UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
SS Body Armor I, Inc., *et al.*,[1]	:	Case No. 10-11255 (CSS)
Debtors.	:	Jointly Administered

AMENDED DISCLOSURE STATEMENT WITH RESPECT TO AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION PROPOSED BY DEBTORS AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THE DISCLOSURE STATEMENT IS SUBJECT TO CHANGE.

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification numbers, are: SS Body Armor I, Inc. (9361) (f/k/a Point Blank Solutions, Inc.); SS Body Armor II, Inc. (4044) (f/k/a Point Blank Body Armor, Inc.); SS Body Armor III, Inc. (9051) (f/k/a Protective Apparel Corporation of America); and PBSS, LLC (8203). All correspondence and pleadings for the Debtors must be sent to SS Body Armor I, Inc., *et al.*, c/o Pachulski Stang Ziehl & Jones LLP, 919 North Market St., 17th Floor, Wilmington, DE 19801, Attn: Laura Davis Jones.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. ON [_____] , 2015, EASTERN TIME. TO BE COUNTED, THE VOTING AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED HERETO IS SPECULATIVE, AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (A) THE DEBTORS OR (B) ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE CHAPTER 11 CASES.

THIS DISCLOSURE STATEMENT REMAINS SUBJECT TO APPROVAL BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE.

THE DEBTORS AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS APPOINTED IN THE CHAPTER 11 CASES ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION PROPOSED BY THE DEBTORS AND CREDITORS' COMMITTEE, FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE, AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS AND INTERESTS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE PLAN PROPONENTS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY.

IT IS THE PLAN PROPONENTS' POSITION THAT THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT

NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR CAUSE OF ACTION, CLAIM OR INTEREST, OR PROJECTED OBJECTION TO A PARTICULAR CLAIM OR INTEREST IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE POST-CONFIRMATION DEBTOR AND RECOVERY TRUST (AS APPLICABLE) MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND INTERESTS AND MAY OBJECT TO CLAIMS AND INTERESTS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR INTERESTS OR OBJECTIONS TO CLAIMS OR INTERESTS. THE PLAN RESERVES FOR THE POST-CONFIRMATION DEBTOR AND RECOVERY TRUST (AS APPLICABLE) THE RIGHTS TO BRING CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED. SUCH CAUSES OF ACTION MAY INCLUDE, WITHOUT LIMITATION, ACTIONS TO RECOVER AVOIDABLE PREPETITION TRANSFERS.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE OR MAY BE FILED PRIOR TO THE CONFIRMATION HEARING. ALTHOUGH THE PLAN PROPONENTS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS GENERALLY BEEN PROVIDED BY THE DEBTORS AND THEIR BOOKS AND RECORDS EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE PLAN PROPONENTS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE PLAN PROPONENTS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE PLAN PROPONENTS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT.

THE PLAN PROPONENTS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE PLAN PROPONENTS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE PLAN PROPONENTS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE PLAN PROPONENTS FILED THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE PLAN PROPONENTS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE PLAN PROPONENTS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR INTEREST IN A VOTING CLASS SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN.

TABLE OF CONTENTS

Page

I. SUMMARY 1

A. The Purpose of the Disclosure Statement 1

B. The Purpose of the Plan 1

C. Treatment of Claims and Interests 1

D. Entities Entitled to Vote on the Plan 5

E. Solicitation 6

F. Voting Procedures 6

G. Confirmation Hearing 7

II. GENERAL INFORMATION REGARDING THE DEBTORS AND CHAPTER 11 CASES 8

A. Introduction and Events Leading to Bankruptcy 8

B. Commencement of Chapter 11 Cases 8

C. The Class Action, Derivative Action and Related Bankruptcy Proceedings 8

D. The Criminal Proceedings Against David Brooks, Sandra Hatfield and Dawn Schlegel 10

1. David Brooks' Conviction and Guilty Pleas, and the Related Restitution and Forfeiture Proceedings 10

2. Sandra Hatfield's Conviction and Dawn Schlegel's Guilty Pleas 12

E. Point Blank's De-Registration 13

F. Jeffrey Brooks Litigation 13

G. The Prior Global Settlement Negotiations and Prior Term Sheet 13

H. Avoidance Actions 14

I. First Day Motions and Other Material Relief 14

1. Joint Administration 14

2. Employees 14

3. Cash Management 14

4. Taxes 15

5. Utilities 15

6. Retention of Customer Programs 15

7. Prepetition Shipper, Freight Forwarder, and Related Obligations 15

TABLE OF CONTENTS
(continued)

Page

8. Retention of Key Professionals 15

9. Critical Vendors 16

10. DIP Loan Agreement 16

J. Bar Dates for Filing Proofs of Claim 17

K. Filing of Schedules and Statement of Financial Affairs 17

L. Appointment of Creditors' Committee 17

M. Appointment of Equity Committee 17

N. Litigation with the Creditors' Committee and Office of United States Trustee's Filing of Motion to Appoint Examiner 17

O. The Sale and Reorganization Process and Replacement DIP Financing 18

P. The First Plan Support Agreement and Replacement Debtor in Possession Financing 18

Q. The Second Plan Support Agreement 19

R. Sale of Substantially of the Debtors' Assets; Remaining Assets of the Estates 19

S. The Settlement Agreement and Plan Term Sheet 20

III. SUMMARY OF PLAN 22

A. Treatment of Claims and Interests 22

1. Summary 22

2. Administrative Claims and Priority Claims 22

a. Administrative Claims 22

b. Professional Fee Claims 23

c. U.S. Trustee Fees 23

d. Priority Tax Claims 23

3. Classes of Claims and Interests: Classification, Treatment and Voting Rights 24

a. Treatment of Allowed Class 1 Claims (Other Priority Claims) 24

b. Treatment of Allowed Class 2 Claims (Secured Claims) 24

c. Treatment of Allowed Class 3 Claims (General Unsecured Claims) 24

TABLE OF CONTENTS
(continued)

Page

d. Treatment of Allowed Class 4 Claims (Subordinated Unsecured Claims) ... 25

e. Treatment of Allowed Class 5 Claims (Class Action Claims) ... 26

f. Treatment of Allowed Class 6 Interests (Old Common Stock Interests) ... 26

g. Treatment of Allowed Class 7 Interests (Subordinated Common Stock Interests) ... 27

h. Treatment of Allowed Class 8 Interests (Other Old Equity Interests) ... 27

i. Treatment of Allowed Class 9 Claims (Other Subordinated Claims) ... 27

B. Acceptance or Rejection of the Plan ... 28

1. Impaired Classes Entitled to Vote ... 28

2. Classes Deemed to Accept the Plan ... 28

3. Classes Deemed to Reject the Plan ... 28

4. Nonconsensual Confirmation ... 28

C. Implementation of the Settlement; Plaintiffs' Loan ... 28

D. Post-Confirmation Debtor; Corporate Action; Winding-Up of Affairs ... 29

E. Post-Confirmation Debtor Representative ... 30

1. Authority ... 30

2. Resignation or Removal ... 30

3. Fees/Expenses of Post-Confirmation Debtor Representative ... 31

F. Recovery Trust ... 31

1. Establishment of Recovery Trust ... 31

2. Governance of Recovery Trust ... 31

3. Authority of Recovery Trustee ... 31

4. Expenses of Recovery Trust ... 32

5. Removal; Successor Recovery Trustee ... 32

6. Post-Confirmation Debtor and Recovery Trustee Cooperation ... 32

7. Vesting of Estate Assets, Free and Clear of Liens ... 32

8. Causes of Action ... 33

TABLE OF CONTENTS
(continued)

Page

9. Substantive Consolidation 33

10. Records 33

11. Dissolution of Creditors' Committee and Equity Committee 34

12. Final Decree 34

G. Provisions Governing Distributions 34

1. Distributions Under the Plan 34

2. Estimation 34

3. Distributions on Account of Disputed Claims and Interests 34

4. No Distributions Pending Allowance 34

5. Objection Deadline 35

6. Disputed Claims Reserve 35

7. Settling Disputed Claims (or Interests) 35

8. Distributions in Cash 35

9. Unclaimed Distributions 35

10. Setoff 36

11. Taxes 36

12. *De Minimis* Distributions 36

H. Executory Contracts and Unexpired Leases 36

1. Rejection of Executory Contracts and Unexpired Leases 36

2. Bar Date for Rejection Damages 37

I. SETTLEMENT, RELEASES, INJUNCTION AND RELATED PROVISIONS 37

1. Compromise and Settlement of Claims, Interests and Controversies 37

2. Releases by the Debtors 37

3. Releases by Holders of Claims and Interests 37

4. Exculpation 38

5. Injunction 39

6. Term of Injunctions or Stays 40

7. No Consent to Change of Control Required 40

8. Release of Liens 40

TABLE OF CONTENTS
(continued)

Page

9. Releases Implemented by the Settlement 40

J. CONDITIONS TO THE CONFIRMATION DATE AND EFFECTIVE DATE 40

1. Conditions Precedent to Confirmation 40

2. Conditions Precedent to the Effective Date 41

3. Waiver of Conditions 41

4. Effect of Failure of Conditions 41

K. Modification, Revocation or Withdrawal of Plan 41

1. Modification and Amendments 41

2. Effect of Confirmation on Modifications 42

3. Revocation or Withdrawal of the Plan 42

L. Retention of Jurisdiction 42

M. Miscellaneous Provisions 42

1. Immediate Binding Effect 42

2. Section 1146 Exemption 42

3. U.S. Trustee Fees and Post-Confirmation Reports 42

4. Non-Voting Equity Securities 43

5. Additional Documents 43

6. Successors and Assigns 43

IV. CONFIRMATION REQUIREMENTS 43

A. General Confirmation Requirements 43

B. Best Interests Test 43

C. Financial Feasibility Test 45

D. Acceptance by Impaired Classes 45

V. CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN 46

A. Risks of Delayed Confirmation or Non-Confirmation of the Plan 47

B. Risks of the Plan Not Becoming Effective or the Plan's Effectiveness Being Substantially Delayed 47

C. Risks Associated with Proving and Collecting Claims Asserted in Litigation 47

TABLE OF CONTENTS
(continued)

Page

D. Risks Associated with the Costs of Administering the Estates After the Effective Date 47

E. Allowed Claims May Substantially Exceed Estimates 47

VI. ALTERNATIVES TO CONFIRMATION OF THE PLAN 48

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN 48

A. General 48

B. Federal Income Tax Consequences 49

1. Certain Tax Consequences to Debtors 49

a. Discharge of Indebtedness In General 49

b. Transfer of Assets to Recovery Trust 49

c. LLC Debtor Entity 49

2. Consequences to Certain Creditors 50

a. In General 50

b. Non-United States Persons 50

c. Tax Consequences in Relation to Recovery Trust and Creditor-Beneficiaries Thereof 50

3. Information Reporting and Backup Withholding 52

VIII. SECURITIES LAW MATTERS 53

A. In General 53

B. Initial Issuance 53

C. Resales 54

D. Exchange Act Compliance 54

E. Compliance If Required 54

IX. RECOMMENDATION AND CONCLUSION 55

EXHIBITS

Exhibit A	Amended Joint Chapter 11 Plan of Liquidation Proposed by Debtors and Official Committee of Unsecured Creditors[2] (which includes, as exhibits thereto, the Amended Settlement Agreement and the Addendum (as defined herein))
Exhibit B	Plan Recovery Analysis **[TO COME]**

[2] Any exhibits to the Plan that are not already attached thereto will be filed with the Bankruptcy Court no later than ten days before the deadline to vote to accept or reject the Plan, unless otherwise ordered by the Court. Any such additional exhibits will be made available on the website of the Debtors' balloting and tabulation agent, Epiq Systems, Inc. ("Epiq"), at http://dm.epiq11/PBS/project/default.aspx (the "Epiq Website"). The Plan Proponents reserve the right to modify, amend, supplement, restate or withdraw the exhibits after they are filed and will promptly make such changes available on the Epiq Website.

I. SUMMARY[3]

A. The Purpose of the Disclosure Statement

Before soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires the debtor (or other plan proponent) to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 plan. This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rules 3016 and 3017 to holders of Claims and Interests in connection with the solicitation of votes to accept or reject the Plan.

This Disclosure Statement provides information relating to the *Amended Joint Plan of Liquidation Proposed by Debtors and Official Committee of Unsecured Creditors* (as may be amended, the "Plan"). The joint proponents of the Plan are SS Body Armor I, Inc. ("SS Body Armor I" or "Point Blank"), SS Body Armor II, Inc., SS Body Armor III, Inc. and PBSS, LLC (collectively, the "Debtors") and the Official Committee of Unsecured Creditors (the "Creditors' Committee" and, together with the Debtors, the "Plan Proponents").

B. The Purpose of the Plan

On _____, the Plan Proponents filed the Plan with the Bankruptcy Court to facilitate the continued liquidation and distribution of the Debtors' remaining assets and the wind down of these Estates, consistent with the Settlement Agreement. The Debtors' remaining assets consist mainly of certain Causes of Action, as explained further below. A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference.

The Plan Proponents believe the Plan provides the best recoveries possible for those holders of Allowed Claims and Interests that may receive distributions under the Plan. **Accordingly, the Debtors and the Creditors' Committee recommend that all parties entitled to vote on the Plan vote to accept the Plan.**

Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Plan does not contain a discharge for the Debtors because: (1) the Plan is a liquidating plan, (2) the Debtors will not engage in business after the consummation of the Plan and (3) the Debtors are not entitled to a discharge under section 727(a) of the Bankruptcy Code.

The following summary of certain key terms of the Plan is qualified in its entirety by the Plan itself and by the more detailed information contained elsewhere in this Disclosure Statement.

C. Treatment of Claims and Interests

THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS AND THE POTENTIAL DISTRIBUTIONS UNDER THE PLAN. THE AMOUNTS SET FORTH BELOW AND IN **EXHIBIT B** ATTACHED HERETO ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE SUBJECT TO CHANGE. ACTUAL RECOVERIES COULD VARY MATERIALLY FROM THOSE PROJECTED BELOW. IN ADDITION, THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THE ESTIMATED AMOUNTS USED TO PROJECT RECOVERIES UNDER THE PLAN.

[3] Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

Class/Type of Claim or Interest	**Plan Treatment of Class**	**Projected Estimated Recovery Under Plan**[4]
Administrative Claims	Except to the extent that an Allowed Administrative Claim is not yet due and owing or to the extent a holder of an Allowed Administrative Claim has been paid prior to the Effective Date or agrees to different treatment, in full satisfaction, settlement, and release of and in exchange for each Allowed Administrative Claim (excluding any Professional Fee Claim), the holder thereof will receive Cash equal to the amount of such Allowed Administrative Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Administrative Claim becomes Allowed by Final Order.	100%
Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date, or agrees to different treatment, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, at the election of the Debtors, (i) Cash on the Effective Date in an amount equal to such Allowed Priority Tax Claim (without interest), or (ii) regular installment payments in Cash of a total value, as of the Effective Date, equal to the amount of the Allowed Priority Tax Claim over a period ending not later than five years after the Petition Date. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date will be paid in the ordinary course of business as such obligations become due.	100%
Class 1 – Other Priority Claims	Except to the extent that a holder of an Allowed Other Priority Claim (i) has been paid by the Debtors prior to the Effective Date or (ii) agrees to a less favorable treatment, each holder of an Allowed Other Priority Claim will receive from the Recovery Trust, in full satisfaction, settlement, release and discharge of, and in exchange for such Other Priority Claim, Cash equal to the amount of such Allowed Other Priority Claim on the later of the date which is on or as soon as reasonably practicable after the Effective Date and the date such Other Priority Claim becomes an Allowed Claim.	100%

[4] The following estimates are discussed further in the Plan Recovery Analysis attached hereto as **Exhibit B**, and are subject to all of the qualifications, assumptions and conditions set forth in the Plan Recovery Analysis.

Class 2 – Secured Claims	Except to the extent that a holder of an Allowed Secured Claim has been paid by the Debtors, in whole or in part, prior to the Effective Date, on the Effective Date, at the option of the Plan Proponents, each holder of an Allowed Secured Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Secured Claim, (x) payment in full in Cash of the unpaid portion of such Allowed Secured Claim, (y) return of the collateral securing such Claim or (z) such other treatment as may be agreed to by the holder. The Debtors will inform each holder of a Secured Claim of the treatment of such Creditor's Secured Claim not less than ten (10) days prior to the Confirmation Hearing.	100%
Class 3 – General Unsecured Claims	On the Effective Date, each holder of an Allowed General Unsecured Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such General Unsecured Claim, an allocated Class 3 Trust Interest, which will entitle the holder its *pro rata* share of funds available to holders of Class 3 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 3 Trust Interest will be determined by multiplying (a) the total net funds available for distribution to holders of allowed Class 3 claims under the Recovery Trust Agreement and (b) the ratio of (x) the allowed Class 3 claim amount of the holder to (y) the aggregate amount of all allowed Class 3 claims. Holders of Class 3 Claims will receive payment from the Recovery Trust in an aggregate amount up to the Allowed amount of their Class 3 Claim plus postpetition interest at the Federal Judgment Rate.	[___% to ___%]
Class 4 – Subordinated Unsecured Claims	On the Effective Date, each holder of an Allowed Subordinated Unsecured Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Subordinated Unsecured Claim, an allocated Class 4 Trust Interest, which will entitle the holder its *pro rata* share of funds available to holders of Class 4 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 4 Trust Interest will be determined by multiplying (a) the total net funds available for distribution to holders of allowed Class 4 claims under the Recovery Trust Agreement and (b) the ratio of (x) the allowed Class 4 claim amount of the holder to (y) the aggregate amount of all allowed Class 4 claims. The Class 4 Trust Interests will be subordinated in right of payment to the Class 3 Trust Interests, and thus the holders of the Class 4 Interests will not receive any distribution from the Recovery Trust until Class 3 Satisfaction is achieved. Holders of Class 4 Claims will receive payment from the Recovery Trust in an aggregate amount up to the Allowed amount of their Class 4 Claim plus postpetition interest at the Federal Judgment Rate.	[___% to ___%]

Class 5 – Class Action Claims	Consistent with the Settlement Agreement, the Lead Plaintiffs will withdraw with prejudice the proofs of claim they filed in the Chapter 11 Cases based upon the allegations in the Class Action, including, without limitation, Claim Nos. 458, 460, 461, 482, 484, and 485. Consistent with the Settlement Agreement, holders of Class 5 Claims will receive under the Plan (i) their respective proportionate share (in cash) of the Shared Recovery Matters, (ii) cash distributions out of the Escrowed Funds (less the funding of the Plaintiffs' Loan) in accordance with the EDNY Stipulation, the award of attorneys' fees and expenses in the Class Action, and the Plan of Allocation approved in the Class Action, and (iii) cash distributions equivalent, in the aggregate, to the value of the 3,184,713 shares of SS Body Armor I common stock that were to be delivered to the Plaintiffs pursuant to the EDNY Stipulation, with the foregoing items (i) to (iii) subject to the terms of the Settlement Agreement (including, without limitation, section 3 of the Settlement Agreement) and any other applicable orders, agreements and operative documents (including, without limitation, the Plan of Allocation approved in the Class Action). Nothing in the Plan is intended to modify any other or further distributions that may be made, or other remedies that may be available, to holders of Class 5 claims pursuant to the Settlement Agreement.	N/A[5]
Class 6 – Old Common Stock Interests	On the Effective Date, the Old Common Stock Interests will be deemed cancelled, null and void, and of no force and effect. Each holder of an Allowed Old Common Stock Interest will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Old Common Stock Interest, an allocated Class 6 Trust Interest, which will entitle the holder to its *pro rata* share of funds available to holders of Class 6 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 6 Trust Interest will be determined by multiplying (a) the total net funds available for distribution to holders of allowed Class 6 interests under the Recovery Trust Agreement and (b) the ratio of (x) the number of shares of Old Common Stock Interests held by the holder as of the distribution record date to (y) the aggregate number of all shares of Old Common Stock Interests outstanding as of the distribution record date. Class 6 Trust Interests will be subordinated in right of payment to the Class 3 Trust Interests and Class 4 Trust Interests. Distributions on account of Class 6 Interests will <u>not</u> be made until Class 4 Satisfaction and Class 5 Satisfaction are achieved.	[___% to ___%]

[5] Subject to the qualifications, assumptions and conditions set forth in the Plan Recovery Analysis, the Debtors estimate that Class 5 members may obtain in total approximately $____ to $_____ pursuant to the Plan and Settlement Agreement.

Class 7 – Subordinated Common Stock Interests	Subordinated Common Stock Interests will be subordinated to Class 6 Interests and will receive no recovery under the Plan or otherwise from the Recovery Trust. On the Effective Date, all Subordinated Common Stock Interests will be deemed cancelled, null and void, and of no force and effect.	0%
Class 8 – Other Old Equity Interests	On the Effective Date, all Other Old Equity Interests will be deemed cancelled, null and void, and of no force and effect, and the holders thereof will receive no recovery nor retain any property under the Plan on account of such Other Old Equity Interests.	0%
Class 9 – Other Subordinated Claims	Other Subordinated Claims are subordinated in right to payment to all other Claims and Interests, and the holders thereof will receive no recovery under the Plan or otherwise from the Recovery Trust.	0%

D. Entities Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against, and interests in, a debtor are entitled to vote on a chapter 11 plan. Holders of Claims that are not Impaired by the Plan are deemed to accept the Plan under section 1126(f) of the Bankruptcy Code and therefore are not entitled to vote on the Plan. Holders of claims that will not receive a distribution under the Plan are deemed conclusively to reject the Plan and therefore are not entitled to vote on the Plan.

Claims and Interests are classified for all purposes, including voting, confirmation and Distribution pursuant to the Plan and sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or an Interest to be classified in a particular Class only to the extent that the Claim or the Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of a different Class.

The following sets forth the Classes that are entitled to vote on the Plan and the Classes that are not entitled to vote on the Plan:

SUMMARY OF STATUS AND VOTING RIGHTS			
Class	**Claim**	**Status**	**Voting Rights**
1	Other Priority Claims	Unimpaired	Not entitled to vote.
2	Secured Claims	Unimpaired	Not entitled to vote.
3	General Unsecured Claims	Impaired	Entitled to vote.
4	Subordinated Unsecured Claims	Impaired	Entitled to vote.
5	Class Action Claims	Impaired	Entitled to vote.
6	Old Common Stock Interests	Impaired	Entitled to vote.
7	Subordinated Common Stock Interests	Impaired	Not entitled to vote.
8	Other Old Equity Interests	Impaired	Not entitled to vote.
9	Other Subordinated Claims	Impaired	Not entitled to vote.

THE PLAN PROPONENTS ARE SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN FROM HOLDERS OF CLAIMS AND INTERESTS (AS APPLICABLE) IN **CLASSES 3, 4, 5 AND 6** BECAUSE SUCH CLAIMS AND INTERESTS (AS APPLICABLE) ARE IMPAIRED AND WILL POTENTIALLY RECEIVE

DISTRIBUTIONS UNDER THE PLAN. ACCORDINGLY, HOLDERS OF CLAIMS IN **CLASSES 3, 4, 5 AND 6** HAVE THE RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE PLAN PROPONENTS ARE NOT SOLICITING VOTES FROM THE HOLDERS OF CLAIMS IN **CLASSES 1 AND 2** BECAUSE SUCH CLAIMS ARE UNIMPAIRED AND DEEMED TO ACCEPT THE PLAN.

THE PLAN PROPONENTS ARE NOT SOLICITING VOTES FROM THE HOLDERS OF CLAIMS AND INTERESTS (AS APPLICABLE) IN **CLASSES 7, 8 AND 9** BECAUSE NO DISTRIBUTION IS ANTICIPATED TO THE HOLDERS OF SUCH CLAIMS AND INTERESTS (AS APPLICABLE) AND THEY ARE DEEMED TO REJECT UNDER THE TERMS OF THE PLAN.

For a detailed description of the Classes of Claims and Interests, as well as their respective treatment under the Plan, see Article 4 of the Plan.

E. Solicitation

The following documents and materials constitute the Plan Proponents' solicitation package (the "Solicitation Package"), which will be sent **solely** to the holders of Claims in Class 3 (General Unsecured Claims), Class 4 (Subordinated Unsecured Claims), Class 5 (Class Action Claims) and Class 6 (Old Common Stock Interests):

THE PLAN;

THE DISCLOSURE STATEMENT;

NOTICE OF THE HEARING AT WHICH CONFIRMATION OF THE PLAN WILL BE CONSIDERED ("CONFIRMATION HEARING NOTICE");

AN APPROPRIATE BALLOT AND VOTING INSTRUCTIONS; AND

A PRE-ADDRESSED, POSTAGE PREPAID ENVELOPE FOR RETURNING THE BALLOT.

All other interested parties will be sent solely the Confirmation Hearing Notice and can review or obtain copies of the Plan and the Disclosure Statement on the Epiq Website or, upon written request, from counsel for the Debtors.

F. Voting Procedures

The Voting Record Date is [_____], 2015. The Voting Record Date is the date on which the holders of Claims and Interests that are entitled to vote to accept or reject the Plan will be determined.

The Voting Deadline is 4:00 p.m., Eastern Time, on [_____], 2015. To ensure that a vote is counted, holders of Claims and Interests (as applicable) in **Classes 3, 4, 5 and 6** must: (1) complete the Ballot; (2) indicate a decision either to accept or reject the Plan; and (3) sign and return the Ballot to Epiq at the address set forth below and on the pre-addressed envelope provided in the Solicitation Package or by delivery by first-class mail, overnight courier or personal delivery, so that all Ballots are **actually received** by Epiq no later than the Voting Deadline.

ANY BALLOT THAT IS NOT RECEIVED BY THE VOTING DEADLINE WILL NOT BE COUNTED.

ANY BALLOT THAT IS PROPERLY EXECUTED BUT THAT DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN, OR INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

EACH HOLDER OF A CLAIM OR INTEREST (AS APPLICABLE) THAT IS ENTITLED TO VOTE MUST VOTE ALL OF ITS CLAIM OR INTEREST (AS APPLICABLE) WITHIN A PARTICULAR CLASS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT ITS VOTE(S). IF YOU CAST MORE THAN ONE BALLOT VOTING THE SAME CLAIM OR INTERESTS ON OR BEFORE THE VOTING DEADLINE, THE LAST BALLOT RECEIVED BEFORE THE VOTING DEADLINE WILL BE DEEMED TO REFLECT YOUR INTENT AND THUS WILL SUPERSEDE ANY PRIOR BALLOTS.

BALLOTS
Ballots must be **actually received** by Epiq by the Voting Deadline at the following address:
SS Body Armor Ballot Processing Center c/o Epiq Bankruptcy Solutions, LLC FDR Station, P.O. Box 5014 New York, NY 10150-5014

Prior to deciding whether and how to vote on the Plan, holders of Claims in **Classes 3, 4, 5 and 6** under the Plan should consider carefully all of the information in this Disclosure Statement, especially the risk factors described herein.

G. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan.

The Confirmation Hearing will commence on [ ], 2015 at [ ], Eastern Time, before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 5th Floor, Courtroom #6, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The deadline to File objections to Confirmation of the Plan is 4:00 p.m., Eastern Time, on [ ], 2015 (the "Objection Deadline"). All objections to Confirmation of the Plan must be Filed with the Bankruptcy Court and served on the Debtors and certain other parties on or before the Objection Deadline. Objections to final Confirmation of the Plan must:

BE IN WRITING;

CONFORM TO THE BANKRUPTCY RULES AND THE LOCAL BANKRUPTCY RULES;

STATE THE NAME AND ADDRESS OF THE OBJECTING ENTITY AND THE AMOUNT AND NATURE OF THE CLAIM OR INTEREST OF SUCH ENTITY;

STATE WITH PARTICULARITY THE BASIS AND NATURE OF THE OBJECTION TO CONFIRMATION OF THE PLAN; AND

BE FILED, CONTEMPORANEOUSLY WITH A PROOF OF SERVICE, WITH THE BANKRUPTCY COURT AND SERVED SO THAT IT IS **ACTUALLY RECEIVED** BY THE NOTICE PARTIES IDENTIFIED IN THE CONFIRMATION HEARING NOTICE ON OR PRIOR TO THE OBJECTION DEADLINE.

THE BANKRUPTCY COURT MAY NOT CONSIDER OBJECTIONS TO CONFIRMATION OF THE PLAN UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES APPROVED BY THE BANKRUPTCY COURT.

II. GENERAL INFORMATION REGARDING THE DEBTORS AND CHAPTER 11 CASES

A. Introduction and Events Leading to Bankruptcy

The Debtors formerly were leading manufacturers and providers of bullet, fragmentation and stab-resistant apparel and related ballistic accessories, which were used domestically and internationally by military, law enforcement, security and corrections personnel, as well as government agencies. Between 1998 and the Petition Date (defined below), the Debtors supplied over 80% of U.S. military soft body armor vest requirements to protect soldiers and law enforcement personnel around the world. The Debtors also were major suppliers in the domestic law enforcement market, with broad brand recognition and a "best value" reputation.

David H. Brooks ("David Brooks") served as Point Blank's Chairman and Chief Executive Officer until his resignation in 2006, following the commencement of the Class and Derivative Actions (defined below) and various SEC/DOJ investigations into David Brooks' fraud, insider trading and other misconduct. Other former officers included Sandra Hatfield, Point Blank's former Chief Operating Officer, and Dawn M. Schlegel, Point Blank's former Chief Financial Officer. As discussed in further detail below, David Brooks, Sandra Hatfield and Dawn M. Schlegel each were indicted in the Eastern District of New York in 2007, were convicted of or pled guilty to multiple counts, and have been sentenced by the United States District Court for the Eastern District of New York (the "EDNY District Court").

During their tenure with the Debtors, David Brooks and his co-defendants inflicted massive financial harm on the Debtors. Among other things, David Brooks looted the Debtors by using the Debtors' funds to pay for millions of dollars of personal expenses, funneling the Debtors' funds to his family-owned private company, Tactical Armor Products, Inc., and using the Debtors' funds for his other private business interests. David Brooks and his co-defendants also intentionally misstated Point Blank's financial statements, and then sold their stock for millions of dollars in profits.

The Debtors continued to suffer the effects of David Brooks' misconduct well after his resignation. In particular, the criminal conduct of David Brooks and his co-defendants caused a severe debt and cash crisis for the Debtors: having already lost the substantial amounts stolen by David Brooks, the Debtors were then forced to spend significant additional sums of money to attempt to repair the damage he and his co-defendants caused. This cash drain – which was directly traceable to David Brooks' criminal misconduct – ultimately led to the commencement of the Chapter 11 Cases in April 2010.

B. Commencement of Chapter 11 Cases

The Debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for District of Delaware on April 14, 2010 (the "Petition Date"). No trustee or examiner has been appointed in the Chapter 11 Cases. The Creditors' Committee was appointed on April 26, 2010, to represent the interests of Debtors' general unsecured creditors. The Equity Committee (defined below) was appointed on July 27, 2010 to represent the interests of holders of equity security interests in SS Body Armor I.

The Debtors are involved in certain legal proceedings that commenced prior to the appointment of the Debtors' current Board and current management, certain of which are summarized below.

C. The Class Action, Derivative Action and Related Bankruptcy Proceedings

On and after September 9, 2005, multiple class actions were filed in the EDNY District Court against Point Blank (then known as DHB Industries, Inc.) and certain of its officers and directors, including David Brooks, Sandra

Hatfield and Dawn Schlegel. The actions were filed on behalf of purchasers of Point Blank's publicly traded securities. The complaints alleged, among other things, that Point Blank's public disclosures were false or misleading in violation of the Securities Exchange Act of 1934. The class actions were consolidated under the caption *In re DHB Industries, Inc. Class Action Litigation*, Case No. 05-cv-04296 (E.D.N.Y.) (the "Class Action").

On and after September 14, 2005, multiple derivative actions also were filed in the EDNY District Court on behalf of Point Blank against certain of Point Blank's officers and directors, including David Brooks, Sandra Hatfield and Dawn Schlegel. The complaints alleged, among other things, causes of action for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The derivative actions were consolidated under the caption *In re DHB Industries, Inc. Derivative Litigation*, Case No. 05-cv-04345 (E.D.N.Y.) (the "Derivative Action").

On November 30, 2006, the parties to the Class and Derivative Actions entered into a settlement agreement (the "EDNY Stipulation"). Under the EDNY Stipulation, the parties agreed, among other things, that: (a) the Class Action would be settled for $34,900,000 in cash, plus 3,184,713 shares of Point Blank common stock; and (b) the Derivative Action would be settled for $300,000 to be paid as attorneys' fees and expenses to Derivative Counsel (defined below), and Point Blank's adoption of certain corporate governance policies. EDNY Stipulation ¶¶ 2.1, 2.4, 2.12. The cash portion of the settlement (the "Escrowed Funds") in the total amount of $35,200,000 was deposited with Plaintiffs' Counsel (defined below), as the escrow agent designated under a related escrow agreement. EDNY Stipulation ¶ 2.1.

The EDNY Stipulation was expressly conditioned upon final court approval of the settlement of both the Class and Derivative Actions, including the resolution of any appeals. EDNY Stipulation ¶¶ 7.1, 7.2. The EDNY Stipulation was approved by the EDNY District Court pursuant to judgments entered in the Class and Derivative Actions on July 8, 2008. David Cohen, an alleged party in interest, timely filed an appeal with the Second Circuit from the judgment entered in the Derivative Action. On September 30, 2010, the Second Circuit issued a decision (the "Second Circuit Opinion") vacating and remanding the judgment in the Derivative Action on the grounds that certain indemnification and release provisions of the EDNY Stipulation violated section 304 of the Sarbanes-Oxley Act of 2002. David Brooks and Dawn Schlegel have since waived their rights under those provisions.

As discussed in further detail below, the EDNY District Court has not taken any further action with respect to the EDNY Stipulation following the issuance of the Second Circuit Opinion because, among other reasons, Point Blank rejected the EDNY Stipulation and certain related agreements. Accordingly, the Escrowed Funds remain in the possession of Plaintiffs' Counsel and Derivative Counsel, as follows: (a) approximately $27,200,000 of the Escrowed Funds, plus accrued interest, is held in the escrow account maintained by Plaintiffs' Counsel as escrow agent; and (b) approximately $9,925,000 of the Escrowed Funds was provisionally distributed from the escrow account as attorneys' fees and expenses to Plaintiffs' Counsel and Derivative Counsel pursuant to the EDNY Stipulation. EDNY Stipulation ¶ 6.4. The approximate current value of the Escrowed Funds, including the amounts provisionally paid as attorneys' fees, is $37,000,000.

On September 17, 2010 (*i.e.*, prior to the issuance of the Second Circuit Opinion), Point Blank moved to reject the EDNY Stipulation and related agreements [D.I. 589]. On December 22, 2010, the Bankruptcy Court entered an order [D.I. 949] (the "Rejection Order") approving Point Blank's rejection of the EDNY Stipulation and related agreements as of the Petition Date. The Class Plaintiffs (defined below) and David Brooks filed notices of appeal from the Rejection Order. Both appeals currently are stayed pending the Bankruptcy Court's ruling on the Debtors' motion to approve the Settlement Agreement (discussed below).

On November 16, 2010, Point Blank commenced an adversary proceeding in the Bankruptcy Court in the Chapter 11 Cases under the caption *Point Blank Solutions Inc. v. Robbins Geller Rudman & Dowd LLP*, et al., Adv. No. 10-55361 (the "Turnover Adversary Proceeding"). In the Turnover Adversary Proceeding, Point Blank sought turnover of the Escrowed Funds from Plaintiffs' Counsel and Derivative Counsel. Point Blank also sought a declaratory judgment that the Escrowed Funds are property of the bankruptcy estate, and that any adverse claims thereto are not interests in property but are, at most, unsecured claims for rejection damages. Point Blank asserted its claim for declaratory relief against Plaintiffs' Counsel, Derivative Counsel, David Brooks, Sandra Hatfield, Dawn M. Schlegel, Cary Chasin, Jerome Krantz, Gary Nadelman, Barry Berkman and Larry R. Ellis.

On February 10, 2011, David Brook filed a motion to dismiss the Turnover Adversary Proceeding [Bankr. Adv. D.I. 22-23]. Between February 17, 2011 and March 11, 2011, Plaintiffs' Counsel and Derivative Counsel filed a motion to dismiss the Turnover Adversary Proceeding [Bankr. Adv. D.I. 36-37], a motion for a determination that the Turnover Adversary Proceeding is not a core proceeding [Bankr. Adv. D.I. 38-39] (the "Core Motion"), a motion to stay the Turnover Adversary Proceeding [Bankr. Adv. D.I. 40] (the "Stay Motion") and a motion to withdraw the reference of the Turnover Adversary Proceeding [Bankr. Adv. D.I. 58, 60]. On March 8, 2011, the Creditors' Committee filed a motion [Bankr. Adv. D.I. 50, 55] to intervene as a plaintiff in the Turnover Adversary Proceeding for any and all purposes, which motion was granted by the Bankruptcy Court on March 28, 2011 [Bankr. Adv. D.I. 68]. The United States District Court for the District of Delaware (the "Delaware District Court") has stayed the motion to withdraw the reference pending the Bankruptcy Court's ruling on the Debtors' motion to approve the Settlement Agreement.

On May 20, 2011, the Bankruptcy Court entered an order in the Turnover Adversary Proceeding denying the Core Motion [Bankr. Adv. D.I. 92] (the "Core Order"), and entered a letter ruling denying the Stay Motion [Bankr. Adv. D.I. 93]. On June 3, 2011, Plaintiffs' Counsel and Derivative Counsel filed a notice of appeal from the Core Order [Bankr. Adv. D.I. 97] and also filed a motion requesting leave to appeal the Core Order [Bankr. Adv. D.I. 99-100]. The appeal from the Core Order currently is stayed pending the Bankruptcy Court's ruling on the Debtors' motion to approve the Settlement Agreement.

The Class Plaintiffs have filed claims, individually and on behalf of the class, against Point Blank based on the same purported violations of federal securities laws alleged in the Class Action. *See* Claim Nos. 458, 460, 461, 482, 484 and 485.

David Brooks has filed two "rejection damages" claims in Point Blank's bankruptcy case. *See* Claim Nos. 428 and 541. Claim No. 428 asserts a prepetition claim for $22,325,000, plus interest, as "moneys due Brooks in the event civil settlement is not approved by court." Similarly, Claim No. 541 asserts a prepetition claim for $19,325,000, plus interest, as "rejection damages" based upon the Rejection Order.

Finally, Dawn M. Schlegel filed a $13,725,000 (plus contingent damages) claim against the Debtors for "rejection damages" based upon the Rejection Order. *See* Claim No. 542. The addendum to Claim No. 542 contends that Schlegel is entitled to recover, among other things, a portion of the Escrowed Funds and an unspecified additional amount for Schlegel's "exposure to … claims … as a result of the rejection" of the EDNY Stipulation.

D. The Criminal Proceedings Against David Brooks, Sandra Hatfield and Dawn Schlegel

1. David Brooks' Conviction and Guilty Pleas, and the Related Restitution and Forfeiture Proceedings

In October 2007, David Brooks was indicted in the Eastern District of New York (the "Criminal Action") on multiple charges based on, among other things, the same misconduct alleged in the Class and Derivative Actions. On September 14, 2010, a jury convicted him of conspiracy to commit securities fraud (Count 1), securities fraud (Count 2), conspiracy to commit mail and wire fraud (Count 3), mail fraud (Count 4), wire fraud (Count 5), insider trading (Counts 6, 7, 8, 9, 10 and 11), conspiracy to obstruct justice (Count 15), obstruction of justice (Count 16) and material misstatements to auditors (Count 17). He also pled guilty to tax counts of conspiracy to defraud the United States (Count 18) and false filing of tax returns (Counts 19 and 20). On April 13, 2015, David Brooks filed a notice of appeal from his conviction.

Upon the filing of the indictment against David Brooks, the Government restrained a significant amount of cash and non-cash assets that were the proceeds of his criminal conduct, which included accounts at several financial institutions. At the time of restraint, the value of those seized accounts was $158,815,308.50. *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1343. In addition to those amounts, David Brooks forfeited approximately $19 million in bail funds when he violated his bail conditions prior to trial. On June 2, 2015, the EDNY District Court denied a motion filed by David Brooks' ex-wife (Terry Brooks) and David Brooks' three children (Victoria, Andrew and Elizabeth Brooks) seeking release of the forfeited bail funds. *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1901. The EDNY District Court

reserved decision as to the ultimate disposition of the forfeited funds, and ordered that the funds be placed in an escrow account pending a future order by the EDNY District Court. *Id*.

In November 2010 and December 2011, the EDNY District Court conducted extensive non-jury forfeiture proceedings in the Criminal Action in order to determine the amount of traceable assets that David Brooks obtained as a result of his criminal offenses. Ultimately, the EDNY District Court issued a preliminary order of forfeiture granting forfeiture of the assets that David Brooks obtained through his unauthorized compensation scheme (valued at $5,564,681) and $59,602,931 as a result of David Brooks' insider trading. The EDNY District Court has continued to restrain all of the seized assets pending restitution to David Brooks' victims.

The Debtors submitted a letter to the Government on March 3, 2011 detailing Point Blank's losses at that time of over $97 million resulting from David Brooks' criminal conduct, and reserving rights to the seized assets as a victim.[6] In April 2011, Point Blank submitted a claim for the unauthorized compensation assets in the related civil forfeiture proceeding captioned *United States v. All Assets Listed on Schedule 1*, Case No. 10-cv-4750 (JS) (E.D.N.Y.) (the "Civil Forfeiture Proceeding").[7] The Civil Forfeiture Proceeding, which was filed by the Government, concerns the very same assets that were seized in the Criminal Action. In June 2011, Point Blank also submitted an affidavit of loss in the Criminal Action detailing its losses of over $97 million as of that date. In September 2012, Point Blank filed a third-party claim in the forfeiture proceedings in the Criminal Action asserting its claim to the unauthorized compensation assets. Just prior to David Brooks' sentencing, Point Blank submitted a letter to the EDNY District Court detailing its restitution claim, which amounted to over $117 million at that time, for the losses and costs expended by Point Blank as a result of David Brooks' criminal conduct.[8] Point Blank's claim in restitution included the following amounts of losses Point Blank suffered and expenses Point Blank incurred as a result of David Brooks' criminal conduct:

- $8.644 Million in Unauthorized Compensation. This is the amount that David Brooks looted from Point Blank for his and his family's benefit.

- $21.5 Million of Point Blank Funds Siphoned to TAP as TAP "Profits." This is the amount that David Brooks stole from Point Blank by siphoning Point Blank funds to Tactical Armor Products, Inc. ("TAP"), a Brooks family entity, in the form of TAP "profits" for his and his family's benefit.

- $2.5 Million in IRS Taxes, Penalties and Interest. This is the amount Point Blank was forced to pay for the employee portion of the withholding tax and associated penalties and interest. This amount was a direct result of David Brooks' tax scheme in which he conspired to issue bonus payments to Point Blank employees, not report such payments, and not pay any taxes on those payments. David Brooks pled guilty to these tax charges.

- $13.666 Million in Legal Fees Point Blank Advanced to Brooks, Schlegel, Hatfield and Its Directors. These are the legal fees Point Blank advanced to David Brooks and other officers and directors of Point Blank for legal fees.

- $14.429 Million in Point Blank Legal Fees. Point Blank incurred these legal fees and expenses in responding to the criminal investigation and prosecution, the SEC investigation, and the Class and Derivative Actions.

[6] As discussed below, the Attorney General of the United States may return forfeited property to victims as remission and/or restoration. *See* http://www.justice.gov/ criminal/afmls/pubs/pdf/victms-faqs.pdf.

[7] Point Blank submitted a claim in forfeiture limited to the unauthorized compensation scheme because forfeiture requires a showing of rightful ownership to particular property that can be specifically traced. *See United States v. Hatfield*, 795 F.Supp.2d 219, 245 (E.D.N.Y. 2011) ("Forfeiture also requires the Government to trace the proceeds of Defendants' crimes to specific assets.").

[8] Point Blank's letter to the E.D.N.Y. District Court, dated July 24, 2013, was not publicly filed.

- $16.77 million in Point Blank Remediation and Restatement Costs. This includes the amount Point Blank spent on its auditors, other accountants and other personnel. Due to David Brooks' and his coconspirators' criminal conduct that included perpetrating sophisticated accounting frauds, Point Blank expended funds to engage auditors, forensic accountants and other professionals in order to restate its prior materially misstated financial statements. In addition to filing a restatement, Point Blank's records and ledgers required a complete rebuilding and required re-audits of prior year results.

- $39.906 Million in Bankruptcy Expenses. At David Brooks' sentencing hearing, Judge Seybert of the EDNY District Court found that David Brooks' criminal conduct threatened Point Blank's solvency. Ultimately, David Brooks' criminal conduct in fact caused Point Blank's bankruptcy and thus all the costs stemming from the bankruptcy are recoverable as restitution.

In addition to Point Blank's claim to restitution, Plaintiffs' Counsel, on behalf of the shareholder victims of David Brooks' insider trading and other criminal conduct (including the Class Plaintiffs), asserted a claim for restitution of $186,362,631. *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1835. On November 8, 2013, Plaintiffs' Counsel, at the EDNY District Court's direction, filed a letter brief requesting that the EDNY District Court recognize $186,362,631 as the appropriate amount of restitution owed to investor victims of David Brooks' crimes based upon the actual loss sustained by each victimized investor. *Id*. at D.I. 1750. In support of that request, Plaintiffs' Counsel also submitted the expert affidavit of Frank Torchio, president of Forensic Economics, Inc., which challenged the damage calculation and plan of allocation of both the Department of Justice and David Brooks.

In August 2013, the EDNY District Court sentenced David Brooks to 17 years imprisonment for his criminal conduct. At sentencing, the EDNY District Court found that Point Blank and its shareholders (including the Class Plaintiffs) were victims of David Brooks' criminal conduct, and were entitled to restitution. However, the EDNY District Court deferred a determination of the amount of restitution until a later date. The Government and David Brooks filed briefs addressing the amount of restitution in late 2013. *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1762, 1781. The Government advocated and supported the full amount of Point Blank's restitution claim of $117 million. At a hearing on November 5, 2014, Judge Seybert stated that she intended to issue a restitution order in the very near future. On December 18, 2014, the EDNY District Court reserved judgment on the amount of restitution due to any of David Brooks' victims, and instructed the Government to file a revised submission regarding the amount of shareholder losses. The Government filed that revised submission on February 27, 2015. As discussed below, the EDNY District Court issued its restitution order on March 27, 2015.

2. Sandra Hatfield's Conviction and Dawn Schlegel's Guilty Pleas

Sandra Hatfield (Point Blank's former Chief Operating Officer) and Dawn Schlegel (Point Blank's former Chief Financial Officer) also were indicted in the Eastern District of New York based on, among other things, the same misconduct alleged in the Class and Derivative Actions. Hatfield was convicted on September 14, 2010 of: conspiracy to commit securities fraud; securities fraud; conspiracy to commit mail and wire fraud; three counts of insider trading; conspiracy to obstruct justice; and obstruction of justice. On May 9, 2014, Hatfield was sentenced to seven years in federal prison.

On or about October 23, 2007, Schlegel pled guilty to securities fraud conspiracy and tax fraud conspiracy. On November 5, 2014, the EDNY District Court sentenced Schlegel to three years supervised release.

3. The Restitution Order and Point Blank's Petition for Remission

On March 27, 2015, the EDNY District Court issued a restitution order in the Criminal Action against David Brooks, Sandra Hatfield and Dawn Schlegel (collectively, the "Criminal Defendants"). *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1869 (the "Restitution Order"). In the Restitution Order, the EDNY District Court ordered that the Criminal Defendants must pay restitution to Point Blank in an amount of $53,912,545.62, and that the Criminal Defendants must pay restitution, in a total amount of

$37,584,301.31, to those individuals identified as victims by virtue of their holding common stock in Point Blank during the relevant time. *Id.* The EDNY District Court also ordered that interest will accrue at the federal judgment rate. *Id*. On May 26, 2015, David Brooks filed a motion to stay the Restitution Order pending the appeal from his conviction in the Criminal Action. *See United States v. Schlegel, et al.*, Case No. 06-cr-00550 (JS) (E.D.N.Y.) at D.I. 1899.

In addition to amounts awarded as restitution, the Attorney General of the United States may, pursuant to various statutes, return forfeited property to victims as remission and/or restoration. *See* http://www.justice.gov/criminal/afmls/pubs/pdf/victms-faqs.pdf. On May 27, 2015, the Debtors submitted a petition for remission to the Attorney General of the United States (the "Petition for Remission"). By the Petition for Remission, the Debtors seek to recover approximately $59.1 million of the forfeited assets as compensation to the Debtors for losses the Debtors suffered, as a result of the Criminal Defendants' misconduct, that were not included in the Restitution Order.

E. Point Blank's De-Registration

On February 24, 2011, the Debtors filed a motion [D.I. 1140] in the Chapter 11 Cases seeking the Bankruptcy Court's approval of a consent agreement between Point Blank and the United States Securities and Exchange Commission (the "SEC") and seeking authority from the Bankruptcy Court to de-register Point Blank as a public company under federal securities laws (the "SEC Motion"). On March 29, 2011, the Bankruptcy Court entered an order granting the SEC Motion [Bankr. D.I. 1259] (the "SEC Order"). On April 8, 2011, David Brooks filed a notice of appeal from the SEC Order [Bankr. D.I. 1274], which appeal is currently pending in the Delaware District Court under the caption *In re Point Blank Solutions, Inc., et al.*, Civil Action No. 11-00391 (SLR). The appeal from the SEC Order currently is stayed pending the Bankruptcy Court's ruling on the Debtors' motion to approve the Settlement Agreement.

F. Jeffrey Brooks De-Registration Litigation

On April 8, 2011, Point Blank commenced an adversary proceeding in the Chapter 11 Cases against Jeffrey Brooks (David Brooks' brother) and the Jeffrey R. Brooks Individual Retirement Account (the "Brooks IRA"), captioned *Point Blank Solutions Inc. v. Jeffrey R. Brooks Individual Retirement Account, et al.*, Adv. No. 11-51759 (the "Injunction Adversary Proceeding"). Point Blank also filed a preliminary injunction motion in the Injunction Adversary Proceeding, in which Point Blank requested that the Bankruptcy Court stay and enjoin an action filed in New York state court (the "State Court Action") by the Brooks IRA against James R. Henderson, Point Blank's then-Chief Executive Officer and then-Chairman of Point Blank's Board of Directors. In the State Court Action, Jeffrey Brooks and the Brooks IRA asserted claims against Mr. Henderson based on, among other things, the decision to de-register Point Blank as a publicly-traded company. As discussed above, Point Blank's de-registration was authorized by the Bankruptcy Court in the SEC Order.

On May 27, 2011, the Bankruptcy Court entered its *Order on Plaintiff's Motion for Preliminary Injunction* [Bankr. Adv. D.I. 21] in the Injunction Adversary Proceeding, pursuant to which the Bankruptcy Court stayed the State Court Action through August 16, 2011, with additional briefing to be submitted upon expiration of the stay. The stay of the State Court Action was subsequently extended [D.E. 2755] through March 4, 2015.

G. The Prior Global Settlement Negotiations and Prior Term Sheet

In or around June 2011, the Debtors, Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel entered into global settlement negotiations with David Brooks, Jeffrey Brooks and various other members of the Brooks family in an effort to resolve, among other things, the Turnover Adversary Proceeding, the appeals pending in the Delaware District Court, the Class and Derivative Actions, and the parties' competing claims to the assets restrained and/or forfeited in connection with the Criminal Action and Civil Forfeiture Proceeding. On December 22, 2011, the Debtors, Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel executed a global settlement term sheet with David Brooks, Jeffrey Brooks and the other members of the Brooks family.

The parties then commenced the process of seeking approval of the global settlement from the Government and the EDNY District Court. After the Debtors, Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel had

invested years of time and effort, and substantial expense, into obtaining the necessary approvals of the global settlement, which included participation in mediation ordered by the EDNY District Court, David Brooks and his family members abandoned the global settlement in late 2013.

H. Avoidance Actions

On April 13, 2012, to preserve their rights to pursue certain avoidance actions under chapter 5 of the Bankruptcy Code before the expiration of the applicable statute of limitations, Debtors SS Body Armor I, SS Body Armor II and SS Body Armor III (collectively, the "Debtor Plaintiffs") filed forty-six (46) preference actions against various defendants. To date, and in reliance on Bankruptcy Rule 7004(a), the complaints in these adversary proceedings have not been served. This state of affairs allows the Debtor Plaintiffs to preserve these potentially valuable assets without incurring the associated, and potentially unnecessary, costs of prosecution. Upon the Debtor Plaintiffs' motions, the Court has extended multiple times the deadline for the Debtor Plaintiffs to serve process in these adversary proceedings. The current deadline is September 11, 2015.

I. First Day Motions and Other Material Relief

On the Petition Date, the Debtors sought approval from the Bankruptcy Court of certain motions and applications (collectively, the "First Day Motions"), which the Debtors filed simultaneously with, or around the same time as, their voluntary petitions. The Debtors sought this relief to minimize disruption of the Debtors' business operations as a result of the Chapter 11 filings, to establish procedures in the Chapter 11 Cases regarding the administration of the cases and to facilitate reorganization efforts. Specifically, the First Day Motions addressed the following issues, among others:

1. Joint Administration

On the Petition Date, the Debtors filed their *Motion for an Order Authorizing Joint Administration of Related Chapter 11 Cases for Procedural Purposes Only* [D.I. 2], pursuant to which the Debtors sought an order directing the joint administration of their Chapter 11 Cases and the consolidation thereof for procedural purposes only. On April 16, 2010, the Bankruptcy Court entered an order granting the relief requested [D.I. 39].

2. Employees

On the Petition Date, the Debtors filed their *Motion for Entry of an Order: (I) Authorizing the Debtor to (A) Pay Wages, Salaries and Other Compensation, (B) Maintain Employee Medical and Similar Benefits, and (C) Pay Reimbursable Employee Expenses, and (II) Authorizing and Directing Banks and Other Financial Institutions to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing* [D.I. 12], pursuant to which the Debtors sought an order authorizing them to pay and/or honor, among other things, certain prepetition claims for wages, salaries and other compensation, as well as to honor paid time off, medical benefits, contributions to employee benefit plans, and other employee benefits that the Debtors historically paid in the ordinary course of business, to reimburse certain reimbursable unpaid employee obligations, and to pay all costs incident to the foregoing. The Bankruptcy Court entered an order approving this motion on April 16, 2010 [D.I. 44].

3. Cash Management

On the Petition Date, the Debtors filed their *Motion for Entry of an Order Under 11 U.S.C. Sections 105, 345, 363, 503(b), 1107 and 1108 Authorizing (I) Maintenance of Certain Existing Bank Accounts, (II) Continued Use of Existing Business Forms, (III) Continued Use of Existing Cash Management System; (IV) Continued Performance of Intercompany Transactions and Exercise of Intercompany Setoff Rights, (V) Grant of Postpetition Administrative Priority to Intercompany Claims, and (VI) Limited Waiver of Section 345(b) Deposit and Investment Requirements* [D.I. 10] pursuant to which the Debtors sought an order authorizing them to maintain their existing cash management system, bank accounts and business forms. The Debtors further requested that they be excused from compliance with certain aspects of section 345(b) of the Bankruptcy Code which requires compliance with certain deposit or investment procedures. The Bankruptcy Court entered its order granting the relief requested by the motion on April 16, 2010 [D.I. 42].

4. Taxes

On the Petition Date, the Debtors filed their *Motion for Entry of an Order (A) Authorizing the Debtors to Pay Certain Prepetition Sale and Use and Similar Taxes in the Ordinary Course of Business and (B) Authorizing and Directing Financial Institutions to Honor Related Checks and Electronic Payment Requests* [D.I. 19] pursuant to which the Debtors sought authority to pay, in the Debtors' sole discretion, prepetition taxes and regulatory fees. The Bankruptcy Court granted the motion by order entered on April 16, 2010 [D.I. 46].

5. Utilities

On the Petition Date, the Debtors filed their *Motion for Entry of Interim and Final Orders Under Section 366 of the Bankruptcy Code (A) Prohibiting Utility Providers From Altering, Refusing or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment* [D.I. 13], pursuant to which the Debtors sought an order establishing "adequate assurance" procedures for efficient administration of the Debtors' responsibilities under section 366 of the Bankruptcy Code. On April 16, 2010, the Bankruptcy Court entered its interim order implementing the procedures proposed by the Debtors [D.I. 45]. A final order was entered on May 12, 2010 [D.I. 116].

6. Retention of Customer Programs

On the Petition Date, the Debtors filed their *Motion for Entry of an Order Pursuant to Sections 105(a), 363(c), 1107(a) and 1108 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 Authorizing the Debtors to Honor Prepetition Obligations to Customers and to Otherwise Continue Customer Practices and Programs in the Ordinary Course of Business* [D.I. 7], pursuant to which the Debtors sought authorization to continue to honor certain programs to maximize sales, engender customer loyalty, and develop and sustain brand loyalty and a positive reputation in the marketplace. The Bankruptcy Court entered an order granting the relief requested on April 16, 2010 [D.I. 41].

7. Prepetition Shipper, Freight Forwarder, and Related Obligations

On the Petition Date, the Debtors filed their *Motion for an Order Authorizing, But Not Directing, Debtors to Pay Prepetition Claims of Shippers and Granting Related Relief* [D.I. 16], pursuant to which Debtors sought authority to pay certain essential prepetition shipper, freight forwarder and related obligations in the ordinary course of business. The Bankruptcy Court entered an order granting the relief requested on April 16, 2010 [D.I. 47].

8. Retention of Key Professionals

On the Petition Date, the Debtors filed a number of applications to employ Professionals, including:

- *Application Pursuant to Section 327(a) of the Bankruptcy Code, Rule 2014 of the Federal Rules of Bankruptcy Procedure and Local Rule 2014-1 For Authorization to Employ and Retain Pachulski Stang Ziehl & Jones LLP as Counsel for the Debtors and Debtors in Possession Nunc Pro Tunc to the Petition Date* [D.I. 4], pursuant to which the debtors sought to retain PSZ&J as general bankruptcy counsel. An order was entered authorizing PSZ&J's retention on May 12, 2010 [D.I. 115].

- *Application for Entry of An Order Authorizing Retention and Employment of CRG Partners Group LLC to Provide Restructuring Services to the Debtors and of T. Scott Avila As Chief Restructuring Officer of the Debtors Nunc Pro Tunc to the Petition Date* [D.I. 8], to approve the retention of CRG as their financial and reorganization consultants and T. Scott Avila as the Debtors' Chief Restructuring Officer. The Bankruptcy Court granted the application by order entered on May 12, 2010 [D.I. 126].

- *Application for Entry of An Order Authorizing Retention and Employment of Epiq Bankruptcy Solutions, LLC as Notice, Claims and Balloting Agent* [D.I. 5], pursuant to which the Debtors also sought to employ Epiq Bankruptcy Solutions, LLC as noticing, claims and balloting agent. The Bankruptcy Court authorized this retention on April 16, 2010 [D.I. 40].

9. Critical Vendors

On the Petition Date, the Debtors filed their *Motion of the Debtors Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 for an Order Authorizing, but not Requiring, the Payment of Certain Prepetition Claims of Critical Trade Vendor, E.I. DuPont De Nemours and Company* [D.I. 11], pursuant to which the Debtors sought authority to pay, in their sole discretion, up to $700,000 of a prepetition claim of a critical vendor, E.I. DuPont De Nemours and Company (the "DuPont Claim"), whose continued assistance was critical to the Debtors' reorganization efforts. The Bankruptcy Court granted the motion by order entered April 16, 2010 [D.I. 43] (the "Critical Vendor Order"). Pursuant to the Critical Vendor Order, the Debtors paid $600,000 of the DuPont Claim.

10. DIP Loan Agreement

On the Petition Date, the Debtors filed their *Motion of Debtors for Interim and Final Orders for Authorization to: (1) Incur Senior Secured Superpriority Postpetition Financing; (2) Repay Prepetition Secured Debt Upon Entry of Interim Order; (3) Use Cash Collateral; (4) Grant Liens and Provide Superpriority Administrative Expense Status; (5) Grant Adequate Protection; (6) Modify the Automatic Stay; and (7) Schedule a Final Hearing* [D.I. 23] (the "Original DIP Financing Motion"). Pursuant to the Original DIP Financing Motion, the Debtors sought authority to borrow from Steel Partners L.P. (the "Original DIP Lender"), up to the lesser of $20,000,000, or the borrowing base amount described in the Original DIP Financing Motion, pursuant to a senior secured, first priority debtor in possession revolving credit facility (the "Original DIP Facility").

On April 16, 2010, the Bankruptcy Court entered its *Interim Order Pursuant to 11 U.S.C. Sections 105, 361, 362, 363 and 364, Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules 2002-1 and 4001-2: (1) Authorizing Incurrence by the Debtors of Post-Petition Secured Indebtedness With Priority Over All Secured Indebtedness and With Administrative Superpriority, (2) Authorize Repayment in Full of Pre-Petition Secured Debt Upon Entry of Interim Order, (3) Granting Liens, (4) Authorizing Use of Cash Collateral and Providing Adequate Protection, (5) Modifying the Automatic Stay and (5) Scheduling Final Hearing* [D.I. 48] (the "Original Interim DIP Order") which authorized, on an interim basis, the Debtors' use of cash collateral and additional borrowings under the Original DIP Facility pursuant to the terms of the budget, and granted certain adequate protection to the Original DIP Lender and authority to satisfy the amounts owed to BOFA under the Prepetition Loan Agreement. The Bankruptcy Court entered its *Final Order (1) Authorizing Incurrence by the Debtors of Postpetition Secured Indebtedness With Priority Over All Over Secured Indebtedness and With Administrative Superpriority, (2) Granting Liens, (3) Authorizing Use of Cash Collateral and Providing Adequate Protection and, (4) Modifying the Automatic Stay* on May 12, 2010 [D.I. 120], a final order granting the Original DIP Motion (the "Original Final DIP Order"). As provided in the Original DIP Agreement and related orders, the Debtors used certain of the proceeds of the Original DIP Facility to fully repay their obligations to the Prepetition Lenders under the Prepetition Credit Agreement, as well as to fund postpetition working capital needs.

In August 2010, the Debtors failed to meet certain related financial targets under the budget approved by the Original Final DIP Order (the "DIP Budget"). The Original DIP Lender waived these defaults under the terms and conditions of that certain *Waiver and First Amendment to Credit Agreement*, dated September 1, 2010 (the "First DIP Amendment"), which the Bankruptcy Court approved on September 2, 2010 and which included timetable for the Debtors to effectuate a sale of their assets or, alternatively, a reorganization process and an extended maturity date from September 30, 2010 to December 31, 2010. In the fall of 2010, the Debtors again failed to meet the sale or reorganization timetable and the financial targets mandated by the DIP Budget. The Debtors sought to modify certain of the sale/restructuring milestones agreed to under the First DIP Amendment, as set forth under that certain *Waiver and Second Amendment to Credit Agreement*, dated October 26, 2010 (the "Second DIP Amendment"). Under the Second DIP Amendment, the Debtors agreed to revised sale/restructuring milestones which included, *inter alia*, a sale hearing to be conducted no later than December 16, 2010 and fixed December 31, 2010 as the maturity date for the Original DIP Facility. On November 9, 2010, the Bankruptcy Court entered an order approving the Second DIP Amendment [D.I. 750]. As discussed below, the Original DIP Facility was fully repaid from the proceeds received in respect of the Replacement DIP Facility (defined below) approved by the Bankruptcy Court on December 9, 2010.

J. Bar Dates for Filing Proofs of Claim

The Bankruptcy Court entered an order on June 10, 2010 [D.I. 237] which established August 13, 2010 as the deadline for filing proofs of claim for any Claims against the Debtors that arose before the Petition Date (including WARN Act Claims, but excluding the claims of governmental entities), and October 12, 2010 as the deadline for filing proofs of claim for any Claims against the Debtors of governmental entities. A schedule of the filed proofs of claim is maintained by Epiq Bankruptcy Solutions, LLC, the Debtors' noticing, claims and balloting agent. Approximately $2.9 million, $62.6 million and $179.1 million in asserted secured claims, priority claims, and general unsecured claims, respectively, were filed against the Debtors.

K. Filing of Schedules and Statement of Financial Affairs

On May 14, 2010, the Debtors filed their respective schedules of assets and liabilities (the "Schedules") and each of their respective *Statement of Financial Affairs* with the Bankruptcy Court [D.I. 150-57]. On October 12, 2010, the Debtors filed amendments to their Schedules with the Bankruptcy Court [D.I. 668-70].

L. Appointment of Creditors' Committee

On April 26, 2010, the Office of the United States Trustee formed the Creditors' Committee and appointed five (5) initial members thereto. The Creditors' Committee subsequently met and voted to retain Arent Fox LLP and The Rosner Group LLC as counsel to the Creditors' Committee, which retentions the Bankruptcy Court approved on June 10, 2010 [D.I. 238, 234]. On April 28, 2010, the Creditors' Committee selected and voted to retain CBIZ MHM LLC as its financial advisors, which retention the Bankruptcy Court approved by order entered on June 10, 2010 [D.I. 235].

M. Appointment of Equity Committee

On July 27, 2010, the Office of the United States Trustee appointed an Official Committee of Equity Security Holders (the "Equity Committee") and appointed seven (7) initial members thereto. The Equity Committee subsequently met and voted to retain Morrison & Cohen LLP and Bayard, PA as counsel to the Equity Committee, which retention the Bankruptcy Court approved on August 18, 2010 [D.I. 491, 492]. On April 28, 2010, the Equity Committee selected and voted to retain Goldin Associates, LLC as its financial advisors, which retention the Bankruptcy Court approved order entered on September 29, 2010 [D.I. 631].

On March 25, 2011 Office of the United States Trustee reformed the Equity Committee through the appointment of three (3) new members pursuant to that certain Second Amended Notice of Appointment of Committee of Equity Security Holders [D.I. 1242]. The Equity Committee voted to terminate Morrison & Cohen LLP and Bayard, PA as its counsel and filed a motion to retain Baker & McKenzie as its new counsel on April 1, 2011. On April 21, 2011, the Court entered an order approving of the retention of Baker & McKenzie [D.I. 1392]. Subsequently, the Equity Committee has been reformed several times. On April 1, 2015, the Office of the United States Trustee filed an amended notice [D.I. 2966] reflecting the current appointed members of the Equity Committee: (i) Bharat Capital, LLC, (ii) Tiburon Capital Management LLC, (iii) Daniel Khaykis, (iv) Chong Sin, and (v) Jack Thurmon.

N. Litigation with the Creditors' Committee and Office of United States Trustee's Filing of Motion to Appoint Examiner

On July 13, 2010, the Creditors' Committee filed the *Motion of the Official Committee of Unsecured Creditors for Entry of an Order Appointing a Chapter 11 Trustee, Or in the Alternative, Appointing an Examiner Pursuant to 11 U.S.C. §§ 1104(a) & (C) & 105(A) And Bankruptcy Rules 2007.1 and 9014* [D.I. 334] (the "Trustee Motion"), pursuant to which the Creditors' Committee requested appointment of a Chapter 11 trustee in the Debtors' cases, or, alternatively, appointment of an examiner. The Debtors' filed their preliminary objection to the Trustee Motion [D.I. 362] and their objection to the Trustee Motion [D.I. 511] on July 19, 2010 and August 24, 2010, respectively.

On July 30, 2010, the Office of the United States Trustee filed its *United States Trustee's Motion for Order Directing Appointment of Examiner* [D.I. 423] (the "Examiner Motion"), pursuant to which the Office of the United States Trustee requested appointment of an examiner for the limited purpose of investigating the facts and circumstances surrounding: (i) the connections between Steel Partners and the Debtors and the independence of the Board, and (ii) the allegations of the Creditors' Committee and David Cohen regarding whether the approval of the settlement of the Class Action and Derivative Action would benefit the estate and who would be entitled to any proceeds from a successful resolution of the SEC civil action against David Brooks. The Debtors filed their opposition to the Examiner Motion on August 25, 2010 [D.I. 513].

On September 1, 2010, the Debtors and Creditors' Committee entered into a stipulation to settle the Trustee Motion [D.I. 537] (the "Trustee Motion Settlement"). Pursuant to the Trustee Motion Settlement, the Debtors and Creditors' Committee agreed, among other things, for the withdrawal of the Trustee Motion and for the appointment of an observer mutually selected by the Debtors and the Creditors' Committee to observe and report to the Creditors' Committee on the meetings of the Debtors' Board.

O. The Sale and Reorganization Process and Replacement DIP Financing

As noted above, the Debtors' Original DIP Facility contained sale milestones that required the filing of a motion to approve an asset purchase agreement initially by November 1, 2010 which deadline was later extended to November 19, 2010 pursuant to the Second DIP Amendment. As such, the Debtors were on a very tight timeframe to conduct either a sale of their assets or restructuring of their business. The Debtors formally commenced their sale process on July 8, 2010. On or about July 9, 2010, CRG sent out a teaser memorandum highlighting the Debtors' assets to approximately 2,000 financial and strategic investors and industry participants. The Debtors drafted and provided an offering memorandum and access to their data room to those parties who signed nondisclosure agreements. Over sixty parties returned executed non-disclosure agreements and conducted initial due diligence. CRG created an electronic data room with key documents and company-specific information in order to streamline the due diligence process. CRG received sixteen initial indications of interest, which were subsequently narrowed to six letters of intent. To those parties submitting letters of intent, CRG provided additional, more detailed information about the Debtors, and scheduled meetings with the Debtors' management. The Debtors, with the assistance of CRG and other professionals, subsequently engaged in negotiations with certain of the parties submitting letters of intent on the details of a sale. Sale materials were prepared and then marketed to prospective purchasers.

By mid-November, the Debtors had not yet reached any definitive agreements with any potential acquirers. Because the Original DIP Agreement expired on December 31, 2010 pursuant to the Second DIP Amendment, the Debtors determined that it would be in the best interests of their estates to conduct an auction for and sale of substantially all of their operating assets in order to obtain approval of a sale of the Debtors' assets to meet the deadline constraints imposed by the Second DIP Amendment. On November 24, 2010, the Debtors filed their *Motion for an Order (A) Approving Asset Purchase Agreement and Authorizing Sale of Assets Outside Ordinary Course of Business; (B) Authorizing the Sale Free and Clear of All Liens, Claims, Encumbrances and Interests Pursuant to Sections 363(b), (f) and (m) of the Bankruptcy Code*, et seq. (the "Sale Motion") [D.I. 802] and *Motion for Entry of an Order (A) Approving Bid Procedures for the Sale of the Debtors' Assets, (b) Scheduling an Auction and Hearing to Consider the Sale and Approve the Form and Manner of Notice Related Thereto*; et seq. (the "Bid Procedures Motion") [Docket 800], in order to complete the sale process prior to the expiration of the DIP Facility on December 31, 2010. The Creditors' Committee filed an objection to the Bid Procedures Motion that was joined and supplemented by the Equity Committee [D.I. 838 and 842].

P. The First Plan Support Agreement and Replacement Debtor in Possession Financing

After the filing of the Sale Motion and Bid Procedures Motion, the Debtors engaged in discussions with the Creditors' Committee, the Equity Committee, Lonestar, Privet, Privet Fund Management, and Prescott with respect to the transactions that would eventually form the basis of the Replacement DIP Facility and that certain *Plan Support Agreement*, dated as of December 10, 2011 (the "First Plan Support Agreement"). Privet Fund Management and Prescott Group Capital, either directly or through their investors or affiliates, are existing shareholders in SS Body Armor I. Lonestar Partners, L.P., an affiliate of Lonestar, holds General Unsecured Claims (collectively, the "Lonestar Pre-Petition Claims") (i) against SS Body Armor III in the amount of $373,572.10 as

reflected in SS Body Armor III's schedules of assets and liabilities, (ii) against SS Body Armor II(as defined below) in the amount of $8,126,774.32 as reflected in SS Body Armor II's schedules of assets and liabilities, and (iii) against SS Body Armor I in the amount $8,512,858.34 as reflected in Proof of Claim No. 284.

Lonestar, though its affiliate, PB Funding, LLC, and, Privet and Prescott (together, the "DIP Lenders") agreed to provide an alternate source of post-petition financing that would permit the Debtors to retire the Original DIP Facility, obtain relief from the existing sale-related covenants and pursue a reorganization of the Debtors' business enterprise.

The First Plan Support Agreement provided for the commitment of the parties to a negotiated plan of reorganization. It contained a series of deadlines by which certain milestones were to be achieved, including the approval of a disclosure statement by the Bankruptcy Court by February 18, 2011, plan confirmation by March 30, 2011 and plan consummation by April 14, 2011. The First Plan Support Agreement also provided for payment of a break-up fee of $750,000 and expense reimbursement of up to $200,000 to Privet and Privet Fund Management, Prescott, and Lonestar if the Debtors either consummated a sale, confirmed an alternative plan of reorganization or obtained other financing to repay the existing DIP Facility.

On December 7, 2010, the Equity Committee and Creditors' Committee filed a joint motion for approval of the Replacement DIP Facility and the First Plan Support Agreement [D.I. 874]. The First Plan Support Agreement was subsequently approved pursuant to the Interim DIP Order on December 10, 2010, and the Replacement DIP Facility was approved on an interim basis pursuant to the Interim DIP Order and on a final basis pursuant to the Final DIP Order entered on December 29, 2010 [D.I. 968].

A *Disclosure Statement Describing Joint Chapter 11 Plan of Reorganization* [D.I. 1007] (the "First Disclosure Statement") was filed in support of a *Joint Chapter 11 Plan of Reorganization* [D.I. 1006] (the "First Plan"). Subsequently, certain modifications were made in response to objections or comments by the Staff of the SEC and others, including modifications to then-contemplated sale of New Common Stock.

Q. The Second Plan Support Agreement

As noted above, the Equity Committee was reformed on March 25, 2011 with the appointment of three additional members. The Equity Committee terminated its prior counsel and applied on April 1, 2011 to employ new counsel. The parties to the First Plan Support Agreement, except for the Equity Committee, then entered into a *Second Plan Support Agreement* (the "Second Plan Support Agreement"). Like the First Plan Support Agreement, the Second Plan Support Agreement contained a series of milestones, including the approval of the disclosure statement by June 3, 2011 and plan consummation by June 17, 2011.

A *Disclosure Statement Describing Amended Joint Chapter 11 Plan of Reorganization* (the "Second Disclosure Statement") and *Amended Joint Chapter 11 Plan of Reorganization* was filed on April 12, 2011. The Equity Committee objected to the approval of the Second Disclosure Statement and withdrew its approval from the Second Plan Support Agreement and related documents. In light of these developments, the Debtors again commenced their efforts to effectuate a sale of substantially all of their assets.

R. Sale of Substantially of the Debtors' Assets; Remaining Assets of the Estates

On October 28, 2011, the Bankruptcy Court entered the *Order (A) Approving Asset Purchase Agreement and Authorizing the Sale of Asset Outside the Ordinary Course of Business; (B) Authorizing the Sale of Assets Free and Clear of All Liens, Claims, Rights, Encumbrances and Other Interests Pursuant to Bankruptcy Code Sections 105, 363(b), 363(f) and 363(m); (C) Authorizing the Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases Pursuant to Bankruptcy Code Sections 363 and 365; and (D) Granting Related Relief* [D.I. 1814] (the "Sale Order"). Pursuant to the Sale Order, the Debtors sold substantially all of their assets to Point Blank Enterprises, Inc. (the "Purchaser") pursuant to the terms of the asset purchase agreement (the "Asset Purchase Agreement") between the Debtors and the Purchaser. The sale of the Debtors' assets to the Purchaser as contemplated by the Sale Order and defined by the Asset Purchase Agreement closed on October 31, 2011.

Given the consummation of this sale, the Debtors' remaining assets consist generally of Causes of Action, including Shared Recovery Matters and Avoidance Actions. The Plan provides for the continued prosecution of Causes of Action (by the Post-Confirmation Debtor Representative and Recovery Trust, as applicable), with such prosecution to be primarily funded by the Plaintiffs' Loan.

S. Jeffrey Brooks Shareholder Meeting Litigation

On January 29, 2015, Jeffrey Brooks moved for relief from the automatic stay as necessary to allow him to enforce his alleged rights under Delaware corporate law to compel Point Blank to hold an annual shareholder meeting [D.I. 2851]. Point Blank filed an opposition [D.I. 2866] contending, among other things, that Jeffrey Brooks' motion and efforts constituted a clear abuse of his alleged shareholder rights that would seriously jeopardize a successful resolution of the Debtors' cases, which have been marked by many years of litigation and difficulties; Brooks' demand for a shareholder meeting was manifestly made for the purpose of frustrating the Settlement Agreement, which is in the best interests of the Debtors and all parties in interest. On April 1, 2015, the Court issued an opinion and entered an order granting Jeffrey Brooks' motion [D.I. 2969 & 2970], explaining that "[t]here is an argument to be made that clear abuse may be present in this case" but finding that, as a procedural matter, Point Blank was required to file an adversary proceeding and a motion for an injunction in order to enjoin Jeffrey Brooks' efforts to compel a shareholder meeting.

On April 6, 2015, Point Blank commenced an adversary proceeding against Jeffrey Brooks under the caption *SS Body Armor I, Inc. v. Jeffrey R. Brooks*, Adv. No. 15-50261 (the "Shareholder Adversary Proceeding"). The complaint filed in the Shareholder Adversary Proceeding [Adv. D.I. 1] seeks (a) a declaratory judgment that Jeffrey Brooks' efforts to compel a shareholder meeting constitute a "clear abuse" of the right to demand a shareholder meeting, and (b) an injunction barring Jeffrey Brooks from taking any action to compel Point Blank to hold a shareholder meeting. Also on April 6, 2015, Point Blank filed a motion for a preliminary injunction in the Shareholder Adversary Proceeding [Adv. D.I. 3] (the "PI Motion"). By the PI Motion, Point Blank seeks a preliminary injunction barring Jeffrey Brooks, and any person or entity acting on his behalf or in active concert or participation with him, from taking any action to compel Point Blank to hold a shareholder meeting. By agreement of the parties, a hearing on the PI Motion is scheduled for July 10, 2015.

On April 6, 2015, as Point Blank was in the process of filing the Shareholder Adversary Proceeding, Jeffrey Brooks and his IRA filed an action against Point Blank in the Court of Chancery of the State of Delaware ("Chancery Court") under the caption *Jeffrey Brooks, et al. v. SS Body Armor I, Inc.*, C.A. No. 10878-VCP (Del. Ch.) (the "Chancery Court Action"). In the Chancery Court Action, Jeffrey Brooks and his IRA seek an order compelling Point Blank to hold a shareholder meeting pursuant to 8 Del. C. § 211(c). Jeffrey Brooks and his IRA also filed a motion to expedite the Chancery Court Action, in which Jeffrey Brooks and his IRA requested that the Chancery Court hold a trial in the Chancery Court Action before the Bankruptcy Court was scheduled to hear the PI Motion. On April 14, 2015, the Chancery Court denied that request. A trial in the Chancery Court Action currently is scheduled for July 22, 2015.

Finally, on May 15, 2015, Jeffrey Brooks filed a motion for mandatory abstention in the Shareholder Adversary Proceeding [Adv. D.I. 34]. In that motion, Jeffrey Brooks argued that the Bankruptcy Court was required to abstain from hearing the PI Motion or otherwise adjudicating the Shareholder Adversary Proceeding. The Bankruptcy Court denied Jeffrey Brooks' motion on June 4, 2015 [Adv. D.I. 47].

T. The Settlement Agreement

1. Procedural History and Current Status of the 9019 Motion

After David Brooks, Jeffrey Brooks, and their family members abandoned the global settlement term sheet in late 2013 (as discussed above), the remaining parties continued to engage in settlement negotiations amongst themselves. A term sheet was executed on November 25, 2014 and, on or about February 6, 2015, a settlement agreement was entered into between (a) the Debtors, (b) the lead plaintiffs in the Class Action, on behalf of themselves and, subject to the approval of the EDNY District Court, all members of the class certified in the Class Action (the "Class Plaintiffs"), (c) plaintiffs' counsel in the Class Action ("Plaintiffs' Counsel") and (d) plaintiff's counsel in the Derivative Action ("Derivative Counsel"). Also on February 6, 2015, the Debtors filed a motion to

approve the settlement agreement (the "9019 Motion"). The 9019 Motion was (and is) supported by the Creditors' Committee. Various other parties, including the Equity Committee, filed oppositions to the 9019 Motion. The Equity Committee's opposition to the 9019 Motion has now, as discussed below, been resolved.

As discussed in the next section, the settlement contemplates sharing arrangements between the Debtors and the Class Plaintiffs with respect to, among other things, any restitution awarded by the EDNY District Court in the Criminal Action. Thus, after the EDNY District Court entered its Restitution Order on March 27, 2015, the parties agreed to certain technical amendments to the settlement agreement to refer to and take into account the actual restitution awards granted by the EDNY District Court on March 27, 2015. The parties also agreed to certain technical amendments to the settlement agreement to preserve the Debtors' rights in connection with the Shareholder Adversary Proceeding and the Chancery Court Action, both of which were commenced after the parties executed the settlement agreement on February 6, 2015. The parties executed an amended settlement agreement on or about May 4, 2015 (the "Amended Settlement Agreement"). A copy of the Amended Settlement Agreement was attached to the *Notice to the Honorable Christopher S. Sontchi and Interested Parties re: Technical Amendments to Settlement Agreement Between Debtors, Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel* [D.I. 2995], filed on May 4, 2015.

A hearing on the 9019 Motion commenced on June 4, 2015. During that hearing, the Debtors, the Class Plaintiffs, Plaintiffs' Counsel, Derivative Counsel and the Creditors' Committee reached an agreement with the Equity Committee to resolve the Equity Committee's opposition to the 9019 Motion. As part of that resolution, the Debtors, the Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel entered into an addendum to the Amended Settlement Agreement on June 10, 2015 (the "Addendum" and, together with the Amended Settlement Agreement, the "Settlement Agreement"). A copy of the Addendum was attached to the *Notice to the Honorable Christopher S. Sontchi and Interested Parties re: Addendum to Amended Settlement Agreement Between Debtors, Class Plaintiffs, Plaintiffs' Counsel and Derivative Counsel* [D.I. 3055], filed on June 11, 2015.

The hearing on the 9019 Motion resumed on June 12, 2015, and currently is scheduled to conclude on July 6, 2015.

2. Overview of the Settlement Agreement

The Settlement Agreement provides the Debtors with an immediate source of cash to fund a Chapter 11 plan, in the form of a $20 million, interest-free, non-recourse loan from the Escrowed Funds, which funds are currently the subject of multiple litigation matters. The Settlement Agreement will resolve the parties' competing claims to the Escrowed Funds and the Plaintiffs' Stock Share (as defined in the Settlement Agreement), as well as the parties' competing claims to the approximately $180 million of funds restrained or forfeited in connection with the Criminal Action against David Brooks. As discussed above, the EDNY District Court already has determined that Point Blank and the Class Plaintiffs are entitled to restitution, and has awarded approximately $53.9 million in restitution to Point Blank and approximately $37.5 million in restitution to the Class Plaintiffs and other investor victims of David Brooks' misconduct. The Amended Settlement Agreement provided for a 50/50 allocation of the Escrowed Funds, the Plaintiffs' Stock Share and the ultimate awards, whether by restitution, forfeiture or otherwise, to the Debtors and the Class Plaintiffs, with the interest-free loan from the Escrowed Funds to be repaid from the Debtors' portion of the Shared Recovery Matters (as defined in the Settlement Agreement). As amended via the Addendum, the Settlement Agreement now provides for: (a) a 50/50 allocation between the Debtors and the Class Plaintiffs of the Plaintiffs' Stock Share and any other recoveries up to $128.4 million, which amount reflects the sum of the Escrowed Funds ($37 million), the Debtors' restitution award ($53.9 million) and the investor victims' restitution award ($37.5 million); and (b) a 63/37 allocation between the Debtors and the Class Plaintiffs of any additional recoveries over and above $128.4 million, with 63% of such additional recoveries allocated to the Debtors and 37% of such additional recoveries allocated to the Class Plaintiffs. By resolving the parties' competing claims to (among other things) the Escrowed Funds and the restrained and forfeited assets, and establishing a framework for the allocation of the restitution/forfeiture awards and other amounts, the Settlement Agreement will allow the Debtors and Class Plaintiffs to pursue the recovery of the restrained/forfeited assets in a cooperative, non-adversarial fashion that will maximize recoveries, and minimize costs, for the victims of David Brooks' criminal conduct, the Debtors and defrauded investors.

The Settlement Agreement also will resolve a variety of complex litigation matters pending in the Bankruptcy Court, the Delaware District Court and the EDNY District Court. The Settlement Agreement calls for the Debtors to release their claims to the Escrowed Funds, and for the Escrowed Funds to be distributed to the Class Plaintiffs as contemplated by the EDNY Stipulation. As discussed above, the Escrowed Funds and Point Blank's subsequent rejection of the EDNY Stipulation are the subject of (a) the Turnover Adversary Proceeding in the Bankruptcy Court, with two motions to dismiss filed by the Class Plaintiffs and David Brooks, (b) two appeals from the Rejection Order filed in the Delaware District Court by the Class Plaintiffs and David Brooks, and (c) three "rejection damages" claims filed against Point Blank by David Brooks and Dawn Schlegel. Moreover, with the status of the EDNY Stipulation still the subject of litigation, the proceedings underlying the EDNY Stipulation (*i.e.*, the Class and Derivative Actions) remain in the EDNY District Court. Upon the effective date of the Settlement Agreement, the Escrowed Funds will be released to the Class Plaintiffs in accordance with the EDNY Stipulation, the Turnover Adversary Proceeding will be dismissed, the Class Plaintiffs' appeal from the Rejection Order will be dismissed, and the Class and Derivative Actions will be dismissed with prejudice. By resolving the litigation matters pending among the parties, the settlement will allow the parties to avoid the attendant expense, delay, inconvenience and uncertainty of such litigation, and to focus their collective efforts and resources on the Shared Recovery Matters.

Finally, the Settlement Agreement will achieve the intended effect of the EDNY Stipulation (*i.e.*, use of the Escrowed Funds to resolve the Class Action and Derivative Action), and will either resolve or moot David Brooks' appeal from the Rejection Order and the "rejection damages" claims asserted by David Brooks and Dawn Schlegel, all of which focus primarily upon ownership of the Escrowed Funds in the event that the Escrowed Funds are not distributed to the Class Plaintiffs in accordance with the EDNY Stipulation.

III. SUMMARY OF PLAN

A. Treatment of Claims and Interests

1. Summary

Article 2 of the Plan contains a table that sets forth the classification under the Plan of Claims against and Interests in the Debtors for all purposes, including voting, confirmation and distribution pursuant to the Plan and sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that any such Claim or Interest has not been paid or otherwise resolved prior to the Effective Date or is not the subject of a current objection. The classification of a Claim in a particular Class for voting purposes will not be deemed as an allowance of such Claim. The Debtors, the Post-Confirmation Debtor, and the Recovery Trust reserve all rights to object to or to dispute any such Claims as further provided in the Plan.

2. Administrative Claims and Priority Claims

a. Administrative Claims

As set forth in the Plan Recovery Analysis attached hereto as **Exhibit B**, the Plan Proponents estimate all Allowed Administrative Claims (including Professional Fee Claims) to total approximately $15 million as of the projected Effective Date.

Except to the extent that an Allowed Administrative Claim is not yet due and owing or to the extent a holder of an Allowed Administrative Claim has been paid prior to the Effective Date or agrees to different treatment, in full satisfaction, settlement, and release of and in exchange for each Allowed Administrative Claim (excluding any Professional Fee Claim), the holder thereof will receive Cash from the Post-Confirmation Debtor Representative equal to the amount of such Allowed Administrative Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Administrative Claim becomes Allowed by Final Order. Allowed Administrative Claims not yet due and owing as of the Effective Date shall be paid by the Post-

Confirmation Debtor Representative in the ordinary course of business. Cash in the Administrative/Priority/Tax Claims Reserve shall be used to pay all Allowed Administrative Claims.

Except as otherwise provided in Article 3 of the Plan, requests for payment of Administrative Claims must be filed and served on the Recovery Trust and Post-Confirmation Debtor Representative no later than the applicable Administrative Claims Bar Date (unless previously properly filed and served in accordance with the applicable Administrative Claims Bar Date Order). Holders of Administrative Claims (other than Claims for Professionals' fees and expenses) that are required to, but do not, file and serve a request for payment of such Administrative Claims by such date will be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, the Recovery Trust or the Post-Confirmation Debtor or their property, and such Administrative Claims will be deemed satisfied as of the Effective Date. Objections to requests for payment of Administrative Claims filed after the Effective Date must be filed and served on the Recovery Trust and the requesting party by the later of (i) seventy-five (75) days after the Effective Date, and (ii) forty-five (45) days after the filing of the subject Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to (i) any Administrative Claim previously Allowed by a Final Order, including any Administrative Claim expressly Allowed under the Plan, and (ii) any Ordinary Course Claim.

b. Professional Fee Claims

Any Professional or other Entity asserting a Professional Fee Claim must file and serve on respective counsel for the Debtors, the Post-Confirmation Debtor Representative, and the Recovery Trust and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Claim no later than sixty (60) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court.

On and after the Effective Date, any requirement that a Professional comply with §§ 327 through 331 and 1103 and seek approval from the Bankruptcy Court in connection with such Professional's retention or compensation for services rendered after such date will terminate, and the Post-Confirmation Debtor and the Recovery Trust may employ and pay any Professional for services rendered or expenses incurred after the Effective Date in the ordinary course of business without any further notice to any party or action (including without the need to file a fee application), order or approval of the Bankruptcy Court, except as other expressly provided in the Plan.

Except as otherwise agreed by a holder of an Allowed Professional Fee Claim, the holder thereof will receive Cash from the Post-Confirmation Debtor Representative equal to the amount of such Allowed Professional Fee Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Professional Fee Claim becomes payable pursuant to the Compensation Procedures Order or other order of the Bankruptcy Court, in full satisfaction, settlement, release and discharge of and in exchange for each Allowed Professional Fee Claim.

c. U.S. Trustee Fees

On the Effective Date, the Debtors will pay all U.S. Trustee Fees that are due and owing as of the Effective Date.

d. Priority Tax Claims

As set forth in the Plan Recovery Analysis attached hereto as **Exhibit B**, the Plan Proponents estimate all Allowed Priority Tax Claims to total approximately $600,000 as of the projected Effective Date.[9]

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date, or agrees to different treatment, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction,

[9] This $600,000 estimate excludes asserted Administrative Claims filed by governmental/taxing authorities, which Administrative Claims are included in the Debtors' estimate above of total Administrative Claims as of the Effective Date, but which Claims may be reclassified as secured and/or priority claims subject to the claim administration process.

settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, at the election of the Debtors, (i) Cash on the Effective Date in an amount equal to such Allowed Priority Tax Claim (without interest), or (ii) regular installment payments in Cash of a total value, as of the Effective Date, equal to the amount of the Allowed Priority Tax Claim over a period ending not later than five years after the Petition Date. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date will be paid in the ordinary course of business as such obligations become due.

3. Classes of Claims and Interests: Classification, Treatment and Voting Rights

a. Treatment of Allowed Class 1 Claims (Other Priority Claims)

Classification: Class 1 consists of Other Priority Claims against the Debtors. "Other Priority Claim" means any Claim accorded priority in right of payment under § 507(a) of the Bankruptcy Code, other than an Administrative Claim or a Priority Tax Claim. As set forth in the Plan Recovery Analysis attached hereto as **Exhibit B**, the Plan Proponents estimate all Allowed Other Priority Claims to total approximately $50,000 as of the projected Effective Date.

Treatment: Except to the extent that a holder of an Allowed Other Priority Claim (i) has been paid by the Debtors prior to the Effective Date or (ii) agrees to a less favorable treatment, each holder of an Allowed Other Priority Claim will receive from the Post-Confirmation Debtor Representative, in full satisfaction, settlement, release and discharge of, and in exchange for such Other Priority Claim, Cash equal to the amount of such Allowed Other Priority Claim on the later of the date which is on or as soon as reasonably practicable after the Effective Date and the date such Other Priority Claim becomes an Allowed Claim.

Voting: Class 1 is not Impaired. Therefore, holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

b. Treatment of Allowed Class 2 Claims (Secured Claims)

Classification: Class 2 consists of Secured Claims against the Debtors.[10] Each Secured Claim, to the extent secured by a Lien on any property or interest in property of the Debtors different from that securing any other Secured Claim, will be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.

Treatment: Except to the extent that a holder of an Allowed Secured Claim has been paid by the Debtors, in whole or in part, prior to the Effective Date, on the Effective Date, at the option of the Debtors, each holder of an Allowed Secured Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Secured Claim, (x) payment in full in Cash of the unpaid portion of such Allowed Secured Claim, (y) return of the collateral securing such Claim or (z) such other treatment as may be agreed to by the holder. The Debtors will inform each holder of a Secured Claim of the treatment of such Creditor's Secured Claim not less than ten (10) days prior to the Confirmation Hearing.

Voting: Class 2 is not Impaired. Therefore, holders of Secured Claims not entitled to vote to accept or reject the Plan.

c. Treatment of Allowed Class 3 Claims (General Unsecured Claims)

Classification: Class 3 consists of General Unsecured Claims against the Debtors. "General Unsecured Claim" means any Claim that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Secured Claim, Subordinated Unsecured Claim, Class Action Claim, or Other Subordinated Claim. As set forth in the Plan Recovery Analysis attached hereto as **Exhibit B**, based on numerous assumptions including the assumption that the

[10] While approximately $2.77 million in Secured Claims have been filed against the Debtors, some such Claims (i) were filed by governmental/taxing authorities and the amounts thereof have been included in the Debtors' estimate of Priority Tax Claims as of the Effective Date, (ii) are objectionable and may be reclassified or disallowed during the claim administration process, or (iii) relate to equipment leases and the like, which Claims may be secured only by the underlying equipment and other leased property.

estates prevail in various claim objections during the claim administration process, the Plan Proponents estimate all Allowed General Unsecured Claims to total approximately $38 million.

Treatment: On the Effective Date, each holder of an Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such General Unsecured Claim, an allocated Class 3 Trust Interest, which shall entitle the holder its *pro rata* share of funds available to holders of Class 3 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 3 Trust Interest shall be determined by multiplying (a) the total net funds available for distribution to holders of Allowed Class 3 Claims under the Recovery Trust Agreement and (b) the ratio of (x) the Allowed Class 3 Claim amount of the holder to (y) the aggregate amount of all Allowed Class 3 Claims. In accordance with the Recovery Trust Agreement, each holder of a Class 3 Trust Interest shall receive distribution(s) in Cash from the Recovery Trust of said holder's *pro rata* share of the Class 3 - Shared Distributable Recovery Trust Proceeds. Such distributions shall be made at the same time as, if applicable, distributions of the Class 4 - Shared Distributable Recovery Trust Proceeds (if any) to holders of Class 4 Trust Interests (if any) and Class 6 - Shared Distributable Recovery Trust Proceeds (if any) to holders of Class 6 Trust Interests pursuant to Sections 4.4(b) and 4.6(b) of the Plan. Upon and subject to the occurrence of the Class 3 - Subsequent Distribution Trigger, each holder of a Class 3 Trust Interest shall then receive in Cash its *pro rata* share of any remaining Net Distributable Recovery Trust Proceeds (if any), up to the remaining unpaid portion of the holder's Allowed Class 3 Claim, plus postpetition interest on the Allowed Class 3 Claim at the Class 3 Interest Rate. Upon and in the event of the holders of Class 3 Trust Interests receiving payment from the Recovery Trust in an aggregate amount up to the Allowed amount of their Class 3 Claim plus such postpetition interest at the Class 3 Interest Rate, the "**Class 3 Satisfaction**" shall be deemed to have occurred. For the avoidance of doubt, holders of Class 4 Interests (if any) and Class 6 Trust Interests shall receive no further distribution of any Net Distributable Recovery Trust Proceeds, after the distribution to such holders of the Class 4 - Shared Distributable Recovery Trust Proceeds (if any) and Class 6 - Shared Distributable Recovery Trust Proceeds (if any), respectively, until and unless the Class 3 Satisfaction has occurred. Notwithstanding any of the foregoing, any and all General Unsecured Claims held by a Debtor against another Debtor shall be waived, released and expunged without further order of the Bankruptcy Court, and no distribution hereunder or under any other provision of the Plan shall be made on account of any inter-Debtor claim.

Voting: General Unsecured Claims are Impaired. Therefore, holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

d. Treatment of Allowed Class 4 Claims (Subordinated Unsecured Claims)

Classification: Class 4 consists of any Subordinated Unsecured Claims against the Debtors. "Subordinated Unsecured Claim" means any Claim that has been subordinated in priority and right to payment of General Unsecured Claims and includes, without limitation, any Claim for any fine, penalty, or forfeiture or for exemplary or punitive damages, arising before the Petition Date, to the extent that such fine, penalty, forfeiture, or damages are not compensation for actual pecuniary loss suffered by the holder of such Claim. There are currently no Claims in this Class.

Treatment: On the Effective Date, each holder of an Allowed Subordinated Unsecured Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Subordinated Unsecured Claim, an allocated Class 4 Trust Interest, which will entitle the holder its *pro rata* share of funds available to holders of Class 4 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 4 Trust Interest will be determined by multiplying (a) the total net funds available for distribution to holders of allowed Class 4 claims under the Recovery Trust Agreement and (b) the ratio of (x) the allowed Class 4 claim amount of the holder to (y) the aggregate amount of all allowed Class 4 claims. Subject to Sections 4.3(b) and 4.4(b) of the Plan, the Class 4 Trust Interests shall be subordinated in right of payment to the Class 3 Trust Interests. In accordance with the Recovery Trust Agreement, each holder of a Class 4 Trust Interest (if any) shall receive distribution(s) in Cash from the Recovery Trust of said holder's *pro rata* share of the Class 4 - Shared Distributable Recovery Trust Proceeds (if any). Such distributions shall be made at the same time as distributions of the Class 3 - Shared Distributable Recovery Trust Proceeds to holders of Class 3 Trust Interests and, if applicable, Class 6 - Shared Distributable Recovery Trust Proceeds (if any) to holders of Class 6 Trust Interests pursuant to Sections 4.3(b) and 4.6(b) of the Plan. Upon and subject to the occurrence of the Class 3 Satisfaction, each holder of a Class 4 Trust Interest shall then receive in Cash its *pro rata* share of any remaining Net Distributable Recovery Trust

Proceeds (if any), up to the remaining unpaid portion of the holder's Allowed Class 4 Claim, plus postpetition interest on the Allowed Class 3 Claim at the Federal Judgment Rate. Holders of Allowed Class 4 Claims (if any) shall receive payment from the Recovery Trust -only if and to the extent sufficient Net Distributable Recovery Trust Proceeds remain- in an aggregate amount up to the Allowed amount of their Class 4 Claim plus postpetition interest at the Federal Judgment Rate (the "**Class 4 Satisfaction**").

Voting: Class 4 is Impaired. Therefore, holders of Subordinated Unsecured Claims are entitled to vote to accept or reject the Plan.

e. Treatment of Allowed Class 5 Claims (Class Action Claims)

Classification: Class 5 consists of Class Action Claims against any and all of the Debtors. "Class Action Claims" means any Claims arising out of or relating to claims asserted in the Class Action. The "Class Action" is the consolidated securities class action captioned *In re DHB Industries, Inc. Class Action Litigation*, Case No. 05-cv-4296, pending in the United States District Court for the Eastern District of New York.

Treatment: Consistent with the Settlement Agreement, the Lead Plaintiffs will withdraw with prejudice the proofs of claim they filed in the Chapter 11 Cases based upon the allegations in the Class Action, including, without limitation, Claim Nos. 458, 460, 461, 482, 484, and 485. Consistent with the Settlement Agreement, holders of Class 5 Claims will receive under the Plan (i) their respective proportionate share (in cash) of the Shared Recovery Matters, (ii) cash distributions out of the Escrowed Funds (less the funding of the Plaintiffs' Loan) in accordance with the EDNY Stipulation, the award of attorneys' fees and expenses in the Class Action, and the Plan of Allocation approved in the Class Action, and (iii) cash distributions equivalent, in the aggregate, to the value of the 3,184,713 shares of SS Body Armor I common stock that were to be delivered to the Plaintiffs pursuant to the EDNY Stipulation, with the foregoing items (i) to (iii) subject to the terms of the Settlement Agreement (including, without limitation, section 3 of the Settlement Agreement) and any other applicable orders, agreements and operative documents (including, without limitation, the Plan of Allocation approved in the Class Action). The distributions to holders of Class 5 claims will be made by Plaintiffs' Counsel or its designee or agent, or as otherwise provided in the Settlement Agreement. Nothing herein or in the Plan is intended to modify any other or further distributions that may be made, or other remedies that may be available, to holders of Class 5 claims pursuant to the Settlement Agreement.

Voting: Class 5 is Impaired. The Lead Plaintiffs, as approved representatives of the certified Class, will be entitled to vote to accept or reject the Plan on behalf of all holders of Class 5 Claims.

f. Treatment of Allowed Class 6 Interests (Old Common Stock Interests)

Classification: Class 6 consists of the Old Common Stock Interests in SS Body Armor I. "Old Common Stock Interests" means all of the authorized, issued and outstanding shares of the common stock of SS Body Armor I, Inc. (formerly known as Point Blank Solutions, Inc.) as of the Petition Date, which are not Subordinated Common Stock Interests.

Treatment: On the Effective Date, the Old Common Stock Interests will be deemed cancelled, null and void, and of no force and effect. Each holder of an Allowed Old Common Stock Interest will receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Old Common Stock Interest, an allocated Class 6 Trust Interest, which will entitle the holder its *pro rata* share of funds available to holders of Class 6 Trust Interests pursuant to the Recovery Trust Agreement. The *pro rata* share of funds of a particular holder of a Class 6 Trust Interest will be determined by multiplying (a) the total net funds available for distribution to holders of allowed Class 6 interests under the Recovery Trust Agreement and (b) the ratio of (x) the number of shares of Old Common Stock Interests held by the holder as of the distribution record date to (y) the aggregate number of all shares of Old Common Stock Interests outstanding as of the distribution record date. In accordance with the Recovery Trust Agreement, each holder of a Class 6 Trust Interest shall receive distribution(s) in Cash from the Recovery Trust of said holder's *pro rata* share of the Class 6 - Shared Distributable Recovery Trust Proceeds (if any). Such distributions shall be made at the same time as distributions of the Class 3 - Shared Distributable Recovery Trust Proceeds to holders of Class 3 Trust Interests and, if applicable, Class 4 - Shared Distributable Recovery Trust Proceeds to holders of Class 4 Trust Interests pursuant to Sections 4.3 and 4.4 of the Plan. Holders

of Class 6 Trust Interests shall receive further distribution(s) in Cash, on a *pro rata* basis, of any remaining Net Distributable Recovery Trust Proceeds only after and if the Class 3 Satisfaction and Class 4 Satisfaction have occurred. Subject to Sections 4.3(b), 4.4(b) and 4.6(b) of the Plan, Class 6 Trust Interests shall be subordinated in right of payment to the Class 3 Trust Interests and Class 4 Trust Interests.

Voting: Class 6 is Impaired. Therefore, holders of Old Common Stock Interests are entitled to vote to accept or reject the Plan.

g. Treatment of Allowed Class 7 Interests (Subordinated Common Stock Interests)

Classification: Class 7 consists of all Subordinated Common Stock Interests in SS Body Armor I. "Subordinated Common Stock Interest" means the authorized, issued and outstanding shares of the common stock of SS Body Armor I, Inc. as of the Petition Date, which shares have been subordinated in payment and/or rights to the Old Common Stock Interests.

Treatment: Subordinated Common Stock Interests will be subordinated to Class 6 Interests and will receive no recovery under the Plan or otherwise from the Recovery Trust. On the Effective Date, all Subordinated Common Stock Interests will be deemed cancelled, null and void, and of no force and effect.

Voting: Class 7 is Impaired, and the holders of Subordinated Common Stock Interests are conclusively presumed to have rejected the Plan. Therefore, holders of Subordinated Common Stock Interests are not entitled to vote to accept or reject the Plan.

h. Treatment of Allowed Class 8 Interests (Other Old Equity Interests)

Classification: Class 8 consists of all Other Old Equity Interests in the Debtors. "Other Old Equity Interests" means any and all of the equity security interests in the Debtors other than the Old Common Stock Interests and Subordinated Common Stock Interests, including, without limitation, the Unexercised Options.

Treatment: On the Effective Date, all Other Old Equity Interests will be deemed cancelled, null and void, and of no force and effect, and the holders thereof will receive no recovery nor retain any property under the Plan on account of such Other Old Equity Interests.

Voting: Class 8 is Impaired, and the holders of Other Old Equity Interests are conclusively presumed to have rejected the Plan. Therefore, holders of Other Old Equity Interests are not entitled to vote to accept or reject the Plan.

i. Treatment of Allowed Class 9 Claims (Other Subordinated Claims)

Classification: Class 9 consists of all Other Subordinated Claims against the Debtors. "Other Subordinated Claims" means any Claims that have been subordinated in priority and/or right of payment to all other Claims against and Interests in the Debtors.

Treatment: Other Subordinated Claims are subordinated in right to payment to all other Claims and Interests, and the holders thereof will receive no recovery under the Plan or otherwise from the Recovery Trust.

Voting: Class 9 is Impaired, and the holders of Other Subordinated Claims are conclusively presumed to have rejected the Plan. Therefore, holders of Other Subordinated Claims are not entitled to vote to accept or reject the Plan.

B. Acceptance or Rejection of the Plan

1. Impaired Classes Entitled to Vote

Except as otherwise provided in order(s) of the Bankruptcy Court pertaining to solicitation of votes on the Plan, holders of Claims and Interests (as applicable) in Classes 3, 4, 5 and 6 **WILL** be entitled to vote to accept or reject the Plan.

2. Classes Deemed to Accept the Plan

Classes 1 and 2 are Unimpaired under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, the holders of Claims in Classes 1 and 2 under the Plan are conclusively deemed to accept the Plan. Therefore, the votes of such holders are not solicited.

3. Classes Deemed to Reject the Plan

Pursuant to section 1126(g) of the Bankruptcy Code, the holders of Interests in Classes 7 and 8 and Claims in Class 9 are Impaired and conclusively are presumed to reject the Plan. Therefore, the votes of such holders are not solicited.

4. Nonconsensual Confirmation

Section 1129(a)(10) of the Bankruptcy Code will be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class. The Plan Proponents request Confirmation of the Plan under Section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to Section 1126 of the Bankruptcy Code. The Plan Proponents reserve the right to modify the Plan to the extent, if any, that Confirmation pursuant to Section 1129(b) of the Bankruptcy Code requires any such modification.

C. Implementation of the Settlement; Plaintiffs' Loan

The Plan further implements and facilitates the continued implementation of the Settlement Agreement by and among the Debtors and the other Settlement Parties, which Settlement Agreement is subject to approval by the Bankruptcy Court and the EDNY District Court. Nothing in the Plan is intended to modify or alter the terms and conditions of the Settlement Agreement and related Settlement Approval Orders. If and to the extent of any inconsistency between the terms of the Plan and the Settlement Agreement, the terms of the latter, subject to the Settlement Approval Orders, will control.

Consistent with the Settlement Agreement, on or as soon as practicable after the Effective Date, the following events will occur:

(i) As soon as reasonably practicable after the occurrence of the Effective Date, except in respect to the Plaintiffs' Loan as described below, the Escrowed Funds will be distributed in accordance with sections 5 and 6.5 of the EDNY Stipulation, the *Order Awarding Attorneys' Fees and Expenses* as Docket No. 354 in the Class Action, and the Plan of Allocation, net of any unpaid costs of administration and noticing.

(ii) As soon as reasonably practicable after the occurrence of the Effective Date, $20,000,000 of the Escrowed Funds will be loaned by the Plaintiffs to the Estates as the Plaintiffs' Loan, the proceeds of which will be used, together with any available cash of the Debtors as of the Effective Date (excluding any funds required to be maintained in the Post-Confirmation Escrow), to fund the Post-Confirmation Debtor Reserve and Recovery Trust Reserve and the distributions and other payments provided for under the Plan. The Plaintiffs' Loan will be (a) interest-free and non-recourse as to the Debtors and Estates, provided that the Plaintiffs' Loan will be secured by, and repayable solely from, fifty percent (50%) of each dollar of the Debtors' Recovery (as defined in the Settlement Agreement), up to $40,000,000, whether the Debtors' Recovery is obtained pursuant to the Settlement Agreement or otherwise; and (b) will have no maturity date except that, upon receipt by the Debtors of any portion of the Debtors'

Recovery up to $40,000,000, 50% of each dollar of the Debtors' Recovery paid to the Debtors will become immediately due and payable to the Plaintiffs in repayment of the Plaintiffs' Loan.

(iii) In the event that an appeal(s) is filed from any of the Court Approvals, and the Plaintiffs' Loan is funded prior to the issuance of a stay pending any such appeal(s):

(a) The Debtors or the Post-Confirmation Debtor Representative will create, maintain and cause the funding of the Post-Confirmation Escrow. Subject to paragraph (b) below, all funds in or recovered by the Debtors' bankruptcy estates from any source other than the Plaintiffs' Loan will be deposited in the Post-Confirmation Escrow and will be earmarked to replenish the Escrowed Funds in the event that any of the Court Approvals are reversed on appeal and the Plaintiffs' Loan is required to be returned to the Escrowed Funds. Pursuant to the Settlement Agreement, the Plaintiffs' Loan will not be deposited in the Post-Confirmation Escrow.

(b) Except to the extent that there are insufficient funds in or recovered by the Debtors' bankruptcy estates (excluding the Plaintiffs' Loan), the balance of the Post-Confirmation Escrow must at all times equal the outstanding balance of the Plaintiffs' Loan.

(c) Upon each of the Court Approvals becoming final and non-appealable, or the Plaintiffs' Loan being repaid in full to the Plaintiffs, whichever is earlier, the Post-Confirmation Escrow will be released to the Debtors (or their post-confirmation fiduciary), and will be distributed in accordance with the Plan.

D. Post-Confirmation Debtor; Corporate Action; Winding-Up of Affairs

On the Effective Date and automatically and without further action, (i) each existing member of the board of directors, officer and manager (as applicable) of the Debtors will be deemed to have resigned on the Effective Date without any further corporate action, (ii) the Post-Confirmation Debtor Representative will be deemed the sole director, officer and representative of the Post-Confirmation Debtor to exercise the rights, power and authority of the Post-Confirmation Debtor under applicable provisions of the Plan and bankruptcy and non-bankruptcy law, and (iii) all matters provided under the Plan will be deemed to be authorized and approved without further approval from the Bankruptcy Court.

All Debtors other than the Post-Confirmation Debtor will be deemed dissolved for all purposes as of the Effective Date, without need of further Court order, notice or action; *provided, however*, without the need of any further approval, the Post-Confirmation Debtor Representative, in his discretion, may execute and file documents and take all other actions as he deems appropriate relating to the dissolution of the Debtors under applicable state laws, and in such event, all applicable regulatory or governmental agencies will take all steps necessary to allow and effect the prompt dissolution of the subject Debtor as provided in the Plan, without the payment of any fee, tax, or charge and without need for the filing of reports or certificates.

All existing Interests in the Debtors will be deemed extinguished and cancelled as of the Effective Date, and as of such date, the New Common Stock of the Post-Confirmation Debtor will be deemed issued and held by the Recovery Trustee, for the benefit of the beneficiaries of the Recovery Trust. The Post-Confirmation Debtor Representative will dissolve the Post-Confirmation Debtor pursuant to applicable nonbankruptcy law, at such time as he reasonably determines, after consultation with the Recovery Trustee, that the Post-Confirmation Debtor Functions have been completed or otherwise satisfied.

From and after the Effective Date, (i) all of the Debtors, for all purposes, will be deemed to have withdrawn their respective business operations from any state in which they were previously conducting or are registered or licensed to conduct business operations, and the Debtors will not be required to file any document, pay any sum or take any other action, in order to effectuate such withdrawal, and (ii) the Debtors other than the Post-Confirmation Debtor will not be liable in any manner to any taxing authority for franchise, business, license or similar taxes accruing on or after the Effective Date.

The Post-Confirmation Debtor will continue and remain in existence on and after the Effective Date solely for implementation of the Post-Confirmation Debtor Functions. The Plan Proponents will draft the by-laws governing the Post-Confirmation Debtor which will be filed as part of the Plan Supplement.

E. Post-Confirmation Debtor Representative

1. Authority

On and after the Effective Date, the Post-Confirmation Debtor Representative will carry out the Post-Confirmation Debtor Functions on behalf of the Post-Confirmation Debtor, in his business discretion subject to the review of the Post-Confirmation Debtor Oversight Committee as provided below. Subject to the foregoing, on and after the Effective Date, the Post-Confirmation Debtor Representative may, in the name of the Post-Confirmation Debtor, take such actions without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than any restrictions expressly imposed by the Plan, Confirmation Order or Settlement Agreement.

On and after the Effective Date, the Post-Confirmation Debtor Representative will begin acting for the Post-Confirmation Debtor in the same fiduciary capacity as applicable to a board of directors, subject to the provisions hereof. The Post-Confirmation Debtor Representative will serve in such capacity through the earlier of the date the Post-Confirmation Debtor is dissolved in accordance with the Plan and the date such Post-Confirmation Debtor Representative resigns, is terminated or otherwise unable to serve; provided, however, that, any successor Post-Confirmation Debtor Representative appointed pursuant to the Plan, will serve in such capacities after the effective date of such person's appointment as the Post-Confirmation Debtor Representative.

The Post-Confirmation Debtor Representative will report to the Post-Confirmation Debtor Oversight Committee, on a regular basis as may be requested by the Post-Confirmation Debtor Oversight Committee, not less than monthly during the first year following the Effective Date and thereafter no less than four times per year, which reports will include such matters and information as reasonably requested by the Post-Confirmation Debtor Oversight Committee. The Post-Confirmation Debtor Oversight Committee will keep all such information strictly confidential, except to the extent the Post-Confirmation Debtor Oversight Committee deems it reasonably necessary to disclose such information to the Bankruptcy Court (in which case, a good faith effort will be made to file such information under seal).

Notwithstanding any other provision in the Plan, the Post-Confirmation Debtor Representative shall be solely responsible for making Distributions to holders of Allowed Administrative Claims (including Professional Fee Claims), Priority Tax Claims and Other Priority Claims, on account of such Allowed Claims, pursuant to Articles 3 and 4 of the Plan, and payments of any other valid tax obligations of the Debtors as part of the Post-Confirmation Debtor Functions, using the funds in the Administrative/Priority/Tax Claims Reserve. After all asserted Administrative Claims, Priority Tax Claims and Other Priority Claims have been Allowed, Disallowed or otherwise resolved, and all other potential tax obligations of the Debtors and Estates have been resolved or otherwise addressed by the Post-Confirmation Debtor Representative, any Cash remaining in the Administrative/Priority/Tax Claims Reserve shall be transferred by the Post-Confirmation Debtor Representative to the Recovery Trust. If and to the extent the Administrative/Priority/Tax Claims Reserve may be insufficient, said reserve shall be replenished with Recovery Trust Assets, subject to the consent of the Recovery Trustee.

2. Resignation or Removal

The Post-Confirmation Debtor Representative may be removed (i) by majority vote of the Post-Confirmation Debtor Oversight Committee in the event such termination is for cause and (ii) by unanimous vote of the Post-Confirmation Debtor Oversight Committee in the event such termination is without cause. In the event of the resignation, removal or death of the Post-Confirmation Debtor Representative, the Post-Confirmation Debtor Oversight Committee will, by majority vote, designate a person to serve as the successor Post-Confirmation Debtor Representative. A notice identifying any successor Post-Confirmation Debtor Representative will be filed with the Bankruptcy Court and served on the Post-Confirmation Service List. The successor Post-Confirmation Debtor Representative, without any further act, will become fully vested with all of the rights, powers, duties, and obligations of his or her predecessor.

3. Fees/Expenses of Post-Confirmation Debtor Representative

The reasonable fees and expenses of the Post-Confirmation Debtor Representative and his counsel and agents will be paid out of the Post-Confirmation Debtor Reserve, without need of Court approval, provided that the Post-Confirmation Debtor will provide five (5) business days' prior notice of any anticipated payment of such fees and expenses to the Post-Confirmation Debtor Oversight Committee, and any objection thereto that cannot be consensually resolved will be submitted to the Bankruptcy Court.

F. Recovery Trust

1. Establishment of Recovery Trust

On the Effective Date, the Recovery Trust will become effective, in order to carry out the Recovery Trust Functions. On the Effective Date, pursuant to the Plan and Sections 1123, 1141 and 1146(a) of the Bankruptcy Code, the Debtors and Estates are authorized to transfer, grant, assign, convey, set over, and deliver to the Recovery Trustee, for the benefit of the Recovery Trust, all of the Debtors' and Estates' right, title and interest in and to the Recovery Trust Assets, free and clear of all Liens, Claims, encumbrances or interests of any kind in such property, except as otherwise provided for in the Plan and Settlement Agreement. On the Effective Date and automatically and without further action, the Recovery Trustee will have full power and authority as the trustee of the Recovery Trust in accordance with the Plan and the Recovery Trust Agreement. On and after the Effective Date, the Recovery Trustee, on behalf of the Recovery Trust, will take any and all actions as he believes may be necessary, desirable or appropriate in respect to the Recovery Trust, subject to the terms of the Plan and Recovery Trust Agreement.

The Recovery Trust is organized and established as a trust for the benefit of the beneficiaries and is intended to qualify as a Recovery Trust within the meaning of Treasury Regulation 301.7701-4(d). In accordance with Treasury Regulation 301.7701-4(d), the initial sole beneficiaries of the Recovery Trust will be the holders of Allowed Claims in Class 3 (General Unsecured Claims) and Class 4 (Subordinated Unsecured Claims) and Allowed Interests in Class 6 (Old Common Stock Interests). Upon payment in full of all Allowed Class 3 Claims, the holders of Allowed Claims in Class 4 and Allowed Interests in Class 6 will then constitute the sole beneficiaries of the Recovery Trust. Upon payment in full of all Allowed Class 4 Claims, the holders of Allowed Interests in Class 6 will then constitute the sole beneficiaries of the Recovery Trust. The Recovery Trust will have no objective to continue or engage in the conduct of a trade or business and will not be deemed a successor-in-interest of the Estates for any purpose other than as specifically set forth in the Plan and Recovery Trust Agreement.

2. Governance of Recovery Trust

The Recovery Trust will be administered and controlled by the non-voting Recovery Trustee and the Recovery Trust Committee. The functions and powers of the Recovery Trust Committee will be set forth in the Recovery Trust Agreement. The Recovery Trust Committee will be comprised of three (3) voting members. Two (2) members of the Recovery Trust Committee will be selected by the Creditors' Committee and one member will be selected by the Equity Committee. The Equity Committee will designate a list of individuals to replace the Creditors' Committee selected representatives upon Class 3 Satisfaction and Class 4 Satisfaction. Upon the occurrence of the Class 3 Satisfaction and Class 4 Satisfaction, the Creditors' Committee selected representatives will resign and be replaced by the Equity Committee designees.

3. Authority of Recovery Trustee

The Recovery Trustee will serve as a fiduciary to the beneficiaries of the Recovery Trust and will be empowered to: (a) implement the Recovery Trust Functions; (b) effect all actions, execute and deliver all agreements, instruments and other documents, make the distributions contemplated, and perform all of the obligations and agreements of the Recovery Trust and/or of the Recovery Trustee necessary to implement the provisions of the Plan, the Recovery Trust Agreement and the Settlement Agreement (to the extent applicable); (c) other than in relation to the Post-Confirmation Debtor Functions, perform the duties, exercise the powers, and assert the rights of a trustee under sections 704 and 1106 of the Bankruptcy Code as the Debtors' representative appointed for such purpose pursuant to section 1123(b)(3) of the Bankruptcy Code, including, without limitation, commencing,

prosecuting or settling all Estate Claims, and enforcing contracts, asserting claims, defenses, offsets and privileges; (d) determine, satisfy, object to and estimate any and all claims or liabilities created, incurred or assumed by the Recovery Trust; (e) pay all expenses and make all other payments relating to the Recovery Trust; (f) other than in relation to the Post-Confirmation Debtor Functions, object to disputed claims, prosecute or settle such obligations; (g) establish, keep and maintain a reserve for the benefit of Disputed Claims and Disputed Interests; (h) engage and reasonably compensate professionals, including attorneys, accountants, experts, other professionals and others to assist the Recovery Trustee in carrying out his duties; (i) consult regularly with and provide information to the Recovery Trust Committee at such times and with respect to such issues relating to the conduct of the Recovery Trust as is appropriate; (j) prepare and deliver written statements or notices, quarterly or otherwise, required by law to be delivered to beneficiaries of the Recovery Trust and the Recovery Trust Committee; (k) prepare, or have prepared, and file with the appropriate taxing authority on behalf of the Recovery Trust any and all tax returns, information returns, and other required documents with respect to the Recovery Trust and pay taxes properly payable by the Recovery Trust, if any, and cause all taxes payable by the Recovery Trust, if any, to be paid exclusively out of the Recovery Trust; and (l) other than in relation to the Post-Confirmation Debtor Functions, waive or assert the attorney-client privilege or any other privilege of and on behalf of the Debtors and Estates.

4. Expenses of Recovery Trust

The Recovery Trust Assets will be used to pay all liabilities, costs and expenses of the Recovery Trust, including compensation then due and payable to the Recovery Trustee, his agents, representatives, professionals and employees and all costs, expenses, and liabilities incurred by the Recovery Trustee in connection with the performance of his duties. Each member of the Recovery Trust Committee will be entitled to compensation for its services in such capacity in an amount agreed to by the Creditors' Committee.

The reasonable fees and expenses of the Recovery Trustee and his counsel and agents will be paid out of the Recovery Trust Reserve, without need of Court approval, provided that the Recovery Trustee will provide five (5) business days' prior notice of any anticipated payment of such fees and expenses to the Recovery Trust Committee, and any objection thereto that cannot be consensually resolved will be submitted to the Bankruptcy Court.

5. Removal; Successor Recovery Trustee

The Recovery Trustee may be removed (i) by majority vote of the Recovery Trust Committee in the event such termination is for cause and (ii) by unanimous vote of the Recovery Trust Committee in the event such termination is without cause. In the event of the resignation, removal or death of the Recovery Trustee, the Recovery Trust Committee will, by majority vote, designate a person to serve as the successor Recovery Trustee. A notice identifying any successor Recovery Trustee will be filed with the Bankruptcy Court and served on the Post-Confirmation Service List. The successor Recovery Trustee, without any further act, will become fully vested with all of the rights, powers, duties, and obligations of his or her predecessor.

6. Post-Confirmation Debtor and Recovery Trustee Cooperation

The Post-Confirmation Debtor Representative and the Recovery Trustee will cooperate and coordinate their efforts to implement the Plan, including, among other things, addressing any circumstances where Post-Confirmation Debtor Functions and Recovery Trust Functions may overlap or omit actions or functions necessary to implement the Plan or Settlement Agreement.

7. Vesting of Estate Assets, Free and Clear of Liens

Upon the Effective Date, the Recovery Trust will be vested with all right, title and interest in the Recovery Trust Assets, and such property will become the property of the Recovery Trust free and clear of all Claims, Liens, charges, other encumbrances and Interests, except as set forth in the Plan. Further, as of the Effective Date, the Recovery Trust will retain the New Common Stock and retain any rights to which such stock may be entitled under applicable law with respect to such shares, subject to any applicable conditions or restrictions set forth herein and in the Plan.

8. Causes of Action

Unless any Causes of Action are expressly waived, relinquished, released, compromised, or settled in the Plan, the Settlement Agreement, or any Final Order (including, without limitation, the Confirmation Order), the Debtors, Post-Confirmation Debtor, and Recovery Trust expressly reserve all such Causes of Action for later adjudication. The reservation set forth herein and in Section 6.6 of the Plan will include, without limitation, a reservation by the Debtors, Post-Confirmation Debtor, and Recovery Trust of any Causes of Action not specifically identified in the Plan or Disclosure Statement, or of which the Debtors may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise), or laches will apply to such Causes of Action upon or after the Confirmation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such claims and/or defenses have been expressly waived, relinquished, released, compromised, or settled in the Plan or Settlement Agreement or by Final Order. Following the Effective Date, the Post-Confirmation Debtor and Recovery Trust (as applicable) may assert, compromise or dispose of the Causes of Action without further notice to Creditors or Interest holders or authorization of the Bankruptcy Court, except as otherwise expressly provided in the Plan or in the Recovery Trust Agreement in relation to the Recovery Trust.

9. Substantive Consolidation

The Plan will serve as a motion seeking entry of an order substantively consolidating these Chapter 11 Cases for distribution and voting purposes. Unless an objection to substantive consolidation is made in writing by any Creditor or Interest holder affected by the Plan on or before the applicable objection deadline set by the Court, an order substantively consolidating these Chapter 11 Cases for distribution and voting purposes (which order may be the Confirmation Order) may be entered by the Bankruptcy Court.

In effectuation of such substantive consolidation, on the Effective Date: (a) no Distributions will be made under the Plan on account of any debts, liabilities or obligations owed by a Debtor to another Debtor; (b) any guarantees of the Debtors will be deemed eliminated so that any Claim against the Debtors and any guarantee thereof executed by any Debtor and any joint and several liability of the Debtors with one another will be deemed to be one obligation of these Debtors; (c) each and every Claim against the Debtors will be deemed asserted as a single Claim against the Debtors as a whole, and will be treated in the same Class regardless of the Debtor; and (d) any and all cash of the Debtors will be transferred to the Recovery Trust, to be used as a Recovery Trust Asset, for the purposes set forth in the Plan and in the Recovery Trust Agreement. Notwithstanding the substantive consolidation provided for under the Plan, substantive consolidation will not affect the obligation of each and every one of the Debtors under 28 U.S.C. § 1930(a)(6) until a particular case is closed, converted, or dismissed.

The Plan Proponents reserve the right at any time up to the conclusion of the Confirmation Hearing to withdraw their request for substantive consolidation of all or some of the Chapter 11 Cases, to seek Confirmation of the Plan as if there were no substantive consolidation, and to seek Confirmation of the Plan with respect to one Debtor even if Confirmation with respect to the other Debtors is denied.

10. Records

The Post-Confirmation Debtor and Recovery Trust will maintain reasonably good and sufficient books and records in respect to matters related to the Post-Confirmation Debtor Functions and Recovery Trust Functions, respectively. The Post-Confirmation Debtor and Recovery Trustee may, upon notice to the Post-Effective Date Service List and without Bankruptcy Court approval, destroy any documents that each believes are no longer required to effectuate the terms and conditions of the Plan or the Settlement Agreement. Upon the entry of a final decree closing the Chapter 11 Cases, unless otherwise ordered by the Court, the Post-Confirmation Debtor and Recovery Trustee may destroy or otherwise dispose of all records maintained by them.

11. Dissolution of Creditors' Committee and Equity Committee

On the Effective Date, the Creditors' Committee and Equity Committee will be dissolved and the members of the Creditors' Committee and Equity Committee will be released and discharged from any further authority, duties, responsibilities, and obligations related to, or arising from, the Chapter 11 Cases, except that the Creditors' Committee and Equity Committee will continue in existence and have standing and capacity to prepare and prosecute applications for the payment of fees and reimbursement of expenses incurred by the Creditors' Committee and Equity Committee or their respective Professionals.

12. Final Decree

At any time following the Effective Date, the Post-Confirmation Debtor Representative and Recovery Trustee will be authorized to jointly file a motion for the entry of a final decree closing the Chapter 11 Cases pursuant to Section 350 of the Bankruptcy Code.

G. Provisions Governing Distributions

1. Distributions Under the Plan

The Recovery Trust and Post-Confirmation Debtor will administer Claims subject to the Recovery Trust Functions and Post-Confirmation Debtor Functions, respectively. The Post-Confirmation Debtor Representative will make Distributions to holders of Allowed Administrative Claims, Priority Tax Claims and Other Priority Claims, out of the Administrative/Priority/Tax Claims Reserve. The Recovery Trust will make Distributions in respect of all other Allowed Claims and, if applicable, Allowed Interests against the Estates, except as may otherwise be expressly provided in the Settlement Agreement. Distributions to be made by the Post-Confirmation Debtor Representative and Recovery Trust may be made by any Person(s) designated or retained to serve as the disbursing agent(s) without the need for any further order of the Bankruptcy Court.

Subject to prior consultation with the Recovery Trust Committee and any applicable provisions of the Recovery Trust Agreement, the Recovery Trustee shall be authorized, in his or her discretion, to delay distributions to holders of Class 3 Trust Interests, Class 4 Trust Interests and/or Class 6 Trust Interests or otherwise determine reasonable distribution dates for such holders, including, without limitation, based upon the status and progress of the liquidation of Recovery Trust Assets, the total number of and/or asserted claim amounts of Disputed Claims, and any other relevant factors.

2. Estimation

In order to establish appropriate reserves under the Plan and avoid undue delay in the administration of the Chapter 11 Cases, the Recovery Trust and Post-Confirmation Debtor (subject to the Recovery Trust Functions and Post-Confirmation Debtor Functions, respectively) will have the right to seek orders of the Bankruptcy Court pursuant to Section 502(c) of the Bankruptcy Code, estimating the amounts of Claims.

3. Distributions on Account of Disputed Claims and Interests

Except as otherwise provided in a Final Order or as agreed by the relevant parties, Distributions on account of Disputed Claims and Interests that become Allowed after the Effective Date will be made by the Recovery Trust and Post-Confirmation Debtor Representative (as applicable) at such periodic intervals as the Recovery Trust and Post-Confirmation Debtor Representative (as applicable) determine to be reasonably prudent.

4. No Distributions Pending Allowance

Notwithstanding anything in the Plan to the contrary: (a) no Distribution will be made with respect to any Disputed Claim or Interest until such Claim or Interest becomes an Allowed Claim or Interest (as applicable), and (b) unless determined otherwise by the Recovery Trust and Post-Confirmation Debtor Representative (as applicable), no

Distribution will be made to any Person that holds both an Allowed Claim or Interest and either a Disputed Claim or Interest until such Person's Disputed Claims or Interests have been resolved by settlement or Final Order.

5. Objection Deadline

The Recovery Trust and Post-Confirmation Debtor (subject to the Recovery Trust Functions and Post-Confirmation Debtor Functions, respectively) will file all objections to Disputed Claims or Interests, and will file all motions to estimate Claims under Section 502(c) of the Bankruptcy Code, on or before the Claims Objection Deadline, provided however that the Recovery Trustee or Post-Confirmation Debtor may request that the Bankruptcy Court extend the Claims Objection Deadline. The Claims Objection Deadline is the first Business Day that is 180 days after the occurrence of the Effective Date (unless such date is extended by the Bankruptcy Court). Notwithstanding the foregoing, there will be no deadline for the Recovery Trust to file objections to Disputed Interests.

6. Disputed Claims Reserve

On and after the Effective Date, the Recovery Trust will maintain in reserve such Cash as the Recovery Trust estimates to be reasonably necessary to satisfy the Distributions that could be required to be made under the Plan and the Recovery Trust Agreement (the "***Disputed Claims Reserve***").

On and after the Effective Date, the Recovery Trust will maintain in reserve such Cash as the Recovery Trust estimates to be reasonably necessary to satisfy the Distributions that could be required to be made by the Recovery Trustee under the Plan and the Recovery Trust Agreement (the "***Disputed Claims Reserve***"). The Disputed Claims Reserve is separate from the Administrative/Priority/Tax Claims Reserve to be maintained by the Post-Confirmation Debtor Representative as set forth in Section 6.3(a) of the Plan.

For the avoidance of doubt, Distributions to any Person holding a Disputed Claim or Interest that becomes an Allowed Claim or Interest (as applicable) (including, without limitation, Administrative Claims, Priority Tax Claims and Other Priority Claims) after the Effective Date will be made together with any payments or other distributions that would have been made to such Person had its Disputed Claim or Interest become an Allowed Claim or Interest on or prior to the Effective Date.

7. Settling Disputed Claims (or Interests)

The Recovery Trustee and Post-Confirmation Debtor (subject to the Recovery Trust Functions and Post-Confirmation Debtor Functions, respectively) will be authorized to settle, or withdraw any objections to, any Disputed Claims (or Interests) following the Effective Date without need for approval of the Bankruptcy Court.

8. Distributions in Cash

The Recovery Trust and Post-Confirmation Debtor Representative (as applicable) will make any required Cash payments to the holders of Allowed Claims or Interests: (X) in U.S. dollars by check, draft or warrant, drawn on a domestic bank, or by wire transfer from a domestic bank, and (Y) by first-class mail (or by other equivalent or superior means as determined by the Recovery Trust).

9. Unclaimed Distributions

Any entity which fails to claim any Cash within one hundred twenty (120) days from the date upon which a distribution is first made to such entity will forfeit all rights to any Distribution under the Plan, and the Recovery Trust and Post-Confirmation Debtor Representative (as applicable) will be authorized to cancel any Distribution that is not timely claimed. Pursuant to Section 347(b) of the Bankruptcy Code, upon forfeiture, such Cash (including interest thereon, if any) will revert to the Recovery Trust free of any restrictions under the Plan, the Bankruptcy Code or the Bankruptcy Rules. Upon forfeiture, the claim of any Creditor or Interest holder with respect to such funds will be discharged and forever barred against the Recovery Trust, the Post-Confirmation Debtor and the Estates, notwithstanding any federal or state escheat laws to the contrary, and such Creditor or Interest holder will

have no claim whatsoever against the Recovery Trust, the Post-Confirmation Debtor, the Estates, or any holder of an Allowed Claim or Interest to whom distributions are made by the Recovery Trust.

10. Setoff

Nothing contained in the Plan will constitute a waiver or release by the Recovery Trust and Post-Confirmation Debtor of any right of setoff or recoupment the Estates, the Recovery Trust or Post-Confirmation Debtor may have against any Creditor or Interest holder. To the extent permitted by applicable law, the Recovery Trustee and Post-Confirmation Debtor Representative (as applicable) may, but is not required to, set off or recoup against any Claim or Interest and the payments or other distributions to be made under the Plan in respect of such Claim or Interest, claims of any nature whatsoever that arose before the Petition Date that the Estates or the Recovery Trust may have against the holder of such Claim or Interest.

11. Taxes

Pursuant to Section 346(f) of the Bankruptcy Code, the Recovery Trustee and Post-Confirmation Debtor Representative (as applicable) will be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims or Interests, as appropriate. The Recovery Trust and Post-Confirmation Debtor Representative will be authorized to take all actions necessary to comply with applicable withholding and recording requirements. Notwithstanding any other provision of the Plan, each holder of an Allowed Claim or Interest that has received a Distribution of Cash under the Plan will have sole and exclusive responsibility for the satisfaction or payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligation, on account of such distribution. For tax purposes, Distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

12. *De Minimis* Distributions

If any interim Distribution under the Plan to the holder of an Allowed Claim or Interest would be less than $100.00, the Recovery Trustee and Post-Confirmation Debtor Representative (as applicable) may withhold such Distribution until a final Distribution is made to such holder. If any final Distribution under the Plan to the holder of an Allowed Claim or Interest would be less than $25.00, the Recovery Trust and Post-Confirmation Debtor Representative (as applicable) may cancel such Distribution. Any unclaimed Distributions pursuant to Section 7.12 of the Plan will be treated as unclaimed property under Section 7.9 of the Plan. To the extent that the Recovery Trust has assets remaining that do not exceed $25,000 in value, the Recovery Trustee, in his discretion, can donate such assets to a charitable organization of his choice.

H. Executory Contracts and Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

Except for any executory contracts or unexpired leases of the Debtors: (i) that previously were assumed or rejected by an order of the Bankruptcy Court, pursuant to Section 365 of the Bankruptcy Code; (ii) as to which a motion for approval of the assumption or rejection of such contract or lease has been filed and served prior to Confirmation; or (iii) that constitute contracts of insurance in favor of, or that benefit, the Debtors or the Estates, each executory contract and unexpired lease entered into by the Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms will be deemed rejected pursuant to Section 365 of the Bankruptcy Code as of the Effective Date. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejection, pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. For the avoidance of doubt, any insurance policy acquired for the benefit of the Debtors (or any representatives thereof or successors thereto) before or after the Petition Date will remain in full force and effect after the Effective Date according to its terms.

2. Bar Date for Rejection Damages

If the rejection of an executory contract or unexpired lease pursuant to the Plan or otherwise gives rise to a Claim by the other party or parties to such contract or lease, such Claim will be forever barred and will not be enforceable against the Debtors, Estates, Recovery Trust and Post-Confirmation Debtor unless a proof of Claim was filed with the Bankruptcy Court by the Claims Bar Date.

I. SETTLEMENT, RELEASES, INJUNCTION AND RELATED PROVISIONS

1. Compromise and Settlement of Claims, Interests and Controversies

Pursuant to § 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan will constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any Distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and holders of Claims and Interests and is fair, equitable and reasonable and the product of good faith arms' length negotiations. In accordance with the provisions of the Plan, the Post-Confirmation Debtor and Recovery Trust (as applicable) may compromise and settle Claims and Interests and Causes of Action against other Entities after the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, except as otherwise expressly provided in the Plan or in the Recovery Trust Agreement in relation to the Recovery Trust.

2. Releases by the Debtors

Pursuant to § 1123(b) of the Bankruptcy Code, for good and valuable consideration, including the contributions of the Released Parties in facilitating the administration of the Chapter 11 Cases and the formulation and implementation of the Settlement Agreement and other actions contemplated by the Plan and the other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Settlement Agreement and Plan, the Released Parties are deemed released and discharged by the Debtors and Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Estates or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan, the Disclosure Statement, the Settlement Agreement or related agreements, instruments or other documents, other than Claims or liabilities to the extent arising out of or relating to any act or omission of a Released Party that constitutes gross negligence, fraud or willful misconduct, as determined by a Final Order.

3. Releases by Holders of Claims and Interests

As of the Effective Date, for good and valuable consideration, including the contributions of the Debtors and Released Parties in facilitating the administration of the Chapter 11 Cases and the formulation and implementation of the Settlement Agreement and other actions contemplated by the Plan and the other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Settlement Agreement and Plan, each holder of a Claim against or an Interest in the Debtors that votes to accept the Plan but does <u>not</u> select the "release opt out" provided in the Ballot ("**<u>Releasing Parties</u>**") will **be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtors, the Post-Confirmation Debtor, the Recovery Trust, and the Released Parties from any and all Claims, Interests, claims obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative Claims or claims asserted on behalf of a Debtor, whether known or**

unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan, the Disclosure Statement, the Settlement Agreement or related agreements, instruments or other documents, other than Claims, claims or liabilities to the extent arising out of or relating to any act or omission of a Released Party that constitutes gross negligence, fraud or willful misconduct, as determined by a Final Order; *provided, however*, that nothing herein or in the Plan will be deemed a waiver or release of any right of any such Releasing Parties to receive a Distribution pursuant to the terms of the Plan and Settlement Agreement. For the avoidance of doubt, notwithstanding anything to the contrary herein or in the Plan, the foregoing release by the Releasing Parties is not and will not be deemed to be in exchange for a waiver of the Debtors' rights or claims against the Releasing Parties, including to the Debtors' rights to assert setoffs, recoupments or counterclaims, or to object or assert defenses to any Claim or Interest, and all such rights and claims are expressly reserved. Notwithstanding any of the foregoing, nothing herein or in Section 9.3 of the Plan is intended to expand, limit, or otherwise modify any releases or waivers that are separately provided for in the Settlement Agreement.

The term "Released Party" is defined in the Plan to mean each of (in each case solely in their respective capacities) (i) the postpetition directors and officers of the Debtors (whether currently serving in such capacity or having previously served postpetition); (ii) the Creditors' Committee and the former and current members thereof; (iii) the Equity Committee and the former and current members thereof; (iv) the postpetition professionals, advisors, agents, accountants, investment bankers, consultants, attorneys, employees, and representatives (in each case solely in their capacity as such, and whether currently serving or having previously served postpetition) of the Debtors, the Creditors' Committee and the Equity Committee; (v) Plaintiffs' Counsel (in its capacity as counsel for the Plaintiffs in the Class Action); (vi) Derivative Counsel (in its capacity as plaintiffs' counsel in the Derivative Action); and (vii) Lowenstein Sandler LLP (in its capacity as bankruptcy counsel to the Plaintiffs, Plaintiffs' Counsel and Derivative Counsel).

4. Exculpation

No Exculpated Party will have or incur any liability to any Entity for any act taken or omission made in connection with, relating to or arising out of the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement, Plan, the Settlement Agreement or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of consummation of the Plan, the administration and implementation of the Plan, including the issuance of any Plan securities, or the Distribution of property under the Plan or any other related agreements; *provided, however*, that the foregoing will not apply to the extent of any act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct or fraud, but in all respects such Entities will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. Notwithstanding any of the foregoing, nothing herein or in Section 9.4 of the Plan is intended to expand, limit, or otherwise modify any releases or waivers that are separately provided for in the Settlement Agreement.

The Exculpated Parties have, and upon Confirmation of the Plan will be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of any Plan securities pursuant to the Plan, and, therefore, are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

The term "Exculpated Party" is defined in the Plan to mean: each of (i) the Debtors, (ii) the postpetition directors and officers of the Debtors (whether currently serving in such capacity or having previously served postpetition), (iii) the Creditors' Committee, the Equity Committee and their respective former and current members (in such capacity), (iii) the postpetition professionals, advisors, agents, accountants, investment bankers, consultants, attorneys, employees, and representatives (in each case solely in their capacity as such, and whether currently

serving or having previously served postpetition) of the Debtors, the Creditors' Committee and the Equity Committee; (iv) Plaintiffs' Counsel (in its capacity as counsel for the Plaintiffs in the Class Action); (v) Derivative Counsel (in its capacity as plaintiffs' counsel in the Derivative Action); and (vi) Lowenstein Sandler LLP (in its capacity as bankruptcy counsel to the Plaintiffs, Plaintiffs' Counsel and Derivative Counsel).

5. Injunction

FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN SECTIONS 9.3 AND 9.4, THE APPLICABLE RELEASING PARTIES WILL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO ARTICLE 9.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT, RELATED DOCUMENTS, OR THE SETTLEMENT AGREEMENT, OR FOR OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO SECTION 9.3 OF THE PLAN, OR ARE SUBJECT TO EXCULPATION PURSUANT TO SECTION 9.4 OF THE PLAN, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (II) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (III) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (IV) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED, OR SETTLED PURSUANT TO THE PLAN; AND (V) ACTING OR PROCEEDING IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM WITH THE PROVISIONS OF THE PLAN TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND INTERESTS IN THE PLAN WILL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF ALL CLAIMS AND INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTORS WILL BE FULLY RELEASED, AND ALL SUCH CLAIMS AND INTERESTS will BE DEEMED SURRENDERED AND EXTINGUISHED.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN OR IN THE PLAN OR IN OBLIGATIONS ISSUED PURSUANT TO THE PLAN FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTORS WILL BE FULLY RELEASED, AND ALL INTERESTS WILL BE DEEMED SURRENDERED OR EXTINGUISHED, AS THE CASE MAY BE, AND THE DEBTORS' LIABILITY WITH RESPECT THERETO WILL BE EXTINGUISHED COMPLETELY, INCLUDING ANY LIABILITY OF THE KIND SPECIFIED UNDER § 502(G) OF THE BANKRUPTCY CODE.

ALL ENTITIES WILL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE DEBTORS' ESTATES, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND EACH OF

THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

6. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to §§ 105 or 362 or any order of the Bankruptcy Court and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) will remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order will remain in full force and effect in accordance with their terms.

7. No Consent to Change of Control Required

To the fullest extent permitted by applicable law, except as otherwise expressly provided by order of the Bankruptcy Court, none of (a) the facts or circumstances giving rise to the commencement of, or occurring in connection with, the Chapter 11 Cases, (b) consummation of any other transaction pursuant to the Plan will constitute a "change in ownership" or "change of control" (or a change in working control) of, or in connection with, any Debtor requiring the consent of any person other than the Debtors or the Bankruptcy Court.

8. Release of Liens

Except as otherwise provided in the Plan (including with respect to the Plaintiffs' Loan) or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates will be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests will revert to the Debtor and their successors and assigns. For the avoidance of doubt, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates will be fully released and discharged on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

9. Releases Implemented by the Settlement

For the avoidance of doubt, nothing herein or in the Plan is intended to limit or otherwise modify any releases, waivers and/or limitations on liability set forth in and implemented by the Settlement Agreement.

J. CONDITIONS TO THE CONFIRMATION DATE AND EFFECTIVE DATE

1. Conditions Precedent to Confirmation

It will be a condition to Confirmation hereof that the following provisions, terms and conditions will have been satisfied or waived pursuant to Section 10.3 of the Plan:

(i) The Bankruptcy Court will have entered an order, in form and substance acceptable to the Plan Proponents, approving the Disclosure Statement with respect to the Plan as containing adequate information within the meaning of § 1125 of the Bankruptcy Code.

(ii) The Bankruptcy Court will have entered an order, in form and substance acceptable to the Plan Proponents, confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

2. Conditions Precedent to the Effective Date

It will be a condition to the Effective Date that the following provisions, terms and conditions will have been satisfied or waived pursuant to Section 10.3 of the Plan:

(i) The "Effective Date" of the Settlement Agreement (as defined in section 1 of the Settlement Agreement) will have occurred.

(ii) All of the schedules, documents, supplements and exhibits to the Plan will have been filed in form and substance acceptable to the Plan Proponents.

(iii) All authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness will have been obtained.

(iv) No order of a court will have been entered and remain in effect restraining the Plan Proponents from consummating the Plan and the transactions contemplated therein.

(v) All actions, documents, certificates and agreements necessary to implement the Plan, including the Recovery Trust Agreement and any other documents, will have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws.

3. Waiver of Conditions

The conditions to Confirmation of the Plan and to the occurrence of the Effective Date set forth in Article 10 of the Plan may be waived at any time by the Plan Proponents.

4. Effect of Failure of Conditions

If the Effective Date does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (i) constitute a waiver or release of any claims by or Claims against the Debtors; (ii) prejudice in any manner the rights of the Debtors, any holders of a Claim or Interest or any other Entity; or (iii) constitute an admission, acknowledgment, offer or undertaking by the Debtors, the Creditors' Committee, any Creditors or Interest Holders or any other Entity in any respect.

K. Modification, Revocation or Withdrawal of Plan

1. Modification and Amendments

Except as otherwise specifically provided in the Plan, the Plan Proponents reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in § 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Plan Proponents expressly reserve their rights to alter, amend or modify materially the Plan with respect to any or all Debtors, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement will be considered a modification of the Plan and will be made in accordance with Article 11 of the Plan.

In addition, prior to the Effective Date, the Plan Proponents may make appropriate technical adjustments and modifications to the Plan, without further order or approval of the Bankruptcy Court; *provided*, *however*, that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Interests.

2. Effect of Confirmation on Modifications

Entry of a Confirmation Order will mean that all modifications or amendments to the Plan occurring after the commencement of the solicitation of votes on the Plan are approved pursuant to § 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of the Plan

The Plan Proponents reserve the right to revoke or withdraw the Plan before the Effective Date. If the Plan Proponents revoke or withdraw the Plan, or if Confirmation Date or the Effective Date does not occur, then: (i) the Plan will be null and void in all respects; (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of any Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan will be deemed null and void; and (iii) nothing contained in the Plan will (a) constitute a waiver or release of any Claims or Interests or Claims by any Debtor against any other Entity; (b) prejudice in any manner the rights of such Debtor, the Creditors' Committee, the holder of any Claim or Interest or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor, the Creditors' Committee or any other Entity.

L. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of or related to, the Chapter 11 Cases and the Plan including with respect to the matters specified in Article 12 of the Plan.

M. Miscellaneous Provisions

1. Immediate Binding Effect

Notwithstanding Bankruptcy Rules 3020(e), 6004(h) and 7062 and/or any other Bankruptcy Rule, upon the occurrence of the Effective Date, the terms of the Plan will be immediately effective and enforceable and deemed binding upon the Debtors, the Post-Confirmation Debtor, the Recovery Trust, any and all holders of Claims and Interests (irrespective of whether such Claims or Interests are Allowed or Disallowed or were voted to accept or reject the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

2. Section 1146 Exemption

Pursuant to Section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by, the Plan or the revesting, transfer or sale of any real or personal property of the Debtors pursuant to, in implementation of, or as contemplated by, the Plan will not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded will, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

3. U.S. Trustee Fees and Post-Confirmation Reports

After the Effective Date, the Recovery Trust will pay any statutory fees due for the post-Effective Date period pursuant to 28 U.S.C. § 1930(a)(6) and such fees will be paid until entry of a final decree or an order converting or dismissing the Chapter 11 Cases. After the Effective Date, the Post-Confirmation Debtor

Representative and Recovery Trustee will file separate post-confirmation status reports on a quarterly basis up to the entry of a final decree closing the Chapter 11 Cases or as otherwise ordered by the Court.

4. Non-Voting Equity Securities

If and to the extent applicable, the Plan Proponents will comply with the provisions of Section 1123(a)(6) of the Bankruptcy Code.

5. Additional Documents

On or before the Effective Date, the Plan Proponents may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors, the Creditors' Committee, the Post-Confirmation Debtor, the Recovery Trust, and all holders of Claims or Interests receiving Distributions pursuant to the Plan and all other parties in interest will, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

6. Successors and Assigns

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

IV. CONFIRMATION REQUIREMENTS

A. General Confirmation Requirements

Section 1129 of the Bankruptcy Code contains several requirements for confirmation of a plan. Among them are requirements that (1) the plan be proposed in good faith; (2) all impaired classes either accept the plan or, if an impaired class rejects the plan, the plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class; (3) the plan be feasible; (4) certain information be disclosed regarding payments made or promised to be made to insiders and (5) the plan comply with the other applicable provisions of chapter 11. The Plan Proponents believe that the Plan complies with all applicable requirements, including those requirements discussed below.

B. Best Interests Test

1. In General

To confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any Impaired Class who has not voted to accept the Plan. Thus, under section 1129(a)(7) of the Bankruptcy Code, each holder of a Claim or Interest in an Impaired Class must either (1) accept the Plan or (2) receive or retain, under the Plan, Cash or property of a value, as of the Effective Date of the Plan, "that is not less than" the value such holder would receive or retain if the Debtors' operations were terminated and their assets were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the Cash, property or other value issued under the Plan to each holder of a Claim or Interest equals or exceeds the value that would be allocated to such holders in a liquidation under chapter 7 of the Bankruptcy Code (the "Best Interests Test"). Such a determination must take into account the requirement that secured claims and any administrative claims resulting from the chapter 11 cases and from the chapter 7 cases would have to be paid in full before any payments could be made to holders of junior claims and interests. The Plan Proponents believe that the Plan satisfies the Best Interests Test because, for the reasons explained below, the holders of Allowed Claims against and Interests in the Debtors will receive, under the Plan, an equal or greater recovery than they could receive in a hypothetical chapter 7 liquidation.

The Plan is premised on, further facilitates, and is otherwise consistent with the Settlement Agreement, which, among other things, contemplates the continued prosecution of Causes of Action –in particular, the Shared

Recovery Matters.[11] Such prosecution of Causes of Action requires additional funding of the Estates, which in the context of the Plan, takes the form of the $20 million Plaintiffs' Loan. In a chapter 7 proceeding, the Settlement Agreement, including the provision of the Plaintiffs' Loan, would not be operative. Thus, absent other alternatives being available and implemented (including, for example, the chapter 7 trustee's counsel taking on the engagement on a contingency fee basis), a chapter 7 trustee would lack sufficient resources to fully prosecute Causes of Action.

Moreover, under the Plan, Shared Recovery Matters will be prosecuted by the Post-Confirmation Debtor Representative. The Post-Confirmation Debtor Representative (proposed to be T. Scott Avila, the Debtors' Chief Restructuring Officer since March 2010) and his trial counsel will have extensive familiarity with the complex facts, history and legal theories pertaining to the Shared Recovery Matters. In contrast, a chapter 7 trustee would have no initial familiarity with the Shared Recovery Matters and would likely have less capability to maximize the value of such matters as efficiently and/or effectively as the Post-Confirmation Debtor Representative and his counsel.

Further, in any chapter 7 cases, the value available for satisfaction of Claims and Interests in the Debtors would be reduced by the costs, fees and expenses of the liquidation under chapter 7, which would include disposition expenses and the fees and compensation of a chapter 7 trustee and his or her counsel and other professionals retained, and certain other costs arising from conversion of the Chapter 11 Cases to cases under chapter 7. For example, among other things, in chapter 7 cases, value available for distribution would be reduced by the chapter 7 trustee's statutory fee, which is calculated on a sliding scale from which the maximum compensation is determined based on the total amount of moneys disbursed or turned over by the chapter 7 trustee. Section 326(a) of the Bankruptcy Code permits reasonable compensation not to exceed 3% of the proceeds in excess of $1 million distributable to creditors.[12] The chapter 7 trustee and his or her replacement professionals, including legal counsel and other professionals, who initially would be unfamiliar with the background of the Debtors, their assets and these Chapter 11 Cases, could add substantial administrative expenses that would be entitled to be paid ahead of Allowed Claims and Interests against the Debtors.

In addition, the monetization of the Debtors' Estates, and distributions to creditors, likely would suffer additional delays while the chapter 7 trustee and his/her professionals take time to crest the learning curve to complete the administration of the Estates. The Estates would continue to be obligated to pay all unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as compensation for professionals), which will constitute Allowed Claims in any chapter 7 cases.

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[11] "Shared Recovery Matters" is defined in the Plan to mean the following Causes of Action: (1) any and all rights or claims of the Settlement Parties against (a) David Brooks; (b) TAP; (c) any entities other than the Debtors or the Brooks Family Entities (as defined below) in which David Brooks has a direct or indirect interest (collectively and with TAP, the "David Brooks Entities") that filed claims to assets restrained in the Civil Forfeiture Proceeding and/or filed claims in the Chapter 11 Cases, including without limitation David Brooks International Inc.; (d) Terry Brooks, Victoria Brooks, Andrew Brooks and Elizabeth Brooks (collectively, the "Brooks Family"); (e) any entities other than the Debtors in which the Brooks Family has a direct or indirect interest (collectively, the "Brooks Family Entities") that filed claims to assets restrained in the Civil Forfeiture Proceeding and/or filed claims in the Chapter 11 Cases, including without limitation any such entities of which Jeffrey Brooks is a trustee or manager; (f) Jeffrey Brooks; (g) the Brooks IRA; and (h) any entities other than the Debtors or the Brooks Family Entities in which Jeffrey Brooks and/or the Brooks IRA have a direct or indirect interest or of which Jeffrey Brooks is a trustee or manager that filed claims to assets restrained in the Civil Forfeiture Proceeding and/or filed claims in the Chapter 11 Cases (provided, however, that the Class Action and Derivative Action will be dismissed with prejudice as set forth in the Settlement Agreement); (2) any and all rights or claims of the Settlement Parties to all cash, all cash equivalents and all securities held in certain accounts (collectively, the "Restrained Cash Assets") restrained by the U.S. Government in connection with the Civil Forfeiture Proceeding and/or the Criminal Action, which Restrained Cash Assets are identified as Asset Nos. 86-103 on Schedule I to the complaint in the Civil Forfeiture Proceeding ("Schedule I"); (3) any and all rights or claims of the Settlement Parties to the non-cash assets (the "Restrained Non-Cash Assets") restrained by the U.S. Government in connection with the Civil Forfeiture Proceeding and/or the Criminal Action, which Restrained Non-Cash Assets are identified as Asset Nos. 1-85 and 104-113 on Schedule I; (4) any and all rights or claims of the Settlement Parties to the cash portion of David Brooks' bail bond, which totals approximately $19 million; and (5) any and all other rights or claims of the Settlement Parties in the Civil Forfeiture Proceeding and/or the Criminal Action, including without limitation the Debtors' restitution award, the investor victims' restitution award, and any and all other rights or claims of the Settlement Parties in connection with the Restitution Order.

[12] Section 326(a) of the Bankruptcy Code permits a chapter 7 trustee to receive 25% of the first $5,000 distributed to creditors; 10% of additional amounts up to $50,000; 5% of additional distributions up to $1 million and reasonable compensation up to 3% of distributions in excess of $1 million.

Finally, a chapter 7 liquidation could further delay payments being made to creditors in that, in addition to the reasons described above, Bankruptcy Rule 3002(c) provides that conversion of a chapter 11 case to chapter 7 will trigger a new bar date for filing claims against the Estates. Not only could a chapter 7 liquidation delay distribution to creditors, but it is possible that additional claims that were not asserted in the Chapter 11 Cases, or were late-filed, could be filed against the Estates. Thus, reopening the bar date in connection with conversion to chapter 7 would provide these and other claimants an additional opportunity to timely file claims against the Estates.

For the reasons set forth above, the Plan Proponents believe that the Plan provides an equal or better potential recovery for Creditors and Interest holders as compared to a liquidation under chapter 7 of the Bankruptcy Code. Therefore, the Plan meets the requirements of the Best Interests Test.

2. Potential Recoveries Under the Plan

Attached hereto as **Exhibit B** is a Plan Recovery Analysis, which sets forth the potential estimated recoveries for holders of Allowed Claims and Interests based on numerous assumptions, qualifications and conditions. Although the Debtors believe that the estimates therein are reasonably derived based on the current information available to the Debtors, such estimates are necessarily speculative and there are risks and uncertainties that could cause actual recoveries to be substantially different from the estimates provided.

Creditors and Interest holders should review this Disclosure Statement and the Plan Recovery Analysis in full. As a point of additional reference for parties in interest, based on numerous assumptions and conditions, one possible outcome under the Plan is that members of Class 3 (General Unsecured Claims), Class 4 (Subordinated Unsecured Claims) and/or Class 6 (Old Common Stock Interests) share ultimately –in different proportions and in accordance with the priorities and conditions set forth in Article 4 of the Plan– the net proceeds remaining of approximately $64 million in Settlement Recoveries, after the payment of all senior claims (comprised of Allowed Administrative Claims (estimated to total approximately $15 million as of the Effective Date), Priority Tax Claims (estimated at $600,000), Other Priority Claims (estimated at $50,000), and Secured Claims) and Plan related expenses and costs including the $20 million Plaintiffs' Loan (subject to the repayment related terms and conditions of the Settlement Agreement and Plan) and costs in relation to the Recovery Trust and Post-Confirmation Debtor Functions. As discussed above in Section II.T.2, subject to the approval of the Settlement Agreement and assuming that the restitution awards are not overturned on any appeal, there would be approximately $128.4 million in applicable recoveries subject to the 50/50 allocation provided for under the Settlement Agreement: (i) $37 million in released Escrowed Funds, (ii) the Debtors' restitution award of $53.9 million, and (iii) the investor victims' restitution award of $37.5 million (assuming items (ii) and (iii) are upheld on any appeal) (for purposes of this Section the value of the Plaintiffs' Stock Share, any other Settlement Recoveries and any other residual Recovery Trust Assets are assumed to be zero). Under the Settlement Agreement and Plan, the Recovery Trust would receive 50% of $128.4 million (approximately $64 million), which, as noted above, would be distributable to members of Classes 3, 4 and/or 6, **after** the payment of all senior claims and Plan and Recovery Trust related expenses which claims and expenses will likely total in the tens of millions of dollars, and in accordance with the priorities set forth in Article 4 of the Plan.

C. Financial Feasibility Test

For the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Court must determine that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. Because the completion of the Debtors' liquidation is proposed in the Plan and no further financial reorganization of the Debtors is contemplated, and substantial funds will be provided to the Estates through the Plaintiffs' Loan, the Plan Proponents believe that the Plan meets the feasibility requirement.

D. Acceptance by Impaired Classes

Bankruptcy Code § 1129(b) provides that a plan can be confirmed even if it has not been accepted by all impaired classes as long as at least one impaired class of claims has accepted it. The process by which nonaccepting classes are forced to be bound by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Court may confirm the Plan at the request of the Debtors notwithstanding the Plan's rejection (or deemed rejection) by impaired Classes as long as the Plan "does not discriminate unfairly" and is "fair and equitable" as to each

impaired Class that has not accepted it. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A class of claims under a plan accepts the plan if the plan is accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims in the class that actually vote on the plan. A class of interests accepts the plan if the plan is accepted by holders of interests that hold at least two-thirds in amount of the allowed interests in the class that actually vote on a plan.

A class that is not "impaired" under a plan is conclusively presumed to have accepted the plan. Solicitation of acceptances from such a class is not required. A class is "impaired" unless (1) the legal, equitable and contractual rights to which a claim or interest in the class entitles the holder are not modified, or (2) the effect of any default is cured and the original terms of the obligation are reinstated.

A plan is fair and equitable as to a class of secured claims that rejects the plan if the plan provides (1)(a) that the holders of claims included in the rejecting class retain the liens securing those claims, whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (b) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, at least equal to the value of the holder's interest in the estate's interest in such property; (2) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (1) or (2) of this paragraph; or (3) for the realization of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the plan provides (1) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim, or (2) that the holder of any claim or interest that is junior to the claims of such rejecting class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of interests that rejects a plan if the plan provides (1) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (2) that the holder of any interest that is junior to the interest of such rejecting class will not receive or retain under the plan on account of such junior interest any property at all.

AS CLASS 7 AND CLASS 8 INTERESTS AND CLASS 9 CLAIMS ARE DEEMED TO REJECT THE PLAN, THE PLAN PROPONENTS INTEND TO SEEK CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE WITH RESPECT TO SUCH CLASSES (IF AND TO THE EXTENT THERE ARE ANY MEMBERS IN SUCH CLASSES). FURTHER, THE PLAN PROPONENTS WILL REQUEST CONFIRMATION OF THE PLAN UNDER SECTION 1129(B) WITH RESPECT TO ANY OTHER IMPAIRED CLASS ENTITLED TO VOTE ON THE PLAN THAT DOES NOT ACCEPT THE PLAN.

V. CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN

Holders of Claims and Interests against the Debtors should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. Risks of Delayed Confirmation or Non-Confirmation of the Plan

There are risks that (1) one or more impaired Classes entitled to vote rejects the Plan and the Bankruptcy Court determines that the Plan cannot be "crammed down" on such Class(es) or (2) the Bankruptcy Court determines that the Plan cannot be "crammed down" on other Classes deemed to reject the Plan. Likewise, the Bankruptcy Court might not confirm the Plan based on other requirements of the Bankruptcy Code. Although the Plan Proponents believe that the Plan will meet all applicable requirements for Confirmation, and will file briefing in support of the Confirmation of the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

In addition, any objection to or appeal of Confirmation of the Plan, even if ultimately unsuccessful, could delay confirmation or the Effective Date, potentially for a significant period of time. In such case, payments to Creditors and Interest holders (as applicable) could be delayed and Administrative Claims could continue to accrue.

B. Risks of the Plan Not Becoming Effective or the Plan's Effectiveness Being Substantially Delayed

As provided in Section 10.2 of the Plan, the occurrence of the Effective Date is contingent upon the "Effective Date" of the Settlement Agreement (as defined in section 1 of the Settlement Agreement) occurring. There is a risk that this condition –dependent on the Bankruptcy Court separately approving the Settlement Agreement and the District Court in the Class Action and Derivative Action also approving the Settlement Agreement– is not satisfied (in which case the Plan will not become effective) or is not satisfied for a lengthy period (in which case, the Effective Date of the Plan and Distributions to Creditors and Interest holders pursuant to the Plan would be substantially delayed).

C. Risks Associated with Proving and Collecting Claims Asserted in Litigation

The ultimate recoveries under the Plan to holders of certain Allowed Claims and Interests (as applicable) depends in significant part upon the ability of the Post-Confirmation Debtor and Recovery Trust (as applicable) to realize favorable litigation outcomes or settlements of Causes of Action (including the Shared Recovery Matters). It is extremely difficult to place a value on litigation, and litigation outcomes cannot be predicted. *It is possible that the Estates may recover nothing at all, or very little, on account of such litigation.*

The risks in such litigation include, but are not limited to, risks associated with defenses and counter-claims of opposing parties to the litigation, the delay and expense associated with discovery and trial of factually intensive and complex disputes, and the additional delay and expense inherent in appellate review.

D. Risks Associated with the Costs of Administering the Estates After the Effective Date

Monetizing and administering the Debtors' remaining assets and the disbursement of proceeds to Creditors and Interest holders under the Plan will result in the incurrence of administration costs (including attorneys' and other professional fees and expenses in connection with litigation of Causes of Action) that may vary based on a number of factors. The amount of potential costs will be estimated and funded as part of the Post-Confirmation Debtor Reserve and Recovery Trust Reserve; however, such costs cannot be predicted with certainty, and many of these costs are outside of the control of the Debtors, the Post-Confirmation Debtor and Recovery Trust. As a result, it is possible that the costs of administering the Plan and Settlement Agreement could be higher than projected, and that such increased costs could be material. If that occurs, the amount of funds available for recoveries under the Plan could be adversely affected.

E. Allowed Claims May Substantially Exceed Estimates

The projected distributions set forth in this Disclosure Statement are based upon, among other things, good faith estimates of the total amounts of Claims that will ultimately be Allowed. The actual amount of Allowed Claims could be materially greater than anticipated, which will impact the distributions to be made to holders of Claims and Interests, as applicable.

VI. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The primary alternatives to the Plan are conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or dismissal. As discussed further above, the Plan Proponents believe that the Plan provides a recovery to Creditors that is greater than or at least equal to the probable recoveries by Creditors if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

As in the case of conversion of the Chapter 11 Cases to chapter 7 proceedings, the Settlement Agreement would not be operative if the Chapter 11 Cases were dismissed. If the Settlement Agreement were not in effect, all of the Settlement Parties, including the Estates, would, in effect, be back at square one with respect to the matters to be resolved by the Settlement Agreement. Such matters would have to be further negotiated, litigated and/or otherwise resolved, and it is unpredictable what sort of recovery (if any) would be obtained by Creditors and Interest holders in the event the Chapter 11 Cases were dismissed.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. General

A SUMMARY DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "IRC" OR "TAX CODE"), TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN IMPORTANT RESPECTS, UNCERTAIN. NO RULING HAS BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS"); NO OPINION HAS BEEN REQUESTED FROM DEBTORS' COUNSEL OR COMMITTEE'S COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, AND TAX EXEMPT ORGANIZATIONS. NOR DOES IT ADDRESS ALL POTENTIAL TAX CONSEQUENCES TO THE DEBTORS, OR THE POTENTIAL TAX CONSEQUENCES TO THE HOLDERS OF CLASS ACTION CLAIMS OR INTERESTS OR TO THE HOLDERS OF CLAIMS WHOSE CLAIMS ARE PAID IN FULL OR WHICH OTHERWISE ARE NOT IMPAIRED UNDER THE PLAN. IN ADDITION, THE DESCRIPTION DOES NOT DISCUSS STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

B. Federal Income Tax Consequences

1. Certain Tax Consequences to Debtors

a. Discharge of Indebtedness In General

Under the Tax Code, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD income") realized during the taxable year. Section 108 of the Tax Code provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code but only if the taxpayer is under the jurisdiction of the bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court.

Section 108 of the Tax Code requires the amount of COD income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's net operating losses and net operating loss carryovers (collectively, "NOLs"), certain tax credits and most tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and foreign tax credit carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been determined. Section 108 of the Tax Code further provides that a taxpayer does not realize COD income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, holders of certain Claims are expected to receive less than full payment on their Claims. A Debtor's liability to the holders of Claims in excess of the amount satisfied by distributions under the Plan will be canceled and therefore, will result in COD income to the applicable Debtor. A Debtor should not realize any COD income, however, to the extent that payment of such Claims would have given rise to a deduction to the Debtor had such amounts been paid. In addition, any COD income that the Debtor realizes should be excluded from the Debtor's gross income pursuant to the bankruptcy exception to Section 108 of the Tax Code described in the preceding paragraphs.

The exclusion of COD income, however, will result in a reduction of certain tax attributes of the applicable Debtor. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, the COD income realized by the Debtor under the Plan should not diminish any NOLs and other tax attributes that may be available to offset any income and gains recognized by the Debtor in the taxable year that includes the Effective Date.

b. Transfer of Assets to Recovery Trust

For all federal income tax purposes, all parties (including the Recovery Trustee and the holders of beneficial interests in the Recovery Trust) will treat the transfer of assets to the Recovery Trust, pursuant to the Plan and Recovery Trust Agreement, as a transfer by the Debtors and Estates of those assets directly to the holders of the applicable Allowed Claims (as well as Allowed Old Common Stock Interests) followed by the transfer of such assets by such holders to the Recovery Trust.

Transfers of assets to the Recovery Trust may result in a taxable event, in which case, the Recovery Trust will be entitled to deduct any applicable federal, state and/or local withholding taxes from any Cash payments made with respect to Allowed Claims or Interests, as appropriate.

c. LLC Debtor Entity

One of the Debtors, PBSS, LLC, is a limited liability company (the "LLC Debtor"). In the case of the LLC Debtor, there is no direct federal income tax liability at the entity level, and in that regard, the LLC Debtor does not bear any federal tax consequences. The LLC Debtor could, however, potentially be subject to tax implications at the state and local tax level via LLC taxes or fees.

2. Consequences to Certain Creditors

a. In General

Generally, a holder of a Claim should in most, but not all circumstances, recognize gain or loss equal to the difference between the "amount realized" by such holder in exchange for its Claim and such holder's adjusted tax basis in the Claim. The "amount realized" is equal to the sum of the cash and the fair market value of any other consideration received under a plan of reorganization in respect of a holder's Claim. The tax basis of a holder in a Claim will generally be equal to the holder's cost therefor. To the extent applicable, the character of any recognized gain or loss (*e.g.*, ordinary income, or short-term or long-term capital gain or loss) will depend upon the status of the holder, the nature of the Claim in the holder's hands, the purpose and circumstances of its acquisition, the holder's holding period of the Claim, and the extent to which the holder previously claimed a deduction for the worthlessness of all or a portion of the Claim. Generally, if the Claim is a capital asset in the holder's hands, any gain or loss realized will generally be characterized as capital gain or loss, and will constitute long-term capital gain or loss if the holder has held such Claim for more than one year.

A Creditor who received Cash in satisfaction of its Claims may recognize ordinary income or loss to the extent that any portion of such consideration is characterized as accrued interest. A Creditor who did not previously include in income accrued but unpaid interest attributable to its Claim, and who receives a distribution on account of its Claim pursuant to the Plan, will be treated as having received interest income to the extent that any consideration received is characterized for U.S. federal income tax purposes as interest, regardless of whether such Creditor realizes an overall gain or loss as a result of surrendering its Claim. A Creditor who previously included in its income accrued but unpaid interest attributable to its Claim should recognize an ordinary loss to the extent that such accrued but unpaid interest is not satisfied, regardless of whether such Creditor realizes an overall gain or loss as a result of the distribution it may receive under the Plan on account of its Claim.

Under the Plan, the holders of certain Claims may receive only a partial distribution of their Allowed Claims. As discussed herein, members of Class 3 (General Unsecured Claims), Class 4 (Subordinated Unsecured Claims) and Class 6 (Old Common Stock Interests) will receive Recovery Trust Interests, which is discussed further below. Whether the applicable holder of such Claims will recognize a loss or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the holder and its Claims. Creditors should consult their own tax advisors.

b. Non-United States Persons

A holder of a Claim that is a Non-U.S. Person generally will not be subject to U.S. federal income tax with respect to property (including money) received in exchange for such Claim pursuant to the Plan, unless (i) such holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is "effectively connected" for United States federal income tax purposes, or (ii) if such holder is an individual, such holder is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met.

c. Tax Consequences in Relation to Recovery Trust and Creditor-Beneficiaries Thereof

As of the Effective Date, the Recovery Trust will be established for the benefit of the holders of Allowed Claims in Class 3 (General Unsecured Claims) and Class 4 (Subordinated Unsecured Claims), in addition to holders of Allowed Interests in Class 6 (Old Common Stock Interests). The tax consequences of the Plan in relation to the Recovery Trust and the beneficiaries thereof are subject to uncertainties due to the complexity of the Plan and the lack of interpretative authority regarding certain changes in the tax law.

Allocations of taxable income of the Recovery Trust (other than taxable income allocable to the Recovery Trust's claims reserves) among holders of Claims will be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (were such cash permitted to be distributed at such time) if, immediately prior to such deemed distribution, the Recovery Trust had distributed all of its assets (valued at their tax book value) to the holders of the beneficial interests in the Recovery Trust, adjusted for prior taxable income and

loss and taking into account all prior and concurrent distributions from the Recovery Trust. Similarly, taxable loss of the Recovery Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining trust assets.

The tax book value of the trust assets for this purpose will equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the Tax Code, applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements. Uncertainties with regard to federal income tax consequences of the Plan may arise due to the inherent nature of estimates of value that will impact tax liability determinations.

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt of an IRS private letter ruling if the Recovery Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Recovery Trustee), the Recovery Trustee may (a) elect to treat any trust assets allocable to, or retained on account of, Disputed Claims (the "Trust Claims Reserve") as a "disputed ownership fund" governed by Treasury Regulation Section 1.468B-9, and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes. Accordingly, any Trust Claims Reserve will be subject to tax annually on a separate entity basis on any net income earned with respect to the trust assets in such reserves, and all distributions from such reserves will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All parties (including, without limitation, the Recovery Trustee and the holders of beneficial interests in the Recovery Trust) will be required to report for tax purposes consistently with the foregoing.

The Recovery Trust is intended to qualify as a liquidating trust for federal income tax purposes. In general, a liquidating trust is not a separate taxable entity but rather is treated for federal income tax purposes as a "grantor" trust (*i.e.*, a pass-through entity). The IRS, in Revenue Procedure 94-45, 1994.28 I.R.B. 124, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Recovery has been structured with the intention of complying with such general criteria. Pursuant to the Plan and Recovery Trust Agreement, and in conformity with Revenue Procedure 94-45, *supra*, all parties (including the Recovery Trustee and the holders of beneficial interests in the Recovery Trust) are required to treat for federal income tax purposes, the Recovery Trust as a grantor trust of which the holders of the applicable Allowed Claims are the owners and grantors. While the following discussion assumes that the Recovery Trust would be so treated for federal income tax purposes, no ruling has been requested from the IRS concerning the tax status of the Recovery Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Recovery Trust as a grantor trust. If the IRS were to challenge successfully such classification, the federal income tax consequences to the Recovery Trust and the beneficiaries thereof could materially vary from those discussed herein.

In general, each Creditor who is a beneficiary of the Recovery Trust will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by such beneficiary in satisfaction of its applicable Allowed Claim, and (ii) such beneficiary's adjusted tax basis in such Claim. The "amount realized" by a beneficiary will equal the sum of cash and the aggregate fair market value of the property received by such party pursuant to the Plan (such as a beneficiary's undivided beneficial interest in the assets transferred to the Recovery Trust). Where gain or loss is recognized by a beneficiary in respect of its Allowed Claim, the character of such gain or loss (*i.e.*, long-term or short-term capital, or ordinary income) will be determined by a number of factors including the tax status of the party, whether the Claim constituted a capital asset in the hands of the party and how long it had been held, whether the Claim was originally issued at a discount or acquired at a market discount and whether and to what extent the party had previously claimed a bad debt deduction in respect of the Claim.

After the Effective Date, any amount that a Creditor receives as a distribution from the Recovery Trust in respect of its beneficial interest in the Recovery Trust should not be included, for federal income tax purposes, in the party's amount realized in respect of its Allowed Claim, but should be separately treated as a distribution received in respect of such party's beneficial interest in the Recovery Trust.

In general, a beneficiary's aggregate tax basis in its undivided beneficial interest in the assets transferred to the Recovery Trust will equal the fair market value of such undivided beneficial interest as of the Effective Date and the beneficiary's holding period in such assets will begin the day following the Effective Date. Distributions to any

beneficiary will be allocated first to the original principal portion of the beneficiary's Allowed Claim as determined for federal tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim. However, there is no assurance that the IRS will respect such allocation for federal income tax purposes.

For all federal income tax purposes, all parties (including the Recovery Trustee and the holders of beneficial interests in the Recovery Trust) will treat the transfer of assets to the Recovery Trust, in accordance with the terms of the Plan and Recovery Trust Agreement, as a transfer of those assets directly to the holders of the applicable Allowed Claims followed by the transfer of such assets by such holders to the Recovery Trust. Consistent therewith, all parties will treat the Recovery Trust as a grantor trust of which such holders are to be owners and grantors. Thus, such holders (and any subsequent holders of interests in the Recovery Trust) will be treated as the direct owners of an undivided beneficial interest in the assets of the Recovery Trust for all federal income tax purposes. Accordingly, each holder of a beneficial interest in the Recovery Trust will be required to report on its federal income tax return(s) the holder's allocable share of all income, gain, loss, deduction or credit recognized or incurred by the Recovery Trust.

The Recovery Trust's taxable income will be allocated to the holders of beneficial interests in the Recovery Trust in accordance with each such holder's *pro rata* share. The character of items of income, deduction and credit to any holder and the ability of such holder to benefit from any deductions or losses may depend on the particular situation of such holder.

The federal income tax reporting obligation of a holder of a beneficial interest in the Recovery Trust is not dependent upon the Recovery Trust distributing any cash or other proceeds. Therefore, a holder of a beneficial interest in the Recovery Trust may incur a federal income tax liability regardless of the fact that the Recovery Trust has not made, or will not make, any concurrent or subsequent distributions to the holder. If a holder incurs a federal tax liability but does not receive distributions commensurate with the taxable income allocated to it in respect of its beneficial interests in the Recovery Trust it holds, the holder may be allowed a subsequent or offsetting loss.

The Recovery Trustee will file with the IRS returns for the Recovery Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a). The Recovery Trust will also send to each holder of a beneficial interest in the Recovery Trust a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and will instruct the holder to report such items on its federal income tax return.

Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, could also change the federal income tax consequences of the Plan and the transactions contemplated thereunder.

3. Information Reporting and Backup Withholding

Distributions pursuant to the Plan will be subject to any applicable federal income tax reporting and withholding. The IRC imposes "backup withholding" on certain "reportable" payments to certain taxpayers, including payments of interest. Under the IRC's backup withholding rules, a holder of a Claim may be subject to backup withholding with respect to Distributions or payments made pursuant to the Plan, unless the holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional federal income tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of income tax. A holder of a Claim may be required to establish an exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

VIII. SECURITIES LAW MATTERS

A. In General

The Plan provides for the establishment of the Recovery Trust and for the issuance of beneficial interests therein. In general, beneficial interests in trusts may sometimes be subject to regulation under applicable federal and state securities laws. However, as discussed herein, the Plan Proponents do not believe that the Recovery Trust Interests constitute "securities" for purposes of applicable nonbankruptcy law. Alternatively, even if the Recovery Trust Interests were to constitute "securities," the Plan Proponents believe that they would be exempt from registration pursuant to Bankruptcy Code section 1145(a)(1).

Further, the Plan Proponents believe that the New Common Stock (a single share) to be issued pursuant to the Plan, and held by the Recovery Trustee, does not constitute a "security" for purposes of federal and state securities laws, and alternatively, if the New Common Stock were securities, such securities would be exempt from registration as discussed further below.

B. Initial Issuance

Unless an exemption is available, the offer and sale of a security generally is subject to registration with the United States Securities and Exchange Commission (the "SEC") under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"). In the opinion of the Plan Proponents, and based on "no action" letters by the SEC, the Recovery Trust Interests and New Common Stock will not be considered "securities" within the definition of Section 2(11) of the Securities Act and corresponding definitions under state securities laws and regulations ("Blue Sky Laws") because the Recovery Trust Interests and the New Common Stock will be uncertificated and non-transferable other than by operation of law. Accordingly, the Recovery Trust Interests and New Common Stock should be issuable in accordance with the Plan without registration under the Securities Act or any Blue Sky Law.

Alternatively, in the event that the Recovery Trust Interests are deemed to constitute securities, section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and Blue Sky Laws if three principal requirements are satisfied:

> A. the securities are offered and sold under a plan of reorganization and are securities of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a successor to the debtor under the plan;
>
> B. the recipients of the securities hold a pre-petition or administrative claim against the debtor or an interest in the debtor; and
>
> C. the securities are issued entirely in exchange for recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property.

If and to the extent that the Recovery Trust Interests may constitute securities, the Plan Proponents believe that these beneficial interests issued in respect of certain Allowed Claims and Allowed Interests will qualify as securities "of the debtor … or of a successor to the debtor" pursuant to section 1145(a)(1). In addition, the Recovery Trust Interests will be issued entirely in exchange for such Claims and Interests. Thus, the Plan Proponents believe that the issuance of the Recovery Trust Interests pursuant to the Plan will satisfy the applicable requirements of section 1145(a)(1) of the Bankruptcy Code, and that such issuance should be exempt from registration under the Securities Act and any applicable Blue Sky Law.

In addition, if and to the extent that the New Common Stock may constitute a security, the Plan Proponents believe that the issuer of thereof may rely on section 4(a)(2) and/or any other applicable section of the Securities Act, and similar state law provisions, and to the extent applicable, on Regulation D under the Securities Act ("Regulation D") and/or any other applicable regulation or similar state law provisions, to exempt from registration under the Securities Act and any applicable state securities laws the offer of such securities. Section 4(a)(2) exempts from the registration provisions of the Securities Act any transaction by an issuer not involving any public offering.

Regulation D similarly exempts from the registration provisions under the Securities Act offerings of securities to "accredited investors," as such term is defined under Regulation D, and a limited number of other investors.

The Plan Proponents believe that their reliance upon the foregoing exemptions in respect of the issuance of the Recovery Trust Interests and New Common Stock is consistent with positions taken by the SEC with respect to similar transactions and arrangements by other chapter 11 debtors in possession. However, the Plan Proponents have not sought any "no-action" letter by the SEC with respect to any such matters, and therefore no assurance can be given regarding the availability of any exemptions from registration with respect to any securities, if any, issued pursuant to the Plan.

C. Resales

The Recovery Trust Interests will be subject to transfer restrictions under the terms of the Recovery Trust Agreement. As provided in said agreement, generally, the Recovery Trust Interests cannot be assigned or transferred other than by operation of law, and will not be represented by certificates.

The New Common Stock will be subject to similar transfer restrictions as set forth in the Plan. As provided in the Plan, generally, the New Common Stock cannot be assigned or transferred by operation of law, and will not be certificated.

D. Exchange Act Compliance

Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), applies only to a company that has both (i) total assets in excess of $10.0 million and (ii) a class of equity securities held of record by more than 2,000 persons or 500 persons who are not accredited investors (within 120 days after the last day of the company's fiscal year). The Plan Proponents believe it unlikely conditions (i) and (ii) will be deemed satisfied in respect to the Recovery Trust and Recovery Trust Interests, and in any event, the Recovery Trust should not be required to register under Section 12(g) of the Exchange Act. The Plan Proponents have been advised that the staff of the SEC has issued no-action letters with respect to the non-necessity of Exchange Act registration of a bankruptcy plan trust when the following are true:

A. the beneficial interests in the trust are not represented by certificates or, if they are, the certificates bear a legend stating that the certificates are transferable only upon death or by operation of law;

B. the trust exists only to effect a liquidation and will terminate within a reasonable period of time; and

C. the trust will issue annual unaudited financial information to all beneficiaries.

Based on the foregoing, the Plan Proponents believe that the Recovery Trust will not be subject to registration under the Exchange Act. However, the views of the SEC on the matter have not been sought by the Plan Proponents and, therefore, no assurance can be given regarding this matter.

In respect to the New Common Stock, only one (1) share of New Common Stock will be authorized and issued, and will be held by the Recovery Trustee. Necessarily, since there will be only one holder of record of the New Common Stock, condition (ii) discussed above will not be met. Accordingly, the New Common Stock should not be subject to registration under the Exchange Act, although the views of the SEC on this matter have not been sought and no assurance can be given by the Plan Proponents.

E. Compliance If Required

Notwithstanding the preceding discussion, if the Recovery Trustee, in relation to the Recovery Trust, and/or the Post-Confirmation Debtor Representative, in relation to the Post-Confirmation Debtor, determine, with the advice of counsel, that the Recovery Trust and/or Post-Confirmation Debtor (as applicable) are required to comply with the registration and reporting requirements of the Exchange Act, then prior to the

registration of the Recovery Trust and/or Post-Confirmation Debtor (as applicable) under the Exchange Act, the Recovery Trustee (subject to the terms of the Recovery Trust Agreement) and/or Post-Confirmation Debtor Representative (subject to the terms of the Plan) (as applicable) will seek to amend the Recovery Trust Agreement and/or Post-Confirmation Debtor's by-laws or other operative documents, to make such changes as are deemed necessary or appropriate to ensure that the Recovery Trust and Post-Confirmation Debtor are not subject to registration or reporting requirements of the Exchange Act. The Recovery Trust Agreement, the Post-Confirmation Debtor's by-laws and/or other applicable documents, as so amended, will be effective after notice and opportunity for a hearing, and the entry of a Final Order of the Bankruptcy Court.

If the Recovery Trust Agreement, the Post-Confirmation Debtor's by-laws and/or other applicable documents, as amended, are not approved by Final Order of the Bankruptcy Court or the Bankruptcy Court otherwise determines in a Final Order that registration under the Exchange Act (or any other related or similar federal laws) is required, then the Recovery Trustee and Post-Confirmation Debtor Representative (as applicable) will take such actions as may be required to satisfy the registration and reporting requirements of the Exchange Act (or any other related or similar federal laws).

IX. RECOMMENDATION AND CONCLUSION

The Plan Proponents believe that the confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Plan Proponents urge all parties who are entitled to vote to accept the Plan by duly and timely completing and returning their Ballots. Moreover, the Plan Proponents respectfully request that the Bankruptcy Court confirm the Plan.

Wilmington, Delaware
Dated: June 18, 2015

SS Body Armor I, Inc., SS Body Armor II, Inc.,
SS Body Armor III, Inc., and PBSS, LLC

By: /s/ T. Scott Avila
T. Scott Avila
Chief Restructuring Officer

Arent Fox LLP

By: /s/ Robert M. Hirsh
Robert M. Hirsh
George P. Angelich

Counsel to Official Committee of Unsecured Creditors for SS Body Armor I, Inc., SS Body Armor II, Inc., SS Body Armor III, Inc., and PBSS, LLC