consenting 8.75% Noteholder Lenders shall be solely responsible for the Qualified Marketmaker's failure to comply with the requirements of this Section; (B) to the extent that a Consenting Lender is acting in its capacity as a Qualified Marketmaker, it may Transfer any right, title or interest in such Loan Claims that the Qualified Marketmaker acquires from a holder of the Loan Claims who is not a Consenting Lender without the requirement that the transferee be or become a Consenting Lender or Consenting 8.75% Noteholder; or (C) this Section 8 shall not apply to the grant of any liens or encumbrances in favor of a bank or broker-dealer holding custody of securities in the ordinary course of business and which lien or encumbrance is released upon the Transfer of such securities

9. GOOD FAITH COOPERATION.

Each Party shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable) in respect of all matters concerning the pursuit, approval, implementation and consummation of the Restructuring. Furthermore, each Party shall take such action (including negotiating, drafting, executing and delivering any Definitive Documents and any other agreements and making and filing any required regulatory filings) as may be reasonably necessary to carry out the purposes and intent of this Agreement, the Restructuring Term Sheet, and the Restructuring. Furthermore, subject to the terms hereof, each Party shall take such action as may be reasonably necessary or reasonably requested by the other Parties to carry out the purposes and intent of this Agreement, and shall refrain from taking any action that would frustrate the purposes or intent of this Agreement.

10. REPRESENTATIONS.

(a) Each Party represents to each other Party, severally on behalf of itself and not on behalf of any Other Party, that the following statements are true, correct and complete as of the date of this Agreement:

(i) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, and has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution, delivery and performance of this Agreement by such Party does not and shall not (A) violate any provision of law, rule, or regulation applicable to it or any of its subsidiaries or its organizational documents or those of any of its subsidiaries or (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it or any of its subsidiaries is a party or under its organizational documents;

(iii) the execution, delivery, and performance by it of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state, or other governmental authority or regulatory body, except such filing as may be necessary and/or required for disclosure by the Securities and Exchange Commission or pursuant to state securities or "blue sky" laws, and approval by the Bankruptcy Court of the Company's authority to enter into and implement this Agreement; and

(iv) subject to the approval by the Bankruptcy Court of the Company's authority to enter into and implement this Agreement and the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws, both foreign and domestic, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(b) Each Consenting Lender further represents and warrants (severally and not jointly) that the following statements are true, correct, and complete as of the date of this Agreement:

(i) it is the beneficial owner of the principal amount of DIP Senior Lender Claims, and/or 8.75% Noteholder Claims, as applicable, or is the nominee, investment manager, or advisor for beneficial holders of such DIP Senior Lender Claims, or 8.75% Noteholder Claims, as the case may be, as indicated on its signature page hereto;

(ii) each nominee, investment manager, or advisor acting on behalf of a beneficial holder of a DIP Senior Lender Claim, or 8.75% Noteholder Claim represents and warrants to the other Consenting Lenders and to the Company that it has the legal authority to so act and to bind the applicable beneficial holder; and

(iii) other than pursuant to this Agreement, such DIP Senior Lender Claims, and 8.75% Noteholder Claims are free and clear of any equity, option, proxy, voting restriction, right of first refusal, or other limitation on disposition of any kind, that might materially adversely affect in any way the performance by such Consenting Lender of its obligations contained in this Agreement at the time such obligations are required to be performed.

11. REMEDIES.

All remedies that are available at law or in equity, including specific performance and injunctive or other equitable relief, to any Party for a breach of this Agreement by another Party shall be available to the non-breaching Party; provided, however, that it is understood and agreed by the Parties that money damages shall be an insufficient remedy for any breach of this Agreement by a Party, and each non-breaching Party may seek specific performance as against any breaching Party; provided further that, in connection with any remedy asserted in connection with this Agreement, each Party agrees to waive any requirement for the securing or posting of a bond in connection with any remedy. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party or any other Party.

12. CONFLICTS BETWEEN THIS AGREEMENT AND THE RESTRUCTURING TERM SHEET AND RELATED TRANSACTION DOCUMENTS AND BETWEEN THE PLAN AND THIS AGREEMENT.

In the event the terms and conditions as set forth in the Restructuring Term Sheet and this Agreement are inconsistent, the terms and conditions contained in the Restructuring Term Sheet (and the transaction related documents) shall govern. In the event of any conflict among the terms and provisions of the Plan, this Agreement, or the Restructuring Term Sheet, the terms and provisions of the Plan shall control. In the event of any conflict among the terms and provisions of the Confirmation Order, the Plan, this Agreement, or the Restructuring Term Sheet, the terms of the Confirmation Order shall control. Notwithstanding the foregoing, nothing contained in this **Section 12** shall affect, in any way, the requirements set forth herein for the amendment of this Agreement.

13. GOVERNING LAW.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflict of laws that would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement may be brought only in the Bankruptcy Court. By execution and delivery of this Agreement, each of the Parties hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit, or proceeding. EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO ABOVE.

14. EFFECTIVE DATE OF THIS AGREEMENT.

This Agreement shall become effective, and each Party shall be bound to the terms of this Agreement, as of the date the Company, the Consenting DIP Senior Lenders, the Sciens Group, and NPA Hartford have executed and delivered a signature page to this Agreement. This Agreement shall not be binding on or enforceable against any Party, and no Party shall have any rights or obligations under this Agreement, until this Agreement has become effective in accordance with this **Section 14**.

15. NOTICES.

All demands, notices, requests, consents, and other communications under this Agreement must be in writing, sent contemporaneously to all of the Parties, and will be deemed given when delivered if delivered personally, by email, by courier, by facsimile transmission, or mailed (first class postage prepaid) to the Parties at the following addresses, emails, or facsimile numbers:

If to the Company:

Colt Holding Company LLC
547 New Park Avenue
West Hartford, Connecticut 06110
Telephone: (860) 236-6311 x1325
Facsimile: (860) 244-1335
Attention: John H. Coghlin, General Counsel (jcoghlin@colt.com)

with a copy to (which shall not constitute notice):

O'Melveny & Myers LLP
7 Times Square
New York, New York 10036
Telephone: (212) 326-2000
Facsimile: (213) 326-2061
Attention: John J. Rapisardi (jrapisardi@omm.com)
Joseph Zujkowski (jzujkowski@omm.com)

If to the Consenting DIP Senior Lenders:

To each Consenting DIP Senior Lender at the address identified in such Consenting Senior Lender's signature page

with a copy to (which shall not constitute notice):

Brown Rudnick LLP
7 Times Square
New York, New York 10036
Telephone: (212) 209-4862
Facsimile: (212) 209-4801
Attention: Robert J. Stark (rstark@brownrudnick.com)

with a copy to:

Brown Rudnick LLP
One Financial Center
Boston, MA 02111
Telephone: (617) 856-8587
Facsimile: (617) 856-8201
Attention: Steven B. Levine (slevine@brownrudnick.com)

If to the Consenting 8.75% Noteholders:

To each Consenting 8.75% Noteholder at the address identified in such Consenting 8.75% Noteholder's signature page

with a copy to (which shall not constitute notice):

Brown Rudnick LLP
7 Times Square
New York, New York 10036
Telephone: (212) 209-4862
Facsimile: (212) 209-4801
Attention: Robert J. Stark (rstark@brownrudnick.com)

If to the Sciens Group:

Sciens Management LLC
667 Madison Avenue
New York, New York 10065
Telephone: (212) 471-6100
Facsimile: (212) 471-6199
Attention: Daniel Standen (standen@scienscapital.com)
Clifton Dameron (cdameron@scienscapital.com)

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, New York 10036
Telephone: (212) 735-2120
Facsimile: (917) 777-2120
Attention: Jay M. Goffman (jay.goffman@skadden.com)
Mark A. McDermott (mark.mcdermott@skadden.com)

If to NPA Hartford:

NPA Hartford LLC
c/o VALNIC Capital Real Estate Fund I, LLC.
7732 Atlantic Way
Miami Beach, FL 33141
Telephone: (917) 330-2313

Attention: Clifford Smallman ([Managing Member])

with a copy to (which shall not constitute notice):

Finn Dixon & Herling LLP
177 Broad Street, 15th Floor
Stamford, Connecticut 06901
Telephone: (203) 325-5000
Facsimile: (203) 325-5001
Attention: Henry P. Baer, Jr. (hbaer@fdh.com)

16. NO THIRD-PARTY BENEFICIARIES.

The terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors and permitted assigns, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person.

17. SETTLEMENT DISCUSSIONS; PRESERVATION OF RIGHTS.

This Agreement and the Restructuring Term Sheet are part of a proposed settlement of a dispute among the Parties. Regardless of whether or not the transactions contemplated herein are consummated, or whether or not the Termination Event has occurred, if applicable, nothing shall be construed herein as an admission of any kind or a waiver by any Party of any or all of such Party's rights or remedies. Except as expressly provided in this Agreement, the Parties expressly reserve any and all of their respective rights and remedies. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms. Furthermore, except as otherwise expressly set forth herein and in the Restructuring Term Sheet, nothing in this Agreement shall (a) limit the (i) ability of a Party to consult with any other Party; (ii) rights of any Party under any applicable bankruptcy, insolvency, foreclosure, or similar proceeding; (iii) ability of a Consenting Lender to sell or enter into any transactions in connection with the DIP Senior Lender Claims or any other claims against or interests in the Company, subject to **Section 8** above; (iv) rights of any Consenting Lender under the DIP Senior Loan, the 8.75% Indenture or any related documents, as applicable, or constitute a waiver or amendment of any provision of the DIP Senior Loan the 8.75% Indenture or any related documents, as applicable; (v) the rights of any Party in respect of the West Hartford Facility Lease; or (b) be construed to prohibit any Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases so long as any appearance by a Party and the positions advocated by such Party in connection therewith are consistent with the Restructuring Term Sheet, this Agreement, and the Plan and are not for the purpose of, and would not reasonably be expected to have the effect of, hindering, delaying, or preventing the consummation of the Restructuring.

18. SUCCESSORS AND ASSIGNS; SEVERABILITY; SEVERAL OBLIGATIONS.

This Agreement is intended to bind and inure to the benefit of the Parties and their respective permitted successors, assigns, heirs, executors, estates, administrators, and representatives. The invalidity or unenforceability at any time of any provision hereof in any

jurisdiction shall not affect or diminish in any way the continuing validity and enforceability of the remaining provisions hereof or the continuing validity and enforceability of such provision in any other jurisdiction. The agreements, representations, and obligations of the Consenting Lenders under this Agreement are, in all respects, several and not joint.

19. ENTIRE AGREEMENT; PRIOR NEGOTIATIONS.

This Agreement, including the Restructuring Term Sheet, the exhibits, schedules, and annexes, if any, hereto constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior negotiations, communications, agreements, and understandings, whether written or oral, between and among the Parties (and their respective advisors or managers) with respect to the subject matter of this Agreement; provided, however, that the Parties acknowledge and agree that any confidentiality agreements heretofore executed between the Company and any Consenting Lender, NPA Hartford, or the Sciens Group shall continue in full force and effect, as provided therein.

20. SURVIVAL OF AGREEMENT.

Notwithstanding (a) any sale, transfer, or assignment of DIP Senior Lender Claims, or 8.75% Noteholder Claims in accordance with **Section 8** above or (b) the termination of this Agreement in accordance with its terms, the agreements and obligations of the Parties in **Sections 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 15, 26 and 28** shall survive such sale and/or termination and shall continue in full force and effect for the benefit of the Consenting Lenders, NPA Hartford, the Sciens Group, and the Company in accordance with the terms hereof.

21. REPRESENTATION BY COUNSEL.

Each Party hereto acknowledges that it has been represented by counsel (or had the opportunity to and waived its right to do so) in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would provide any Party hereto with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the Parties hereto. None of the Parties hereto shall have any term or provision construed against such Party solely by reason of such Party having drafted the same.

22. INDEPENDENT DUE DILIGENCE AND DECISION-MAKING.

Each Party hereto hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate. Each Consenting Lender is acting independent of the other Consenting Lenders and shall not be responsible in any way for the performance of the obligations of any other Consenting Lender.

23. NO ADDITIONAL FIDUCIARY DUTIES.

Notwithstanding anything to the contrary herein, nothing in this Agreement shall create any additional fiduciary obligations on the part of the Company or any members, managers, or officers of the Company or its affiliated entities, in such person's capacity as a member, manager, or officer of the Company or their affiliated entities that did not exist prior to the execution of this Agreement. None of the Consenting Lenders shall have, by virtue of this Agreement, any fiduciary duties or other duties or responsibilities to each other, any other DIP Senior Lender, any other 8.75% Noteholder, the Sciens Group, NPA Hartford, the Company, or any of the Company's creditors, or other stakeholders. Notwithstanding anything herein to the contrary, this Agreement shall not prevent the Company from taking or failing to take any action that it is obligated to take (or not take, as the case may be) in the performance of any fiduciary duty or as otherwise required by applicable law which the Company owes to any other person or entity under applicable law.

24. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf). Signature pages executed by Consenting Lenders shall be delivered to (a) other Consenting Lenders in a redacted form that removes such Consenting Lender's holdings of DIP Senior Loans, Term Loans, and/or 8.75% Notes and (b) the Company, the Sciens Group and advisors to the Consenting Lenders in an unredacted form.

25. AMENDMENTS.

Except as otherwise provided in this Agreement, this Agreement (including the Restructuring Term Sheet) may not be modified, amended, or supplemented and a Termination Event may not be waived without prior written consent of the Company, the Sciens Group, NPA Hartford and the Requisite Consenting Lenders. In the event that an adversely affected Consenting Lender ("Non-Consenting Lender") does not consent to a waiver, change, modification, or amendment to this Agreement requiring the consent of such Non-Consenting Lender, but such waiver, change, modification, or amendment receives the consent of the Requisite Consenting Lenders in the affected class(es) of which Non-Consenting Party is a member, this Agreement shall be deemed to have been terminated only as to such Non-Consenting Lender, but this Agreement shall continue in full force and effect in respect to all other members of the consenting class that have so consented.

26. HEADINGS.

The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience of reference only and shall not, for any purpose, be deemed part of this Agreement and shall not affect the interpretation of this Agreement.

27. NO SOLICITATION.

This Agreement is not intended to be, and each signatory to this Agreement acknowledges that this Agreement is not (a) an offer for the purchase, sale, exchange, hypothecation, or other transfer of securities for purposes of the Securities Act of 1933 and the Securities Exchange Act of 1934 or (b) a solicitation of votes for the acceptance of a chapter 11 plan of reorganization (including the Plan) for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. Solicitation of acceptance of the Restructuring will not be solicited from any holder of DIP Senior Lender Claims, or 8.75% Noteholder Claims until such holder has received the disclosures required by section 1125 of the Bankruptcy Code or otherwise in compliance with applicable law.

28. FEES AND EXPENSES.

On the Effective Date, pursuant to the Restructuring Term Sheet all reasonable and documented professional fees and expenses of the Parties and NPA Hartford incurred in connection with the Company's restructuring (subject to approval of the Bankruptcy Court to the extent necessary) (collectively, the "Reimbursable Professional Fees") shall be paid. In the event this Agreement is terminated, all Reimbursable Professional Fees (except fees and expenses incurred by any Party or NPA Hartford whose breach caused the termination of this Agreement) shall be allowed as an administrative expense and shall be paid when the Colt Parties have sufficient available cash to pay such fees. The Company's agreement to pay or reimburse the Reimbursable Professional Fees of the Parties and NPA Hartford as set forth herein shall survive the termination of this Agreement with respect to such fees and expenses incurred prior to such termination.

29. DISCLOSURE; PUBLICITY.

The Company shall submit drafts to the advisors to the Consenting Lenders, the Sciens Group, and NPA Hartford of any press releases and/or public documents that constitute disclosure of the existence or terms of this Agreement or any amendment to the terms of this Agreement prior to making any such disclosure, and shall afford them a reasonable opportunity to comment on such documents and disclosures. Except as required by law or otherwise permitted under the terms of any other agreement between the Company and any Consenting Lender, no Party or its advisors shall (a) use the name of any Consenting Lender in any public manner or (b) disclose to any person (including, for the avoidance of doubt, any other Consenting Lender), other than the Company, advisors to the Company, and advisors to the Consenting Lenders, the principal amount or percentage of any DIP Senior Lender Claims, or 8.75% Noteholder Claims held by any Consenting Lender, in each case, without such Consenting Lender's prior written consent; provided, however, that (i) if such disclosure is required by law or regulation, the disclosing party shall use reasonable best efforts to afford the relevant Consenting Lender a reasonable opportunity to review and comment in advance of such disclosure and shall take all reasonable measures to limit such disclosure and (ii) the foregoing shall not prohibit the disclosure of the aggregate percentage or aggregate principal amount of DIP Senior Lender Claims and/or 8.75% Noteholder Claims held by all the Consenting Lenders collectively. Any public filing of this Agreement, with the Bankruptcy Court or otherwise, which includes executed signature pages to this Agreement shall include such signature pages

only in redacted form with respect to the holdings of each Consenting Lender (provided, that the holdings in such signature pages may be filed on an aggregate basis or in unredacted form with the Bankruptcy Court under seal).

30. ACKNOWLEDGEMENTS.

THIS AGREEMENT (INCLUDING THE RESTRUCTURING TERM SHEET) AND THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN ARE THE PRODUCT OF NEGOTIATIONS BETWEEN THE PARTIES AND THEIR RESPECTIVE REPRESENTATIVES. EACH PARTY HEREBY ACKNOWLEDGES THAT THIS AGREEMENT IS NOT AND SHALL NOT BE DEEMED TO BE A SOLICITATION OF VOTES FOR THE ACCEPTANCE OF THE PLAN OR REJECTION OF ANY OTHER CHAPTER 11 PLAN FOR PURPOSES OF SECTION 1125 OR 1126 OF THE BANKRUPTCY CODE OR OTHERWISE. THE PARTIES WILL NOT SOLICIT ACCEPTANCES OF THE PLAN FROM ANY PERSON OR ENTITY UNTIL SAID PERSON OR ENTITY HAS BEEN PROVIDED WITH A COPY OF THE RELEVANT DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. NOTHING IN THIS AGREEMENT SHALL REQUIRE ANY PARTY TO TAKE ANY ACTION PROHIBITED BY THE BANKRUPTCY CODE, THE SECURITIES ACT OF 1933 (OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER), THE SECURITIES EXCHANGE ACT OF 1934 (ANY RULE OR REGULATIONS PROMULGATED THEREUNDER), OR BY ANY OTHER APPLICABLE LAW OR REGULATION OR BY AN ORDER OR DIRECTION OF ANY COURT OR ANY STATE OR FEDERAL GOVERNMENTAL AUTHORITY

[Signature pages to follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SIGNED for and on behalf of

COLT DEFENSE LLC

by: _____
Name: Dennis Veilleux
Title: President and CEO

COLT HOLDING COMPANY LLC

by: _____
Name:
Title:

COLT SECURITY LLC

by: _____
Name:
Title:

COLT FINANCE CORP.

by: _____
Name:
Title:

NEW COLT HOLDING CORP.

by: _____
Name:
Title:

COLT'S MANUFACTURING COMPANY LLC

by: _____
Name:
Title:

COLT DEFENSE TECHNICAL SERVICES LLC

by: _____
Name:
Title:

COLT CANADA CORPORATION

by: _____
Name:
Title:

COLT INTERNATIONAL COÖPERATIEF U.A.

by: _____
Name:
Title:

CDH II HOLDCO INC.

by: _____
Name:
Title:

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ADVANTAGE CAPITAL MANAGEMENT, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Irvin Schlussel
Title: Managing Partner

Address/contact information for notice, as per **Section 15** of the Agreement:

Advantage Capital Management
1221 Brickell Avenue
Suite 2660
Miami, Florida 33131

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

AJ Capital I, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ALJ Capital II, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

LJR Capital, L.P.

By: _____

Name: Lawrence B. Gill
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

DIP Senior Lender Claims (Principal Loans):

$_____

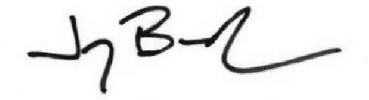
8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

ARMORY ADVISORS LLC, on behalf of one or more of its funds and/or managed accounts



By: _____
Name: Jay Burnham
Title: Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Armory Advisors LLC
999 Fifth Avenue
Suite 450
San Rafael, California 94901

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

BOWERY INVESTMENT MANAGEMENT, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Vladimir Jelisavcic
Title: Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Bowery Investment Management, LLC
1325 Avenue of the Americas
28th Floor
New York, New York 10019

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

Bulwark Bay Investment Group LLC

By: _____

Name: Craig Carlozzi
Title: Portfolio Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

15 Broad St
6th Fl
Boston, MA 02109

DIP Senior Lender Claims (Principal Loans):

$ _____

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

FIDELITY NATIONAL FINANCIAL, INC., on behalf of one or more of its funds and/or managed accounts

By: _____
Name:
Title: Matthew G. Hartmann

Senior Vice President
Head of Fixed Income Trading
and Portfolio Management

Address/contact information for notice, as per **Section 15** of the Agreement:

Fidelity National Financial, Inc.
601 Riverside Avenue
Building 5, 7th Floor
Jacksonville, Florida 32204

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

KAMUNTING STREET CAPITAL MANAGEMENT, LP, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Allan Teh
Title: CEO

Address/contact information for notice, as per **Section 15** of the Agreement:

Kamunting Street Capital Management, LP
119 Washington Ave, Suite 600.
Miami Beach Fl 33139

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

MPAM CREDIT TRADING PARTNERS L.P., on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Christopher Welker
Title: Chief Operating Officer

Address/contact information for notice, as per **Section 15** of the Agreement:

MPAM Credit Trading Partners L.P.
600 Superior Avenue East
Suite 2550
Cleveland, Ohio 44114

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

NEW GENERATION ADVISORS, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Michael Weiner
Title: Vice President

Address/contact information for notice, as per **Section 15** of the Agreement:

New Generation Advisors, LLC
13 Elm Street
Suite 2
Manchester, Massachusetts 01944

DIP Senior Lender Claims (Principal Loans):

$[redacted] *(amount does not include additions to principal due to PIK interest)*

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

NEWPORT GLOBAL ADVISORS, LP, on behalf of one or more of its funds and/or managed accounts

By: Roger A Mcy
Name: Roger A May
Title: COO

Address/contact information for notice, as per **Section 15** of the Agreement:

Newport Global Advisors, LP
21 Waterway Avenue
Suite 150
The Woodlands, Texas 77380

DIP Senior Lender Claims (Principal Loans):

$[redacted] *(amount does not include additions to principal due to PIK interest)*

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

PHOENIX INVESTMENT ADVISER LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Jeffrey Schultz
Title: chief legal officer

Address/contact information for notice, as per **Section 15** of the Agreement:

Phoenix Investment Adviser LLC
The Graybar Building
420 Lexington Avenue
Suite 2040
New York, New York 10170

DIP Senior Lender Claims (Principal Loans):

$ [redacted] ***(amount does not include additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

SCOGGIN LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Dev Chodry
Title: Member

Address/contact information for notice, as per **Section 15** of the Agreement:

Scoggin LLC
660 Madison Avenue
New York, New York 10065

DIP Senior Lender Claims (Principal Loans):

$[redacted]

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

VERTEX ONE ASSET MANAGEMENT INC., on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Tim Logie
Title: Portfolio Manager

Address/contact information for notice, as per **Section 15** of the Agreement:

Vertex One Asset Management Inc.
1177 W Hastings ~~3200 West Hastings St.~~
Suite ~~1920~~
Vancouver, British Columbia V~~6E 2K3~~ Canada
V6E 0C3

3200-1021 West Hasting St

DIP Senior Lender Claims (Principal Loans):

$ [redacted]

8.75% Noteholder Claims (Principal Loans):

$ [redacted]

SUBJECT TO NON-DISCLOSURE OBLIGATIONS

CONSENTING LENDER:

WOLVERINE ASSET MANAGEMENT, LLC, on behalf of one or more of its funds and/or managed accounts

By: _____
Name: Ken Nadel
Title: Authorized Signatory

Address/contact information for notice, as per **Section 15** of the Agreement:

Wolverine Asset Management, LLC
175 W. Jackson Boulevard
Suite 340
Chicago, Illinois 60604

DIP Senior Lender Claims (Principal Loans):

$[redacted] ***(amount includes additions to principal due to PIK interest)***

8.75% Noteholder Claims (Principal Loans):

$[redacted]

SCIENS CAPITAL MANAGEMENT LLC:
(On behalf of its itself and its affiliates other than NPA Hartford LLC)

By: _____
Name: John P. Rigas
Title: Chairman and Chief Executive Officer

NPA HARTFORD LLC:

By: _____
Name: Clifford Smallman
Title: Managing Member,
VALNIC Capital Real Estate Fund I LLC

EXHIBIT A

RESTRUCTURING TERM SHEET

EXECUTION VERSION

THIS TERM SHEET IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OF COLT HOLDING COMPANY LLC OR COLT DEFENSE LLC OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS TERM SHEET IS AN ADMISSION OF FACT OR LIABILITY OR SHALL BE DEEMED BINDING ON ANY PARTY EXCEPT AS OTHERWISE SET FORTH IN THE RSA (DEFINED BELOW). THIS TERM SHEET CONTAINS MATERIAL NONPUBLIC INFORMATION AND, THEREFORE, IS SUBJECT TO FEDERAL SECURITIES LAWS.

COLT HOLDING COMPANY LLC, ET AL.
CHAPTER 11 PLAN TERM SHEET

This Chapter 11 Plan Term Sheet (the "Term Sheet") is the Restructuring Term Sheet as defined in and set forth as Exhibit A to that certain Restructuring Support Agreement, dated as of September 21, 2015 (the "RSA"), by and among Colt Holding Company LLC ("Colt Holding") and certain of its subsidiaries and affiliated entities (collectively, the "Company" and, upon the emergence from their respective chapter 11 cases, the "Reorganized Company"), certain of the Company's creditors (collectively, the "RSA Creditor Parties"), NPA Hartford LLC (the "Landlord"), and Sciens Capital Management LLC ("Sciens"). Except as set forth in the RSA, this Term Sheet does not constitute a contractual commitment of any party but merely represents the proposed terms for a restructuring of the Company's capital structure and is subject in all respects to the negotiation, execution and delivery of definitive documentation. This Term Sheet does not include a description of all the relevant terms and conditions of the restructuring contemplated herein. This Term Sheet represents a proposal made by certain holders of the 8.75% Notes (as defined below) acting as a steering committee (the "Steering Committee") for an ad hoc group of certain other holders of the 8.75% Notes (the "Consortium") and shall not be considered binding upon any 8.75% Noteholder which has not indicated its approval thereof. Each of the members of the Steering Committee is also a lender under the DIP Senior Loan (as defined below). Morgan Stanley Senior Funding Inc. ("Morgan Stanley") is also a lender under the DIP Term Loan (as defined below) and Prepetition Term Loan (as defined below). The Creditors' Committee ("Creditors' Committee") is the official committee of general unsecured creditors appointed in the Company's bankruptcy cases. The Landlord leases the Company's West Hartford Facility to the Company. Affiliates of Sciens are the owners of more than two-thirds of the equity in Colt Holding.

This Term Sheet shall not constitute an offer to buy, sell or exchange for any of the securities or instruments described herein. It also shall not constitute a solicitation of the same. Further, other than set forth in the RSA nothing herein constitutes a commitment to exchange any debt, lend funds to the Company or Reorganized Company, vote in a certain way or otherwise negotiate or engage in the transactions contemplated herein.

This Term Sheet is strictly confidential and may not be shared with anyone other than its intended recipients. It is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is intended to be entitled to the protections of Rule 408 of the Federal Rules of Evidence and all other applicable statutes or doctrines protecting the use or disclosure of confidential information and information exchanged in the context of settlement discussions.

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

Transaction Overview

Debtors:	Colt Holding Company LLC ("Colt Holdings"); Colt Security LLC ("Colt Security"); Colt Defense LLC ("Colt Defense");

	Colt Finance Corp. ("Colt Finance"); New Colt Holding Corp ("New Colt"); Colt's Manufacturing Company LLC ("Colt Manufacturing"); Colt Defense Technical Services LLC ("Colt Technical"); Colt Canada Corporation ("Colt Canada"); Colt International Cooperatief U.A. ("Colt International"); and CHD II Holdco Inc. ("CHD") (collectively, the "Debtors").
Supporting Creditors:	Creditors named in the Restructuring Support Agreement.
Milestones:	Milestones related to the Plan and the transactions contemplated by this Term Sheet shall be as set forth in the RSA.
Debt to be Restructured:	$52.3 million in principal plus all other amounts outstanding under the Term Loan Agreement (the "Prepetition Term Loan"), dated November 17, 2014, among Colt Defense LLC, Colt Finance Corp., New Colt Holding Corp., Colt's Manufacturing Company, LLC and Colt Canada Corporation as borrowers, certain subsidiary guarantors, Morgan Stanley Senior Funding, Inc. as lender (each lender under the Term Loan, a "Prepetition Term Loan Lender"), and Wilmington Savings Fund Society, FSB, as agent (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $250 million in principal plus all other amounts outstanding under the Notes issued pursuant to that certain Indenture (the "8.75% Indenture"), dated November 10, 2009, for the issuance of 8.75% Senior Notes due 2017 among Colt Defense LLC, Colt Finance Corp, certain subsidiary guarantors and Wilmington Trust FSB, as indenture trustee (the "8.75 Notes"; all holders of such 8.75% Notes, the "8.75% Noteholders") (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $41.667 million in principal outstanding under the First Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement ("DIP Senior Loan") among Colt Defense LLC, Colt's Manufacturing Company LLC, Colt Canada Corporation, as borrowers, certain subsidiary guarantors, Cortland Capital Market Services LLC, as agent, and the lenders party thereto (the "DIP Senior Lenders") (as it may be amended, amended and restated, replaced, modified or supplemented from time to time). $33.333 million in principal outstanding under the Senior Secured Super-Priority Debtor in Possession Term Loan Agreement ("DIP Term Loan") among Colt Defense LLC, Colt Finance Corp., New Colt Holding Corp., Colt's Manufacturing Company, LLC and Colt Canada Corporation, as borrowers , certain subsidiary guarantors, Wilmington Savings Fund Society, FSB, as agent and the lenders party thereto (the "DIP Term Loan Lenders" and together with the Prepetition Term Loan Lenders,

	the "Term Lenders") (as it may be amended, amended and restated, replaced, modified, or supplemented from time to time)
New Holdco/ Reorganized Colt	"New Holdco" as used herein shall refer to Colt Holding Company LLC or, if necessary in order to implement the terms set forth herein, a newly formed Delaware entity which shall own 100% of the common equity in the Reorganized Company. New Holdco shall be organized as a C corporation for tax purposes. "Reorganized Colt" as used herein shall refer to New Holdco and the Debtors as reorganized following the Effective Date of the Plan.
Plan:	On or before September 30, 2015, the Debtors will propose a chapter 11 plan (the "Plan") that implements all of the terms set forth in this Term Sheet.

Treatment of Claims

Administrative Expense Claims (including 503(b)(9) Claims):	Payable in full in cash or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the requisite majority of each class of RSA Creditor Parties (collectively, the "Requisite Creditors"). Unclassified – Non-Voting
Priority Tax Claims:	Payable in deferred cash payments over a period not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. Unclassified – Non-Voting
Other Priority Claims:	Payable in full in cash or on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. Unimpaired – Deemed to Accept
Other Secured Claims:	All allowed secured claims ("Other Secured Claims") shall be paid in full in cash, receive delivery of collateral securing any such claim and payment of any interest requested under section 506(b) of the Bankruptcy Code, or be treated on such other terms as agreed between the Debtors and the holder thereof, subject to the reasonable consent of the Requisite Creditors. The

	aggregate amount of Other Secured Claims shall not exceed an amount to be reasonably agreed upon by the Debtors and the Requisite Creditors. Impaired – Entitled to Vote. The Debtors reserve the right to argue at confirmation that the Other Secured Claims are unimpaired.
DIP Senior Loan:	On the date on which the Plan is consummated and becomes effective (the, "Effective Date"), the DIP Senior Loan shall be refinanced by and with a new $40,000,000 senior secured loan (the "Senior Exit Facility") as described below and the up to $5 million cash Senior DIP Reduction (defined below). Impaired – Entitled to Vote For the avoidance of doubt: (i) the distribution to the DIP Senior Loan Lenders will be in full satisfaction of all of the DIP Senior Loan Lenders' claims on account of the DIP Senior Loan, and (ii) no make-whole, pre-payment penalty or other amount shall be due to the DIP Senior Loan Lenders.
Pre-Petition Term Loan and DIP Term Loan:	On the Effective Date, the Pre-Petition Term Loan and the DIP Term Loan shall be combined and converted into a secured facility (the "Term Loan Exit Facility") as described below. Impaired – Entitled to Vote For the avoidance of doubt: (i) the distribution to the Pre-Petition Term Loan Lenders and DIP Term Loan Lenders will be in full satisfaction of all of the Pre-Petition Term Loan Lenders' and DIP Term Loan Lenders' prepetition and post-petition Claims, and (ii) no make-whole, pre-payment penalty or other amount shall be due to the Pre-Petition Term Loan Lenders or DIP Term Loan Lenders.
8.75% Notes:	On the Effective Date, all of the 8.75% Notes shall be cancelled, and each 8.75% Noteholder shall receive, on account of its allowed claim in respect of such 8.75% Notes, such 8.75% Noteholder's *pro rata* share of New Class B Stock of New Holdco (the "New Class B Stock"). The basic terms of the New Class A Stock and the New Class B Stock are set forth in the New Equity Term Sheet attached as Exhibit A. The New Class B Stock will be issued pursuant to an exemption from registration pursuant to Section 1145 of the Bankruptcy Code to either DTC depositary or in book entry form to the DTC Participants that own 8.75% Notes as of the record date for such distribution. As described below under the heading "*Status As Private*

	Company", it is intended that New Holdco will be a private company as of the Effective Date. For the avoidance of doubt, the distribution of the New Class B Stock to the 8.75% Noteholders will be in full satisfaction of all of the 8.75% Noteholders' claims. Impaired – Entitled to Vote
General Unsecured Claims (excluding Convenience Claims):	Each holder of a general unsecured claim trade claim shall be paid in full in cash on the Effective Date. Each holder of another type of general unsecured claim (other than those based on the 8.75% Notes) shall, on account of its allowed unsecured claim (each, a "General Unsecured Claim"), receive on or promptly after the Effective Date, a note (subordinate to the Exit Facilities) or other consideration as reasonably agreed upon by the Debtors and the RSA Creditor Parties, such consideration to represent a percentage recovery that is reasonably equivalent to the percentage of recovery realized by the 8.75% Noteholders. For the avoidance of doubt, the General Unsecured Claims do not include the Convenience Claims (defined below). Impaired – Entitled to Vote
Intercompany Claims:	All intercompany claims between and among Colt Holdings and its direct and indirect subsidiary Debtors shall be reinstated or compromised by New Holdco, as the case may be, consistent with its business plan; provided that each intercompany claim held by a non-debtor shall receive no less favorable treatment than other holders of general unsecured claims. Unimpaired – Not entitled to Vote
Equity Interests:	All existing equity interests (including, without limitation, membership interests, options, and warrants) in Colt Holding shall be cancelled and extinguished as of the Effective Date. Impaired – Deemed to Reject.

The Offering

The Offering:	In connection with the Plan, on or before the Effective Date, the Reorganized Debtors will raise $50 million in new capital (the "Offering Proceeds") from a private offering (the "Offering") of units (the "Offering Units") consisting of (i) third lien secured debt to be issued pursuant to a third lien exit facility (the "Third Lien Exit Facility") and (ii) shares of the New Class A Stock (the "New Class A Stock" and, together with the third lien debt under the Third Lien Exit Facility, the "Offering Consideration") as follows: (x) Sciens or its affiliates will subscribe to $15

	million of the Offering Consideration (the "Sciens Offering Allocation"), (y) Fidelity Newport Holdings LLC or another entity wholly owned by Fidelity National Financial and Newport Global Advisors ("Fidelity/Newport"), shall subscribe to $15 million and (z) each 8.75% Noteholder other than Fidelity/ Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Company and Sciens may agree) in principal amount of the 8.75% Notes and is an "accredited investor" (each such holder, an "Eligible Holder") shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering Consideration (the "Noteholder Offering Allocation") as further allocated as set forth herein. The Offering Consideration may be increased by up to $5 million (the "Additional Offering Amount") by the mutual agreement of the Company, Sciens, Fidelity/Newport and the Consortium, such Additional Offering Amount to be allocated to each of Sciens, Fidelity/Newport and Eligible Holders that participate in the Offering on a pro rata basis (i.e., if the Offering Amount were increased by $5 million, Sciens or its affiliates would subscribe to $1.5 million of the Additional Offering Amount, Fidelity/Newport would subscribe to $1.5 million of the Additional Offering Amount and Eligible Holders that participate in the Offering would subscribe to $2.0 million of the Additional Offering Amount).
Uses:	The Noteholder Offering Allocation will be evidenced on the books and records of the transfer agent and issued in the name of each such Eligible Holder's institutional broker(s), which will be such Eligible Holder's DTC Participant(s) for the 8.75% Notes. Such DTC Participant(s) will be considered the holders of record for the Noteholder Offering Allocation; provided, however, that New Holdco is not subject to public reporting requirements as a result of such direct ownership.
Issuance/Dilution:	The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors pending chapter 11 cases and other claims required to be paid on the Effective Date under the Plan, and (iii) to pay down up to $5 million of the DIP Senior Loan (the "Senior DIP Reduction"). The Offering Consideration will be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A Stock may be transferred separately from each other, subject to the restrictions provided below and any additional restrictions thereon in the definitive documentation. For the avoidance of doubt, in the event that the Reorganized Colt is unable to arrange alternative financing in respect of the Senior Exit Facility on the same or better terms,

	Fidelity/Newport and each Participating Holder (defined below) who elects to participate in the Offering (but not Sciens) shall fund their pro rata share of the Senior Exit Facility on terms and conditions to be mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, such terms to be no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility. As used in the preceding sentence, "pro rata" shall mean the dollar amount of the Offering for which each Participating Holder and Fidelity/Newport have each respectively subscribed divided by the $35 million total amount of the Offering which is collectively allocated to Fidelity/Newport and Eligible Holders (or $38.5 million in the event of the Additional Offering Amount). For example, if a Senior Exit Facility cannot be otherwise obtained on the same or more favorable terms to the Reorganized Colt, Fidelity/ Newport shall be obligated to provide 42.8% (15/35, or 16.5/38.5 in the event of the Additional Offering Amount) of the $40 million Senior Exit Facility thereof. Interests in the Senior Exit Facility may also trade separately from the Third Lien Exit Facility Loans and the New Class A Stock and the New Class B Stock following the Effective Date. The New Class A Stock is subject to dilution in connection with (x) the management incentive plan (discussed below and on Exhibit A) and (y) the New Class A Stock to be issued to the Landlord pursuant to Exhibit B to this Term Sheet.
Offering Allocation:	Prior to the commencement of the Offering to the Eligible Holders of the 8.75% Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. Such electing members of the Consortium shall be referred to as the "Participating Consortium Noteholders". For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that do not become Participating Consortium Noteholders shall have the opportunity to participate in the Offering as Eligible Holders. (Collectively, Participating Consortium Noteholders and Eligible Holders who elect to purchase Units in the Offering shall be described as "Participating Holders"). • Each Eligible Holder, other than a Participating Consortium Noteholder, shall be offered the opportunity to purchase a dollar amount of Units in the Offering equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the fraction equal to the principal amount of the 8.75% Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the 8.75% Notes beneficially held by Fidelity/ Newport (the, "Offering

	Denominator" and such fraction, the "Eligible Holder Pro Rata Share"). • An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the aggregate principal amount of the 8.75% Notes not beneficially held by the Participating Consortium Noteholders or Newport/Fidelity divided by the Offering Denominator shall be set aside for the backstop parties (the "Backstop Set Aside Amount"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Units in the Offering equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (ii) the fraction equal to the principal amount of the 8.75% Notes held by such Participating Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount times the (ii) the fraction equal to principal amount of the 8.75% Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the 8.75% Notes held by all Participating Consortium Noteholders (such fraction, the "Participating Consortium Noteholder Pro Rata Share"). • In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Units in the Offering representing the Participating Noteholder's Pro Rata Share of any remaining Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing. • Each of Bowery, Phoenix and Matlin Patterson (the "Backstop Parties"), have agreed to participate in the Offering as Participating Consortium Noteholders. Prior to the Offering, the Reorganized Company and the Consortium shall determine whether the Senior Exit Facility shall be provided by Participating Holders as provided herein and if it is, each Participating Holder shall be responsible for providing the same percentage of the Senior Exit Facility as the aggregate percentage of the Offering Units allocated to Eligible Holders and Fidelity/Newport which such Participating Holder has purchased or subscribed for. The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including Bowery, Phoenix, Matlin

	Patterson and the Company.
Exit Facilities:	The Reorganized Colt, in consultation with the Consortium and other RSA Creditor Parties, may in its sole discretion obtain financing for the Senior Exit Facility from any third party financing source(s) on terms equal to or better than the terms of the DIP Senior Loan. In the event that such financing cannot be obtained by the Company, the Senior Exit Facility shall be provided by Fidelity/Newport and the Participating Holders on a pro rata basis consistent with the percentage of the total $35 million of the Offering (or $38.5 million if the full Additional Offering Amount is raised) to be provided collectively by Fidelity/Newport and the Participating Holders (including, but not limited to, the Backstop Parties) as provided above. If it is to be provided by the Participating Holders, the terms and conditions of the Senior Exit Facility shall be mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, but in any event, no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility. For the avoidance of doubt, in the event that arrangements to finance the Senior Exit Facility as described above cannot otherwise be made, it shall be a condition to participation in the Offering that Fidelity/Newport and each Participating Holder provide the same percentage of the Senior Exit Facility as their participation in the $35 million of the Offering (or $38.5 million if the full Additional Offering Amount is raised) being collectively provided by them. The Consortium Members who participated in the DIP Senior Loan may elect to fund all or a portion of their share of the Senior Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Exit Facility. The Senior Exit Facility shall (i) be in the principal amount equal to the aggregate principal amount plus accrued and unpaid interest outstanding under the DIP Senior Loan as of the Effective Date less the Senior DIP Reduction; (ii) have a first priority lien on substantially all of the assets of the Reorganized Company and New Holdco other than intellectual property and other assets defined as Term Loan Priority Collateral in the DIP Intercreditor Agreement and Prepetition Intercreditor Agreement ("Term Loan Priority Collateral"), and a second lien on the intellectual property and other Term Loan Priority Collateral of the Reorganized Company and otherwise be on terms and conditions mutually acceptable to Fidelity/Newport, the Participating Holders and Reorganized Colt, such terms to be no less favorable to the Reorganized Colt than the terms of the Term Loan Exit Facility In addition to the usual items that customarily require the consent of each affected lender (i.e., principal forgiveness, extension or reduction of the term, change to the interest rate,

	changing cash payment of principal to PIK, or the amount and timing of payment of the prepayment premium, etc.), changes to financial and other material covenants of the Senior Exit Facility shall require a vote of at least 66.67% of the lenders under the Senior Exit Facility. The Term Loan Exit Facility shall be on terms to be agreed upon between the Company, the lenders under the Term Loan Exit Facility, the RSA Creditor Parties, the Landlord, and Sciens. The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Company and will be subject to such other terms and conditions as agreed upon by the RSA Creditor Parties including, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in cash or entirely in kind, at the option of the Reorganized Company; (ii) a term of five (5) years; (iii) minimum liquidity covenants and other minimal financial covenants to be determined; and (iv) include a junior debt basket of $25 million.
Intercreditor Agreement:	The lenders or the agents under the respective documents evidencing the Senior Exit Facility, the Term Loan Exit Facility, and the Third Lien Exit Facility, will enter into the Reorganized Company Intercreditor Agreement upon terms and conditions, substantially similar to those of the DIP Intercreditor Agreement.

Corporate Governance

Shareholder Agreement and Other Corporate Organizational Documents:	Under the Plan, the holders of New Class A Stock and New Class B Stock will be deemed to be parties to a Stockholders Agreement, and the Stockholders Agreement and/or New Holdco's organizational documents shall provide customary minority stockholder protections as set forth herein and reasonably agreed to among the RSA Creditor Parties. The RSA Creditor Parties agree to discuss in the negotiations the following minority stockholder protections: (a) Information Rights (as set forth herein). (b) Tag-Along, Drag-Along, Preemptive and Registration Rights (as set forth herein). (c) Restrictions on transfers to competitors (as set forth herein).

	(d) Affiliate transaction protections. (e) Right of first refusal over proposed transfers of the New Class A Stock and the New Class B Stock, such right of first refusal to cease to apply if New Class A Stock or New Class B Stock is registered as provided below.
Registration Rights	Holders of a majority of the registrable securities may cause New Holdco to commence an initial public offering in the event that New Holdco has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date. On or after the date that is six (6) months following an initial public offering, persons (acting as a group or individually) holding at least 20% in the aggregate of the registrable securities may make up to two (2) demands that New Holdco register all or a portion of their share of registrable securities; provided, that any such offering of registrable securities generates proceeds of at least $50 million. The registration rights agreement will include other customary restrictions and limitations applicable to demand registrations. For purposes of this section, registrable securities include all shares of the New Class A Stock and New Class B Stock issued in connection with the transactions contemplated hereby. Each holder of registrable securities will have the right to cause New Holdco to include all or a portion of its registrable securities on a registration statement filed by New Holdco with respect to any other shares. The registration rights agreement will include customary restrictions and limitations applicable to piggyback registrations. When New Holdco is Form S-3 eligible, it will promptly file a shelf-registration statement covering the registrable securities and use its reasonable best efforts to keep the shelf effective. A holder of registrable securities shall have the right to request shelf takedowns, subject to customary restrictions.
Information Rights	All holders of (i) the Senior Exit Facility, (ii) the Third Lien Exit Facility, (iii) more than three percent (3%) of the voting power of the outstanding capital stock of New Holdco, and (iv) more than one percent (1%) of the voting power of the outstanding capital stock of New Holdco that are Participating Consortium Noteholders, shall have customary information rights, including, without limitation: (i) annual and quarterly consolidated financial statements within 90 days and 45 days, respectively, of the respective period; (ii) no later than 90 days prior to the end of New Holdco's fiscal

	year, a copy of a comprehensive consolidated budget, including projections, of New Holdco for the following fiscal year; (iii) (x) upon request and (y) no later than ten (10) business days following the completion of any offering or sale of equity securities of New Holdco, a copy of New Holdco's consolidated capitalization table; and (iv) management calls to be held at least quarterly. A holder may elect to not receive the specified information on one or more occasions. All of the foregoing information may be shared with bona fide prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Company and the holders of the New Class A Stock and may be provided through a restricted website.
Drag-Along Rights	Holders of more than an aggregate of 50% in voting power of the outstanding capital stock will have the right to drag-along the other holders of capital stock (the "Dragged Stockholders") in any sale transaction to a third party who is not an affiliate and all other stockholders shall be required to consent to, and raise no objection against, such sale and to take all actions reasonably requested in order to consummate such sale; provided, however, that drag-along rights shall only be available in connection with transactions that have received the prior approval of a majority of the Board of Directors. A drag-along is only permissible in circumstance where outstanding shares of capital stock are to receive the same consideration (adjusted as provided in Exhibit A to give effect to the New Class A Stock Priority Return (defined below)). Subject to the foregoing, Dragged Stockholders shall participate on the same terms and conditions as the initiating holders. Dragged Stockholders shall only be required to make representations and warranties with respect to ownership and authorization of capital stock, and shall not be required to make business-related representations or warranties.
Tag-Along Rights	Except with respect to transfers by stockholders to their affiliates, holders of equity securities of New Holdco will have the right to participate *pro rata* (as set forth in Exhibit A) in any direct or indirect transfer (through one or more related transactions) of 20% or more of the outstanding shares of the

	same class by one or more other holders of the same class (a "Selling Stockholder") on the same terms and conditions as the Selling Stockholders (a "Tag-Along Sale"). Tag-along sellers shall only be required to make representations and warranties with respect to ownership and authorization of capital stock, and shall not be required to make business-related representations or warranties.
Preemptive Rights	Each holder of more than 1% of the voting power of the outstanding capital stock of the New Holdco shall have customary preemptive rights to subscribe for its pro rata share of any equity (including securities convertible into equity) issued by New Holdco or any of its subsidiaries, including oversubscription rights and anti-dilution protections, subject to customary carve-outs (i.e., securities issued as consideration in a merger, acquisition or joint venture securities issued pursuant to approved compensation plans, securities issued upon conversion or exercise of options or other equity awards or convertible securities, securities issued on a pro rata basis in a stock split or stock dividend or similar transaction).
Transfers	Other than as set forth herein, there will be no transfer restrictions on transfers of New Class A Stock or New Class B Stock held by any holder (or their transferees); provided, however, that no transfers of any shares of capital stock (or instruments convertible into capital stock) shall be made to any competitor (as that term shall be agreed upon) of New Holdco or their affiliates or shall be permitted if it would result in New Holdco's being required to become a public filer under applicable securities laws. Each transferee will be required to enter into a joinder agreement to the Stockholder Agreement.
Board of Directors of New Holdco and Reorganized Colt:	Under the Plan, the initial Board of Directors of New Holdco and Reorganized Colt shall consist of seven (7) members as follows: (i) the CEO of the Reorganized Company; (ii) two (2) directors designated by Fidelity/Newport; (iii) two (2) independent directors; and (iv) two (2) directors designated by Sciens. (a) The Participating Consortium Holders shall have the right to designate one (1) of the Independent Directors, and (b) Fidelity/Newport and Sciens shall collectively have the right to designate one (1) of the independent directors; provided, that any independent director so designated shall be reasonably acceptable to each of Fidelity/Newport or Sciens (as applicable)

	and the Participating Holders other than Fidelity/Newport. In the event that a Liquidity Event (as defined on Exhibit A hereto) is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of Class B Shares (but not any holders of Class A Shares which have been converted into Class B Shares) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.
Board Observer:	The Participating Holders other than Fidelity/Newport shall have the right to appoint one (1) board observer (the "Board Observer"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport obtain the right to designate one (1) director as described above.
Indemnification of Directors:	The organizational documents of the Reorganized Company shall provide for the indemnification of New Holdco's and the Reorganized Company's directors to the fullest extent permitted by law as if such entities were Delaware corporations. In addition, New Holdco will purchase a D&O insurance policy with such amounts of coverage and limits as are usual and customary for companies similarly situated to the New Holdco.
Board Committee Matters:	For so long as Fidelity/Newport and Sciens are entitled to designate directors, each Board Committee shall include at least one designee of Fidelity/Newport and one designee of Sciens.
Board Voting:	The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors; provided, however, that the vote of a majority of the disinterested directors shall be required for the Board of Directors to approve and authorize New Holdco or any of its subsidiaries to enter into any material transaction with any equityholder or affiliate thereof (including any director that is designated by such equityholder).
Protective Provisions:	In addition to any other vote or approval required under New Holdco's organizational documents, New Holdco will not, without the written consent of the holders of at least 66.67% of the voting power of the capital stock casting a vote, either directly or indirectly: (i) amend, alter, or repeal any provision of the organizational

	documents of New Holdco or the Reorganized Company; or (ii) increase or decrease the size of the Board of New Holdco or the Reorganized Company. Stockholder voting requirements will otherwise be modeled after stockholder voting requirements for a corporation organized under the Delaware General Corporation Laws.
Voting Rights:	The voting rights of any new equity securities issued in connection with the restructuring shall be consistent with section 1123(a)(6) of the Bankruptcy Code.
Corporate Structure	Under the *Plan*, the corporate structure of the Reorganized Company shall be acceptable to and determined by the RSA Creditor Parties, in consultation with the Debtors.
Status as Private Company	Under the *Plan*, it is anticipated that New Holdco will be a private company as of the Effective Date of a Plan and will not register its equity with the Securities Exchange Commission or list such equity on an exchange; provided, that New Holdco may implement procedures to facilitate trading of such equity, e.g., providing investors with access (on a secure website) to current information concerning New Holdco and its subsidiaries on a consolidated basis. The organizational documents of the New Holdco will contain provisions to enable New Holdco to remain as a private company, e.g., prohibitions on transfers of the equity of New Holdco if such transfers would result in New Holdco being required to be a public reporting company.

General Provisions

Lease	The Landlord and Reorganized Colt shall agree to enter into a new lease or purchase agreement for the Company's West Hartford Facility on the terms and conditions set forth on Exhibit B hereto. The Company shall elect whether to enter into a new lease or purchase agreement for the West Hartford Facility by the deadline for doing so set forth in Exhibit B hereto, after consultation with the Consortium and Sciens.
Management/Consulting Agreement:	The Reorganized Company (or one or more entities comprising the Reorganized Company) will enter into Consulting Services Agreement with affiliates of Fidelity/Newport and Sciens for services and fees in an amount and scope to be determined but not to exceed in the aggregate $1,000,000 annually. Any fees will be split 50:50 by Fidelity/Newport and Sciens. Payments under such Consulting Services Agreement shall only be payable so long as the Reorganized Company is in compliance with its obligations under the Term Loan Exit Facility.
Management Incentive Plan:	Under the *Plan*, to be decided by the Board and to be implemented after the Effective Date, a management incentive plan that provides for grants of restricted stock, cash, options, warrants, and/or other equity-based compensation to the management of New Holdco and the Reorganized Company of up to 10% of the New Class A Stock of New Holdco. The New Class A Common Stock issuable pursuant to the Management Incentive Plan ("MIP") shall proportionately dilute the New Class A Stock issued pursuant to the Offering and to the Landlord in the manner set forth on Exhibit A hereto.
Tax Issues:	New Holdco and the Reorganized Company shall seek to implement the restructuring in a tax efficient manner; provided that, under the Plan, the reorganized Company will maintain its status as a C corporation for tax purposes and the holders of Reorganized Equity will not receive a Schedule K-1.
Injunction:	Ordinary and customary injunction provisions shall be included in the Plan.
Releases:	Under the *Plan*, (but subject to entry into the lease renewal or purchase and Sciens' being offered the opportunity to participate in the Offering as provided above) and to the fullest extent permitted by applicable law, the Plan shall provide for comprehensive mutual release, indemnification and exculpation provisions from and for the benefit of the Debtors, the RSA Creditor Parties, Sciens Capital Management LLC (and its affiliates), NPA Hartford LLC, the Trustee for the 8.75% Notes, Wilmington Savings Fund Society, FSB as agent for the Prepetition Term Loan and DIP Term Loan, and Cortland Capital Market Services, LLC as agent for the DIP Senior Loan

	and all individuals serving, or who have served since the petition date as a manager, director, managing member, officer, partner, shareholder or employee of any of the foregoing and the attorneys and other advisors to each of the foregoing.
Professional Fees	On or after the Effective Date, the reasonable and documented professional fees and expenses of the following parties shall be paid in full in cash: (i) the Debtors, (ii) the Official Creditors' Committee; (iii) the Term Lenders, (iv) the Consortium, (v) Sciens, and (vi) the Landlord.
Collective Bargaining Agreement	The Company shall use diligent efforts to negotiate with the union to obtain favorable modifications to the CBA.

Conditions

Closing Conditions:	This restructuring shall be subject to (i) the execution of definitive documentation mutually acceptable to the parties to the RSA, (ii) the entry of an order confirming the Plan, which order is not subject to a stay of execution, (iii) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed and, to the extent required, filed with the applicable governmental units in accordance with applicable laws, (iv) the Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtors or the RSA Creditor Parties to be necessary to implement the Plan and that are required by law, regulation or order; (v) the agreement of Colt to pay all fees and expenses of the legal and financial advisors of the RSA Creditor Parties, Sciens, and the Landlord in cash on the Effective Date as provided above and (vi) modifications to the collective bargaining agreement reasonably acceptable to the Company and the RSA Creditor Parties.

COLT HOLDING COMPANY LLC, ET AL.
Chapter 11 Plan Term Sheet
EXHIBIT A

(New Equity Terms)

New Class A Stock

- Voting: 100 votes per share (votes together as a single class with the New Class B Stock)
- Dividends: If and when declared by the Board (dividends to reduce Priority Return dollar for dollar). As provided below, until the Priority Return is paid in full to the holders of New Class A Stock, no dividends will be paid on the New Class B Stock.
- Priority Return: Per share amount determined based on dividing the aggregate offering price ($50 million) by the number of shares of New Class A Stock outstanding on a fully diluted basis (the "Priority Return")
    - No increase in aggregate Priority Return for issuance of New Class A Stock to Landlord or under MIP or otherwise.
    - Priority Return is payable in the event of liquidation, dissolution, merger or sale of substantially all the assets before any amounts are paid to holders of New Class B Stock
    - As provided above, Priority Return to be reduced dollar for dollar by any dividends or other distributions paid in respect of the New Class A Stock
- Participation: Participates pro rata with the New Class B Stock on distributions in excess of the Priority Return at a ratio of 75% to 25% (the "Participation Ratio"); provided, however, that (i) one-half of the shares of New Class A Stock issuable in connection with the MIP and one-half of the shares of New Class A Stock to be issued to the Landlord shall not dilute the excess distributions to be received by the New Class B Stock issued on the Effective Date, such that such MIP and Landlord shares shall only dilute the excess distribution to be received by the holders of the other New Class A Stock issued on the Effective Date, and (ii) the remaining one-half of the shares of New Class A Stock issuable in connection with the MIP and one-half of the shares of New Class A Stock to be issued to the Landlord shall dilute all New Class A Stock and New Class B Stock in accordance with the Participation Ratio:
    - Except as provided above, no adjustment to the Participation Ratio for future issuances of New Class A Stock (including, but not limited to Landlord Shares and MIP) or issuances of New Class B Stock
    - Participation Ratio to be adjusted for changes in capital structure (i.e. recapitalization, stock dividends, etc.)
- Convertibility into New Class B Stock: (the conversion ratio to be determined to give effect to the Participation Ratio (including the proviso thereto)
    - New Class A Stock shall automatically convert into New Class B Stock upon:
        - Liquidity Event ("Liquidity Event"), which shall include:
            - A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "Qualified IPO"). For example, if a Liquidity Event consisting of a Qualified IPO at an offering price of $10 per share, generates $100 million of net proceeds to New Holdco, a portion of which proceeds are used to repay debt of Reorganized Colt (and $30 million of which are used to pay the then Priority Return of $50 million), the Company shall distribute the holders of the New Class A Stock 2.0 million additional shares of New Class B Stock (which will have an aggregate value of $20 million based upon the

initial public offering price), upon the automatic conversion of the New Class A Stock into New Class B Stock as a result of the Qualified IPO.

- Sale, merger or business combination transaction generating proceeds that are distributed to the holders of New Class A Stock in the aggregate of at least the then outstanding Priority Return.
- Asset sale or a series of asset sales generating proceeds that are distributed to the holders of New Class A Stock in the aggregate of at least the then outstanding Priority Return in excess of funded debt.

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

o For the avoidance of doubt:

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

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

- Preemptive Rights: As provided in Term Sheet (holders of 1% of voting power); terminates on a qualified IPO
- Drag and Tag Along Rights: As provided in Term Sheet; New Class B Stock drags at a price per share (not less than zero) equal to the per share New Class A Stock Price (on an as converted basis giving effect to the Participation Ratio) less the then per share New Class A Stock Priority Return; terminates on a qualified IPO

New Class B Stock

- Voting: One vote per share (votes together as a class with New Class A Stock). Separate Class Vote required for certain matters disproportionately and adversely affecting the New Class B Stock, including future disproportionate issuances of New Class B Stock (i.e. no issuance of New Class B Stock without a concurrent proportionate issuance of New Class A Stock) other than in connection with the conversion of New Class A Stock as provided above.
- Dividends: No dividends until Priority Return is paid in full
- Priority Return: None
- Drag and Tag Price: See above
- Preemptive Rights: See above
- Participation: Participates pro rata with the New Class A Stock on distributions in excess of the Priority Return at the Participation Ratio
  - o No adjustment for future issuances of capital stock
  - o Participation Ratio to be adjusted for changes in capital structure (i.e. recapitalization, stock dividends, etc.)

Illustration

The following chart illustrates the distributions of the New Class A Stock, New Class B Stock and the Priority Return pursuant to this Exhibit. In the event that there is any inconsistency between the

description of the terms of the New Class A Stock in this Exhibit and the Restructuring Term Sheet and this example, this example shall control.

Distribution of Class A shares	**% of Total**
3rd lien **initial** Class A shares (A)	100.00%
Less: Management incentive (10.0% of A)	10.00%
Class shares after mgmt. incentive (B)	90.00%
Less: NPA share (7.5% of B)	6.75%
3rd lien **fully-diluted** Class A shares (C)	83.25%

Distribution of Class B shares	**% of Total**
8.75% Notes **initial** Class B shares	100.00%
Participation Ratio for Class A shares (after Priority Return)	77.09%
8.75% Notes **fully-diluted** Class B shares	22.91%

Class A value distribution (after Priority Return)	**Class A %**	**(x) Conversion Ratio**	**= Diluted Class B %**
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%

Distribution of Priority Return			
Total Priority Return			**$50.0**
Management allocation		10.00%	5.0
NPA allocation		6.75%	3.4
3rd lien allocation	**3rd lien %**		
Sciens	30.0%	24.98%	12.5
Newport/Fidelity	30.0%	24.98%	12.5
Other 8.75% Notes	40.0%	33.30%	16.7
Total 3rd lien allocation		83.25%	$41.6

COLT HOLDING COMPANY LLC, ET AL.
Chapter 11 Plan Term Sheet

EXHIBIT B

The agreement set forth in this Exhibit B is expressly and explicitly conditioned upon, and subject in its entirety to, the global restructuring of Colt Defense LLC, et al., in its pending chapter 11 bankruptcy cases as set forth in the Colt Holding Company LLC, et al., Chapter 11 Plan Term Sheet attached hereto (the "Term Sheet").[1]

A. Lease

Unless Colt elects, by written notice as set forth in Section B. below by the earlier of (i) the tenth (10th) day prior to the first scheduled day of a confirmation hearing on the Plan and (ii) November 30, 2015, to buy the West Hartford facility (the "Property") in accordance with the terms set forth in B. below (the "Purchase Option"), Colt will lease the Property from the Landlord on the following terms:

1. On the Effective Date of the Plan, the existing lease of the Property will be assumed, as revised in accordance herewith, and will be assigned to Reorganized Colt.

2. The revised lease will have an additional five-year term expiring on the fifth anniversary of the Effective Date (unless extended as provided below) at the following annual rates:

   - Year 1 - $972,497
   - Year 2 - $1,001,669
   - Year 3 - $1,031,725
   - Year 4 - $1,062,679
   - Year 5 - $1,094,557

3. Two one-year renewal options on the following terms:

   a. Exercise price - $300,000 for each extension, payable at time of exercise

   b. Options must be exercised no later than one year in advance of expiration of lease (i.e., expiration of original term or extension period, as applicable)

   c. Annual rates:

      (i) First Option Period - $1,127,500

      (ii) Second Option Period - $1,155,000

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[1] Capitalized terms used herein and not defined herein shall have the same meaning as in the Term Sheet.

4. Payment in full on the effective date of the Plan of the Landlords outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of Valnic Capital Real Estate Fund I LLC) and any other liquidated sums then due and payable under the lease..

5. Security: $1.5 million standby letter of credit.

6. Issuance to the Landlord of 7.5% of the New Class A Stock of Reorganized Colt on a fully diluted basis (except for dilution attributable to the MIP and conversion of the Class A Shares into Class B Shares as provided under Exhibit A to the Term Sheet) in the form of New Class A Stock (as defined in the Term Sheet). For the avoidance of doubt, the New Class A Stock issued to the Landlord shall be issued to the Landlord on the Effective Date of the Plan, and shall have the same rights, protections, terms and conditions as the other New Class A Stock. as described in Exhibit A hereto, except that the New Class A Stock issued to the Landlord shall be non-voting (to the extent permitted under the Bankruptcy Code)[2]

7. So long as the Lease is in effect, Reorganized Colt shall have a 30 day "right of first offer" for any proposed sale of the Property by the Landlord on the terms set forth by the Landlord. If Reorganized Colt does not agree to purchase the Property on such terms, then Landlord shall have one year to sell the Property to any other party on Substantially Similar Terms (as defined below). As used herein, "Substantially Similar Terms" means terms of sale having a purchase price of not less than 90% of the purchase price specified by the Landlord to Colt, and otherwise on terms and conditions not materially less favorable to Landlord than the offer to Colt.

8. NPA Hartford and Valnic, and each of their members, agents, equity holders, employees, etc., shall receive full and final releases from all parties.

B. <u>Sale</u>

If Colt elects, by delivery of a written notice to the Landlord by the earlier of (i) the tenth (10th) day prior to the scheduled first day of a confirmation hearing on the Plan or (ii) November 30, 2015, to buy the Property on the Effective Date of the Plan in accordance with terms set forth below, Colt will buy the Property from the Landlord on the following terms:

1. Sale Price: $13 million in cash on the effective date of the Plan, PLUS issuance to the Landlord of 7.5% of the New Class A Stock of Reorganized Colt on a fully diluted basis (except for dilution attributable to the management incentive plan and conversion of the Class A Shares into Class B Shares as provided under Exhibit A to the Term Sheet) in the form of New Class A Stock. For the avoidance of doubt, the New Class A Stock shall be issued to the Landlord on the effective date of the Plan, and shall have the same rights, protections, terms and conditions as the other New Class A Stock as described on Exhibit

[2] For the avoidance of doubt, if either the lease or purchase transaction contemplated in this Term Sheet is consummated as set forth herein ,on the Effective Date, the Landlord will either receive 7.5% of the New Class A Stock (in addition to the other consideration specified herein in connection with such lease) pursuant to a revised lease under Section A hereof, or it will receive 7.5% of the New Class A Stock (in addition to the other consideration specified herein in connection with such purchase) pursuant to a purchase under Section B hereof, but it shall not receive both.

A hereto, except that the New Class A Stock issued to the Landlord shall be non-voting (to the extent permitted under the Bankruptcy Code. (See footnote 3).

2. Payment in full on the Effective Date of the Plan of all of Landlord's outstanding rent, penalties, interest (default and otherwise), costs and expenses (including legal fees and the fees of Valnic) and any other liquidated sums then due and payable under the lease.

3. NPA Hartford and Valnic, and each of their members, agents, equity holders, employees, etc., shall receive full and final releases from all parties.