UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
FORT LAUDERDALE DIVISION
www.flsb.uscourts.gov

In re:

PPOA HOLDING, INC., *et al.*,[1]

Debtors.
__________________________________/

Case No. 10-10711-BKC-JKO
Chapter 11 Cases
(Jointly Administered)

DEBTORS' DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE PLAN OF LIQUIDATION FOR THE DEBTORS

ATTORNEYS FOR DEBTORS
BERGER SINGERMAN, P.A.
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Dated: November 3, 2010

[1] The name and last four digits of the taxpayer identification number for each of the Debtors follows in parenthesis: (i) PPOA Holding, Inc. f/k/a Protective Products of America, Inc. (9709); (ii) CPC Holding Corporation of America (8086); (iii) CP Corporation of America, Inc. f/k/a Ceramic Protection Corporation of America (7305); (iv) PPI International Corp. f/k/a Protective Products International Corp. (7373); and (v) PPNC, LLC f/k/a Protective Products of North Carolina, LLC (0927). The address for the Debtors is c/o Ahearn Jasco & Company, P.A., Attn. Frank E. Jaumot, CPA, 190 Southeast 19th Avenue, Pompano Beach, Florida 33060.

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ARTICLE I
INTRODUCTION

PPOA Holding, Inc. f/k/a Protective Products of America, Inc. ("PPA"); CPC Holding Corporation of America ("CPC Holding"); CP Corporation of America, Inc. f/k/a Ceramic Protection Corporation of America ("CPC Corp."); PPI International Corp. f/k/a Protective Products International Corp.("PPI"); and (v) PPNC, LLC f/k/a Protective Products of North Carolina, LLC Protective Products of America, Inc. ("PPNC") (collectively, the "Debtors"), (the "Proponents"), submit this Disclosure Statement pursuant to Bankruptcy Code section 1125 in support of the Liquidating Plan of the Debtors, as it may be amended in accordance with its terms.

This Disclosure Statement[2] sets forth certain information regarding the prepetition operations and financial history of the Debtors, events leading to the Debtors' bankruptcy, significant events that have occurred during the Bankruptcy Cases, and the means for implementing a restructuring of the Debtors' financial affairs. This Disclosure Statement also describes terms and provisions of the Plan, certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures and requirements for voting on the Plan.

A. Summary of Distributions and Releases Under the Plan

The Plan provides for the collection of the Debtors portion of certain income tax refunds, the pursuit of litigation claims, and the distribution of the foregoing together with the proceeds from the sale of substantially all of the Debtors assets to Protective Products Enterprises, Inc., which closed on March 5, 2010.

Under the Plan, holders of General Unsecured Claims will receive a Pro Rata Share of cash proceeds. The Cash available to pay Allowed General Unsecured Claims is provided from the liquidation of all of the Debtors assets and the pursuit of litigation claims, if any. As of September 30, 2010, the Debtors had $971,586.17 in cash on hand. The Debtors estimate that they may receive up to an additional $2.3 million from the Purchaser on account of state and federal tax refunds sold to the Purchaser, although the actual amount of the tax refunds received, and therefore, the amount paid by the Purchaser to the Debtors may be less. Those funds will be available for distribution to the holders of Allowed Claims

The Debtors believe the recovery to holders of General Unsecured Claims is more than such holders would realize upon a liquidation under Chapter 7 of the Bankruptcy Code. The Proponents believe that the additional administrative expenses of a chapter 7 trustee and its professionals would dilute the distribution available to General Unsecured Creditors.

[2] Except as otherwise provided in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan, including the Glossary of Defined Terms attached to the Plan as Exhibit A. Any capitalized term used in this Disclosure Statement that is not defined in the Plan or this Disclosure Statement shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, whichever is applicable.

Articles 9.2 and 9.3 of the Plan contain certain release and exculpation provisions. The release provisions contained in Article 9.2 of the Plan provide for certain limited releases by the Debtors (on behalf of themselves and their respective estates), of (i) the Debtors' officers and directors (who were officers and directors of the Debtors on or after the Petition Date) and professionals. For a more complete description of the breadth and limitations of these releases please review Article 9.2 of the Plan and Article IX(J) of this Disclosure Statement.

Article 9.3 of the Plan contains a limited exculpation provision that covers the following parties: (i) the Debtors and their respective officers, directors, and managers (who were officers and directors of the Debtors on or after the Petition Date); and (ii) the non-attorney Professionals. For a more complete description of the breadth and limitations of the exculpation provision please review Article 9.3 of the Plan and Article IX(j) of this Disclosure Statement.

THE PROPONENTS BELIEVE THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND URGE ALL CREDITORS WHO ARE ENTITLED TO VOTE ON THE PLAN TO VOTE IN FAVOR OF THE PLAN AND URGE ALL CREDITORS WHO ARE ENTITLED TO VOTE ON THE PLAN TO VOTE IN FAVOR OF THE PLAN.

B. Filing of the Debtors' Bankruptcy Cases

On January 13, 2010, the Debtors filed voluntary chapter 11 petitions in the Bankruptcy Court. The Debtors continue to operate their businesses and manage their property and assets as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

C. Purpose of Disclosure Statement

This Disclosure Statement is submitted in accordance with Bankruptcy Code section 1125 for the purpose of soliciting acceptances of the Plan from holders of certain Classes of Claims and Equity Interests. Acceptances of the Plan are being sought only from Claimholders whose Claims are "impaired" (as that term is defined in Bankruptcy Code section 1124) by the Plan and who are receiving or retaining property under the Plan. Holders of Claims that are not impaired are deemed to have accepted the Plan. Holders of Claims or Equity Interests that are not receiving or retaining any property under the Plan are deemed to have rejected the Plan.

The Debtors have prepared this Disclosure Statement pursuant to Bankruptcy Code section 1125, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against, and Equity Interests in, the Debtors, along with a written disclosure statement containing adequate information about the Debtors of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Claimholders and Interestholders to make an informed judgment in exercising their right to vote on the Plan.

This Disclosure Statement was approved by the Bankruptcy Court on __________, 2010. Such approval is required by the Bankruptcy Code, and does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or the value or suitability of any consideration offered under the Plan. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of Bankruptcy Code section 1125 and contains adequate information to permit the Claimholders and Interestholders whose acceptance of the Plan is solicited to make an informed judgment regarding acceptance or rejection of the Plan.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED SOLELY FOR THE USE OF CLAIMHOLDERS AND INTERESTHOLDERS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON, OR WHETHER TO OBJECT TO, THE PLAN. THE LIQUIDATION OF THE DEBTORS PURSUANT TO THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN, AS CONTEMPLATED, WILL BE EFFECTUATED.

THE DEBTORS BELIEVE THAT THE PLAN AND THE PROPOSED TREATMENT OF CLAIMS AND EQUITY INTERESTS IS IN THE BEST INTERESTS OF CLAIMHOLDERS AND INTERESTHOLDERS, AND THEREFORE URGE YOU TO VOTE TO ACCEPT THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS IT PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE PLAN SHOULD BE REVIEWED CAREFULLY.

NEITHER THE FILING OF THE PLAN NOR ANY STATEMENT OR PROVISION CONTAINED IN THE PLAN OR IN THE DISCLOSURE STATEMENT, NOR THE TAKING BY ANY PARTY IN INTEREST OF ANY ACTION WITH RESPECT TO THE PLAN, SHALL (i) BE OR BE DEEMED TO BE AN ADMISSION AGAINST INTEREST AND (ii) UNTIL THE EFFECTIVE DATE, BE OR BE DEEMED TO BE A WAIVER OF ANY RIGHTS ANY PARTY IN INTEREST MAY HAVE (a) AGAINST ANY OTHER PARTY IN INTEREST OR (b) IN ANY OF THE ASSETS OF ANY OTHER PARTY IN INTEREST, AND, UNTIL THE EFFECTIVE DATE, ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED. IN THE EVENT THAT THE PLAN IS NOT CONFIRMED OR FAILS TO BECOME EFFECTIVE, NEITHER THE PLAN NOR THE DISCLOSURE STATEMENT, NOR ANY STATEMENT CONTAINED IN THE PLAN OR

IN THE DISCLOSURE STATEMENT, MAY BE USED OR RELIED ON IN ANY MANNER IN ANY SUIT, ACTION, PROCEEDING OR CONTROVERSY, WITHIN OR WITHOUT THE DEBTORS' BANKRUPTCY CASES, INVOLVING THE DEBTORS, EXCEPT WITH RESPECT TO CONFIRMATION OF THE PLAN.

D. Hearing on Confirmation of the Plan

The Bankruptcy Court has set __________, 2010 at __:__ _.m. prevailing Eastern Time as the time and date for the hearing to determine whether the Plan has been accepted by the requisite number of Claimholders and whether the other requirements for confirmation of the Plan have been satisfied. If the Plan is rejected by one or more Impaired Classes of Claims, the Bankruptcy Court may still confirm the Plan, or a modification thereof, under Bankruptcy Code section 1129(b) (commonly referred to as a "cramdown") if it determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of Claims impaired under the Plan. The procedures and requirements for voting on the Plan are described in more detail below.

E. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtors, their business, properties and management have been prepared from information furnished by the Debtors.

Certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are digests of other documents. While the Debtors have made every effort to retain the meaning of such other documents or portions that have been summarized, they urge that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. **In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of the document shall govern and apply.**

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

No statements concerning the Debtors, the value of their property, or the value of any benefit offered to the holder of a Claim or Equity Interest under the Plan should be relied on other than as set forth in this Disclosure Statement. In arriving at a decision, parties should not rely on any representation or inducement made to secure their acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be immediately reported to counsel for the Debtors, Jordi Guso, Esq., Berger Singerman P.A., 200 South Biscayne Boulevard, 10th Floor, Miami, Florida 33131 [(305) 755-9500] and counsel for the Committee, George P. Angelich, Arent Fox LLP, 1675 Broadway, New York, NY 10019-5820 [(212) 457-5423].

ARTICLE II
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession attempts to reorganize, or provide for an orderly liquidation of, its business and financial affairs for the benefit of the debtor, its creditors, and other interested parties.

The commencement of a chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a trustee, Bankruptcy Code sections 1101, 1107 and 1108 provide that a chapter 11 debtor may continue to operate its business and control the assets of its estate as a "debtor-in-possession."

The filing of a chapter 11 petition also triggers the automatic stay under Bankruptcy Code section 362. The automatic stay essentially halts all attempts to collect prepetition claims from the debtor or to otherwise interfere with the debtor's business or its bankruptcy estate.

Formulation of a plan of reorganization or liquidation is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case. This 120 day period is called the "Exclusive Period." After the Exclusive Period has expired, a creditor or any other interested party may file a plan, unless the debtor files a plan within the Exclusive Period. The Exclusive Period in this case has expired.

B. Plan of Liquidation

After a plan has been filed, the holders of claims against, or equity interests in, a debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against, or equity interest in, a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in dollar amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan by a class of equity interests as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or equity interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of claims or equity interests that receive or retain no property under a plan of reorganization are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if all classes of claims and equity interests accept a plan of reorganization, the Bankruptcy Court may nonetheless deny confirmation. Bankruptcy Code section 1129 sets forth the requirements for confirmation and, among other things, requires that a plan be in the "best interests" of impaired and dissenting creditors and interestholders and that the plan be feasible. The "best interests" test generally requires that the value of the consideration to be distributed to impaired and dissenting creditors and interest holders under a plan may not be less than those parties would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be determined to be "feasible," which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations without the need for further financial reorganization or liquidation.

The Bankruptcy Court may confirm a plan of reorganization or liquidation even though fewer than all of the classes of impaired claims and equity interests accept it. The Court may do so under the "cramdown" provisions of Bankruptcy Code section 1129(b). In order for a plan to be confirmed under the cramdown provisions, despite the rejection of a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of claims or equity interests that has not accepted the plan.

The Bankruptcy Court must further find that the economic terms of the particular plan meet the specific requirements of Bankruptcy Code section 1129(b) with respect to the subject objecting class. If the proponent of the plan proposes to seek confirmation of the plan under the provisions of Bankruptcy Code section 1129(b), the proponent must also meet all applicable requirements of Bankruptcy Code section 1129(a) (except section 1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law, (ii) that the plan be proposed in good faith, and (iii) that at least one impaired class of creditors or interestholders has voted to accept the plan.

ARTICLE III
VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

On ________, 2010, the Bankruptcy Court entered an Order Approving Solicitation Procedures with respect to the Plan (the "Solicitation Procedures Order"). Pursuant to the Solicitation Procedures Order, the Bankruptcy Court approved the form of ballots, ballot instructions, the nature of soliciting votes on the Plan and the manner in which such votes are to be balloted. A Ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Claimholders (or their authorized representative) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Claimholder (or its authorized representative) entitled to vote should indicate its vote on the enclosed Ballot.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be received no later than __________, 2010 at _:__ _.m. prevailing Eastern Time (the "Voting Deadline") by the Debtors. Instructions for filling out and submitting your ballot to the Debtors will be contained on the Ballot. Please review and follow those instructions carefully.

All Claimholders (or their authorized representative) entitled to vote must:

- carefully review the Ballot and corresponding instructions,
- execute the Ballot, and
- return it to the address indicated on the ballot by the Voting Deadline for the Ballot to be considered

BALLOTS MUST BE RECEIVED NO LATER THAN __________, 2010 AT 4:00 P.M. PREVAILING EASTERN TIME. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BALLOT BY SENDING A WRITTEN REQUEST TO DEBTORS' COUNSEL AT THE ADDRESS LISTED ON THE BALLOT.

B. Claimholders Entitled to Vote

Unless otherwise specified in the Solicitation Procedures Order, any Claimholder whose Claim or Equity Interest is Impaired under the Plan is entitled to vote if either (i) the Debtors have scheduled the Claim in their Schedules of Assets and Liabilities and such Claim is not scheduled as disputed, contingent, or unliquidated or (ii) the Claimholder has filed a proof of claim on or before the General Bar Date or such other applicable Bar Date. **Returning the ballot to the Debtors does not constitute filing a proof of claim or equity interest.**

Any holder of a Claim to which an objection has been timely filed pursuant to the Solicitation Procedures Order (and such objection is still pending on the Voting Deadline) is not entitled to vote, unless the Bankruptcy Court, on motion filed by such party whose Claim is subject to an objection, temporarily allows the Claim in a specific amount for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court before the Confirmation Hearing on the Plan. A vote may be disregarded if the Bankruptcy Court determines that the Claimholder's or Interestholder's acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

Under Bankruptcy Code section 1126(f), a class that is not impaired under a chapter 11 plan, and each holder of a Claim or Equity Interest in such class, are conclusively presumed to have accepted the chapter 11 plan. Under Bankruptcy Code section 1126(g), a class is deemed not to have accepted a chapter 11 plan if the holders of Claims or Equity Interests in such class do not receive or retain any property under the chapter 11 plan on account of such Claims or Equity Interests. Holders of Claims or Equity Interests that are unimpaired under the Plan, or that are not entitled to receive or retain any property under the Plan, are not entitled to vote to accept or reject the Plan. The Debtors will not be soliciting votes from such Claimholders or Interestholders.

C. Bar Date for Filing Proofs of Claim

The Bankruptcy Court has established May 18, 2010 as the general deadline for filing proofs of claim and proof of interests in the Bankruptcy Case (called the "General Bar Date") with four exceptions: (i) in the event that the Debtors amend their Schedules of Assets and Liabilities, the Debtors must give notice of such amendment to the Claimholder affected thereby, and the affected Claimholder shall have the later of the General Bar Date or thirty (30) days from the date on which notice of such amendment was given to file a proof of claim; (ii) in the event that the Debtors amend their List of Equity Security Holders filed with the Court pursuant to Bankruptcy Rule 1007(a)(3), the Debtors must give notice of such amendment to the Interestholders affected thereby, and such Interestholder shall have the later of the General Bar Date or thirty (30) days from the date on which notice of such amendment was given to file a proof of interest; (iii) in the event that a Claim arises with respect to the Debtors' rejection of an executory contract or unexpired lease, the Claimholder shall have the later of the General Bar Date or thirty (30) days after the effective date of any order authorizing the rejection of the executory contract or unexpired lease to file a proof of claim; and (iv) the deadline for filing a proof of claim by any governmental unit (as defined by section 101(27) of the Bankruptcy Code) holding or wishing to assert Claims against the Debtors is on or before July 12, 2010. These deadlines along with procedures for filing proofs of claim and proofs of interest are described in the Bar Date Notice, a copy of which may be obtained by contacting Debtors' counsel:

Berger Singerman P.A.
200 South Biscayne Boulevard
10th Floor
Miami, Florida 33131
Attn: Jordi Guso
Telephone: (305) 755-9500
Fax: (305) 714-4340

D. Definition of Impairment

Under Bankruptcy Code section 1124, a class of Claims or Equity Interests is impaired under a plan of reorganization unless, with respect to each Claim or Equity Interests of such class, the Plan:

(1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or

(2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to receive accelerated payment of such claim or equity interest after the occurrence of a default:

(a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Bankruptcy Code section 365(b)(2) or of a kind that section 365(b)(2) expressly does not require to be cured;

(b) reinstates the maturity of such claim or equity interest as it existed before the default;

(c) compensates the holder of such claim or equity interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law;

(d) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code section 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Classes Impaired Under the Plan

Claims or Equity Interests in all Classes (except Claims PPA-1, 2, PPI-1, and CPC Corp.-1) are impaired under the Plan. Therefore, holders of those impaired Claims and Equity Interests are eligible, subject to the voting limitations described below, to vote to accept or reject the Plan.

Claims in Classes PPA-1, 2, PPI-1, and CPC Corp.-1 are unimpaired under the Plan, and therefore holders of those Claims are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f). Accordingly, the Debtors will not be soliciting votes from Claimholders in Classes PPA-1, 2, PPI-1, and CPC Corp.-1.

Holders of Equity Interests and Allowed Subordinated Claims in Classes PPA-5, 6 PPI-5, 6, PPNC-5, 6, CPC Holding-5,6, and CPC Corp.-5, 6 are not receiving any Distributions on account of such Equity Interests and Claims under the Plan. Under Bankruptcy Code section 1126(g), such Interestholders and Claimholders are conclusively presumed to have rejected the Plan, and therefore the Debtors will not solicit their votes.

F. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance takes place only if creditors holding Claims constituting at least two-thirds in dollar amount of the total amount of Claims and more than one-half in number of the creditors actually voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of Equity Interests as acceptance by holders of at least two-thirds in amount of the allowed Equity Interests of that class.

G. Information on Voting and Ballots

1. Transmission of Ballots to Claimholders and Interestholders

Ballots are being forwarded to all Claimholders in accordance with the Bankruptcy Rules, the Disclosure Statement Approval Order and the Solicitation Procedures Order. Those Claimholders whose Claims are unimpaired under the Plan are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f), and therefore need not vote concerning the Plan. Under Bankruptcy Code section 1126(g), Claimholders who do not either receive or retain any property under the Plan are deemed to have rejected the Plan.

2. Ballot Tabulation Procedures

Pursuant to the Solicitation Procedures Order, holders of General Unsecured Claims against the Debtors will vote as one aggregated class of General Unsecured Claims and the votes will be tabulated together for purposes of determining whether such aggregated class of General Unsecured Claims has accepted or rejected the Plan.

Pursuant to the Solicitation Procedures Order, the amount and classification of a Claim and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows: any timely received Ballot that contains sufficient information to permit the identification of the Claimant and is cast as an acceptance or rejection of the Plan be counted and be deemed to be cast as an acceptance or rejection, as the case may be, of the Plan, subject to the following exceptions and clarifications:

(a) If a Claim is deemed allowed in accordance with the Plan, such Claim is allowed for voting purposes in the deemed allowed amount set forth in the Plan;

(b) If a Claim for which a proof of claim has been timely filed is marked as unliquidated, the Claim will be temporarily allowed for voting purposes only, and not for purposes of allowance or distribution, for that portion of such Claim that is not unliquidated, or, if the entire Claim is reflected as unliquidated, then such Claim will be counted for purposes of determining whether a sufficient number of the Allowed Claims in such Class has voted to accept the Plan but the allowed amount of the Claim for voting purposes will be $0, subject to the right of such holder to file a motion for temporary allowance;

(c) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, such Claim is temporarily allowed in the amount so estimated or allowed by the Court for voting purposes only, and not for purposes of allowance or distribution;

(d) If a Claim is listed in the Schedules of Assets and Liabilities as contingent, unliquidated, or disputed and a proof of claim was not (i) filed by the applicable deadline to file proofs of claim or (ii) deemed timely filed by an order of the Bankruptcy Court prior to the Voting Deadline, the Claim will be disallowed in its entirety for voting purposes;

(e) For all Persons or entities who timely filed a proof of claim reflecting a Claim or portion of a Claim that is contingent, the Claim shall be disallowed in its entirety for voting purposes, subject to the right of such holder to file a motion for temporary allowance;

(f) Objections to Claims for voting purposes must be filed no later than ____________, 2010 and such Claims will be temporarily disallowed for voting purposes only and not for the purposes of the allowance or distribution, except to the extent and in the manner as may be set forth in the objection, including, without limitation, classification as to proper Debtor and priority of claim, subject to the right of such holder to file a motion for temporary allowance;

(g) If a Ballot is properly completed, executed and timely filed, but does not indicate an acceptance or rejection of the Plan, or indicates both an acceptance and rejection of the Plan, the Ballot will not be counted;

(h) If a Ballot does not indicate the class of Claims in which it is cast, the Debtors are authorized to determine the appropriate class and to tabulate the Ballot based on that determination;

(i) The Debtors are authorized to tabulate votes on a consolidated basis for all Debtors;

(j) If a proof of claim has been timely filed and has not been objected to before the Confirmation Hearing, the voted amount of that Claim shall be the liquidated amount specified in the proof of claim; and

(k) If no proof of claim has been timely filed, the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules of Assets and Liabilities, as and if amended, to the extent such Claim is not listed as contingent, unliquidated, or disputed, and the Claim shall be placed in the appropriate Class based on the Debtors' records and consistent with the Schedules of Assets and Liabilities.

Ballots that fall within the following categories will not be counted or considered for any purpose in determining whether the Plan has been accepted or rejected, except as specified:

(a) Any Ballot received after the Voting Deadline unless the Debtors or Court shall have granted an extension in writing of the Voting Deadline with respect to such Ballot;

(b) Any Ballot that is illegible or contains insufficient information to permit the identification of the claimant;

(c) Any Ballot cast by a Person or entity that does not hold a Claim in a Class that is entitled to vote to accept or reject the Plan;

(d) Any duplicate Ballot will only be counted once;

(e) Any Ballot submitted by facsimile transmission;

(f) Any Ballot that is unsigned, or signed by someone other than the holder of the Claim (or its authorized representative); or

(g) Any acceptance or rejection submitted on something other than the Ballot form provided by the Debtors and approved pursuant to the Solicitation Procedures Order.

The Debtors believe that the foregoing proposed procedures provide for a fair and equitable voting process. As mentioned above, if any Creditor seeks to challenge the allowance of its Claim for voting purposes, such Creditor must serve on the Debtors and file with the Court a motion requesting the temporary allowance of such Claim in a different amount for purposes of voting to accept or reject the Plan no later than _______, 2010 (the "Motion for Temporary Allowance Deadline"). The Ballot of any Creditor filing such a motion shall not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing.

Whenever two or more Ballots are cast voting the same claim prior to the Voting Deadline, the latest dated Ballot received prior to the Voting Deadline will be deemed to reflect the voter's intent and thus to supersede any prior Ballots, provided, however, that where an ambiguity exists as to which Ballot reflects the voter's intent, the Debtors reserve the right to contact the Creditor and calculate the vote according to such voter's written instructions. This procedure is without prejudice to the Debtors' right to object to the validity of the second Ballot on any basis permitted by law and, if the objection is sustained, to count the first Ballot for all purposes. This procedure of counting the last Ballot is consistent with practice under various state and federal corporate and securities laws. Furthermore, the Debtors propose that in their sole discretion they can agree to allow a Creditor to change its vote after the Voting Deadline without further order of the Court.

Claim splitting is not permitted and Creditors who vote must vote all of their Claims within a particular class to either accept or reject the Plan.

3. Execution of Ballots by Representatives

Federal Rule of Bankruptcy Procedure 3018(c) requires that an acceptance or rejection of a chapter 11 plan shall be in writing, identify the plan accepted or rejected, be signed by the creditor or equity security holder or an authorized agent. The Ballot approved by the Solicitation Procedures Order requires the identification of Persons signing in a fiduciary or representative capacity. To be counted, completed Ballots signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity must indicate their capacity when signing. At the Debtors' request, Ballot signatories must submit proper evidence satisfactory to the requesting Debtor(s) of their authority to so act. Failure to indicate the capacity of the signatory to the ballot may result in the Ballot being deemed invalid and not counted.

4. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtors in their sole discretion, whose determination will be final and binding. Any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification; provided, however, that the Debtors will indicate on the ballot summary the Ballots, if any, that were not counted, and will provide the original of such Ballots with the original of the ballot summary at the Confirmation Hearing. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived. Unless otherwise directed by the Bankruptcy Court, Ballots previously furnished, and as to which any irregularities have not subsequently been cured or waived, will be invalidated.

5. Withdrawal of Ballots and Revocation

Except as otherwise directed by the Bankruptcy Court after notice and a hearing, any holder of a Claim (or its authorized representative) in an Impaired Class who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Debtors' counsel at any time before the Voting Deadline.

To be valid, a notice of withdrawal must:

(a) contain the description of the Claims to which it relates and the aggregate principal amount or number of shares represented by such Claims;

(b) be signed by the Claimholder (or its authorized representative) in the same manner as the Ballot; and

(c) be received by the Debtors' counsel in a timely manner at the address specified in the ballot instructions for the submission of Ballots.

The Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that is not received in a timely manner by the Debtors' counsel will not be effective to withdraw a previously furnished Ballot.

Any Claimholder (or its authorized representative) who has previously submitted a properly completed Ballot before the Voting Deadline may revoke such Ballot and change its vote by submitting before the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan. In addition, if a Claimholder submits a valid notice of withdrawal prior to the Voting Deadline, such holder may submit a new Ballot, and such Ballot will be counted so long as it is received prior to the Voting Deadline and is otherwise submitted in accordance with the Disclosure Statement Approval Order.

H. Confirmation of Plan

1. Solicitation of Acceptances

The Proponents are soliciting your vote.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED BY THE DEBTORS, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO DEBTORS' COUNSEL FOR APPROPRIATE ACTION.

THIS IS A SOLICITATION SOLELY BY THE PROPONENTS, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL FOR THE DEBTORS. THE REPRESENTATIONS, IF ANY, MADE IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTORS AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by Bankruptcy Code section 1125(b). Violation of Bankruptcy Code section 1125(b) may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code section 1129 have been satisfied, in which event the Bankruptcy Court shall enter an order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code section 1129 requires that:

(a) The Plan complies with the applicable provisions of the Bankruptcy Code;

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

(c) The Plan has been proposed in good faith and not by any means forbidden by law;

(d) Any payment or distribution made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(e) The Debtors have disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a successor to the Debtors under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and interestholders and with public policy; and the Debtors have disclosed the identity of any insider that will be employed or retained by the reorganized Debtors and the nature of any compensation for such insider;

(f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtors has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;

(g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code. If Bankruptcy Code section 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtors' interest in the property that secures that claim;

(h) Each Class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan;

(i) Except to the extent that the holder of a particular Allowed Administrative Claim, Allowed Priority Unsecured Tax Claim, or Allowed Priority Unsecured Non-Tax Claim has agreed to a different treatment of its Claim, such Claims shall be paid in accordance with the provisions of Bankruptcy Code section 1129(a)(9);

(j) If a Class of Claims or Equity Interests is impaired under the Plan, at least one such Class of Claims or Equity Interests has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class; and

(k) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Proponents believe that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan was proposed in good faith. The Debtors believe they have complied, or will have complied, with all the requirements of the Bankruptcy Code governing confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of a Claim (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Bankruptcy Code section 1126(a), the Plan must be accepted by each Class of Claims that is impaired under the Plan by parties holding at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan. Even if all Classes of Claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." A plan of liquidation does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. "Fair and equitable" has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, "fair and equitable" means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor's interest in the property securing its liens; (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

With respect to an unsecured claim, "fair and equitable" means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, "fair and equitable" means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest, or

(ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

The Proponents believe that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Equity Interests. In the event at least one Class of impaired Claims or Equity Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Equity Interests.

ARTICLE IV
BACKGROUND OF THE DEBTORS

A. Description of Debtors' Business

1. Background

The Debtors were operating their business until the sale of substantially all their assets on March 5, 2010 and are managing their affairs as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

PPA was a publicly traded company on the Toronto Stock Exchange ("TSX"), and together with its subsidiaries, was engaged in the design, manufacture and marketing of advanced products used to provide ballistic protection for personnel and vehicles in the military and law enforcement markets. On January 14, 2010, the TSX advised PPA that trading was suspended and that TSX was in the process of reviewing delisting the shares.

PPA, formerly Ceramic Protection Corporation, was originally formed on November 1, 1995, in Alberta, Canada, through the amalgamation of two Canadian companies, and on February 26, 1996, the name was changed to Ceramic Protection Corporation. Prior to 2004, PPA's principal business activities were the manufacture and distribution of alumina and alumina-bonded silicon carbide products and the distribution of polyethylene materials to the industrial wear management and ballistic protection markets.

In 2004 PPA acquired Alanx Wear Solutions, Inc., a manufacturer of boron carbide and silicon carbide products for personal armor systems and industrial wear management applications, and in 2005, PPA expanded its sales of armor products to include ceramic personal armor plates and vehicle armor panels.

In May 2006 PPA acquired PPI, located in Sunrise, Florida. This acquisition expanded PPA's product portfolio to include a variety of soft armor products and provided PPA with an increased geographic scope and the opportunity for significant growth in the military and police armor markets. Following the acquisition of PPI, PPA expanded its sales and marketing efforts to military and law enforcement channels and received several significant orders, including an order valued at $36.2 million for Modular Tactical Vests ("MTVs") from the United States Marine Corp. In 2007, PPA received orders totaling $63.0 million from various branches of the U.S. military.

On January 2, 2008, PPA acquired the production facility and manufacturing assets of ForceOne, LLC, in North Carolina. This acquisition added to PPA's soft armor capabilities and enabled PPA to better control its production and delivery schedules of soft armor vests for the U.S. military.

On July 31, 2008, PPA completed its U.S. domestication process and incorporated in the State of Delaware under its new name Protective Products of America, Inc,

PPA was an industry leader in the design, manufacture, and sale of high performance and high quality products used for ballistic protection. PPA's product portfolio included lightweight ceramic armor for vehicles and military personnel, composite based products and concealable soft body armor products for law enforcement and the MTV ballistic system for military personnel in many high performance applications, such as handling ballistic threats.

PPA's subsidiary, PPI was an ISO 9001:2008 certified manufacturer. Further, PPA was one of very few companies able to provide customers with an integrated personnel armoring system of ceramic plates, soft ballistic material and vests for law enforcement and the military.

As of the Petition Date, PPA had 95 employees, with the vast majority located at their Sunrise, Florida facility. As of the Closing Date, discussed below, all employees were terminated and immediately rehired by the Purchaser.

B. Corporate Information and Debtors' Relationship to Subsidiaries and Affiliates

1. The Debtors

The Debtors are:

- Protective Products of America, Inc., a Delaware corporation;
- Protective Products International Corp., a Florida corporation;
- CPC Holding Corporation of America, a Delaware corporation;
- Ceramic Protection Corporation of America, a Delaware corporation; and
- Protective Products of North Carolina, LLC, a North Carolina limited liability company.

2. Corporate Structure

An organizational chart depicting the Debtors' corporate structure is attached to this Disclosure Statement as **Exhibit A**. As of the Petition Date, the Debtors operated their business principally through PPI. PPI is not publicly traded. PPI is wholly-owned by PPA. A list of the stockholders of PPA as of the Petition Date was filed on January 27, 2010.

C. Former Officer and Director of Debtors

As of the Petition Date, management of the Debtors consisted of the following:

R. Patrick Caldwell – CEO and Director. Mr. Caldwell became CEO in July 2009 and joined PPA in January 2009 as Senior Vice President, Sales and Marketing. Prior to joining PPA, Mr. Caldwell served as Deputy Assistant Director, Office of Protective Operations, U.S. Secret Service and spent 27 years in the U.S. Secret Service in a number of key positions, including Special Agent in charge of the Vice Presidential Protective Division. Mr. Caldwell also served in the United States Marine Corp and received the Silver Star for Valor and the Purple Heart for services in Vietnam;

Brian L. Stafford – Chairman of the Board. Mr. Stafford also served as acting CEO of the Company for the period March 18, 2009 through July, 2009. Prior to joining PPA, Mr. Stafford served as the 20th Director of the U.S. Secret Service. During his 31 year career, Mr. Stafford safeguarded Presidents Nixon, Ford, Carter, Regan, Bush and Clinton and served as the agency's lead executive under both President William Jefferson Clinton and President George W. Bush. Consistent with the dual missions of the Secret Service, Mr. Stafford served in both investigative and protective capacities, including Special Agent in Charge of the Presidential Protective Division. Mr. Stafford served in the U.S. Army and was awarded the Bronze Star after a tour of duty in Vietnam;

Neil E. Schwartzman - Chief Operating Officer or Chief Administrative Officer of the Debtors, as applicable. Mr. Schwartzman first joined PPA in April 2007, initially as PPA's Chief Information Officer. Mr. Schwartzman became Chief Operating Officer in July, 2009. Mr. Schwartzman has over 25 years of experience, including serving for five years as Vice President of Information Technology for The GEO Group, Inc. In addition he held positions at The Sports Authority, Sunglass Hut International, Michaels Arts and Crafts and ICH Corporation.

Jason Williams – Chief Financial Officer – Mr. Williams became the CFO in May 2008. He joined PPA in August 2007 as the Corporate Controller. Prior to joining PPA, Mr. Williams held the position of Director, Reporting and Analysis and Corporate Controller for PharmNet Development Group, Inc., a publicly traded contract research organization. Mr. Williams experience includes more than seven years as a financial principal and regulatory consultant in the financial services industry. Mr. Williams is a Certified Public Accountant (inactive) in the State of Florida; and

Deon Vaughan – Senior Vice President, General Counsel and Secretary – Ms. Vaughan joined the Company in March 2008. Prior to joining PPA, Ms. Vaughan served as Vice President, Deputy General Counsel and Compliance Officer at Owens Corning, a NYSE-listed global manufacturing company. During her ten year tenure at Owens Corning, Ms. Vaughan spent three years as Vice President, Audit and three years as the Vice President of Environment, Health, Safety and Regulatory law. Ms. Vaughan's experience also includes private practice at Squire, Sanders & Dempsey, LLP.

D. Remaining Officer and Director of Debtors

Effective as of the Closing Date, all directors, other than Frank E. Jaumot, and all officers resigned. The sole remaining officer and director of the Debtors is Frank E. Jaumot. On March 25, 2010, the Court entered an order authorizing the retention of Mr. Jaumot as Chief Restructuring Officer ("CRO") of the Debtors. [D.E. # 166], *nunc pro tunc* to March 5, 2010.

Mr. Jaumot is a director of each of the Debtors. Mr. Jaumot has been a director since January of 2009. He chaired the board's Audit Committee. He is familiar with the Debtors, their capital structure and operations. Mr. Jaumot is also a certified public accountant and a partner in the CPA firm of Ahearn Jasco & Company. He joined Ahearn, Jasco in 1991, and has served as its Director of Accounting and Auditing since. Since September 2004, he has served as a member of the Board of Directors of MasTec, Inc., a specialty contractor engaged in the building, installation, maintenance and upgrade of communications and utility infrastructure. Since April 2009, he has been a member of the Board of Directors of Bimini Capital Management, Inc., a mortgage REIT based in Vero Beach, Florida.

As CRO, working collaboratively with the Debtors' other professionals, Mr. Jaumot will attend to all administrative and ministerial duties required of the Debtors during the pendency of these bankruptcy cases. His duties include:

- To currently serve as a director of the Company.
- To supervise and oversee the Orderly Liquidation (as defined in the Engagement Letter). In this capacity, he shall have the authority to: (a) to open and close bank accounts for the Company, (b) to transfer funds of the Company, (c) to cause the Company to modify, amend, terminate and/or enforce any of its any contractual rights; (c) to cause the Company to enter into any agreement or contract that is reasonably necessary to the completion of the Orderly Liquidation; (d) cause the Company to comply with all Guidelines of the Office of the United States Trustee, (e) to cause the Company to pursue, settle or compromise any litigation, controversy or other dispute involving the Company, (f) to cause the Company to exercise the Company's rights under the Company's agreements and other agreements in favor of the Company; (g) to cause the Company to prepare one or more plans of reorganization, or to take any all action in the Chapter 11 Cases.

Mr. Jaumot will be paid a $10,000 retainer and shall be paid on an hourly basis at $385 per hour, provided, however, that aggregate compensation shall not exceed $15,000.00 per week, plus expenses.

E. Assets and Capital Structure Overview

Since the beginning of 2007, PPA has relied primarily on debt and equity financing to fund its operations.

Pursuant to an amended and restated credit facility dated as of January 30, 2009, as amended, amongst CIBC, as lender, PPA, as borrower, and CPC, PPI, CPC Holding and PPNC as guarantors (PPA and guarantors collectively, the "Obligors"), the senior secured revolving loan facility to PPA was $5,158,547.20 (the "Credit Facility"). As of January 12, 2010, borrowings under the Credit Facility totaled approximately $7,602,760.

CIBC asserts first priority liens on, and security interests in, substantially all of the Obligors' assets, both tangible and intangible, real and personal, and the proceeds and recoveries of the foregoing (collectively, the "Collateral"). As such, CIBC asserts a perfected first-priority security interest in the Collateral, including Cash Collateral.

In August and September 2007, PPA issued $5.1 million in principal value of subordinated, nonconvertible debentures ("Sub NC Debentures") at an interest rate of 12.0% per annum, due to mature 2 years from the date of issuance. Of this $5.1 million total amount, $3.4 million was scheduled to mature in August 2009, and $1.7 million was scheduled to mature in September 2009, prior to any renegotiation of terms. In February and March 2008, PPA also issued $6.0 million of subordinated, convertible debentures ("Sub C Debentures") at an annual interest rate of 10.0% per annum, due to mature in February 2011, and completed a public offering of common stock for net proceeds of $14.1 million. The Sub NC Debentures and the Sub C Debentures contain subordination and other restrictive provisions that prohibit payment of interest and principal to holders in the event of PPA's default under its senior credit facility with CIBC. Holders of Sub NC Debentures entered into Subordination Agreements with CIBC which provide further restrictions on the holders' ability to take action relative to the subordinate nature of the debt.

Since the issuance of these debt securities, PPA has been in default with CIBC during certain fiscal quarters, and remained in default at December 31, 2009. Due to PPA's defaults with CIBC, the Company's credit agreement with CIBC has been amended several times since its inception. In January 2009, the Company and CIBC entered into a Forbearance Agreement which was subsequently amended in July 2009. The First Amending Agreement to the Forbearance Agreement provided that CIBC will not exercise any remedies with respect to existing defaults by PPA under the Amended and Restated Credit Agreement until the earliest of (i) October 31, 2009, (ii) any other default by PPA under the Amended and Restated Credit Agreement, or (iii) any breach by PPA of the Forbearance Agreement. PPA and CIBC executed a Second Amending Agreement to the Forbearance Agreement in December 2009, wherein CIBC provided an additional $700,000 in financing to PPA and extended its forbearance through January 8, 2010.

For the fiscal year ended December 31, 2007, the Debtors, on a consolidated basis, generated sales of approximately $80.2 million, including sales of approximately $73.7 million from Debtors' continuing operations, and reported net loss of approximately $10.1 million, including a net loss of approximately $1.4 million from Debtors' continuing operations. For the fiscal year ended December 31, 2008, the Debtors, on a consolidated basis, generated sales of approximately $97.4 million, including sales of approximately $85.4 million from Debtors' continuing operations and reported a net loss of approximately $69.2 million including a net loss of approximately $31.1 million from Debtors' continuing operations. The increase in losses in

2008 was attributable to (i) the closing of the Delaware facility resulting in impairment charges of $27 million; and (ii) as a result in the overall decline of the Debtors' business, an additional impairment of goodwill and intangible assets of $28.3 million.

As of September 30, 2009, the Debtors, on a consolidated basis, reported approximately $26.6 million in assets, and approximately $29.1 million liabilities, which are summarized as follows:

Assets:

Cash, accounts receivable, inventory	$9.6 million
Income taxes receivable	$5.0 million
Property, plant and equipment	$2.0 million
Other assets	$10.0 million

Liabilities:

Secured Bank indebtedness	$6.6 million
Accounts payable and other accrued liability	$6.8 million
Sub NC Debentures	$5.4 million
Sub C Debentures	$6.2 million

F. Scheduled Assets and Liabilities

The Debtors list the following assets and liabilities pursuant to their Schedules of Assets and Liabilities.

	PPA	PPI	PPNC	CPC Holding	CPC Corp.
[3]Schedule B Personal Property	[4] $0	$9,804,890	$0	$403,973	$2,679,414
[5]Schedule D Secured Claims	$7,602,759	$0	$0	$0	$0
Schedule E Unsecured Priority Claims	$4,571	$1,687,058	$0	$0	$10,958
[6]Schedule F Unsecured Nonpriority Claims	[7]$13,782,467	$7,287,344	$23,624	$757	$526,481

[3] Excludes intercompany receivables.
[4] Excludes book value of CPC Holding.
[5] The secured claim of CIBC is only counted one time under PPA.
[6] Excludes intercompany claims.
[7] Excludes claims jointly owed by PPI

G. Events Leading to Chapter 11

The Debtors commenced these cases in order to gain much needed breathing room to facilitate an orderly sale of their enterprise, as more particularly described in Section 1, below.

During the past three years, the Debtors relied primarily on debt and equity financing to provide liquidity for their operations. Due to their lack of profitability and the general condition of the financial markets in the U.S., the Debtors' ability to obtain additional financing on favorable terms was limited.

During 2007 and 2008 the Debtors incurred significant losses at their Newark, Delaware ceramics manufacturing facility. These losses, combined with significantly less favorable opportunities for awards under certain ceramic armor bids, indicated that the carrying value of certain assets may not be recoverable. On January 27, 2009, the Debtors completed the sale of substantially all of the Delaware assets for $3.2 million in cash. The proceeds from this sale were used to reduce indebtedness outstanding on the line of credit to CIBC.

The Debtors' contract with the U.S. Marine Corps was substantially completed during the third quarter if 2009. As a result of the Debtors inability to replace prior year contracts that had been substantially fulfilled with new contract awards, the Debtors revenues from the U.S. military are substantially lower than in 2008.

1. Efforts to Market the Company

The Debtors' marketed the assets for over six months prior to the commencement of these cases. Beginning on June 16, 2009, the Debtors retained Bayshore Partners, LLC, the broker dealer affiliate of Farlie Turner & Co. ("Bayshore Partners"), in order to assist the Debtors in evaluating their strategic options with respect to the sale or recapitalization of their businesses and related assets both as a going concern outside of bankruptcy or in the context of a potential chapter 11 bankruptcy filing.

Bayshore, among other things, prepared a confidential investment memorandum (the "CIM") to assist in marketing the Debtors' assets for sale or in raising additional debt or equity capital. The CIM contains detailed information on the Debtors' business, strategy, market position, growth opportunities, and historical and projected financial performance.

Bayshore conducted an extensive marketing process, contacting over 100 parties, including potential strategic buyers operating within the Debtors' industry as well as private equity firms, various lending institutions and the Debtors' existing debt and equity security holders. As a result of these efforts, approximately 28 parties entered into confidentiality agreements with the Debtors and were provided with the CIM. Bayshore was significantly involved in various due diligence activities including creating management presentations, assembling data requests, and answering specific requests by potential buyers and capital providers. Several parties conducted extensive due diligence, visited the Debtors' facilities, and had discussions with various members of the management team and board of directors. Thereafter, Bayshore transmitted detailed bid instructions to interested parties and 6 parties submitted written indications of interest contemplating the acquisition of substantially all of the

Debtors' assets to be effected in a bankruptcy setting, while 2 parties indicated an interest in providing subordinated debt capital to the Debtors outside of bankruptcy.

After analyzing the offers, the Debtors in consultation with their advisors and CIBC, determined that Sun Capital Partners Group V, Inc.'s - ("Sun Capital") offer provided the greatest value to the Debtors and their key constituents. On December 21, 2009, the Debtors and Sun Capital executed a non-binding letter of intent (the "Letter of Intent") pursuant to which Sun Capital proposed to acquire, subject to due diligence, certain of the Debtors' assets for approximately $8,000,000 in cash plus the assumption of specified liabilities. Importantly, the Letter of Intent permitted the Debtors to retain certain assets, including their interest in several tax refunds valued by the Debtors at approximately $5.5 million.

To ensure that the assets were appropriately marketed and that the Debtors receive the highest and best price, the Letter of Intent contemplated that the assets would ultimately be sold through a Court approved auction and sale process under section 363 of the Bankruptcy Code.

After arm's length negotiations over both price and contract terms, on January 13, 2010 the Debtors, as sellers, and Protective Products Enterprises, Inc., an affiliate of Sun Capital ("PPE"), as purchaser, entered into the Asset Purchase Agreement (the "Agreement")., which provided for the sale of the assets identified in the Agreement (the "Acquired Assets") to PPE, or to a higher bidder pursuant to the bidding procedures for which approval is sought in this Motion. The Sale Motion also requested authority to assume and assign certain unexpired leases and executory contracts as provided in the Agreement.

On January 20, 2010, the United States Department of Justice (the "DOJ") made public an indictment of Mr. Caldwell and twenty-one executives and employees of different companies in the military and law enforcement products industry, charging them in a criminal indictment with violating the Foreign Corrupt Practices Act ("FCPA"). No charges have been filed against the Company, and Mr. Caldwell is the only present employee of the Company to be implicated in the DOJ's investigation. The Company immediately commenced an internal investigation by its Audit Committee (comprised solely of independent directors) into the allegations against Mr. Caldwell. The Audit Committee determined after its investigation that the Company was in compliance with the FPCA. Mr. Caldwell was placed on administrative leave from his position as Chief Executive Officer and as a member of the Board of Directors. The Company's Chief Operating Officer, Neil Schwartzman, assumed the position of Acting Chief Executive Officer, effective January 20, 2010. As a result of the indictment, PPE and the Debtors executed an Amended and Restated Asset Purchase Agreement.

At the auction held February 18, 2010, PPE was the successful bidder. On March 5, 2010, the Debtors completed the sale of substantially all of their assets to PPE pursuant to a Second Amended and Restated Asset Purchase Agreement dated as of February 19, 2010 (as amended, the "Asset Purchase Agreement") and approved by order of the Bankruptcy Court entered on February 22, 2010. Under the amended arrangements, the purchase price for the acquired assets consisted of (i) $10,700,000 in cash, (ii) the assumption of certain liabilities, and (iii) the contribution of $50,000 in respect of cure amounts owed to certain of the Debtors' contract counterparties. The Debtor will retain, 42.858% of income tax refunds in excess of $2 million (the first $2 million of such refunds being payable to PPE). Attached hereto as **Exhibit B** is a schedule of the potential additional purchase price to be paid by PPE on account of the sale of the Debtors' rights to receive tax refunds. As a result of the closing under the Asset Purchase Agreement CIBC was paid in full and that the remaining proceeds of the sale (subject to an escrow for state taxes) and payment of costs relating to the sale, will be available for payment of administrative expenses and distribution to the Debtors' other creditors.

ARTICLE V
FINANCIAL INFORMATION

The Debtors issued audited financial statements for calendar year 2008. The Debtors have also prepared unaudited financial statements year-to-date for November 30, 2009. Summaries of these financial statements are attached as **Exhibit C** to this Disclosure Statement.

ARTICLE VI
LEGAL PROCEEDINGS

The following is a summary of material litigation involving the Debtors that existed as of the Petition Date, including potential claims and causes of action that arose as a result of the filing of the Bankruptcy Cases.

A. Lyon Financial Services, Inc. d/b/a Bancorp Manifest Funding Services v. Ceramic Protection Corporation of America d/b/a CPC of America, filed in the Superior Court of the State of Delaware and for New Castle County, Delaware, Case No. 09C-08-148 JEB – breach of contract action.

B. Avoidance Actions

During the 90-day period immediately preceding the Petition Date, the Debtors made various payments and other transfers to creditors on account of antecedent debts. In addition, during the one-year period before the Petition Date, the Debtors made certain transfers to, or for the benefit of, certain "insider" creditors. Some of those payments may be subject to avoidance and recovery by the Debtors' bankruptcy estates as preferential and/or fraudulent transfers pursuant to Bankruptcy Code sections 329, 544, 547, 548 and 550. The Debtors will hold all claims, causes of action, and other legal and equitable rights that the Debtors had (or had power to assert) immediately prior to confirmation of the Plan, including actions for the avoidance and recovery of estate property under Bankruptcy Code sections 329 and 550, or transfers avoidable under Bankruptcy Code sections 544, 545, 547, 548, 549 or 553(b), and the Debtors may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of such actions. In connection with the sale to PPE, PPE acquired Avoidance Actions and Rights of Action against counterparties to Assumed Contracts, as set forth on Schedule 2.1(ii) of the Asset Purchase Agreement.

The Debtors' Schedules of Assets and Liabilities identify creditors whose Claims are disputed, and the Debtors' Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtors, which payments and transfers may be avoidable under the Bankruptcy Code. Moreover, the Debtors continue to investigate Avoidance Actions and Rights of Action they may have against third parties. The Debtors have not completed their investigation of potential objections to Claims, Avoidance Actions and Rights of Action; therefore, the Debtors are unable to provide any meaningful estimate of amounts that could be recovered. Any recoveries from Claims, Avoidance Actions and Rights of Action shall vest in the Debtors free and clear of all Liens of any kind in accordance with Article 8 of the Plan. **EXCEPT AS PROVIDED IN THE ASSET PURCHASE AGREEMENT, THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY SUCH RIGHTS OF ACTION, AVOIDANCE ACTIONS, OR OBJECTIONS TO PROOFS OF CLAIM. ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED IN FAVOR OF THE DEBTORS.**

Creditors should understand that legal rights, Claims and Rights of Action the Debtors may have against them, other than those acquired by the Purchaser, if any exist, are retained under the Plan for prosecution unless a specific order of the Court authorizes the Debtors to release such Claims. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, Claim or Right of Action against a particular creditor in the Disclosure Statement, Plan, Schedules of Assets and Liabilities or Statement of Financial Affairs or (ii) the absence of litigation or demand prior to the Effective Date of the Plan as any indication that the Debtors do not possess or do not intend to prosecute a particular right, Claim or Right of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve rights, Claims, and Rights of Action of the Debtors, other than those acquired by the Purchaser, whether now known or unknown, for the benefit of the Debtors' Estates and their Creditors.

ARTICLE VII
POST-BANKRUPTCY OPERATIONS AND SIGNIFICANT EVENTS IN BANKRUPTCY

A. Post-Bankruptcy Operations

Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties in the normal course as debtors-in-possession.

B. First Day Orders

On or shortly after the Petition Date, the Debtors filed a number of motions designed to allow them to continue operating their business in the ordinary course without unnecessary disruption as a result of the bankruptcy filings. Pursuant to those motions, the Bankruptcy Court entered orders that, among other things, granted the Debtors the authority to:

- establish certain notice, case management and administrative procedures;
- retain Berger Singerman, P.A. as their general bankruptcy counsel;
- retain Bayshore Partners, LLC as Investment Bankers;
- establish procedures for payment of professionals;

- pay prepetition accrued wages, salaries, medical benefits, and reimbursable employee expenses and to administer the Debtors' benefit plans in the ordinary course;
- maintain insurance policies, including payment of premiums when due;
- maintain existing bank accounts, business forms and cash management structure;
- establish notice and hearing procedure for claims and stock trading in PPA;
- obtain postpetition financing;
- pay certain domestic critical vendors; and
- authorize auction procedures for the sale of all of the Debtors' assets.

The Bankruptcy Court also entered an order directing the Bankruptcy Cases to be jointly administered.

C. Creditors Committee

On January 27, 2010, the United States Trustee filed an Appointment and Notice of Appointment of Joint Committee of Creditors Holding Unsecured Claims. Pursuant to this notice, the following members were appointed:

1. Todd Lair, President, Leading Technology Composites, Inc.
2. Scott L. Spitzer, Senior Vice President, General Counsel, Bowne & Co., Inc.
3. Tim Fiess, Credit Manager, TVP, Inc. d/b/a Top Value Fabrics

D. Employment of Professionals

Pursuant to orders entered by the Bankruptcy Court, the following Professionals were retained:

Professional	Retained by Debtors as:
Berger Singerman, P.A.	Bankruptcy Counsel
Bayshore Partners, LLC	Investment Banking Services
Arent Fox, LLP	Creditors' Committee Co-Counsel
Genovese Joblove & Battista, P.A.	Creditors' Committee Co-Counsel

The Professionals retained by the Debtors' Estates are required to prepare monthly invoices and file quarterly fee applications pursuant to the Fee Procedures Order entered by the

Bankruptcy Court and are entitled to receive monthly payment of fees and expenses subject to a twenty percent (20%) holdback for fees.

E. Schedules and Statement of Financial Affairs

The Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs on February 3, 2010. On April 7, 2010, the Debtors filed amended Schedules of Assets and Liabilities, amending schedule F for PPA and schedule B for PPI.

F. Other Significant Actions

1. DIP Credit Facility

On January 21, 2010, the Bankruptcy Court entered the Interim DIP Order authorizing the Debtors to enter into certain debtor-in-possession financing arrangements to borrow $740,000 on a post-petition basis and grant liens in their assets to secure such borrowings. The availability under the DIP Credit Agreement is based on cash budget approved by the DIP Lender.

The DIP Lender was granted a first priority lien on substantially all the Debtors' assets. As more particularly described in the DIP Credit Agreement and the DIP Order, the DIP Credit Facility is secured by a first priority lien and security interest on all of the Debtors' existing and future acquired property and interests of any nature whatsoever, real and personal, tangible and intangible, including accounts receivable, general intangibles, payment intangibles, supporting obligations, investment property, commercial tort claims, inventory, rolling stock, machinery, equipment, subsidiary capital stock, chattel paper, documents, instruments, deposit accounts, contract rights, and tax refunds of the Debtors (the "DIP Collateral").

Amounts owed by the Debtors to the DIP Lender pursuant to the DIP Credit Facility have been granted super-priority administrative claim status, and will have priority over any administrative expenses of the kind specified in, among other sections, sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b), and 726 of the Bankruptcy Code.

The Debtors did not draw under the DIP Credit Facility, but used cash collateral to fund there operations, but rather used existing Cash Collateral.

G. Summary of Claims

The General Bar Date for filing proofs of claim in the Bankruptcy Cases is May 18, 2010, with the exception of proofs of claims filed by Governmental Units, which must be filed on or before July 12, 2010.

As to Priority Unsecured Tax Claims, Priority Unsecured Non-Tax Claims, and Secured Claims, the Debtors believe that the final amount of Priority Unsecured Non-Tax Claims and Secured Claims will be consistent with the amounts reflected on the Schedules of Assets and Liabilities. The Debtors believe that the Priority Unsecured Tax Claims will be significantly lower, in that the Debtors' dispute the State of California Franchise Tax Board's claim that is in excess of $1,300,000. The Debtors believe that once they file the requisite tax returns, the amount of the claim will be *de minimis*.

Administrative Claims will be comprised of amounts due the Lender, if any, under the DIP Credit Facility and professional fees of the Estate's professionals. These Administrative Claims are estimated to be $_____ on the Effective Date.

As to General Unsecured Claims, the Debtors have compared the filed proofs of claim (as of _________________) to those scheduled by the Debtors. The total of scheduled Unsecured Claims are $_____________ (exclusive of Intercompany Claims). Proofs of claim have been filed in the amount of $_______________ (as of ________________). The total of scheduled Claims for which a proof of claim has not yet been filed and the total proofs of claim filed were aggregated to yield a total base of potential Claims. The chart below illustrates this preliminary reconciliation of General Unsecured Claims to an estimated final allowed amount:

	Amount
Total Filed Unsecured Proofs of Claim	
Total Scheduled Unsecured Claims for which no proof of claim was filed (excluding Intercompany Claims)	
Less critical vendor payments	
Less payments made to employees	
Less Estimated Disputed Claims	
Preliminary estimate of General Unsecured Claims	

This estimate may differ materially from the ultimate amount of Allowed General Unsecured Claims as the reconciliation of claims performed by the Debtors is a preliminary analysis, objections by the Debtors to disputed claims may or may not be sustained by the Court, or may be sustained only in part, and the estimate does not include any rejection damages for Executory Contracts to be rejected during the Bankruptcy Case or under the Plan (for which a proof of claim is yet to be filed).

ARTICLE VIII
DESCRIPTION OF THE PLAN

A. Introduction

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Allowed Equity Interests is outlined below. The summary is entirely qualified by the Plan. This Disclosure Statement is only a summary of the terms of the Plan; it is the Plan (and not the Disclosure Statement) that governs the rights and obligations of the parties.

B. Designation of Claims and Equity Interests/ Impairment

The following is a designation of the classes of Claims and Equity Interests under the Plan. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Professional Compensation Claims, and Priority Unsecured Tax Claims have not been classified and are excluded from the following Classes. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class, and is classified in another Class(es) to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such other Class(es). A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and has not been paid, released or otherwise compromised before the Effective Date; a Claim or Equity Interest that is not an Allowed Claim or Equity Interest is not in any Class. Notwithstanding anything to the contrary in the Plan, no Distribution shall be made on account of any Claim that is not an Allowed Claim.

The following are the designations for the Classes of Claims against and Equity Interests in PPA:

Class PPA - 1 Allowed Priority Unsecured Non-Tax Claims
Class PPA - 2 Allowed Secured Claims
Class PPA -3 Allowed Subordinated Debenture Holder Claims
Class PPA - 4 Allowed General Unsecured Claims
Class PPA - 5 Allowed Equity Interests
Class PPA - 6 Allowed Subordinated Claims

The following are the designations for the Classes of Claims against and Equity Interests in PPI:

Class PPI - 1 Allowed Priority Unsecured Non-Tax Claims
Class PPI - 4 Allowed General Unsecured Claims
Class PPI - 5 Allowed Equity Interests
Class PPI - 6 Allowed Subordinated Claims

The following are the designations for the Classes of Claims against and Equity Interests in PPNC:

Class PPNC - 4 Allowed General Unsecured Claims
Class PPNC - 5 Allowed Equity Interests
Class PPNC - 6 Allowed Subordinated Claims

The following are the designations for the Classes of Claims against and Equity Interests in CPC Holding:

Class CPC Holding – 4 Allowed General Unsecured Claims
Class CPC Holding - 5 Allowed Equity Interests
Class CPC Holding - 6 Allowed Subordinated Claims

The following are the designations for the Classes of Claims against and Equity Interests in CPC Corp.:

Class CPC Corp. - 1 Allowed Priority Unsecured Non-Tax Claims

Class CPC Corp. - 4	Allowed General Unsecured Claims
Class CPC Corp. - 5	Allowed Equity Interests
Class CPC Corp. - 6	Allowed Subordinated Claims

Priority Unsecured Non-Tax Claims and Secured Claims in Classes PPA -1, 2, PPI-1, and CPC Corp -1 are not Impaired under the Plan. Pursuant to Bankruptcy Code section 1126(f), holders of Claims within those Classes are conclusively presumed to have accepted the Plan, and therefore are not entitled to vote to accept or reject the Plan.

All Claims and Equity Interests (other than those Priority Unsecured Non-Tax Claims and Secured Claims in Classes PPA-1, 2, PPI-1, and CPC Corp.-1) are Impaired under the Plan. Except as otherwise specified in the Disclosure Statement Approval Order, holders of Claims and Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

Holders of Allowed Subordinated Claims in Classes PPA-6. PPA-6, PPNC-6, CPC Holding-6, and CPC Corp-6 are not receiving any Distributions on account of such Claims under the Plan. Interestholders in Class PPA-5. PPA-5, PPNC-5, CPC Holding-5, and CPC Corp-5 will not retain their Equity Interests, and no Distributions on account of such Equity Interests will be made under the Plan. Under Bankruptcy Code section 1126(g), such Interestholders and Claimholders are conclusively presumed to have rejected the Plan, and therefore the Debtors will not solicit their votes.

C. Treatment of Claims and Interests

1. Treatment of Unclassified Claims

a. Payment of Administrative Claims, Administrative Tax Claims, Professional Compensation Claims, and Allowed Priority Unsecured Tax Claims

Administrative Claims are claims, causes of action, rights, or other liabilities that are entitled to priority under sections 503(b) and 507(a)(2) of the Bankruptcy Code. Those expenses include (a) all actual and necessary costs and expenses related to the preservation of the bankruptcy estates or the operation of the Debtors' businesses, (b) compensation for legal, financial, advisory, accounting and other services, and reimbursement of expenses awarded under sections 330(a) or 331 of the Bankruptcy Code, and (c) all fees and charges assessed against the bankruptcy estates under 28 U.S.C. § 1930. Administrative Tax Claims are Administrative Claims held by a Governmental Unit for taxes and related interest for any tax year or period, all or any portion of which accrued or became due on or after the Petition Date through and including the Effective Date. Under the Plan, the Plan Administrator, to the extent not previously paid, shall pay Allowed Administrative Claims and Allowed Administrative Tax Claims (except Professional Compensation Claims and Ordinary Course Liabilities) arising through the Confirmation Date within ten (10) days after the later of (a) the Effective Date and (b) the Allowance Date.

Professional Compensation Claims are claims for compensation and reimbursement of expenses of a Professional retained in the Debtors' Bankruptcy Cases or any chapter 11 trustee, and requested in accordance with the provisions of sections 326, 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code. Except to the extent the Bankruptcy Court has ordered otherwise, Allowed Professional Compensation Claims arising through the thirtieth day after the Effective Date shall be paid within ten (10) days after the Allowance Date (i) first, from the balance of any retainers held by Professionals until fully exhausted; and (ii) second, from the Debtors' Cash.

Ordinary Course Liabilities are Administrative Claims (other than a Professional Compensation Claim or Administrative Tax Claim) based on liabilities incurred in the ordinary course of the Debtors' businesses. The Debtors shall pay each Ordinary Course Liability pursuant to the payment terms and conditions of the particular transaction giving rise to the Ordinary Course Liability. The Court has set April 30, 2010 as the deadline for filing Applications for Allowance of Administrative Expense Claims.

Priority Unsecured Tax Claims are Unsecured Claims that are entitled to priority status under section 507(a)(8) of the Bankruptcy Code. Allowed Priority Unsecured Tax Claims shall be satisfied in full at the election of the Debtors as follows: (i) execution and issuance of a Plan Note to the holder of such Claim on the principal terms and conditions set forth in the Plan; (ii) payment of Cash in the amount of the Allowed Priority Unsecured Tax Claim plus accrued interest after the Confirmation Date at the Tax Interest Rate; or (iii) pursuant to an agreement reached with the holder of such Claim.

b. Bar Dates for Unclassified Claims

All applications or other requests for payment of Administrative Claims arising on or before the Confirmation Date must be filed with the Bankruptcy Court and served on counsel for the Debtors, the U. S. Trustee, and the Committee within thirty (30) days after the Effective Date or by such earlier deadline governing a particular Administrative Claim contained in an order of the Bankruptcy Court entered before the Effective Date. Any Administrative Claim for which an application or request for payment is not filed by such deadline shall be discharged and forever barred.

All applications or other requests for payment of Professional Compensation Claims arising on or before the thirtieth day after the Effective Date must be filed with the Bankruptcy Court and served on counsel for the Debtors, the U.S. Trustee, and the Committee on or before the deadline established in the Solicitation Procedures Order. Any Professional Compensation Claims for which an application or other request for payment is not filed by such deadline shall be discharged and forever barred.

c. U.S. Trustee Fees

The Plan Administrator shall pay within ten (10) days after the Effective Date all fees incurred under 28 U.S.C. § 1930(a)(6) for the period ending on the Effective Date and shall further pay all fees incurred under 28 U.S.C. § 1930(a)(6) based upon disbursements made by the reorganized Debtors for the period commencing on the Effective Date through the earlier of the closing of the Bankruptcy Cases by the issuance of a final decree by the Bankruptcy Court or upon entry of an order dismissing or converting the Bankruptcy Cases to chapter 7. The Plan

Administrator shall provide an appropriate affidavit indicating the cash disbursements for the period ending on the Confirmation Date and all relevant periods thereafter.

d. Satisfaction of the DIP Credit Facility

The Plan Administrator shall pay in Cash all outstanding obligations due under the DIP Credit Facility on the earlier of (a) the date required under the DIP Credit Facility and (b) such other date as the Court may direct. On the indefeasible payment in full, in Cash, of such obligations, the Liens securing the DIP Credit Facility shall be deemed canceled, extinguished and of no further force or effect. On satisfaction of the outstanding obligations due under the DIP Credit Facility, the DIP Lender or the agent under the DIP Credit Facility shall perform all acts reasonably required and/or reasonably requested by the Debtors to cancel and extinguish any liens and security interests filed in the public records.

2. Classification and Treatment of Classified Claims and Equity Interests

a. General

It is not possible to predict precisely the total amount of Claims in a particular Class or the Distributions that will be ultimately paid to holders of Claims in the different Classes because of the variables involved in the calculations (including the results of the claims objection process). Notwithstanding, the estimates specified for each Class are based on information known to the Debtors on the date of this Disclosure Statement.

b. Treatment of Allowed Priority Unsecured Non-Tax Claims (Classes _________)

Priority Unsecured Non-Tax Claims are Unsecured Claims that are entitled to priority in payment under sections 507(a)(2)-(7) and 507(a)(9)-(10) of the Bankruptcy Code. The Plan Administrator shall pay each Allowed Priority Unsecured Non-Tax Claim within ten (10) days after the later of (i) the Effective Date or (ii) the Allowance Date.

c. Treatment of Allowed Secured Claim (Class PPA 2)

The Secured Claim means the Secured Claim arising under or related to the CIBC Credit Facility.

The Secured Claim shall be allowed in the principal amount of $7.6 million plus any accrued and unpaid interest, cost, expenses, or fees owing thereunder through the Effective Date (to the extent allowed under Bankruptcy Code section 506(b)). The holders of the Secured Claim shall be paid in Cash on the later of the Effective Date or such date the Secured Claim becomes an Allowed Secured Claim in satisfaction of such Claim.

Upon payment in full of the Secured Claim, all Liens securing the Secured Claim and related documents shall be canceled and extinguished and of no further force or effect. In addition, on the Effective Date and the payment in full of the Secured Claim, and all obligations of the holders of the Secured Claim thereunder shall terminate, and no further credit extensions shall occur thereunder, or under any letter of credit issued in connection therewith, by any party.

The holders of the Secured Claim and/or their agent are authorized and directed to perform all acts reasonably required and/or reasonably requested by the Debtors to cancel and/or extinguish any Liens and/or security interests filed in any public records at no cost to the Carlyle Entities.

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d. Treatment of Allowed Subordinated Debenture and General Unsecured Claims (Classes PPA-3, 4, PPI-4, CPC Corp.-4, CPC Holding-4, PPNC-4)

Subordinated Debenture and General Unsecured Claims are Unsecured Claims (unless otherwise ordered by the Bankruptcy Court or agreed to by the Debtors), that are not: (a) Administrative Claims; (b) Administrative Tax Claims; (c) Professional Compensation Claims; (d) Priority Unsecured Tax Claims; (e) Priority Unsecured Non-Tax Claim; (f) Intercompany Claims; or (g) Subordinated Claims.

Each holder of an Allowed Subordinated Debenture or General Unsecured Claim shall receive a Pro Rata Share of remaining proceeds following payment of Allowed (a) Administrative Claims; (b) Priority Unsecured Non-Tax Claims; (c) Secured Claims; (d) Subordinated Debenture and General Unsecured Claims; (e) Equity Interests; and (f) Subordinated Claims.

e. Treatment of Allowed Equity Interests (Classes PPA-5, PPI-5, CPC Corp.-5, CPC Holding-5, PPNC-5)

Equity Interests are (a) all rights arising from any capital stock, partnership interest, membership interest, and any other equity security (as defined in section 101(16) of the Bankruptcy Code), and (b) all warrants, options, and rights (whether fixed or contingent, matured or unmatured, disputed or undisputed), whether contractual, legal, equitable, or otherwise to acquire such equity interests. On the Effective Date, the Equity Interests in PPA, PPI, CPC Corp., CPC Holding, and PPNC shall be canceled and shall not be entitled to any Distribution under the Plan.

f. Treatment of Allowed Subordinated Claims (Classes PPA-6, PPI-6, CPC Corp.-6, CPC Holding-6, PPNC-6)

A Subordinated Claim is a Claim that is subordinated to General Unsecured Claims pursuant to (a) a contract or agreement, (b) a Final Order declaring that such Claim is subordinated in right of payment, or (c) any applicable provision of the Bankruptcy Code, including section 510, or other applicable law. Subordinated Claims specifically include any Claim for punitive damages provided for under applicable law. Holders of Allowed Subordinated Claims shall not receive any Distributions, nor retain any Estate Property or interest in Estate Property, on account of such Claims.

D. Assumption of Certain Executory Contracts Under the Plan

Pursuant to the terms of the Asset Purchase Agreement, certain executory contracts demonstrated by PPE were assumed and assigned to PPE and certain other executory contracts were rejected. The Notice of Filing Final Schedule of Assumed and Rejected Executory Contracts was filed by the Debtors on March 9, 2010 [D.E. # 152]. Further, the Motion to Reject Executory Contracts was filed on April 6, 2010 [D.E. # 176].

Cure costs associated with the assumed contracts were paid in connection with the closing on the sale to PPE.

Should PPE chose to assume the real property lease for the facility located at 1649 NW 136th Ave., Building J, Sunrise, FL, any cure costs associated with the assumption of that lease will be borne by PPE.

E. Rejection of Certain Executory Contracts

Each Executory Contract that is not an Assumed Executory Contract shall be rejected as of the Confirmation Date (which rejection shall be effective on the Effective Date), and such rejected Executory Contracts shall no longer represent the binding obligations of the reorganized Debtors after the Confirmation Date. Entry of the Confirmation Order shall constitute approval of such rejections under Bankruptcy Code sections 365 and 1123. Neither the inclusion nor exclusion of any contract or lease on the Assumption Schedule, nor anything contained in the Plan, shall constitute an admission by the Debtors that such contract or lease is an Executory Contract or that any Debtor has any liability thereunder.

F. Rejection Claims.

Any Claim arising out of the rejection of an Executory Contract pursuant to the Confirmation Order must be filed with the Bankruptcy Court on or before the Rejection Claim Bar Date, and shall be served on counsel for the Debtors, the U.S. Trustee, the Exit Funding Party, and the Committee. Any such Claims not filed by the Rejection Claim Bar Date shall be discharged and forever barred. Each Allowed Claim arising from the rejection of an Executory Contract shall be treated as an Allowed General Unsecured Claim.

G. Releases and Exculpation Under the Plan

Except as otherwise provided for in the Plan, on the Effective Date, each of the Debtors (on behalf of themselves and their respective Estates), as applicable, shall be deemed to have released the Debtors' officers, directors and CRO (who were officers and directors of the Debtors on or after the Petition Date) and professionals from any and all claims, causes of actions, and other liabilities arising before the Effective Date from the actions taken or not taken in connection with the Plan, and the Debtors' Bankruptcy Cases; *provided, however*, that the Debtors (on behalf of themselves and their respective Estates), shall not be deemed to have released any such person or entity from liability for gross negligence, willful misconduct, or fraud.

In addition, except as otherwise provided for in the Plan, each of (i) the Debtors and their respective officers, directors, CRO and managers (who were officers and directors of the Debtors on or after the Petition Date); (ii) the non-attorney Professionals; (iii) CIBC, its agents, officers, directors, employees, managers, members, advisors, attorneys, successors,

assigns, and agents; and (iv) the Committee shall have no liability to any Claimholder, Interestholder, or other Person for any act or omission in connection with, relating to, or arising out of the Asset Purchase Agreement and sale to PPE or the filing of the Bankruptcy Cases, administration of the Bankruptcy Cases, including the negotiation, preparation, and pursuit of confirmation of the Plan, the confirmation of the Plan, the consummation of the Plan (including all Distributions thereunder), the administration of the Plan or the Estate Property to be distributed under the Plan, except for any liability based on willful misconduct, gross negligence or fraud; provided, however, that non-attorney Professionals shall not be exculpated for any claims, causes of action, or liabilities expressly excepted from their indemnification rights under their retention agreements with the Debtors approved by the Bankruptcy Court pursuant to a Final Order. In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Cases and under the Plan. Any and all claims, causes of actions, rights, or any liabilities described above in this section held by any Person or party in interest against (i) the Debtors and their respective officers, directors, CRO and managers (who were officers and directors of the Debtors on or after the Petition Date); (ii) the non-attorney Professionals; (iii) CIBC, its agents, its advisors, attorneys, successors, assigns, and agents; and (iv) the Committee are fully waived, barred, released, and discharged in all respects (except as to rights, obligations, duties, and claims established under the Plan) unless any such claim, cause of action, right, or other liability is asserted by filing an appropriate pleading in the Bankruptcy Court on or before thirty (30) days after the Confirmation Date. Nothing contained in section 9.3 of the Plan shall (y) operate as a release, waiver, or discharge of any claim, cause of action, right, or other liability against the Committee member in any capacity other than as Committee member or (z) revive any claim, cause of action, right or other liability waived, barred, or released under the Final DIP Order or prevent or limit any party's right to object to any Professional Compensation Claim asserted in the Bankruptcy Cases. Notwithstanding the foregoing, with respect to attorney Professionals, any and all claims, causes of action, and other liabilities arising on or before the Effective Date against such attorney Professionals must be asserted by a filing an appropriate pleading in the Bankruptcy Court on or before sixty (60) days after the Confirmation Date, and the failure to do so shall result in any and all such claims, causes of action, and liabilities being forever waived, barred, released, and discharged; provided, however, the foregoing time limitation shall not apply to claims, causes of action, or other liabilities for fraud, willful conduct, or gross negligence against such attorney Professionals.

Prior to the Petition Date, the Debtors extended the current directors and officers' liability insurance policy in effect through February 25, 2012, which extension covers the current and former directors and officers of the Debtors.

The Debtors believe the releases and exculpations provided in the Plan are appropriate for a number of reasons. First, as to the releases, the releases are limited in scope and only provide for the release of the Debtors' claims against current officers as of the Closing Date. The Debtors believe this type of release is appropriate since the Debtors may have to indemnify current officers for litigation defense costs under applicable state statutes. As to the exculpations, the Debtors also believe they are appropriate for a number of reasons, including their limited nature and the manner in which they protect the Debtors. First, the exculpations only discharge claims generally related to the decision to file the Bankruptcy Cases and the administration of the Bankruptcy Cases, therefore, the claims discharged are limited in scope. Second, the exculpations do not automatically discharge claims, but act as a bar date for asserting claims. The exculpations provide for the discharge of claims only after the expiration of thirty (30) days from the Confirmation Date. The bar date is sixty (60) days from the Confirmation Date with respect to claims against attorney Professionals.

H. De Minimus Distribution.

Neither the Debtors nor the Plan Administrator shall have any obligation to make a Distribution on account of an Allowed General Unsecured Claim if (a) the aggregate amount of the General Unsecured Creditor Distribution to be made on the particular Distribution Date is less than $50,000 in the aggregate, except the final Distribution, or (b) the aggregate amount to be distributed to the specific holder of an Allowed General Unsecured Claim(s) on the particular Distribution Date does not constitute a final Distribution to such holder and is or has an economic value less than $100.

ARTICLE IX
MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN

A. Introduction

The Plan will be implemented through a distribution of the proceeds from the Sale Transaction, the Debtors' share of future tax refunds, and proceeds from any avoidance actions, if any. The following discussion outlines the general terms of the contemplated reorganization of the Debtors' and certain actions that will be taken to close the transactions contemplated by the Plan.

B. Purpose of the Plan Administrator

The Plan Administrator will hold and monetize all the Remaining Assets for the benefit of the Creditors of the Debtors' Estates, and for payments of all Allowed Claims in accordance with the provisions of this Plan. The Plan Administrator was not selected by the United States Trustee, will not be supervised by the United States Trustee, and is not bonded in favor of the United States in an amount set by the United States Trustee. The Plan Administrator shall be a panel trustee serving in the Southern District of Florida and shall be identified prior to the hearing on the Disclosure Statement.

C. Authority

The Plan Administrator shall have the power and authority to perform the following acts (subject to Court approval where applicable), in addition to any powers granted by law or conferred to it by any other provision of the Plan; provided however, that enumeration of the following powers shall not be considered in any way to limit or control the power of the Plan Administrator to act as specifically authorized by any other provision of this Plan and to act in such manner as the Plan Administrator may deem necessary or appropriate to discharge all obligations assumed by the Plan Administrator or provided herein and to conserve and protect

Remaining Assets or to confer on the Creditors the benefits intended to be conferred upon them by this Plan:

- Open and maintain accounts in accordance with Section 345 of the Bankruptcy Code.
- Perfect and secure the Plan Administrators right, title and interest to the properties comprising the Remaining Assets.
- Manage, protect and monetize the Remaining Assets and distribute the net proceeds as described herein.
- Grant options to purchase, contracts to sell, the Remaining Assets or any part or parts thereof.
- Release, convey or assign any right, title or interest in the Remaining Assets.
- Purchase insurance, including "tail" coverage, to protect the Plan Administrator, and its officers and directors, and the Remaining Assets from liability.
- Deposit estate funds, draw checks and make disbursements thereof.
- Employ and retain, and discharge and dismiss, appraisers, financial advisors, attorneys, accountants, auctioneers, agents and such other professionals as the Plan Administrator may deem necessary or appropriate to assist in fulfilling the purposes of the Plan, including payment to its professionals, in connection with any ongoing litigation being pursued or conducted by the Plan Administrator, and to pay reasonable charges, commissions and compensation to all of the foregoing, subject to review, and approval by the Court.
- Exercise any and all powers granted to the Plan Administrator by any agreements, by common law or any statute which serves to increase the extent of the powers granted to the Plan Administrator hereunder.
- Take such other action as the Plan Administrator may determine to be necessary or desirable to carry out the purpose of this Plan.
- Commence or prosecute, for its own account or in the name of the Debtors (or any of them), any Causes of Action, any lawsuit or other legal or equitable action, including filing objections to Claims, in any court of competent jurisdiction which are necessary to carry out the terms and conditions of the Plan.
- Settle, compromise or adjust pursuant to the standards of Bankruptcy Rule 9019 (which shall be deemed to apply to all Post-Confirmation settlements) any disputes or controversies in favor of, or against, the Plan Administrator, subject to approval by the Court.
- Appoint, remove and act through agents, managers and employees and confer upon them such power and authority as may be necessary or advisable.
- Have instituted all claims and causes of action which can be brought by a trustee or the Debtors under the Code and prosecute or defend all appeals on behalf of the Debtors or the Plan Administrator.
- Prepare and file tax returns, as mandated by applicable state and federal law.
- In general, without in any manner limiting any of the foregoing, deal with the Remaining Assets or any part or parts thereof in all other ways as would be lawful for any person owning the same to deal therewith, whether similar to, or different from, the ways above specified at any time or times hereafter.

D. Substantive Consolidation

The Debtors and their respective Estates shall be substantively consolidated solely for purposes of voting on, and distributions under, the Plan. Substantive consolidation is necessary in that all of the Debtors collective assets were sold and there was no allocation of the purchase price on account of the respective Debtors' assets. As a result of the substantive consolidation, (i) all Intercompany Claims by and among the Debtors (including such Claims arising from the rejection of any Executory Contract) will either be eliminated or shall remain in place but shall not be entitled to any Distributions under the Plan, (ii) any obligation of any of the Debtors and all guarantees thereof executed by any of the Debtors will be deemed to be an obligation of each of the Debtors, (iii) any Claim filed or asserted against any of the Debtors will be deemed a Claim against each of the Debtors, (iv) for purposes of determining the availability of any right of setoff under Bankruptcy Code section 553, the Debtors will be treated as one entity so that (subject to the other provisions of Bankruptcy Code section 553) debts due to any of the Debtors may be offset against the debts owed by any of the Debtors. **The substantive consolidation contemplated by this section shall not, however, cause any Debtor to be liable for any Claim or Equity Interest for which it would not otherwise be liable absent the substantive consolidation under the Plan.**

The substantive consolidation of the bankruptcy estates for Distribution purposes has no prejudicial effect on Creditors of the Debtors' estates.

On the Effective Date, except as otherwise provided for in the Plan, all Claims based on guarantees of collection, payment, or performance made by any Debtor concerning the obligations of another Debtor shall be discharged, released, and without further force or effect. Additionally, holders of Allowed Claims who assert identical Claims against multiple Debtors shall be entitled to a single satisfaction of such Claims.

The substantive consolidation of the Debtors shall not constitute or effectuate a merger of the corporate or other legal identities of the Debtors, and their respective corporate and other legal identities shall remain intact, except as otherwise specified in the Plan.

1. Cancellation of Existing Securities

On the Effective Date, except as otherwise specifically provided for in the Plan, (i) the Existing Securities shall be canceled and (ii) the obligations of, Claims against, and Equity Interests in the Debtors arising under, evidenced by, or relating to any agreements, contracts, indentures, certificates of designation, bylaws, certificates or articles of incorporation, or similar documents governing the Existing Securities shall be released and discharged.

2. Bankruptcy Code Section 1145 Determination

Confirmation of the Plan shall constitute a determination, in accordance with Bankruptcy Code section 1145, that (except with respect to an entity that is an underwriter as defined in Bankruptcy Code section 1145(b)) Section 5 of the 1933 Act and any state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security do not apply to the offer, sale, or issuance of any securities under the Plan (including the New Common Stock, the New Subordinated Term Loan, the New Loan Certificates and any Plan Notes).

3. Termination of the Committee

The appointment and operation of the Committee shall terminate on the Effective Date. Notwithstanding, the dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F).

ARTICLE X
CERTAIN FACTORS TO BE CONSIDERED

A Claimholder should carefully consider the following factors, as well as the other information contained in this Disclosure Statement (as well as the documents delivered herewith or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

The principal purpose of the Debtors' Bankruptcy Cases is the formulation of the Plan, which provides for an orderly liquidation of the Debtors' business and operations and establishes how Claims against and Equity Interests in the Debtors will be satisfied. Under the Plan, certain Claims may receive partial distributions, and other Claims may not receive any distributions at all. Equity Interests will receive no distributions.

A. Failure to Confirm or Consummate the Plan

If the Plan is not confirmed and consummated, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval, however, there is no assurance that the alternative plan will be confirmed, that the Bankruptcy Cases will not be converted to a liquidation, or that any alternative plan of liquidation could or would be formulated on terms as favorable to the Claimholders as terms of the Plan. Interestholders will receive no recovery under the Plan or in a liquidation.

B. Claims Estimates May Be Incorrect

There can be no assurance that the estimated Claim amounts set forth herein are correct. The actual allowed amounts of Claims may differ materially from the estimates.

ARTICLE XI
ALTERNATIVES TO PLAN AND LIQUIDATION ANALYSIS

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtors' chapter 11 Bankruptcy Cases, (b) the Debtors' chapter 11 Bankruptcy Cases could be converted to a liquidation case under chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by the Debtors or by some other party.

A. Dismissal

The most remote possibility is dismissal. If the Debtors' Bankruptcy Case were to be dismissed, the Debtors would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Dismissal would force a race among creditors to take over and dispose of the Debtors' available assets. Even the most diligent unsecured creditors would likely fail to realize any significant recovery on their claims.

B. Chapter 7 Liquidation

A straight liquidation bankruptcy, or chapter 7 case, requires liquidation of the bankruptcy debtor's assets by an impartial trustee. In a chapter 7 case, the amount unsecured creditors receive depends on the net estate available after all assets of the debtor have been reduced to cash. The cash realized from liquidation of the debtor's assets would be in accordance with the order of distribution prescribed in Bankruptcy Code section 507.

If the Plan is not confirmed, it is likely that the Debtors' Bankruptcy Cases will be converted to cases under chapter 7 of the Bankruptcy Code, in which case a trustee would be appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under chapter 7 or chapter 11, Secured Claims, Administrative Claims, Priority Unsecured Non-Tax Claims, and Priority Unsecured Tax Claims are entitled to be paid in full before unsecured creditors receive any funds.

If the Debtors' Bankruptcy Cases were converted to chapter 7, the present Administrative Claims may have a priority lower than priority claims generated by the chapter 7 case, such as the chapter 7 trustee's fees or the fees of attorneys, accountants and other professionals engaged by the trustee.

If the Bankruptcy Cases were converted, the Bankruptcy Court would appoint a trustee to liquidate the Debtors' property and assets and distribute the proceeds to creditors in accordance with the Bankruptcy Code's priority scheme. It is likely that the chapter 7 trustee would have little or no experience or knowledge of the Debtors' businesses or their records or assets. A substantial period of education would be required in order for any chapter 7 trustee to wind the case up effectively.

The chapter 7 trustee would be entitled to receive the compensation allowed under Bankruptcy Code section 326. The trustee's compensation is based on 25% of the first $5,000 or less; 10% of any amount in excess of $5,000 but not in excess of $50,000; 5% of any amount in excess of $50,000 but not in excess of $1 million; and reasonable compensation not to exceed 3% of any amount in excess of $1 million, on all funds disbursed or turned over in the bankruptcy case by the trustee to parties in interest (excluding the Debtors, but including the holders of Secured Claims). The trustee's compensation would be paid as a cost of administration of the chapter 7 estate, and may have priority over the costs and expenses incurred in the chapter 11 case and any payment to unsecured creditors.

It is also likely that the chapter 7 trustee would retain his own professionals (including attorneys and financial advisors) whose fees would also constitute priority claims in the chapter 7 case, with a priority that may be higher than those claims arising as part of the administration of the chapter 11 case.

The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to Claimholders than those provided for in the Plan. As previously noted, conversion to chapter 7 would give rise to (a) additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee and (b) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations. In a chapter 7 liquidation, it is a virtual certainty that general unsecured creditors would receive no recovery on their claims.

Attached to this Disclosure Statement as **Exhibit D** is a chart setting forth a liquidation analysis of the Debtors' bankruptcy estates. The liquidation values are based principally on an appraisal performed by an independent third party. The Debtors believe that the liquidation analysis is reasonable and conservative. Parties are urged to review the notes and assumptions accompanying the liquidation analysis contained in **Exhibit D**.

C. Alternative Plan

Because the Debtors have filed the Plan and seek its confirmation during the respective exclusive periods established under the Bankruptcy Code, no other alternative plans can be proposed at this time. The Debtors believe that any alternative plan would not be viable and would not provide the same recovery to Creditors as that proposed under the current Plan.

ARTICLE XII
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal United States federal income tax consequences of the Plan to the Debtors and to holders of Claims who are entitled to vote or to accept or reject the Plan are described below. No rulings or determination of the IRS or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of the Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (e.g., banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, Person that are, or hold their Claims through, pass-through entities, Persons whose functional currency is not the United States dollar, foreign Persons, dealers in securities or foreign currency, employees, Persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation and Persons holding Claims that are hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Each Claimholder is strongly urged to consult its own tax advisor regarding the United States federal, state, and local and foreign tax consequences of the transactions described herein and in the Plan. The following summary is not a substitute for careful tax planning and advice based on individual circumstances. All creditors are advised to consult their own tax advisors.

A. United States Federal Income Tax Consequences to the Debtors

1. Net Operating Losses—Section 382

Internal Revenue Code section 382 could substantially limit, or deny in full, the availability of the Debtors' NOL as a result of the transactions contemplated under the Plan. As a result of the sale of all of the Debtors' assets to PPE, the Debtors believe the net operating losses are no longer available.

B. United States Federal Income Tax Consequences to Claimholders of the Debtors and Interestholders of Group

The United States federal income tax consequences to Claimholders (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things, (1) whether the Claim and the consideration received in respect thereof are "securities" for the United States federal income tax purposes; (2) the manner in which a holder acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (6) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the holder's method of tax accounting; and (8) whether the Claim is an installment obligation for United States federal income tax purposes. Therefore, Claimholders should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

1. Gain or Loss Recognition on the Satisfaction of Claims

Each Creditor will generally recognize gain or loss with respect to its Claim in an amount equal to the difference between (i) the "amount realized" with respect to its Claim and (ii) the tax basis of its Claim. A Creditor's "amount realized" will equal the sum of the cash and the fair market value of other property, including New Common Stock, if any, received by the Creditor.

2. Character of Gain or Loss

In general, the character of any gain or loss recognized by a Creditor as capital or ordinary will depend on whether the Claim constitutes a capital asset in the hands of the Creditor. To the extent a debt instrument is acquired after its original issuance for less than the issue price of such instrument, however, it may have market discount. A holder of a Claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim.

3. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a United States holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. Person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

ARTICLE XIII
CONCLUSION

This Disclosure Statement provides information regarding the Debtors' bankruptcy and the potential benefits that might accrue to holders of Claims against and Equity Interests in the Debtors under the Plan as proposed. The Plan is the result of extensive efforts by the Debtors and their advisors to provide the holders of Allowed Claims and Equity Interests with a meaningful dividend. The Proponents believe that the Plan is feasible and will provide each holder of a Claim against and Equity Interest in the Debtors with an opportunity to receive greater benefits than those that would be received by any other alternative. The Proponents, therefore, urge interested parties to vote in favor of the Plan.

DATED: November 3, 2010.

PPOA HOLDING, INC.

By: Frank E. Jaumot
Its: Chief Restructuring Officer

CPC HOLDING CORPORATION OF AMERICA

By: Frank E. Jaumot
Its: Chief Restructuring Officer

CP CORPORATION OF AMERICA, INC.

By: Frank E. Jaumot
Its: Chief Restructuring Officer

PPI INTERNATIONAL CORP.

By: Frank E. Jaumot
Its: Chief Restructuring Officer

PPNC, LLC

By: Frank E. Jaumot
Its: Chief Restructuring Officer

EXHIBIT A

CORPORATE CHART

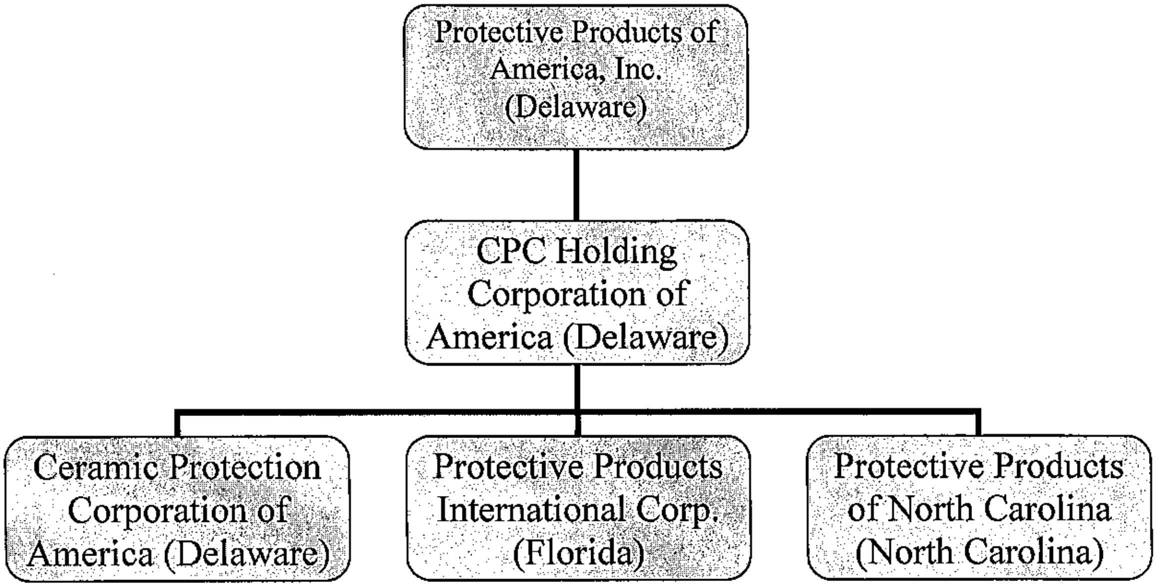

EXHIBIT B

POTENTIAL ADDITIONAL PURCHASE PRICE FROM SALE OF TAX REFUNDS

PPOA Expected Refunds

Federal Refunds

Year of Loss	Total Refund	*57.142%* Buyer's Portion	*42.858%* Debtor Portion
2007	3,066,611	2,609,483	457,128
2008	1,714,326	979,600	734,726
2009	2,684,858	1,534,182	1,150,676
			2,342,530

** First $2 million of refund allocated to Buyer per APA*

State Refunds

Year	State	Total Refund	*57.142%* Buyer's Portion	*42.858%* Debtor Portion
2008	Delaware	86,918	49,667	37,251
2008	Maryland	4,716	2,695	2,021
2008	Florida	5,771	3,298	2,473
				41,746

Total Federal Refunds	2,342,530
Total State Refunds	41,746
Total Refunds	**2,384,276**

EXHIBIT C
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 (AUDITED), AND NOVEMBER 30, 2009 (UNAUDITED)

PROTECTIVE PRODUCTS OF AMERICA, INC
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Stockholders of
Protective Products of America, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Protective Products of America, Inc. (formerly Ceramic Protection Corporation) and its subsidiaries at December 31, 2008 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Miami, Florida
April 6, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Protective Products of America, Inc.:

In our opinion, the accompanying consolidated balance sheet and the consolidated statement of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Protective Products of America, Inc., formerly Ceramic Protection Corporation, and its subsidiaries at December 31, 2007 and the results of their operations and their cash flows for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta, Canada
March 31, 2008, except for Note 5 which is as of February 9, 2009.

PROTECTIVE PRODUCTS OF AMERICA, INC.
CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars unless otherwise noted)	December 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash	$ 1,498	$ 2,814
Accounts receivable, net of allowance for doubtful accounts of $55 and $144, respectively	5,853	7,530
Inventory, net	7,062	9,152
Income taxes receivable	5,373	5,208
Prepaid expenses and other current assets	539	989
Note receivable, current portion	37	37
Deferred income taxes	31	932
Current assets of discontinued operations	1,305	8,488
Total current assets	21,698	35,150
Property, plant and equipment, net	2,513	2,017
Goodwill	—	25,766
Intangible assets, net	9,351	11,041
Note receivable	27	71
Other assets	220	250
Long term assets of discontinued operations	2,566	32,661
Total assets	$ 36,375	$106,956
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,180	$ 15,498
Deferred revenue and customer deposits	1,128	2,535
Line of credit	8,124	12,425
Current portion of long term debt	4,783	7,968
Liabilities of discontinued operations	2,134	3,480
Total current liabilities	23,349	41,906
Deferred income taxes	3,521	3,585
Long term debt	6,000	4,428
Total liabilities	$ 32,870	$ 49,919
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, 0 issued	$ —	$ —
Common stock, $0.001 par value, 40,000,000 shares authorized, 13,762,557 and 10,232,557 issued and outstanding, respectively	14	42,094
Additional paid in capital	60,381	3,056
Accumulated other comprehensive income	1,467	1,292
Retained earnings(accumulated deficit)	(57,957)	11,232
Advances and receivables from stockholder	(400)	(637)
Total stockholders' equity	3,505	57,037
Total liabilities and stockholders' equity	$ 36,375	$106,956

The accompanying notes are an integral part of these consolidated financial statements.

PROTECTIVE PRODUCTS OF AMERICA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

(thousands of United States dollars, except share and per share amounts)		2008		2007
Sales	$	85,366	$	73,746
Cost of sales		61,982		53,816
Gross margin		23,384		19,930
Operating expenses				
Selling, general and administrative		20,833		19,920
Research and development		1,528		143
Impairment of goodwill and intangible assets		28,288		—
Total operating expenses		50,649		20,063
Operating loss		(27,265)		(133)
Interest expense		3,031		2,280
Other income		(199)		(223)
Total other expense		2,832		2,057
Loss from continuing operations before income taxes		(30,097)		(2,190)
Income tax provision (benefit)		1,020		(741)
Net loss from continuing operations		(31,117)		(1,449)
Loss from discontinued operations		(38,072)		(8,652)
Net loss	$	(69,189)	$	(10,101)
Basic loss per share:				
Continuing operations	$	(2.37)	$	(0.14)
Discontinued operations		(2.90)		(0.85)
Net loss	$	(5.27)	$	(0.99)
Diluted loss per share:				
Continuing operations	$	(2.37)	$	(0.14)
Discontinued operations		(2.90)		(0.85)
Net loss	$	(5.27)	$	(0.99)
Weighted average common shares outstanding:				
Basic		13,133,927		10,216,519
Diluted		13,133,927		10,216,519

The accompanying notes are an integral part of these consolidated financial statements.

PROTECTIVE PRODUCTS OF AMERICA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of United States dollars, except per share data)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Advances and Receivables from Stockholder	Total
	Number of shares	Amount					
BALANCE — DECEMBER 31, 2006	10,172,059	$41,571	$1,138	$ 1,438	$ 21,333	$(637)	$ 64,843
Comprehensive (loss):							
Net loss	—	—	—	—	(10,101)	—	(10,101)
Foreign currency denominated financial liability designated as a hedge	—	—	—	2,108	—	—	2,108
Foreign currency translation	—	—	—	(2,254)	—	—	(2,254)
Total comprehensive (loss)	—	—	—	—	—	—	(10,247)
Issuance of shares to employees for options exercised	60,498	523	(227)	—	—	—	296
Fair market value of warrants issued in conjunction with subordinated debentures	—	—	816	—	—	—	816
Stock based compensation expense	—	—	1,329	—	—	—	1,329
BALANCE — DECEMBER 31, 2007	10,232,557	$42,094	$3,056	$ 1,292	$ 11,232	$(637)	$ 57,037
Comprehensive (loss):							
Net loss	—	—	—	—	(69,189)	—	(69,189)
Foreign currency denominated financial liability designated as a hedge	—	—	—	(58)	—	—	(58)
Foreign currency translation	—	—	—	233	—	—	233
Total comprehensive (loss)	—	—	—	—	—	—	(69,014)

	Common Stock: Number of shares	Common Stock: Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Advances and Receivables from Stockholder	Total
Issuance of common shares from public offering	3,530,000	14,068	—	—	—	—	14,068
Change in share capital structure effective July 31, 2008	—	(56,148)	56,148	—	—	—	—
Stock based compensation expense	—	—	1,177	—	—	—	1,177
Adjustment to write-off working capital adjustment	—	—	—	—	—	237	237
BALANCE — DECEMBER 31, 2008	13,762,557	$ 14	$60,381	$1,467	$(57,957)	$(400)	$ 3,505

The accompanying notes are an integral part of these consolidated financial statements.

PROTECTIVE PRODUCTS OF AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(thousands of United States dollars)	2008	2007
Cash provided by (used in) operating activities		
Net (loss)	$(69,189)	$(10,101)
Net loss from discontinued operations	38,072	8,652
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,348	1,398
Non-cash interest expense on long-term debt	390	98
Stock-based compensation	1,177	1,077
Provision for doubtful accounts	(89)	63
Provision for inventory obsolescence	(108)	848
Loss on disposal of property, plant and equipment	333	—
Impairment of goodwill and long-lived intangible assets	28,288	—
Write-off of working capital adjustment balance	237	—
Deferred income tax expense (benefit)	529	372
Foreign exchange gain on operating line of credit	(540)	—
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	2,121	(5,866)
Inventory	2,427	(8,715)
Prepaid and other current assets	452	(703)
Income taxes receivable	306	(3,671)
Deferred costs and other assets	32	(202)
Accounts payable and accrued liabilities	(8,441)	14,244
Deferred revenues and customers deposits	(2,321)	2,384
Cash (used in) operating activities from continuing operations	(4,976)	(122)
Cash (used in) operating activities from discontinued operations	(2,179)	(9,452)
Total (used in) operating activities	(7,155)	(9,574)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,161)	(1,063)
Acquisition of business and manufacturing assets	(1,441)	—
Proceeds received on notes receivable	44	35
Cash (used in) investing activities from continuing operations	(2,558)	(1,028)
Cash provided by(used in) investing activities from discontinued operations	(81)	5,995
Total cash provided by (used in) investing activities	(2,639)	4,967
Cash provided by (used in) financing activities		
Net (payments) borrowings from operating line of credit	(3,761)	12,425
Proceeds from the issuance long-term debt	6,000	5,100
Repayments of long-term debt	(7,968)	(13,101)
Net proceeds from issuance of common stock	14,068	296
Cash provided by financing activities from continuing operations	8,339	4,720
Cash provided by (used in) financing activities from discontinued operations	—	—
Total cash provided by financing activities	8,339	4,720
Foreign exchange gain (loss) on cash held in foreign currencies	139	(779)
Net (decrease) in cash during the period	(1,316)	(666)
Cash, beginning of period	2,814	3,480
Cash, end of period	$ 1,498	$ 2,814
Supplemental information:		
Interest paid	$ 2,826	$ 2,641
Income taxes paid	—	160
Income taxes recovered	508	—

The accompanying notes are an integral part of these consolidated financial statements.

PROTECTIVE PRODUCTS OF AMERICA, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Protective Products of America, Inc. (formerly Ceramic Protection Corporation) and its wholly owned subsidiaries ("PPA" or the "Company") design, manufacture and market advanced products that provide ballistic protection for personnel and vehicles in the military and law enforcement markets. PPA's product portfolio includes a full line of soft armor police and military protective products, including vests, shields, helmets and law enforcement vehicle door protection systems. One of the Company's key products is the Modular Tactical Vest, or MTV.

The Company's primary customers include agencies of the U.S. Government, international militaries, prime government contractors who integrate its products into their armor systems, distributors and law enforcement agencies. The Company's headquarters and primary manufacturing and research and development facilities are located in Sunrise, Florida, and the Company has an additional manufacturing facility in Granite Falls, North Carolina.

During 2007, PPA was a Canadian company, incorporated in the province of Alberta. In July 2008, pursuant to a Plan of Arrangement, the Company completed the process of continuing from the jurisdiction of the Business Corporation Act of Alberta, Canada, to domesticate and operate under the General Corporation Law of the State of Delaware.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of PPA. The financial results presented in this information statement reflect the Company's continuing operations only, in U.S. dollars unless otherwise stated. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during each reporting period. Management relies upon the use of estimates when valuing warrants and stock based compensation expense; determining the collectibility of accounts receivable; determining the valuation of inventory; determining the estimated useful lives of property, plant and equipment and intangible assets; and evaluating and assessing the recoverability of deferred tax assets. The assessment of whether the carrying value of goodwill, definite and indefinite life intangible assets and property, plant and equipment is impaired also involves significant estimates. The Company believes that the application of the accounting policies described in the following paragraphs is highly dependent on critical estimates and assumptions that are inherently uncertain and highly susceptible to change. Actual results could differ from those estimates and such difference could be material to the Company's financial statements.

Foreign Currency Translation and Reporting Currency

Prior to July 31, 2008, the functional currency of the Company was the Canadian dollar, which was the local currency of the predecessor company, Ceramic Protection Corporation. The Company measured the financial statements of its subsidiaries, all of whom were in the United States, using the United States dollar (the "U.S. dollar") as the functional currency. The assets and liabilities of these subsidiaries were translated from the U.S. dollar to the Canadian dollar at the exchange rate on the balance sheet date. Revenues, costs and expenses were translated at the rates of exchange prevailing during the year. Translation adjustments resulting from this process are included in stockholders' equity.

Transactions denominated in a currency other than the Company's functional currencies were recorded at the exchange rate in effect on the dates of the transactions. Monetary assets and liabilities denominated in a currency other than the

Company's functional currencies were remeasured at the exchange rate in effect as of the reporting period, and the related gains or losses were included in the results of operations for the period.

Following its domestication, the Company adopted the U.S. dollar as its reporting currency. In addition, as all of the Company's operations are based in the U.S., the Company changed its functional currency to the U.S. dollar. As a result of the change in reporting currency, the financial statements of the Company for the year ended December 31, 2007, which were previously presented in Canadian dollars, have been translated from Canadian dollars to U.S. dollars in accordance with FASB Statement No. 52, "Foreign Currency Translation." Revenues and expenses were translated using weighted-average exchange rates over the relevant periods, assets and liabilities were translated at the exchange rate as of the balance sheet dates, and stockholders' equity balances were translated at the exchange rates in effect on the date of each transaction. Translation adjustments resulting from this process have been included in stockholders' equity.

Cash

Cash, which is maintained in financial institutions, represents deposits that may be redeemed upon demand. The Company maintains cash with various financial institutions. Although at certain times these deposits may exceed government insured depository limits, the Company has evaluated the credit worthiness of these financial institutions, and determined the risk of material financial loss due to exposure of such credit risk to be minimal. The Company has not experienced any losses on these financial institutions.

Collectibility of Accounts Receivable

The Company bases its allowance for doubtful accounts on management's estimates of the creditworthiness of its customers, analysis of delinquent accounts, the payment histories of the accounts and management's judgment with respect to current economic conditions. The Company maintains an allowance for doubtful accounts based on historic collectibility and specific identification of potential problem accounts.

Inventory

Raw materials inventories are valued at the lower of cost on a first in, first out basis or replacement value. Work in process and finished goods inventories are valued at the lower of cost (on a moving average basis) or net realizable value. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a review of inventory quantities, past history and expected future usage.

Property, Plant and Equipment

The components of property, plant and equipment are recorded at cost, net of accumulated depreciation. Major additions, improvements and renewals that substantially increase the useful lives of the assets are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is calculated by using the straight-line method over the following estimated useful lives:

Leasehold Improvements	Lesser of 10 years or term of lease
Machinery and Equipment	5 years
Office, Furniture and Fixtures	3 to 5 years
Vehicles	4 years

Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of operations on the date of retirement and disposal.

Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of the purchase price of an acquired entity over the fair value of net assets acquired and liabilities assumed. Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," provides that goodwill and other intangible assets with indefinite lives shall not be amortized but shall be tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable and exceeds its estimated fair value. In such circumstances, the Company would recognize an impairment loss for the difference between estimated fair value and carrying value.

Other Long Lived and Intangible Assets

The Company reviews the recoverability of long-lived and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The assessment of possible impairment is based upon the Company's ability to recover the carrying value of the asset or asset group from the expected pre-tax cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

Revenue Recognition

The Company derives substantially all of its revenues by fulfilling orders under contracts awarded by branches of the U.S. military, the Department of Homeland Security, domestic law enforcement agencies and international militaries. Under these contracts, the Company provides soft body armor products for law enforcement personnel and ballistic system armor for military personnel. Once the price has been determined and agreed upon by the Company, the Company does not have the ability to renegotiate the price or to pass any cost overruns on to the customer. During the term of the contract, the Company receives purchase orders from the customer to manufacture and ship a certain number of units of a particular product. The Company ships only the number of units ordered and recognizes revenue only on those units.

The Company recognizes revenue when it is realized or realizable and has been earned. Revenue is recognized when persuasive written evidence of an arrangement exists in the form of a written contract and written purchase order, the product has been delivered and legal title and all risks of ownership have been transferred, the written contract and sales terms are complete, customer acceptance has occurred, and payment is reasonably assured.

Deferred revenue represents the billing of a sale, in accordance with the terms of the sales agreement, for which all of the criteria required for revenue recognition have not been met. In such instances, the Company records a current liability which is referred to as "deferred revenue" until the shipped product has been received at the destination and legal title has passed to the buyer. Once this occurs, the Company debits the deferred revenue liability account and records revenue. No return allowance is made as product returns are insignificant based on historical experience.

The Company estimates warranty reserves based in part upon historical warranty costs, which have been immaterial thus far. In the event the Company incurs more significant warranty-related matters which might require a broad-based correction, separate reserves would be established when such events are identified and the cost of correction can be reasonably estimated.

When the Company receives a significant sales order from a customer, a portion of the value of the order in the form of a customer deposit may be collected. Customer deposits and pre-payments are recorded as current liabilities. Customer deposits may or may not be refundable, in whole or in part, based upon the terms of the sales contract. When the Company bills customers for product shipped to them, their deposits are credited back to them on a pro-rata basis based on the size of their shipment compared to the size of their full sales commitment.

Cost of sales consists of parts, direct labor and overhead expense incurred for the fulfillment of orders. Additionally, the Company allocates certain indirect overhead expenses such as employee benefits, computer supplies, depreciation for computer equipment and production equipment based on personnel and equipment assigned to the job. As a result, indirect overhead expenses are included in both cost of sales and selling, general and administrative expense in its statement of operations. Costs of sales are charged to expense and the corresponding inventory balances are reduced, when revenue is recognized.

Research and Development

The Company includes all expenditures related to research and development expenses as a separate line item in its statement of operations. Research and development expenses generally consist of designing products to meet certification standards and testing the ballistic properties of materials and manufactured armor.

Stock-Based Compensation

The Company has a stock option plan enabling certain officers, directors, employees and service providers to purchase shares of common stock at exercise prices equal to the market price, as defined by the plan, on the date the option is granted. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" ("SFAS 123R"), which revises SFAS 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with SFAS 123R, the Company measures the cost of employee services received in exchange for equity-based awards based on grant date fair value. Pre-vesting forfeitures are estimated at the time of grant and the Company periodically revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Equity-based compensation is only recognized for equity-based awards expected to vest.

Income Taxes

The Company accounts for income taxes according to Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes", which requires an asset and liability approach to financial accounting for income taxes. Deferred income tax assets and liabilities are computed annually for the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized. If these estimates and assumptions change in the future, the Company could be required to reduce or increase the value of the future income tax asset or liability resulting in income tax expense or recovery. The Company evaluates the valuation allowance quarterly and adjusts the amount if necessary.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The adoption of FIN 48 had no impact on the Company's financial statements. Pursuant to FIN 48, the Company periodically assesses its tax filing exposures related to calendar years 2005, 2006 and 2007 which are statutorily open to examination.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the net earnings or loss available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing the net earnings or loss available to common stockholders by the weighted average number of common shares outstanding plus the effect of any dilutive stock options and share purchase warrants using the treasury stock method except in cases where the effect would be anti-dilutive.

Hedging Activities

The Company designated its U.S. dollar denominated term loan indebtedness to hedge the risk associated with the net investment in Protective Products International Corp. ("PPIC"). The changes in the value of the hedge offset the changes in the value of the PPIC net investment on a consolidated basis. The hedge matured on June 30, 2008 when the final payment was made to pay off the term loan. During the year ended December 31, 2008, translation losses related to the designated hedge of $0.1 million were recorded to stockholders' equity. The Company does not engage in hedging of foreign currencies through the purchase of option contracts or forward exchange contracts. It is the Company's policy not to enter into speculative hedging arrangements.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 creates a common definition for fair value for recognition or disclosure purposes under generally accepted accounting principles. SFAS 157 also establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007. As permitted by FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157," the Company elected to defer the adoption of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. Although the partial adoption of SFAS 157 on January 1, 2008 had no impact on the Company's financial condition and results of operations, the Company will continue to evaluate the impact of SFAS 157 on its non-financial assets, including intangible assets, upon final adoption in 2009.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115" ("SFAS 159"). This statement establishes principles and disclosure requirements for entities that choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This Statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not establish requirements for recognizing and measuring dividend income, interest income, or interest expense. The effective date of the Statement is for the first fiscal year that beginning after November 15, 2007. The Company adopted SFAS 159 as of January 1, 2008 and has elected not to apply the fair value option to any of its financial instruments.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," ("SFAS 141(R)"), which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51," ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, SFAS 160 requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the non-controlling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, SFAS 160 requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company will assess the impact of SFAS 160 if and when a non-controlling interest is acquired in the future.

In June 2008, the FASB ratified the consensus reached on EITF No. 07-05, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-05"). EITF 07-05 clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify as a scope exception under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. EITF 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption for an existing instrument is not permitted. The Company is currently evaluating the impact of the pending adoption of EITF 07-05.

NOTE 2 — GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business as they become due.

For the year ended December 31, 2008, the Company incurred net losses from continuing and discontinued operations of $31.1 million and $38.1 million, respectively. Additionally, in 2008 the Company had negative cash flows from operating activities from continuing operations and discontinued operations of $5.0 million and $2.2 million, respectively. The Company has relied, in part, upon debt financing to fund its operations. As of December 31, 2008, the Company was not in compliance with any of its financial covenants in its Amended and Restated Credit Agreement. As of December 31, 2008, the Company had outstanding indebtedness of $18.9 million including $8.1 million outstanding under its line of credit and had $1.5 million in cash.

The Company's primary operating line of credit is with Canadian Imperial Bank of Commerce, or CIBC, and, as of December 31, 2008, the Company had $8.1 million of debt outstanding under the line of credit. There have been a number of amendments to the credit agreement governing the Company's line of credit over the past 18 months. Effective as of January 30, 2009, the Company entered into a Forbearance Agreement and an Amended and Restated Credit Agreement with CIBC. Under the Forbearance Agreement, CIBC has agreed not to exercise any remedies with respect to existing defaults by the Company under the Amended and Restated Credit Agreement until the earliest of (i) June 30, 2009, (ii) any other default by the Company under the Amended and Restated Credit Agreement or (iii) any breach by the Company of the Forbearance Agreement. The Amended and Restated Credit Agreement increased the interest rate on the Company's line of credit from the prime rate plus 450 basis points to the prime rate plus 650 to 675 basis points and reduced the maximum borrowing capacity under the Company's line of credit to CAD$9.0 million. The outstanding balance under the Company's line of credit is now due June 30, 2009. However, there can be no assurances that the Company will be able to secure new replacement financing by June 30, 2009.

As such, there is substantial doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as such is dependent upon management's ability to successfully execute its business plan, including increasing revenues through the sale of existing and future product offerings and reducing expenses in order to meet the Company's current and future obligations. In addition, the Company's ability to continue as a going concern is dependent upon management's ability to successfully refinance or replace its current indebtedness. Failure to obtain financing will have a material adverse impact on the Company's operations and liquidity.

Subsequent to the execution of the Forbearance Agreement, the Company determined that it was not in compliance with certain of its covenants including the covenant requiring the Company to maintain minimum stockholders' equity of $4.0 million. As of December 31, 2008 the Company's stockholders' equity was $3.5 million. The Company has discussed with CIBC its belief that current stockholders' equity is substantially equivalent to the amount as of December 31, 2008, and therefore below that required under the Forbearance Agreement. As a result of these discussions, the Company plans to request a waiver from CIBC concerning this covenant, however, there are no assurances that the Company will be successful. See Note 9 — "Debt" and Note 17 — "Subsequent Events".

A major solicitation for the Improved Outer Tactical Vest, or IOTV, was issued by the U.S. Army in early 2008. The Company bid on the solicitation in April 2008 and in March 2009, upon written request from the U.S. Army, the Company provided an extension of the proposal acceptance period through July 31, 2009. The Company continues to believe that it is well positioned to receive a portion of the award. However, even if the Company is successful in receiving a portion of the award, the Company may not generate any material revenues from this award until 2010. As result of the delay in completing the solicitation, the Company's revenues from the U.S. military for 2009 may be substantially lower than 2008 levels. Unless the Company secures future contracts to help restore positive cash flow, or renegotiate the maturity date or terms of both its Amended and Restated Credit Agreement and its debentures, there is substantial doubt as to the Company's ability to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company is unable to operate as a going concern.

NOTE 3 — MAJOR CUSTOMERS

During the year ended December 31, 2008, the Company derived 82% of its revenue directly from the United States military, and 2% of its revenue from other government agencies. During the year ended December 31, 2007, the Company generated 92% of its revenues directly from the United States military, and 2% of its revenues from other government agencies. If the military reduces its demand for the Company's products, the Company's financial results will be adversely affected.

NOTE 4 — BUSINESS ACQUISITIONS

On January 7, 2008, the Company acquired certain assets and production facilities located in Granite Falls, North Carolina from ForceOne, LLC. The acquired assets and operations were merged into the Company's newly formed subsidiary Protective Products of North Carolina, LLC. The purchase price for the acquisition was $2.1 million, consisting primarily of $1.6 million paid in cash ($0.1 million of which represents transaction costs paid in 2007) and a forgiveness of $0.5 million in accounts receivable balances (net of payables assumed) due from ForceOne, LLC. The Company entered into this transaction to broaden its product offering and enable it to be more competitive in the marketplace.

The estimated fair values of the total assets acquired as of the date of acquisition are presented in the following table:

(in thousands of dollars)	
Purchase Price	
Cash	$1,442
Transaction costs	120
Trade receivables due from ForceOne, LLC forgiven	559
Trade payables of ForceOne, LLC assumed	(41)
Total purchase price	$2,080
Allocation	
Inventory	$ 230
Property, plant and equipment	428
Other assets	2
Goodwill	1,420
Total assets acquired	$2,080

NOTE 5 — DISCONTINUED OPERATIONS

During the period from January 2007 through September 2008, the Company incurred significant losses at its Newark, Delaware operations. These losses combined with a significantly less favorable outlook for awards under certain ceramic armor bids, as well as substantial delays in activity under a previously disclosed purchase order for ceramic plates, indicated that the carrying value of certain assets may not be recoverable. Accordingly, after an impairment analysis was conducted, the Company concluded that all of the goodwill and long-lived intangible assets, and a significant portion of its property located in Delaware, had been permanently impaired under the guidelines of FASB Statement No. 142 (see Note 8 — "Goodwill and Intangible Assets") and FASB Statement No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets." For the year ended December 31, 2008, the Company recorded in its operating expenses a non-cash impairment charge of $22.0 million related to goodwill and long-lived intangible assets and a $5.7 million write-down of fixed assets. The net write-down of $5.7 million reflects a positive adjustment of $0.6 million during the fourth quarter ended December 31, 2008 to adjust the carrying value of these assets to fair value. In addition, a related inventory write-down of $4.7 million associated with certain inventories at the Newark, Delaware facility was recorded in cost of goods sold.

Additionally, in accordance with FASB Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", the Company recorded separation liabilities and the estimated costs of $1.4 million, which was charged to selling, general and administrative expense, associated with the cessation of the use of the facility and equipment under operating leases. Also, the Company adopted a formal exit plan in September 2008 to discontinue all operations in Delaware by December 31, 2008.

During the second quarter of 2007, the Company closed its manufacturing facility in Calgary, Canada, consolidated the majority of its armor production into its Newark, Delaware location and recorded a restructuring charge of $0.8 million. Due to the discontinuance of operations at the Newark facility as described above, all financial data in these financial statements related to the former manufacturing facility in Calgary, including the $0.8 million restructuring charge, are now presented in discontinued operations for all periods presented.

The following table reflects the balance sheets for discontinued operations as of December 31, 2008 and 2007:

(thousands of dollars)	2008	2007
ASSETS		
Current assets		
Accounts receivable	$ 284	$ 574
Inventory	992	7,581
Prepaid expenses and other current assets	29	333
Total current assets	1,305	8,488
Long term assets		
Property, plant and equipment	2,566	8,967
Goodwill	—	20,490
Intangible assets	—	1,650
Other assets	—	1,554
Total long term assets	2,566	32,661
Total assets	$3,871	$41,149
LIABILITIES		
Accounts payable and accrued liabilities	$2,134	$ 3,480
Total liabilities	$2,134	$ 3,480

The following table reflects the statements of operations for discontinued operations for the year ended December 31, 2008 and December 31, 2007:

	Year Ended December 31,	
(thousands of dollars)	2008	2007
Sales	$ 11,979	$ 6,441
Cost of sales	18,040	12,713
Gross margin	(6,061)	(6,272)
Operating expenses		
Selling, general and administrative	4,781	7,017
Research and development	345	1,169
Gain on disposal of fixed assets	—	(4,003)
(Gain)/Loss on foreign exchange	(44)	346
Impairment of goodwill and intangible assets	22,016	—
Impairment of property, plant and equipment	5,692	165
Total operating expenses	32,790	4,694
Operating loss	(38,851)	(10,966)
Interest expense (1)	185	360
Other income	(1)	(16)
Total other expense (income)	184	344
Loss from discontinued operations before income taxes	(39,035)	(11,310)
Income tax benefit	(963)	(2,658)
Loss from discontinued operations	$(38,072)	$ (8,652)

(1) The allocation of interest expense to discontinued operations was calculated under the guidelines of Emerging Issues Task Force 87-24, "Allocation of Interest to Discontinued Operations." Applying this methodology resulted in interest

expense of $0.2 million and $0.4 million being allocated to discontinued operations for the years ended December 31, 2008 and 2007, respectively.

NOTE 6 — INVENTORY

The Company's inventory balance at December 31, 2008 and 2007 was comprised of the following:

(thousands of dollars)	2008	2007
Raw Materials	$2,383	$4,114
Work in Progress	539	1,686
Finished Goods	4,140	3,352
Total	$7,062	$9,152

The Company has an inventory allowance of $0.7 million and $0.8 million related to obsolete and slow moving raw materials and finished goods in 2008 and 2007, respectively. Included in the inventory totals above is inventory that had been shipped to customer locations but had not been received by the customer prior to year-end and for which revenue had been deferred by the Company. The value of the aforementioned inventory amounted to $0.5 million and $0.8 million as of December 31, 2008 and December 31, 2007, respectively.

NOTE 7 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2008 and 2007 consisted of the following:

(thousands of dollars)	2008	2007
Leasehold improvements	$ 939	$1,289
Machinery and equipment	1,758	1,141
Vehicles	107	44
Office furniture and fixtures	878	382
Construction in progress	257	—
Property, plant, and equipment, gross	3,939	2,856
Less: Accumulated depreciation and amortization	(1,426)	(839)
Property, plant, and equipment, net	$ 2,513	$2,017

For the years ended December 31, 2008 and 2007, the Company recorded $0.8 million and $0.7 million in depreciation expense, respectively.

NOTE 8 — GOODWILL AND INTANGIBLE ASSETS

In accordance with FASB Statement No. 142, ("FASB 142"), goodwill and other intangible assets are tested for impairment at least annually or more frequently if events and circumstances indicate that the carrying value may not be recoverable. Intangible assets are tested by comparing the fair value of the asset to its carrying value. If the carrying value of the asset exceeds its fair value, an impairment charge is recognized. The impairment test for goodwill involves a two-step approach. Under the first step, the Company compares the fair value of its reporting unit to its carrying value. The Company determines the fair value of its reporting unit by estimating the present value of the reporting unit's future cash flows and comparing this result to any market data which indicates the value of the reporting unit. If the fair value exceeds the carrying value, no impairment charge is recognized. If the carrying value exceeds the fair value, the goodwill of the reporting unit is considered potentially impaired and the second step is performed to measure the impairment charge.

Under the second step, the Company calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets, including any unrecognized intangible assets, of the reporting unit from the fair value of the unit as determined in the first step. The Company then compares the implied fair value of goodwill to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, the Company recognizes an impairment charge equal to the difference.

The Company conducts an annual impairment test of its recorded goodwill and indefinite lived intangible asset in the fourth quarter ending December 31st of each year. In the event of a change in circumstances that leads the Company to determine that a triggering event for impairment testing has occurred, a test is completed at that time.

During the second quarter of 2008, the Company continued to incur operating and cash flows losses from its manufacturing facility in Newark, Delaware. As a result, the Company determined that it had a triggering event under FASB 142 and performed a goodwill impairment analysis. Based on the results of the interim goodwill impairment test, it was determined that the fair value of the reporting unit's assets were significantly less than their carrying values. As a result, the Company recorded a non-cash impairment charge in discontinued operations (see Note 5 — "Discontinued Operations" above).

During the third quarter of 2008, the Company experienced a significant decline in its market capitalization. As a result, the Company determined that it had another triggering event and performed a second goodwill impairment analysis. Based on the results of the interim goodwill impairment test, it was determined that the fair value of the Company's assets were significantly less than their carrying values. As a result, the Company initiated the second step of the impairment test to determine the implied fair value of goodwill and recorded a non-cash impairment charge, which represents its best estimate, in the amount of $28.3 million resulting in a write-off of all of its goodwill and a portion of its long-lived intangible asset balance as of September 30, 2008. The recorded impairment charge was an estimate based on a preliminary assessment. During the quarter ended December 31, 2008 the Company completed the second step of its impairment analysis and determined that no further impairment had occurred. The methodology employed by the Company to reach this conclusion is as follows:

In the Company's determination of fair value, the Company considered the asset, market, and income approaches, but found the market and income approaches applicable in determining the fair value of the Company. Under the market approach, the Company prepared an analysis using the guideline public company method and the direct market method in order to determine applicable revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples to apply to the Company's trailing twelve months ("TTM") operating results.

Since the Company had very little positive EBITDA for the TTM ended September 30, 2008, only the revenue multiple was utilized for each method in determining fair value. The Company selected the median multiple of .40, which was slightly lower than .43 for the Company.

In addition to the guideline public company method, the Company also examined recent merger and acquisition data with respect to transactions that occurred within the Company's industry and comparable SIC codes and found transactions that were considered comparable. From the available transaction data the Company derived revenue and EBITDA multiples to apply to the Company in order to determine fair value.

Additionally, under the income approach, the Company utilized the discounted cash flow method, using the forecasts and probabilities that anticipated the Company receiving a certain percentage of the US Army, Marines and Navy contracts and domestic law enforcement and international military contracts. The resulting cash flows were discounted at 25% which is considered in the range of a venture capital return.

The Company has one intangible asset with an indefinite life, the PPIC trade name. The relief from royalty method was used to determine the fair value of the trade name asset. Under the relief from royalty method, the Company estimated what arm's length royalty would likely have been charged had it licensed the trade name from a third party. The calculation of the trade name's fair value involved the use of several assumptions. These assumptions include, but are not limited to, forecasted revenues, a royalty rate and a discount rate.

The Company adjusted its forecasted revenues to reflect its best estimate of the probability that it will successfully obtain new contract awards. The estimated royalty rate was based on a review of trade name licensing agreements for companies in the industrial and commercial space. The discount rate used was consistent with the rate used in the Company's goodwill impairment analysis. Using this methodology, which was consistent with the methodology used by the Company at the time of PPIC's acquisition, the Company determined that the trade name asset was not impaired.

Given the uncertainty in the Company's forecasted revenues, there can be no assurance that the Company's current estimates and assumptions will prove to be accurate predictors of the Company's future results. If the Company's assumptions regarding forecasted revenue are not achieved, the Company may be required to record impairment charges in future periods. It is not possible at this time to determine if any such non-cash future impairment charge would result or, if it does, whether such charge would be material.

The changes in the Company's goodwill and intangible assets from December 31, 2007 to 2008 are summarized in the table below:

(thousands of dollars)	
Balance as of December 31, 2007	$ 36,807
Goodwill related to acquisition	1,420
Amortization expense	(588)
Impairment of indefinite-lived assets	(28,288)
Balance as of December 31, 2008	$ 9,351

The components of the Company's intangible assets as of December 31, 2008 and 2007 are as follows:

	December 31, 2008			December 31, 2007		
(thousands of dollars)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization						
Non-compete agreement	$ 440	$(229)	$ 211	$ 440	$ (141)	$ 299
Customer relationships	—	—	—	2,670	(1,068)	1,602
Backlog	—	—	—	860	(860)	—
Total intangible assets subject to amortization	440	(229)	211	3,970	(2,069)	1,901
Intangible assets not subject to amortization						
Trade name	9,140	—	9,140	9,140	—	9,140
Total intangible assets not subject to amortization	9,140	—	9,140	9,140	—	9,140
Total intangible assets	$9,580	$(229)	$9,351	$13,110	$(2,069)	$11,041

The Company is amortizing the non-compete agreement over a five year useful life. The trade name has an indefinite life.

NOTE 9 — DEBT

The Company's debt as of December 31, 2008 and 2007 is presented in the following table:

(thousands of dollars)	**2008**	**2007**
Line of Credit	$ 8,124	$12,425
Long Term Debt		
Term Loan	—	7,968
Subordinated Non-Convertible Debentures	11,100	5,100

(thousands of dollars)	2008	2007
Discount on Subordinated Non-Convertible Debentures	(317)	(672)
Total Long Term Debt	10,783	12,396
Less: Current Portion	(4,783)	(7,968)
Long Term Debt	$ 6,000	$ 4,428

Maturities of current and long term debt are as follows:

Years ending December 31,	
2009	13,224(a)
2010	6,000
2011	—
2012	—
Thereafter	—

(a) Does not include loan discount of $0.3 million on Subordinated Non-Convertible Debentures.

Line of Credit and Term Loan

The Company has a line of credit with CIBC providing borrowing capacity of the lesser of CAD$11.0 million ($9.1 million as of December 31, 2008) or the aggregate balance of 75% of its eligible accounts receivable; and 50% of its eligible raw material and finished goods inventory or 40% of its total commitment (the "Borrowing Base"), as defined, in an agreement dated September 21, 2004 (the "Credit Agreement"). The line of credit is collateralized by all of the Company's receivables and inventory, the assignment of insurance and a general security agreement. Prior to August 29, 2008 the Company's borrowing capacity was CAD$15.0 million. Effective August 29, 2008, the Company entered into an agreement with its lenders that modified the terms of the Credit Agreement by, among other things, reducing the availability on the line of credit from CAD$15.0 million to CAD$13.0 million. Effective December 31, 2008, the Company's line of credit was reduced from CAD$13.0 million to CAD$11.0 million. On January 30, 2009, the Company entered into a forbearance agreement with CIBC in which the line of credit was further reduced from CAD$11.0 million to CAD$9.0 million. See "Forbearance Agreement" below.

The line of credit bears interest at prime rate plus a spread of 650 to 675 basis points, based upon the terms of the Company's Credit Agreement, as amended, which equates to approximately 9.9% as of December 31, 2008. The outstanding balance on the line of credit was $8.1 million at December 31, 2008. Based upon its Borrowing Base as of December 31, 2008 the Company did not have any additional borrowing availability on its line of credit as of the same date.

Effective May 25, 2006, the Company obtained a term loan of $25.0 million to facilitate its acquisition of PPIC. The Company paid off the term loan in full during the quarter ended June 30, 2008.

Effective January 4, 2008, the Company entered into a fifth amendment to its Credit Agreement. The fifth amendment modified the terms of the Credit Agreement by, among other things: (a) requiring a $5,000,000 prepayment of the aggregate principal amount of the term loan on or before March 7, 2008; (b) requiring the Company to file a prospectus in connection with the issuance of new equity or subordinated debt, for net proceeds to the Company equal to or greater than $10,000,000, on or before February 15, 2008; (c) requiring the Company to commence marketing efforts in respect of the issuance of new equity, as described in (b) above, if applicable, on or before February 20, 2008; (d) requiring the Company to complete the issuance of new equity or subordinated debt, as described in (b) above, on or before March 7, 2008; and (e) confirming the extension of the maturity date of the line of credit and term loan to June 30, 2008. On March 6, 2008, the Company repaid $5.0 million against the outstanding principal balance on its term loan with the proceeds received from its public offering of common stock (see "Note 10 — Equity").

Effective April 11, 2008, the Company entered into a sixth amendment to its Credit Agreement. The sixth amendment modified the terms of the Credit Agreement by, among other things, requiring a prepayment of $2.0 million on May 1, 2008 and extending the date of maturity from March 31, 2008 to June 30, 2008. Additionally, the amendment provided the

Company with a waiver of its covenant compliance requirements as of March 31, 2008.

As of June 30, 2008, the Company's Credit Agreement was scheduled to mature and the Company was not in compliance with two covenants under its Credit Agreement—the Debt to Trailing EBITDA and Current Ratios. Effective June 30, 2008, the Company entered into a seventh amendment agreement to its Credit Agreement. The seventh amendment modified the terms of the Credit Agreement by, among other things, extending the date of maturity from June 30, 2008 to July 31, 2008. Additionally, the amendment provided the Company with a waiver of its covenant compliance requirements as of June 30, 2008.

Effective July 31, 2008, the Company entered into an eighth amendment to its Credit Agreement. The eighth amendment modified the terms of the Credit Agreement by, among other things, extending the date of maturity from July 31, 2008 to August 29, 2008.

Effective August 29, 2008, the Company entered into an agreement with its lenders that modified the terms of the Credit Agreement by, among other things, extending the date of maturity from August 29, 2008 to October 17, 2008 and reducing the availability on the credit line from CAD$15.0 million to CAD$13.0 million.

Between October 17, 2008 and January 29, 2009, CIBC allowed the Company to have full access to its line of credit while they negotiated a forbearance agreement with the Company. In connection with the amendments to the Credit Agreement, the Company paid commitment fees to the lender which have been expensed as incurred. For the years ended December 31, 2008 and 2007 these fees charged to interest expense were $0.5 million and $0.0 million, respectively.

Effective as of January 30, 2009, the Company entered into a Forbearance Agreement (the "Forbearance Agreement") and Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") with CIBC. Under the Forbearance Agreement, CIBC has agreed not to exercise any remedies with respect to existing defaults by the Company under the Amended and Restated Credit Agreement until the earliest of (i) June 30, 2009, (ii) any other default by the Company under the Amended and Restated Credit Agreement or (iii) any breach by the Company of the Forbearance Agreement. In connection with entering into the Forbearance Agreement, the Company paid CIBC an aggregate fee of $200,000. Pursuant to the Amended and Restated Credit Agreement, the interest rate on the Company's line of credit was increased from the prime rate plus 450 basis points to the prime rate plus 650 to 675 basis points (equal to 9.9% as of January 30, 2009) and the maximum borrowing capacity under the line of credit was first reduced from CAD $13.0 million to $11.0 million as of December 31, 2008, and to CAD$9.0 million as of the date of the Forbearance Agreement. The outstanding balance under the Company's line of credit is now due June 30, 2009. During the forbearance period, the Company must comply with several new covenants, including achieving targeted internal cash projections and maintaining a minimum level of stockholders' equity of at least $4.0 million. In the event the Company receives its expected federal income tax refund for 2007, the maximum borrowing capacity under the line of credit will be immediately reduced to CAD$7.8 million.

Subsequent to the execution of the Forbearance Agreement, the Company determined that it was not in compliance with certain of its covenants including the covenant requiring the Company to maintain minimum stockholders' equity of $4.0 million. As of December 31, 2008 the Company's stockholders' equity was $3.5 million. The Company has discussed with CIBC its belief that current stockholders' equity is substantially equivalent to the amount as of December 31, 2008, and therefore below that required under the Forbearance Agreement. As a result of these discussions, the Company plans to request a waiver from CIBC concerning this covenant, however, there are no assurances that the Company will be successful.

The Company believes that it will have available cash resources to make the required payments against the line of credit. The Company further believes that it will be able to secure a new lender before June 30, 2009. However, there can be no assurances that the Company will be able to secure new financing or, if it is unsuccessful in securing new financing, that CIBC would extend the forbearance period or allow the Company to continue borrowing under the line of credit after June 30, 2009. If the Company is unable to negotiate new financing to replace the Amended and Restated Credit Agreement, the Company could be materially and adversely affected and may not be able to continue as a going concern.

Subordinated, Non-Convertible Debentures

On August 29, 2007, the Company completed a private placement of two subordinated, non-convertible debentures for aggregate proceeds of $3.4 million with certain directors of the Company. The subordinated, non-convertible debentures carry an interest rate of 12% per annum, payable monthly, for a two-year term. The proceeds were used to fund all amounts outstanding in the Company's legal settlement with ArmorWorks Enterprises, LLC (see "Note 12 — Commitments and Contingencies").

On September 28, 2007, the Company completed a private placement of one subordinated, non-convertible debenture for aggregate proceeds of $1.7 million with a significant stockholder. The subordinated, non-convertible debenture carries an interest rate of 12% per annum, payable monthly, for a two-year term. The proceeds were used to fund general working capital needs.

Each of the three subordinated, non-convertible debentures placed by the Company granted the holder 170,000 common share purchase warrants (see "Note 10 — Equity") with an exercise price of CAD $7.50 per warrant and a two-year term from the date of placement. As a result, the Company recorded a reduction to its long term debt, in the form of a loan discount, and an increase to stockholders' equity of $0.8 million, which is equal to the fair value of the warrants. The discount is being amortized using the effective interest rate method over the terms of the subordinated, non-convertible debentures.

Subordinated, Convertible Debentures

On February 4, 2008, the Company completed a private placement of subordinated, convertible debentures ("Convertible Debentures") for aggregate proceeds of $6.0 million, of which $2.4 million was placed with certain officers and directors of the Company (see "Note 15 — Related Party Transactions"). The Convertible Debentures carry an interest rate of 10% per annum, payable monthly, for a three-year term with a conversion price of the Canadian dollar equivalent of $6.57, or 913,242 shares of the Company's common stock. The Company will have the option to force conversion if, after the first year of the term of the Convertible Debentures, the common shares of the Company trade at or above the Canadian dollar equivalent of $9.10 for 30 or more consecutive trading days.

NOTE 10 — EQUITY

Domestication and Impact on Capital Structure

On July 31, 2008, the Company completed its U.S . domestication process and incorporated in the State of Delaware. The domestication was completed by way of a Plan of Arrangement, pursuant to which the Company discontinued from the jurisdiction of Alberta, Canada into Delaware under the new name Protective Products of America, Inc. The arrangement was approved by shareholder vote at a special meeting held on July 28, 2008.

Prior to the domestication the authorized capital of the Company consisted of an unlimited number of common shares. Subsequent to the domestication the Company became authorized to issue 40,000,000 shares of common stock at a par value of $0.001, and 10,000,000 shares of preferred stock at a par value of $0.001. As a result the balances for "Common Stock" and "Paid in Capital" in the Company's balance sheet have been reclassified to conform to the Company's new capitalization structure. This reclassification had no impact on the value of the Company's equity.

Comprehensive Income

The following table represents the Company's comprehensive income for the years ended December 31, 2008 and 2007:

(thousands of dollars)	2008	2007
Net loss	$(69,189)	$(10,101)
Items included in accumulated other comprehensive income		
Foreign currency denominated financial liability designated as a hedge	(58)	(2,254)
Foreign currency translation adjustment	233	2,108
Subtotal	175	(146)
Total comprehensive income	$(69,014)	$(10,247)

The following table represents the components of the Company's accumulated other comprehensive income for the years ended December 31, 2008 and 2007:

(thousands of dollars)	2008	2007
Gain on foreign currency transaction denominated as economic hedge of the net investment of a foreign entity	$1,508	$1,566
Translation adjustment and other	(41)	(274)
Accumulated other comprehensive income	$1,467	$1,292

Common Stock Offering

The Company's authorized capital stock consists of 40,000,000 shares of common stock, $0.001 par value per share, and 10,000,000 shares of preferred stock, $0.001 par value per share. No shares of preferred stock are currently outstanding and there are no present plans to issue any shares of preferred stock.

No dividends have been declared or paid on the common stock, and the Company does not intend to pay dividends in cash or in kind in the foreseeable future.

On March 6, 2008, the Company completed a public offering of 3,530,000 shares of its common stock at a price of CAD$4.25 per share. The Company received proceeds of $14.1 million from the offering after deducting offering expenses of $1.1 million. These net proceeds were used to reduce indebtedness under the Company's credit facility and for general working capital purposes.

Stock-Based Compensation

On April 26, 2007, the stockholders of the Company approved an amendment to the Company's stock option plan. Under the amendment, the Company is authorized to grant stock options , together with any authorized but unissued shares reserved under the previous plan, of up to 10% of the common shares issued and outstanding on a non-diluted basis to certain of its directors, officers, employees and service providers. As of December 31, 2008, 10% of the outstanding shares totaled 1,376,256 shares. The stock options vest equally over a period of eighteen to thirty-six months from the date of grant and expire five years from the date of grant.

The grant-date fair value of stock option awards expected to vest is expensed and charged to compensation expense on a straight-line basis over the vesting period of the related awards .

For the year ended December 31, 2008, the Company recorded stock based compensation expense of $1.2 million in selling, general and administrative expenses.

For the year ended December 31, 2007, the Company recorded stock based compensation expense of $1.3 million, of which $1.0 million was recorded in selling, general and administrative expenses and $0.3 million was charged to discontinued operations.

For the years ended December 31, 2008 and 2007, the Company granted 579,826 and 507,000 stock options, respectively, with a weighted average fair value of CAD$1.96 and CAD$13.65 per option, respectively, to certain officers, directors, employees and consultants of the Company. The granted stock options were valued using the Black-Scholes pricing model with the following assumptions:

	2008	2007
Expected life of options (1)	4 years	4 years
Expected dividend yield of options (2)	0%	0%
Expected stock price volatility (3)	50%	50%
Risk free interest rate (4)	2.56%-3.33%	4.10%

(1) The expected life of the options was calculated based on historical option exercises.

(2) The expected dividend yield of options is 0% since the Company has not historically paid dividends, nor does it intend to do so.

(3) Expected volatility is based on the daily historical volatility of the Company's stock price, over a period equal to the expected life of the option.

(4) The risk-free rate is based upon the rate on a zero coupon Canadian government bond, for periods within the contractual life of the option, in effect at the time of grant.

A summary of the Company's stock option plan and changes during the years ended on those dates is presented as follows:

	Number of Shares	Weighted Average Exercise Price in CAD$
Options outstanding, December 31, 2006	519,169	$15.70
Exercised	(60,498)	$ 5.26
Granted	507,000	$13.65
Forfeited and cancelled	(105,336)	$16.69
Options outstanding, December 31, 2007	860,335	$15.12
Exercised	—	$ —
Granted	579,826	$ 1.96
Forfeited and cancelled	(172,250)	$12.56
Options outstanding, December 31, 2008	1,267,911	$ 9.45

The amount and weighted average exercise price of the options exercisable as of December 31, 2008 was 304,325 and CAD$17.07, respectively. The amount and weighted average exercise price of the options exercisable as of December 31, 2007 was 178,323 and CAD$15.74, respectively.

A summary of the options outstanding and exercisable as of December 31, 2008 is presented in the following table:

	Options Outstanding (1)			Options Exercisable (1)		
Range of Exercise Price (CAD$)	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price of Outstanding (CAD$)	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price of Exercisable (CAD$)
$1.25 — $5.30	579,826	4.60	$ 1.96	—	4.60	—
$10.69 — $14.95	307,665	3.35	$12.44	115,663	3.35	$12.63
$15.11 — $18.39	265,000	3.05	$16.67	88,333	3.05	$16.67
$22.50 — $22.59	115,500	1.54	$22.54	100,329	1.54	$22.53
	1,267,991	3.69	$ 9.45	304,325	3.69	$17.07

(1) The intrinsic value of all options outstanding and exercisable was zero as of December 31, 2008.

The following table sets forth non-vested stock options activity and related information during the year ended December 31, 2008:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at the beginning of the year	682,012	$14.96
Granted	579,826	$ 1.96
Vested and forfeited	(348,172)	$15.59
Non-vested at the end of the year	913,666	$ 6.47

As of December 31, 2008 there was $2.0 million of unrecognized compensation cost related to stock option outstanding. That cost is expected to be recognized over a weighted average period of 1.3 years.

The following table sets forth cash proceeds and tax benefits related to total stock options exercised during the years ended December 31, 2008 and 2007:

(in thousands)	2008	2007
Cash proceeds from stock options exercised	$ —	$ 296
Tax benefits realized for stock options exercised	$ —	$ —

On September 16, 2008, the Company granted 477,500 stock options with a weighted average fair value of CAD$0.86 to certain directors, officers, employees and consultants. The Company utilized the Black-Scholes option pricing model to determine the fair value of the stock options. The variable input assumptions used in determining the fair value of the options included a volatility measure of 97.8%; an expected life of 4 years; zero coupon Canadian government bond rate of 2.56%; and a dividend of $0.

On January 25, 2008, the Company granted 102,326 stock options with a weighted average fair value of CAD$2.27 to a certain officer of the Company. The Company utilized the Black-Scholes option pricing model to determine the fair value of the stock options. The variable input assumptions used in determining the fair value of the options included a volatility measure of 50.0%; an expected life of 4 years; zero coupon Canadian government bond rate of 3.33%; and a dividend of $0.

Earnings per Share

The number of shares used in earnings per share calculations is reconciled as follows:

	2008	2007
Weighted average shares outstanding	13,133,927	10,216,519
Diluted effect of stock options	—	—
Weighted average diluted shares outstanding	13,133,927	10,216,519
Basic and fully diluted loss per common share from continuing operations	$ (2.37)	$ (0.14)

As a result of the net loss from continuing operations for the years ended December 31, 2008 and 2007, all potentially dilutive securities, consisting of stock options and warrants, were considered anti-dilutive.

Warrants

In conjunction with the private placement of subordinated non-convertible debentures (see "Note 9 — Debt") on August 29 and September 28, 2007, the Company granted warrants to purchase up to a total of 510,000 shares of the Company's common stock to the holders of the debentures. The warrants were valued at $0.8 million using the Black-Scholes option pricing model and assuming a volatility of 50.0%, an expected life of two years, a risk-free interest rate of 4.1% and no dividends. The fair value of the warrants is recorded as paid in capital in Stockholders' Equity. The warrants expire on

October 15, 2009.

Advances and Receivables from Stockholder

The advances and receivables from stockholder balance of $0.6 million as of December 31, 2007 was comprised of $0.2 million related to working capital adjustments on the PPIC acquisition, as well as a $0.4 million receivable due from the former sole stockholder of PPIC, Mr. Giordanella, the Company's former Chief Executive Officer and a current Director of the Company. As of December 31, 2008, the Company determined that it lacked proper supporting documentation for the $0.2 million receivable related to the working capital adjustments on the PPIC acquisition, and as a result wrote it off. As a result, the advances and receivables from stockholder balance on the Company's balance sheet was reduced from $0.6 million to $0.4 million.

NOTE 11 — INCOME TAXES

The following table sets forth the components of income tax expense (benefit), and reconciliation of income tax expense (benefit) at the federal statutory rate to recorded income tax (benefit) from continuing operations for the years ended December 31, 2008 and 2007.

(dollars in thousands)	2008	2007
Current:		
Federal	$ 453	$ 391
State	39	76
Total	492	467
Deferred:		
Federal	431	(1,013)
State	97	(195)
Total	528	(1,208)
Total	$ 1,020	$ (741)
Federal taxes at U.S. statutory rate	(35.0)%	35.0%
State income taxes, net of federal benefit	(3.2)%	4.2%
Tax impact of nondeductible goodwill	34.5%	—
Change in valuation allowance	5.5%	—
Other	1.6%	(5.3)%
Total	3.4%	33.8%

The following table sets forth the components of deferred income taxes as of December 31, 2008 and 2007:

(in thousands)	2008	2007
Deferred tax assets:		
Share based issuance costs	$ —	$ 117
Stock based compensation	638	475
Long term debt	—	239
Accrued liabilities	2,522	815
Other	—	22
Unrealized exchange gain/loss	84	—
Interest on subordinated debt	196	—
Charitable contribution	88	—
Capital assets	348	—
Non-capital loss carryforwards	5,371	3,226
Total gross deferred tax assets	9,247	4,894
Valuation allowance	(9,133)	(1,447)
Net deferred tax assets	114	3,447
Deferred tax liabilities:		
Property, plant and equipment	—	(1,309)
Intangible assets	(3,604)	(4,791)

(in thousands)	2008	2007
Total deferred tax liabilities	(3,604)	(6,100)
Net deferred tax liabilities	$ (3,490)	$ (2,653)
Current assets	2,522	932
Current liabilities	—	—
Valuation allowance	(2,491)	—
Net current assets	31	932
Non-current assets	6,725	3,962
Non-current liabilities	(3,604)	(6,100)
Valuation allowance	(6,642)	(1,447)
Net non-current liabilities	(3,521)	(3,585)
Net deferred tax liabilities	$ (3,490)	$ (2,653)

As of December 31, 2008, the Company had a net operating loss of $12.2 million of which approximately $3.9 million can be carried back and applied against previous taxes paid and $8.3 million can be carried forward to offset future taxable income.

NOTE 12 — COMMITMENTS AND CONTINGENCIES

As of December 31, 2008, the Company is committed to future minimum payments under non-cancelable operating leases for its administrative and production facilities as follows:

Year	Non-Cancelable Real Estate Leases
2009	$1,398,543
2010	1,145,120
2011	1,201,520
2012	1,253,132
2013	1,281,646
Thereafter	6,508,692

On March 25, 2008, ArmorWorks Enterprises, LLC filed a Statement of Claim in the Ontario Superior Court of Justice in Toronto against Ceramic Protection Company, its subsidiaries and directors. The Statement of Claim seeks damages in the amount of $64.3 million and relates to allegations by ArmorWorks Enterprises, LLC including that the defendants failed to perform on certain terms of the settlement agreement entered into on August 2, 2007. On July 3, 2008, the lawsuit was discontinued by ArmorWorks Enterprises LLC through the filing of a Notice of Discontinuance with the Ontario Superior Court.

In May 2007, the Company received correspondence from the Civil Division of the United States Department of Justice related to alleged violations committed by Protective Products International Corp under the *False Claims Act* through the sale of bulletproof vests containing Zylon, a ballistic fiber, to various United States government agencies and directly to the United States federal government. The Company settled the claim with the Civil Division of the United States Department of Justice. Under the terms of the settlement agreement, the United States Department of Justice has agreed to discontinue all actions and claims related to such possible violations in exchange for a payment by the Company of $1.0 million, which was accrued for as of December 31, 2007. As of December 31, 2008 the Company made all required payments, including interest, fully satisfying all of its obligations under the terms of the settlement agreement.

The Company is currently being investigated by the U.S. Department of Defense with respect to the production of ballistic ceramic tiles previously manufactured at its Newark, Delaware facility. The investigation commenced in late 2006 and the Company is actively negotiating resolution of the matter. The Company believes the matter will be resolved in the second quarter of 2009.

NOTE 13 — FINANCIAL INSTRUMENTS

The Company classifies all of its financial instruments as either (1) loans and all receivables, or (2) other financial liabilities, which include accounts payable and accrued liabilities, customer deposits and deferred revenue, line of credit and long-term debt. All financial liabilities are initially recognized at fair value and subsequently measured based upon their classification.

Fair Value of Financial Assets and Liabilities

SFAS No. 107, "Disclosure about Fair Value of Financial Instruments," requires disclosure of an estimate of fair value of certain financial instruments. The Company's significant financial instruments are accounts receivable, notes receivable, accounts payable, accrued expenses, and customer deposits and deferred revenue, all of which approximate their carrying value as of December 31, 2008 due to their short term nature or market interest rates. Long term debt is carried at amortized cost using the effective interest method of amortization.

The fair value of the Company's bank indebtedness, or operating line of credit, is approximately the same as recorded value since interest rates and terms are similar to the current market rates and terms. Due to the unique nature of its subordinated indebtedness, including amounts due to related parties, the Company estimates fair value of these instruments using a cost of equity rate of 30%. As such, the Company has determined the fair value of such indebtedness to approximate $8.5 million, or $2.3 million less than the recorded amortized cost of $10.8 million.

The Company considers its risks in relation to financial instruments in the following categories:

Credit Risk

Credit risk is the risk that a counterparty to a financial asset will default resulting in a financial loss to the Company. The Company has policies and procedures in place that govern the credit risk it will assume. The Company manages credit risk on an ongoing basis by evaluating customer credit ratings, measuring customer concentration levels by amount and percentage and insuring customer receivables when deemed necessary.

The Company is subject to normal credit risk with respect to its accounts receivable. A substantial portion of the Company's accounts receivable is with the United States government and its agencies. As of December 31, 2008, these customers, collectively, represented 82% of the Company's accounts receivable. Furthermore, approximately 98% of its trade receivables were outstanding for less than 90 days.

The Company reviews its receivables for possible indicators of impairment on a regular basis and maintains an allowance for potential credit losses which totaled less than $0.1 million as of December 31, 2008. Trade receivables are written off against the allowance when it becomes evident that the receivable will not be collected due to customer insolvency. Historically, the impact and incidence of receivable write-downs has been insignificant.

Liquidity Risk

Liquidity risk is the risk that the Company will be unsuccessful in satisfying its financial obligations. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, customer deposits and deferred revenue, line of credit and long term debt. The Company assesses its liquidity position and obligations under its financial liabilities through financial forecasts.

The Company has relied upon debt financing to fund its growth and, in part, its operations. The Company's Credit Agreement, as amended, was scheduled to mature on June 30, 2008. Effective July 31, 2008, the Company entered into an amendment to the Credit Agreement which, among other things, waived the covenant violations and extended the maturity date of the Credit Agreement to August 29, 2008. The terms were again amended to extend the accelerated maturity of all outstanding indebtedness under the Credit Agreement to October 17, 2008.

Effective January 30, 2009 the Company entered into the Forbearance Agreement and Amended and Restated Credit Agreement with CIBC. See Note 17 — "Subsequent Events."

Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. Market risk is comprised of the following:

Interest Rate Risk

The Company partially mitigates its exposure to interest rate changes by maintaining a blend of both fixed and variable rate indebtedness. The Company is exposed to interest rate price risk with respect to its subordinated debentures which bear a stated rate of interest, and interest rate cash flow risk with respect to its term loan and revolving line of credit which bear a rate of interest based upon current prime rates. As of December 31, 2008, the outstanding balance on the line of credit was $8.1 million. A one percent change in interest rates, assuming this balance remains outstanding for one year, would result in an additional $0.1 million in interest expense.

Currency Risk

For the year ended December 31, 2008 approximately 99% of the Company's sales occurred within the United States and were denominated in U.S. dollars, therefore the risk to currency fluctuations is not significant. The Company's line of credit is denominated in Canadian dollars. The Company mitigates its exposure by maintaining a blend of both United States and Canadian dollar denominated debt. Based upon the Company's December 31, 2008 borrowing level of $8.1 million on its line of credit, which consisted of approximately one half U.S. dollars and one half Canadian dollars, a weakening of the Canadian dollar against U.S. currency by 5% would reduce the Company's borrowing capacity in U.S. dollars by approximately $0.2 million, and reduce interest expense by approximately $0.02 million.

NOTE 14 — GEOGRAPHIC INFORMATION

The Company operates within one business segment, which is the manufacture and sale of armor. Geographic information related to sales inclusive within this business segment is presented in the following table:

(thousands of dollars)	United States	International	Total
Revenue			
December 31, 2007	$73,404	$342	$73,746
December 31, 2008	$84,761	$605	$85,366

Geographic information related to property, plant and equipment, goodwill and intangible assets inclusive within this business segment is presented in the following table:

(thousands of dollars)	United States	International	Total
Property, Plant and Equipment			
December 31, 2007	$ 2,017	$—	$ 2,017
December 31, 2008	$ 2,513	—	2,513
Goodwill and Intangible Assets			
December 31, 2007	$36,807	$—	$36,807
December 31, 2008	$ 9,351	$—	$ 9,351

NOTE 15 — RELATED PARTY TRANSACTIONS

Operating Leases with Related Parties

PPIC leases one of its Sunrise, Florida facilities from Albricas, LLC, of which Mr. Giordanella, our former Chief Executive Officer and a current director of the Company, is the sole member. The initial lease term ends December 31, 2009, with options to renew for two additional five-year terms. The base monthly rent for the term of the lease is $24,062.

PPIC leases a South Florida property from Armor World, LLC, of which Mr. Giordanella is the sole member. The lease term ended December 31, 2008, with an annual option to renew for an additional one year term. The base monthly rent for the term of the lease is $5,200.

Notes and Other Receivables from Related Parties

The Agreement and Plan of Merger related to the Company's acquisition of PPIC contains a provision for adjusting the purchase price based on PPIC's working capital at the time the transaction closed. The advances and receivables from stockholder balance of $0.6 million as of December 31, 2007 was comprised of $0.2 million related to working capital adjustments on the PPIC acquisition, as well as a $0.4 million receivable due from the former sole stockholder of PPIC, Mr. Giordanella. As of December 31, 2008, the Company determined that it lacked proper supporting documentation for the $0.2 million receivable related to the working capital adjustments on the PPIC acquisition, and as a result wrote it off. As a result, the advances and receivables from stockholder balance on the Company's balance sheet was reduced from $0.6 million to $0.4 million.

As of December 31, 2008, the Company had a note receivable from Albricas, LLC , of which the sole member is Mr. Giordanella, with a balance of $64,128 of which $37,349 was considered current. The note originated in 2004, prior to the Company's acquisition of PPIC, and related to the construction of the facility being leased from Albricas, LLC. Monthly payments are $4,391, which includes principal and interest of 10.79%. The note matures on January 9, 2010.

Aircraft Expenses

The Company charters aircraft from a third party that leases one of its aircraft from an entity in which Mr. Giordanella has an ownership interest. The Company paid this unrelated chartering company approximately $1.5 million during the year December 31, 2008, compared to no expenses in 2007.

Subordinated Indebtedness to Related Parties

On August 29, 2007, the Company completed a private placement of two $1.7 million subordinated, non-convertible debentures with two of its directors, Messrs. Giordanella and Moeller. The debentures mature two years from their date of placement and bear interest, payable monthly, at 12% per annum. For the year ended December 31, 2008, the Company paid $0.2 million in interest on each debenture. No principal payments have been made on the subordinated, non-convertible debentures since their issuance.

On February 4, 2008, the Company completed a private placement of subordinated, convertible debentures for aggregate proceeds totaling $2.35 million with four of its directors. Messrs. Giordanella and Moeller each purchased $1.0 million of the debentures, Mr. Brian Stafford purchased $0.2 million of the debentures and General Shelton purchased $0.15 million of debentures. These subordinated, convertible debentures mature on February 4, 2011 and bear interest, payable monthly commencing on March 4, 2008, at 10% per annum. For the year ended December 31, 2008, the Company paid a total of $0.2 million in interest on the subordinated, convertible debentures held by related parties. The debentures are convertible into 357,686 shares of the Company's common stock, which represents a conversion price of the Canadian dollar equivalent of $6.57 per share. No principal payments have been made on the subordinated, convertible debentures since their issuance.

NOTE 16 — VALUATION AND QUALIFYING ACCOUNTS

The following table reflects the changes in the Company's reserve for doubtful accounts, and inventory reserve for the periods ended December 31, 2008 and December 31, 2007.

EXHIBIT D
LIQUIDATION ANALYSIS

PPOA Holding, Inc. (f/ka Protective Products of America, Inc.) Case No: 10-10711-BKC-JKO
CPC Holding Corp of America, Inc. Case No: 10-10713-BKC-JKO
CP Corporation of America, Inc. (f/k/a Ceramic Protection Corporation of America) Case No: 10-10714-BKC-JKO
PPI International Corp. (f/k/a Protective Products International Corp.) Case No: 10-10715-BKC-JKO
PPNC, LLC (f/k/a Protective Products of North Carolina, LLC) Case No: 10-10716-BKC-JKO
Collectively, "PPOA"

Liquidation Analysis

Cash on Hand - Gibraltar Bank	$	927,093	**Note 1**
Estimated Federal Tax Refund From 2007 Net Operating Loss		457,128	**Note 2**
Estimated Federal Tax Refund From 2008 Net Operating Loss		734,726	**Note 3**
Estimated Federal Tax Refund From 2009 Net Operating Loss		1,150,676	**Note 4**
Estimated State Tax Refunds from 2008 & 2009		41,746	**Note 5**
Cash Held by Creditor's Committee		100,000	**Note 6**
Total Funds Available for Distribution	$	3,411,369	

	Estimated Recoveries under Chapter 11		Estimated Recoveries under Chapter 7	
	High Estimate	Low Estimate	High Estimate	Low Estimate
Secured Claims - **Note 7**	-	-	-	-
Funds Available After Distribution to Secured Claims	$ 3,411,369	$ 3,411,369	$ 3,411,369	$ 3,411,369
Chapter 7 Administrative Claims				
Trustee Fees - **Note 8**	-	-	125,591	125,591
Expected Legal & Accounting Fees - **Note 9**	-	-	170,568	341,137
Total Chapter 7 Administrative Claims	-	-	296,159	466,728
Estimated Percentage of Recovery	**0.00%**	**0.00%**	**100.00%**	**100.00%**
Funds Available After Distribution to Chapter 7 Administrative Claims	$ 3,411,369	$ 3,411,369	$ 3,115,210	$ 2,944,641
Chapter 11 Administrative Claims				
Professional Fees Incurred - Not yet Paid - **Note 10**	270,943	270,943	270,943	270,943
UST Quarterly Fees - **Note 11**	11,700	11,700	11,700	11,700
Expected Professional Fees				
Arent Fox LLP - **Note 12**	60,000	120,000	60,000	120,000
Genovese Joblove & Battista - **Note 13**	12,000	36,000	12,000	36,000
Berger Singerman - **Note 14**	20,000	60,000	20,000	60,000
Chief Restructuring Officer - **Note 15**	20,000	60,000	20,000	60,000
Total Chapter 11 Administrative Claims	394,643	558,643	394,643	558,643
Estimated Percentage of Recovery	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Funds Available After Distribution to Chapter 11 Administrative Claims	$ 3,016,726	$ 2,852,726	$ 2,720,567	$ 2,385,998
Unsecured Priority Claims - **Note 16**	347,167	347,167	347,167	347,167
Estimated Percentage of Recovery	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Funds Available After Distribution to Unsecured Priority Claims	$ 2,669,559	$ 2,505,559	$ 2,373,400	$ 2,038,831
General Unsecured Claims - **Note 16**	21,620,673	21,620,673	21,620,673	21,620,673
Estimated Percentage of Recovery	**12.35%**	**11.59%**	**10.98%**	**9.43%**

PPOA Holding, Inc. (f/ka Protective Products of America, Inc.) Case No: 10-10711-BKC-JKO
CPC Holding Corp of America, Inc. Case No: 10-10713-BKC-JKO
CP Corporation of America, Inc. (f/k/a Ceramic Protection Corporation of America) Case No: 10-10714-BKC-JKO
PPI International Corp. (f/k/a Protective Products International Corp.) Case No: 10-10715-BKC-JKO
PPNC, LLC (f/k/a Protective Products of North Carolina, LLC) Case No: 10-10716-BKC-JKO
Collectively, "PPOA"

	Notes to the Liquidation Analysis
[1]	Cash held in the Gibraltar bank account as of October 27, 2010.
[2]	The total tax refund due from the carry-back of the 2007 net operating loss is $3,066,611. However, pursuant to the *Second Amended and Restated Asset Purchase Agreement With Exhibits and Schedules* (DE 132), the first $2 million recovered from tax refunds are due to the buyer and any amounts in excess of the $2 million are allocated to PPOA at 42.858%.
[3]	The tax refund is expected to be $1,714,326. The allocated amount to PPOA is $734,726. See **Note 2.**
[4]	The tax refund is expected to be $2,684,858. The allocated amount to PPOA is $1,150,676. See **Note 2.**
[5]	The tax refunds are expected to be $97,405. The allocated amount to PPOA is $41,746. See **Note 2.**
[6]	Pursuant to the *Ex Parte Agreed Emergency Motion For Approval of Stipulation Concerning (I) Conditional Payment of CIBC's Claim; And (II) Extension of the Committee's (A) Challenge Deadline to Investigate, Assert, and Prosecute Certain of the Debtors' and Estates' Claims and Causes of Action, And (B) Time to File a Responsive Pleading to the Complaint; And (C) Time to Supplement the Committee's Motion to vacate the Interim DIP Financing Order* (Adv. Case No: 10-02832 DE 14), a $100,000 payment directly to the counsel for the Creditor's Committee was negotiated in satisfaction of the settlement between PPOA and the secured creditor.
[7]	All secured claims were paid in full during the Chapter 11 proceedings.
[8]	Amount expected to be paid to Chapter 7 Trustee is based on funds available for distribution.
[9]	Chapter 7 professional fees high estimate is based upon 5% of funds available for distribution and low estimate is at 10%.
[10]	Represents total amount of professional fees incurred as of October 27, 2010 which have been held back or remain unpaid.
[11]	The quarterly fees have been estimated based upon the distribution of all funds prior to the end of the 2010.
[12]	High estimate is at $15,000/month and low estimate is at $30,000/month through January 31, 2011.
[13]	High estimate is at $3,000/month and low estimate is at $9,000/month through January 31, 2011.
[14]	High estimate is at $5,000/month and low estimate is at $15,000/month through January 31, 2011.
[15]	High estimate is at $5,000/month and low estimate is at $15,000/month through January 31, 2011.
[16]	The claim amounts as listed in the analysis are based upon the amounts listed in the Debtor's Schedules of Assets and Liabilities and excludes all intercompany claims and the resolution of the California Unsecured Priority Claim.