Docket #0668 Date Filed: 11/10/2015

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

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

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

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

SECTION 1. DEFINITIONS AND INTERPRETATION

A. Definitions.

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

1.1 ***Accredited Investor*** has the meaning set forth in section 230.501(a) of title 17 of the Code of Federal Regulations.

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

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

1.4 ***Administrative Expense Claim Bar Date*** means the date that is seven (7) calendar days before the date scheduled for the Confirmation Hearing.

1.5 ***Allowed*** means, with respect to any Claim or Equity Interest, such Claim or Equity Interest or portion thereof against or in any Debtor: (a) that has been listed by such Debtor in the Schedules, as such Schedules may be amended by the Debtors from time to time in

accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary Proof of Claim has been filed; (b) as to which the deadline for objecting or seeking estimation has passed, and no objection or request for estimation has been filed; (c) as to which any objection or request for estimation that has been filed has been settled, waived, withdrawn, or denied by a Final Order; or (d) that is allowed pursuant to the terms of (i) a Final Order, (ii) an agreement by and among the Holder of such Claim or Equity Interest and the Debtors or the Reorganized Debtors, as applicable, or (iii) the Plan.

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

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

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

1.9 ***Backstop Set Aside Amount*** has the meaning set forth in Section 5.4.

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

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

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

1.13 ***Board Observer*** has the meaning set forth in Section 5.9.

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

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

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

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

1.18 ***Cash Election Holders*** means, collectively, the Preferred Cash Election Holders and the Subordinated Cash Election Holders.

1.19 ***Cash Election Reserve*** means a non-interest bearing account to be established solely for the purpose of holding and maintaining Cash for the Cash election payments pursuant to Sections 4.5 and 4.7 of this Plan, funded on the Effective Date by the Reorganized Debtors from the Offering in an amount necessary to satisfy in full such Cash election payments; *provided*, *however*, that such funding shall not exceed $3,000,000 in the aggregate. After completion of all distributions to the Holders of Allowed Claims in Class 4-B and Class 6, any remaining funds of the Cash Election Reserve shall promptly be returned to the Reorganized Debtors and shall not be distributed to Holders of Claims or Equity Interests under this Plan.

1.20 ***Cash Oversubscription*** means the point at which 7.00% of the aggregate amount of Allowed Claims of Cash Election Holders is greater than $3,000,000.

1.21 ***Cash Undersubscription*** means the point at which 7.00% of the aggregate amount of Allowed Claims of Cash Election Holders is less than $3,000,000.

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

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

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

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

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

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

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

1.29 ***Colt Retirement Defined Benefit Plan*** means that certain qualified non-contributory defined benefit plan administered by USI Consulting Group.

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

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

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

1.33 ***Confirmation Objection Deadline*** means 4:00 p.m. (Eastern Standard Time) on the date that is seven (7) days before the date scheduled for the Confirmation Hearing.

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

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

1.36 ***Consenting 8.75% Noteholders*** has the meaning ascribed to such term in the Restructuring Support Agreement.

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

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

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

1.40 ***Deferred Professional Fees*** has the meaning set forth in Section 2.3.

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

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

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

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

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

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

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

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

Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Liens and Superpriority Administrative Expense Status, (C) Use Cash Collateral of Prepetition Secured Parties; and (II) Granting Related Relief [D.I. 654], entered by the Bankruptcy Court on or about November 5, 2015.

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

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

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

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

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

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

1.55 ***DIP Term Loan Agreement*** means that certain Senior Secured Superpriority Debtor-In-Possession Term Loan Agreement as amended pursuant to Amendment No. 1, Amendment No. 2, and Amendment No. 3 thereto and as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, dated as of June 14, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, New Colt Holding Corp., Colt Finance Corp., and Colt Canada Corporation, as borrowers, CDH II Holdco Inc. and the subsidiaries of Colt Defense LLC, as guarantors, Wilmington Savings Fund Society, FSB, as agent, and the lenders named therein.

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

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

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

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

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

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

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

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

1.64 ***Distribution Record Date*** means the date of the commencement of the Confirmation Hearing.

1.65 ***Effective Date*** means the Business Day on or after the Confirmation Date specified by the Debtors on which (i) no stay of the Confirmation Order or the Confirmation Recognition Order is in effect and (ii) the conditions to the effectiveness of the Plan specified in Section 9.2 have been satisfied or waived.

1.66 ***Eligible Holder*** means each Holder of Senior Notes Claims other than Fidelity/Newport who beneficially holds $100,000 or more (or such other amount as the RSA Creditor Parties, the Reorganized Debtors, the Sciens Group, and the Committee may agree) in principal amount of Senior Notes and is an Accredited Investor.

1.67 ***Eligible Holder Pro Rata Share*** has the meaning set forth in Section 5.4.

1.68 ***Employee Claims*** means, collectively, (i) any and all Claims of the Debtors' employees arising from or relating to contracts or agreements with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and its Local 376, regarding labor union liabilities and (ii) any and all Claims of the Debtors' employees, including, but not limited to, other postretirement employee benefits, arising from or

relating to any of the Debtors' pension plans including, but not limited to, those regulated by the Pension Benefit Guaranty Corporation.

1.69 ***Entity*** has the meaning set forth in section 101(15) of the Bankruptcy Code.

1.70 ***Equity Interest*** means all outstanding ownership interests in any of the Debtors, including any interest evidenced by common or preferred stock, membership interest, option, or other right to purchase or otherwise receive any ownership interest in any of the Debtors, or any right to payment or compensation based upon any such interest, whether or not such interest is owned by the Holder of such right to payment or compensation.

1.71 ***Estates*** means the estates of the Debtors created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

1.72 ***Exit Agents*** means, collectively, the administrative agents under the Exit Facilities.

1.73 ***Exit Facilities*** means, collectively, those certain financing agreements to be entered into on the Effective Date (the "***Exit Credit Agreements***") and the related loans, guarantees, pledges, security agreements, and other agreements and documents to be given or issued pursuant to or in connection with, the foregoing, having the principal terms and conditions set forth in the Senior Loan Exit Term Sheet, the Term Loan Exit Term Sheet, and with respect to the Third Lien Exit Facility, the Offering Term Sheet. Substantially final forms of the Exit Credit Agreements shall be included in the Plan Supplement.

1.74 ***Exit Intercreditor Agreements*** means one or more intercreditor agreements, by and among the Reorganized Debtors, the Exit Agents, and the Fourth Lien Note Indenture Trustee (as applicable), containing terms and conditions substantially similar to those of the DIP Intercreditor Agreement, subject to certain modifications acceptable to the Exit Lenders, including those set forth on Annex A to the Senior Loan Exit Term Sheet and Annex A to the Term Loan Exit Term Sheet. The substantially final forms of the Exit Intercreditor Agreements shall be included in the Plan Supplement.

1.75 ***Exit Lenders*** means, collectively, the institutions party from time to time as lenders under the Exit Facilities.

1.76 ***Fidelity/Newport*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.77 ***Final Distribution Date*** means, in the event there exist on the Effective Date any Disputed Claims, a date selected by the Reorganized Debtors in their sole discretion, on which (a) the deadline to object to Disputed Claims has expired and (b) all objections to Disputed Claims have been settled, waived, withdrawn, or otherwise resolved by Final Order.

1.78 ***Final Order*** means an order or judgment entered by the Bankruptcy Court or other court of competent jurisdiction (including the Canadian Court): (a) that has not been reversed, stayed, modified, amended, or revoked, and as to which (i) any right to appeal or seek

leave to appeal, certiorari, review, reargument, stay, or rehearing has been waived or (ii) the time to appeal or seek leave to appeal, certiorari, review, reargument, stay, or rehearing has expired and no appeal, motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing is pending or (b) as to which an appeal has been taken, a motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing has been filed and (i) such appeal, motion for leave to appeal or petition for certiorari, review, reargument, stay, or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which leave to appeal, certiorari, review, reargument, stay, or rehearing was sought and (ii) the time to appeal (in the event leave is granted), appeal further or seek leave to appeal, certiorari, further review, reargument, stay, or rehearing has expired and no such appeal, motion for leave to appeal, or petition for certiorari, further review, reargument, stay, or rehearing is pending; *provided*, *however*, that no order or judgment shall fail to be a "Final Order" solely because of the possibility that a motion pursuant to sections 502(j) or 1144 of the Bankruptcy Code, rules 59 or 60 of the Federal Rules of Civil Procedure, any analogous rules under the *Ontario Rules of Civil Procedure* in connection with the Canadian Proceedings, or Bankruptcy Rules 9023 and 9024 may be filed with respect to such order or judgment.

1.79 ***Fourth Lien Note*** has the meaning set forth in Section 4.5. A substantially final form of the Fourth Lien Note shall be included in the Plan Supplement.

1.80 ***Fourth Lien Note Documents*** means the Fourth Lien Note Indenture and all other documents related to or evidencing the Fourth Lien Note, each such document in form and substance acceptable to the Debtors, the Exit Lenders, and the Committee. Substantially final forms of the Fourth Lien Note Documents shall be included in the Plan Supplement.

1.81 ***Fourth Lien Note Election Holder Deficiency Claim*** means, in the event of a Cash Undersubscription and a Fourth Lien Note Oversubscription, the difference between (i) the Allowed Claim of a Fourth Lien Note Election Holder and (ii) the Pro Rata Share of $7 million received by such Fourth Lien Note Election Holder divided by 10.00%.

1.82 ***Fourth Lien Note Election Holders*** means, collectively, (i) Holders of Allowed Class 4-B Senior Notes Claims that affirmatively elect (or are deemed to affirmatively elect) the Fourth Lien Note and (ii) Holders of Allowed Class 6 General Unsecured Claims that affirmatively elect (or are deemed to affirmatively elect) the Fourth Lien Note.

1.83 ***Fourth Lien Note Indenture*** means the indenture by and among the Reorganized Debtors and the Fourth Lien Note Trustee pursuant to which the Fourth Lien Note shall be issued. A substantially final form of the Fourth Lien Note Indenture shall be included in the Plan Supplement.

1.84 ***Fourth Lien Note Indenture Trustee*** means the indenture trustee under the Fourth Lien Note Indenture, or any successor indenture trustee thereunder. The identity of the initial Fourth Lien Note Indenture Trustee shall be disclosed in the Plan Supplement.

1.85 ***Fourth Lien Note Oversubscription*** means the point at which 10.00% of the aggregate amount of Allowed Claims of Fourth Lien Note Election Holders is greater than $7 million.

1.86 ***General Bar Date*** means November 20, 2015.

1.87 ***General Unsecured Claim*** means any Claim against any of the Debtors that is (a) not an Administrative Expense Claim, Priority Tax Claim, DIP Facility Claim, Priority Non-Tax Claim, Term Loan Claim, Other Secured Claim, Senior Notes Claim, Trade Claim, Employee Claim, Sciens Claim, or Intercompany Claim; or (b) otherwise determined by the Bankruptcy Court to be a General Unsecured Claim.

1.88 ***Governmental Unit*** has the meaning set forth in section 101(27) of the Bankruptcy Code.

1.89 ***Holder*** means the beneficial holder of any Claim or Equity Interest.

1.90 ***Impaired*** has the meaning set forth in section 1124 of the Bankruptcy Code.

1.91 ***Ineligible Holder*** means each Holder of Senior Notes Claims (other than Fidelity/Newport) who is not an Eligible Holder.

1.92 ***Intercompany Claim*** means any Claim held by (i) a Debtor against another Debtor or (ii) a non-Debtor subsidiary of a Debtor against a Debtor.

1.93 ***Lien*** means a lien as defined in section 101(37) of the Bankruptcy Code on or against any of the Debtors' property or the Estates.

1.94 ***Liquidity Event*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.95 ***New Class A LLC Units*** means the equity interests of Reorganized Parent issued pursuant to the Offering (subject to dilution by New Class A LLC Units granted in accordance with the New Management Incentive Plan and issued under the West Hartford Facility Term Sheet) on the terms and conditions summarized in the Offering Term Sheet and to be set forth in the Reorganized Parent LLC Agreement, and which shall be issued in accordance with the Offering Procedures.

1.96 ***New Class B LLC Units*** means the equity interests of Reorganized Parent issued to the Holders of Allowed Senior Notes Claims pursuant to this Plan (subject to dilution by the automatic conversion of New Class A LLC Units upon a Liquidity Event) with the terms described in the Restructuring Term Sheet, to be set forth in the Reorganized Parent LLC Agreement.

1.97 ***New Equity Interests*** means, collectively, New Class A LLC Units and New Class B LLC Units, in each case to the extent outstanding.

1.98 ***New Management Incentive Plan*** means a management incentive plan to be implemented on or after the Effective Date, subject to the terms of the Restructuring Term Sheet, providing for grants of restricted units, Cash, options, warrants, and/or other equity-based compensation to the management of the Reorganized Debtors of up to 10% of the New Class A

LLC Units of Reorganized Parent. A form of the New Management Incentive Plan shall be included in the Plan Supplement.

1.99 ***New Organizational Documents*** means, in addition to the Amended Certificate of Formation, any new or amended and restated certificates of incorporation, by-laws, certificates of formation, limited liability company agreements (or documents of similar import, as applicable) for the applicable Reorganized Debtor, on terms and conditions consistent with the Restructuring Term Sheet and acceptable to the Debtors, the Plan Support Parties, and the Term Loan Exit Lenders, substantially final forms of which shall be contained in the Plan Supplement.

1.100 ***Nonparticipating Eligible Holder*** means an Eligible Holder who does not participate in the Offering.

1.101 ***Nonparticipating Holders*** means, collectively, Nonparticipating Eligible Holders and Ineligible Holders.

1.102 ***Noteholder Offering Allocation*** has the meaning set forth in Section 5.4.

1.103 ***NPA*** means NPA Hartford LLC, as landlord under the West Hartford Facility Lease.

1.104 ***Offering*** means the $50 million in new capital to be provided to the Reorganized Debtors on the Effective Date in connection with a private offering consisting of (i) the Third Lien Exit Facility and (ii) the New Class A LLC Units. The terms of conditions of the Offering are summarized in the Offering Term Sheet. The aggregate new capital raised through the Offering may be increased by up to $5 million in accordance with the terms set forth in the Restructuring Term Sheet regarding the Additional Offering Amount.

1.105 ***Offering Denominator*** has the meaning set forth in Section 5.4.

1.106 ***Offering Procedures*** means those certain rights offering procedures with respect to the Offering, which shall be in accordance with the Restructuring Term Sheet and which shall be included in the Plan Supplement.

1.107 ***Offering Record Date*** means the date to be established in the Offering Procedures as of which a Holder of the Senior Notes must be an Eligible Holder for purposes of participating in the Offering.

1.108 ***Offering Term Sheet*** means the term sheet attached as Exhibit C to the Plan.

1.109 ***Offering Units*** means the units comprised of (i) the debt issued pursuant to the Third Lien Exit Facility and (ii) the New Class A LLC Units.

1.110 ***Order Establishing Interim Compensation Procedures*** means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [D.I. 295], entered by the Bankruptcy Court on or about July 29, 2015.

1.111 ***Other Secured Claim*** means any Secured Claim that is not a Term Loan Claim or a DIP Facility Claim.

1.112 ***Oversight Committee*** means the committee established pursuant to Section 5.13.

1.113 ***Oversight Committee Fees and Expenses*** has the meaning set forth in Section 5.13.

1.114 ***Oversight Committee Reserve Account*** means a non-interest bearing account to be established on the Effective Date for the purpose set forth in Section 5.13 and funded with proceeds of the Offering in the maximum aggregate amount of $150,000.

1.115 ***Parent*** means Colt Holding Company LLC.

1.116 ***Participating Consortium Noteholders*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.117 ***Participating Consortium Noteholder Pro Rata Share*** has the meaning set forth in Section 5.4.

1.118 ***Participating Eligible Holder*** means an Eligible Holder that (i) votes to accept the Plan on its duly executed and timely delivered ballot and (ii) participates in the Offering.

1.119 ***Participating Holders*** means, collectively, Fidelity/Newport, the Participating Consortium Noteholders, and Participating Eligible Holders.

1.120 ***Person*** has the meaning set forth in section 101(41) of the Bankruptcy Code.

1.121 ***Petition Date*** means June 14, 2015.

1.122 ***Plan*** means this joint plan of reorganization under chapter 11 of the Bankruptcy Code, including the exhibits and schedules hereto and the Plan Supplement, as may be amended, supplemented, or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the terms hereof.

1.123 ***Plan Assumption and Cure Notice*** has the meaning set forth in Section 8.2.

1.124 ***Plan Documents*** means the documents to be executed, delivered, assumed, or performed in connection with the consummation and implementation of the Plan.

1.125 ***Plan Supplement*** means the compilation of documents (or forms thereof), schedules, and exhibits filed ten (10) calendar days prior to the first date on which the Confirmation Hearing is scheduled to be held (other than with respect to the Third Lien Exit Facility, the Fourth Lien Note Documents, and the Offering Procedures, which shall be filed six

(6) calendar days prior to the Voting Deadline), as such documents, schedules, and exhibits may be altered, amended, modified, or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the terms of this Plan. Except as specifically provided otherwise in the Plan, each document, schedule, and exhibit included in the Plan Supplement shall be reasonably acceptable to the Exit Lenders, the RSA Creditor Parties, and the Committee.

1.126 ***Plan Support Parties*** means any Person or Entity that is party to the Restructuring Support Agreement.

1.127 ***Preferred Cash Election Claims*** means 7.00% of the aggregate amount of Allowed Claims held by Preferred Cash Election Holders, payable solely from the Cash Election Reserve.

1.128 ***Preferred Cash Election Holder Deficiency Claim*** means, in the event of a Cash Oversubscription where the Cash Election Reserve is insufficient to pay Preferred Cash Election Claims in full, the difference between (i) the Allowed Claim of a Preferred Cash Election Holder and (ii) the Pro Rata Share of the Cash Election Reserve received in Cash by such Preferred Cash Election Holder divided by 7.00%.

1.129 ***Preferred Cash Election Holders*** means, collectively, (i) Ineligible Holders of Allowed Class 4-B Senior Notes Claims that submit duly executed and timely delivered ballots, do not vote to reject the Plan, and affirmatively elect the Cash payment in accordance with the instructions of such Holders' ballots, and (ii) Holders of Allowed Class 6 General Unsecured Claims that submit duly executed and timely delivered ballots and affirmatively elect the Cash Payment in accordance with the instructions of such Holders' ballots.

1.130 ***Prepetition Intercreditor Agreement*** means that certain Intercreditor Agreement dated as of February 9, 2015, by and among the Senior Loan Agent, the Term Loan Agent, and the Debtors.

1.131 ***Prepetition RSA*** means that certain Restructuring Support Agreement dated May 31, 2015, by and among (i) the Debtor Subsidiaries, (ii) certain lenders under that certain Credit Agreement dated as of February 9, 2015, by and among Colt Defense LLC, Colt's Manufacturing Company LLC, and Colt Canada Corporation, as borrowers, certain subsidiary guarantors, and Cortland Capital Market Services LLC, as agent, (iii) certain Term Loan Lenders, (iv) certain Holders of Senior Notes Claims, (v) the Sciens Group, and (vi) NPA.

1.132 ***Priority Non-Tax Claim*** means any Claim against any of the Debtors entitled to priority in right of payment under section 507(a) of the Bankruptcy Code that is not an Administrative Expense Claim or a Priority Tax Claim.

1.133 ***Priority Return*** means the threshold at which Reorganized Parent has made cumulative distributions to holders of New Class A LLC Units in an amount of $50,000,000.

1.134 ***Priority Tax Claim*** means any Claim of a governmental authority of the kind entitled to priority in payment as specified in sections 502(i) or 507(a)(8) of the Bankruptcy Code.

1.135 ***Pro Rata Share*** means, with respect to any distribution on account of any Allowed Claim in any Class, a distribution equal in amount to the ratio (expressed as a percentage) that the amount of such Allowed Claim bears to the aggregate amount of all Claims, as applicable, other than Disallowed Claims, as the case may be, in such Class.

1.136 ***Professional Fees Escrow*** means a non-interest bearing account solely for the purpose of holding and maintaining Cash in an amount necessary for the payment in full of Deferred Professional Fees as described in Section 2.3 of this Plan and any other Professional fees and expenses awarded in accordance with Section 2.3 of this Plan, funded on the Effective Date by the Reorganized Debtors with Cash from the Offering.

1.137 ***Professionals*** means (a) all professionals employed in the Chapter 11 Cases pursuant to sections 327, 328, 363, or 1103 of the Bankruptcy Code or otherwise and (b) all professionals or other entities seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

1.138 ***Purchase Option*** has the meaning set forth in Section 5.10.

1.139 ***Qualified IPO*** has the meaning set forth in Section 5.4.

1.140 ***Redactions*** has the meaning set forth in Section 2.3.

1.141 ***Released Parties*** means, collectively, (a) all Persons engaged or retained by the Debtors in connection with the Chapter 11 Cases (including in connection with the preparation of, and analyses relating to, the Plan and the Disclosure Statement); (b) the Debtors and Reorganized Debtors; (c) the Term Loan Agent; (d) the DIP Agents; (e) the Term Loan Lenders; (f) the DIP Lenders; (g) the Consortium, and each member of the Consortium; (h) all Holders of Senior Notes to the extent such Holders vote to accept the Plan; (i) the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC; (j) NPA and VALNIC Capital Real Estate Fund I LLC; (k) the Senior Notes Indenture Trustee, (l) each Holder of a Claim or Equity Interest who either votes to accept the Plan or is conclusively presumed to have accepted the Plan; (m) the Committee; (n) all Persons engaged or retained by the parties listed in (b) through (m) of this definition in connection with the Chapter 11 Cases (including in connection with the preparation of and analyses relating to the Plan and the Disclosure Statement); and (o) any and all affiliates, officers, directors, partners, employees, members, managers, members of boards of managers, advisors, attorneys, actuaries, financial advisors, accountants, investment bankers, agents, professionals, and representatives of each of the foregoing Persons and Entities (whether current or former, in each case, in his, her, or its capacity as such).

1.142 ***Releasing Parties*** means each of the following in its capacity as such: (a) the Term Loan Agent; (b) the DIP Agents; (c) the Term Loan Lenders; (d) the DIP Lenders; (e) NPA and VALNIC Capital Real Estate Fund I LLC; (f) each Holder of a Claim or Equity Interest who either votes to accept the Plan or is conclusively presumed to have accepted the

Plan; (g) the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC; (h) the Committee; (i) the Consortium, and each member of the Consortium; (j) the Senior Notes Indenture Trustee; and (k) each Holder of a Claim in Class 4-B or Class 6 who (x) either votes to reject the Plan or abstains from voting to accept or reject the Plan and (y) does not check the appropriate box on such Holder's timely submitted ballot to indicate that such Holder opts out of the releases set forth in Section 10.4.

1.143 ***Reorganized Colt*** means Colt Defense LLC and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.144 ***Reorganized Debtor*** means any Debtor and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.145 ***Reorganized Parent*** means Colt Holding Company LLC and any successors or assigns thereto, by merger, consolidation, or otherwise on or after the Effective Date.

1.146 ***Reorganized Parent LLC Agreement*** means that certain limited liability company agreement of Reorganized Parent describing and governing the rights and obligations of Reorganized Parent, the holders of New Class A LLC Units, and the holders of New Class B LLC Units. The Reorganized Parent LLC Agreement shall become effective on the Effective Date and shall provide customary minority member protections as set forth in the Restructuring Term Sheet and reasonably agreed to among the Plan Support Parties. The material terms of the Reorganized Parent LLC Agreement are set forth in the Restructuring Term Sheet, and a substantially final form of the Reorganized Parent LLC Agreement shall be included in the Plan Supplement.

1.147 ***Requisite Consenting Lenders*** has the meaning set forth in the Restructuring Support Agreement.

1.148 ***Restructuring Support Agreement*** means that certain agreement, dated as of October 9, 2015, by and among the Debtors and the Plan Support Parties, including all exhibits thereto, as may be amended, supplemented, or modified from time to time in accordance with its terms; *provided*, *however*, that the Restructuring Support Agreement shall not be amended without the prior written consent of the Committee, such consent not to be unreasonably withheld. A copy of the Restructuring Support Agreement is attached to the Disclosure Statement as Exhibit A.

1.149 ***Restructuring Term Sheet*** means that certain term sheet attached as Exhibit A to the Restructuring Support Agreement, as may be amended, supplemented, or modified from time to time in accordance with the Restructuring Support Agreement; *provided*, *however*, that the Restructuring Term Sheet shall not be amended without the prior written consent of the Committee, such consent not to be unreasonably withheld.

1.150 ***Restructuring Transactions*** has the meaning set forth in Section 5.2.

1.151 ***Retained Actions*** has the meaning set forth in Section 7.4.

1.152 ***RSA Creditor Parties*** has the meaning ascribed to such term in the Restructuring Term Sheet.

1.153 ***Sale Assumption and Cure Notices*** means, collectively, all notices served by the Debtors prior to the filing of the Plan Assumption and Cure Notice substantially in the form of the *Notice of Proposed Assumption, Assignment and Cure Amount with Respect to Executory Contracts and Unexpired Leases Related to the Sale of the Assets of the Debtors* [D.I. 526] and the *Supplemental Notice of Proposed Assumption, Assignment and Cure Amount with Respect to Executory Contracts and Unexpired Leases Related to the Sale of the Assets of the Debtors* [D.I. 562].

1.154 ***Sciens Claims*** means any and all Claims of the Sciens Group against any of the Debtors, except such Claims of the Sciens Group relating to legal fees and expenses to which it may be entitled to payment pursuant to Section 2.3.

1.155 ***Sciens Group*** means Sciens Capital Management LLC together with each of its affiliates (to the extent that Sciens Capital Management LLC or an investment advisor under common control with Sciens Capital Management LLC retains voting control over such affiliate), officers, directors, partners, employees, members, managers, advisors, attorneys, financial advisors, accountants, investment bankers, agents, professionals, and representatives; *provided*, *however*, that the Debtors shall not be treated as members of the Sciens Group for purposes of this Plan.

1.156 ***Secured Claim*** means a Claim against any Debtor that is secured by a valid, perfected, and enforceable Lien on, or security interest in, property of such Debtor, or that has the benefit of rights of setoff under section 553 of the Bankruptcy Code, but only to the extent of the value of the Holder's interest in such Debtor's interest in such property, or to the extent of the amount subject to setoff, the value of which shall be determined as provided in section 506 of the Bankruptcy Code.

1.157 ***Securities Act*** means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

1.158 ***Senior Loan Agent*** means Cortland Capital Market Services LLC in its capacity as agent under that certain Credit Agreement dated February 9, 2015, by and among Colt Defense LLC, Colt Canada Corporation, and Colt's Manufacturing Company LLC, as borrowers, the other Debtors, as guarantors, Cortland Capital Market Services LLC, as agent, and the institutions party from time to time as lenders thereunder.

1.159 ***Senior Loan Exit Facility*** means that certain senior loan facility provided by the Senior Loan Exit Lenders to the Reorganized Debtors on the terms and conditions set forth in the Senior Loan Exit Term Sheet.

1.160 ***Senior Loan Exit Lenders*** means the institutions party from time to time as lenders under the Senior Loan Exit Facility.

1.161 ***Senior Loan Exit Term Sheet*** means the term sheet attached as Exhibit A to the Plan.

1.162 ***Senior Notes*** means those certain 8.75% Senior Notes due 2017 of Colt Defense LLC and Colt Finance Corp. in the aggregate outstanding principal amount of $250,000,000 issued pursuant to and in accordance with the Senior Notes Indenture.

1.163 ***Senior Notes Claims*** means all Claims against any Debtor related to, arising out of, or in connection with, the Senior Notes. The Senior Notes Claims shall be deemed Allowed in the approximate amount of $262.7 million, consisting of principal and accrued but unpaid interest as of the Petition Date plus, subject to Sections 4.4 and 4.5, an amount sufficient to satisfy the Senior Notes Indenture Trustee Charging Lien under the Senior Notes Indenture; *provided*, *however*, that the Debtors are obligated to pay the amounts asserted in connection with the Senior Notes Indenture Trustee Charging Lien under the Senior Notes Indenture to the extent such amounts are reasonable; and *provided*, *further*, that the Debtors shall have the right to review documentation submitted in connection with such amounts as set forth in Section 2.3 of the Plan.

1.164 ***Senior Notes Indenture*** means that certain Indenture dated as of November 10, 2009 (as supplemented by the supplemental indenture, dated as of June 19, 2013 and the supplemental indenture, dated as of July 12, 2013), by and among Colt Defense LLC, Colt Finance Corp., the other Debtors as guarantors, and the Senior Notes Indenture Trustee.

1.165 ***Senior Notes Indenture Trustee*** means Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB).

1.166 ***Senior Notes Indenture Trustee Charging Lien*** means any Lien or encumbrance or other priority in payment to which the Senior Notes Indenture Trustee is entitled under the terms of the Senior Notes Indenture.

1.167 ***Senior Notes Indenture Trustee Fees and Expenses*** means an amount equal to the reasonable and documented fees and expenses of the Senior Notes Indenture Trustee and its counsel prior to the occurrence of the Effective Date.

1.168 ***Subordinated Cash Election Holder Deficiency Claim*** means, in the event of a Cash Oversubscription where the Cash Election Reserve is sufficient to pay Preferred Cash Election Claims in full and make a payment to Subordinated Cash Election Holders, the difference between (i) the Allowed Claim of a Subordinated Cash Election Holder and (ii) the Pro Rata Share of the Cash Election Reserve received in Cash by such Subordinated Cash Election Holder divided by 7.00%.

1.169 ***Subordinated Cash Election Holders*** means Nonparticipating Eligible Holders of Allowed Class 4-B Senior Notes Claims that submit duly executed and timely delivered ballots, do not vote to reject the Plan, and affirmatively elect the Cash Payment in accordance with the instructions of such Holders' ballots.

1.170 ***Term Loan Agent*** means Wilmington Savings Fund Society, FSB, in its capacity as agent for the Term Loan Lenders under the Term Loan Agreement.

1.171 ***Term Loan Agreement*** means that certain Term Loan Agreement dated November 18, 2014, as amended, by and among Colt Defense LLC, Colt Canada Corporation,

Colt's Manufacturing Company LLC, New Colt Holding Corp., and Colt Finance Corp., as borrowers, the other Debtors, as guarantors, the Term Loan Agent, and the Term Loan Lenders.

1.172 ***Term Loan Claims*** means all Claims derived from, based upon, relating to, or arising under the Term Loan Agreement.

1.173 ***Term Loan Exit Documents*** means the credit agreement governing the Term Loan Exit Facility and all other documents, related to or evidencing the loans and obligations thereunder, to be dated as of the Effective Date, each such document in form and substance acceptable to the Debtors and the Term Loan Exit Lenders.

1.174 ***Term Loan Exit Facility*** means that certain term loan facility provided by the Term Loan Exit Lenders to the Reorganized Debtors on the terms and conditions set forth in the Term Loan Exit Term Sheet.

1.175 ***Term Loan Exit Lenders*** means the institutions party from time to time as lenders under the Term Loan Exit Facility.

1.176 ***Term Loan Exit Term Sheet*** means the term sheet, in form and substance acceptable to the Term Loan Exit Lenders, attached as Exhibit B to the Plan.

1.177 ***Term Loan Lenders*** means the institutions party from time to time as lenders under the Term Loan Agreement.

1.178 ***Third Lien Exit Facility*** means that certain Third Lien Exit Facility to be provided on the terms set forth in the Offering Term Sheet and in accordance with the Offering Procedures, the documentation for which shall be included in substantially final form in the Plan Supplement.

1.179 ***Trade Claim*** means a Claim directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, an Entity with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date.

1.180 ***Unimpaired*** means, with respect to any Claim or Equity Interest, such Claim or Equity Interest that is not Impaired.

1.181 ***Voting Agent*** means Kurtzman Carson Consultants LLC.

1.182 ***Voting Deadline*** means 4:00 p.m. (Eastern Standard Time) on December [7], 2015.

1.183 ***West Hartford Facility*** means the Debtors' corporate headquarters and primary manufacturing facility in West Hartford, Connecticut.

1.184 ***West Hartford Facility Lease*** means that certain net lease, dated as of October 26, 2005 (as amended), by and between Colt Defense LLC, as tenant, and NPA Hartford LLC, as landlord, for the West Hartford Facility.

1.185 ***West Hartford Facility Term Sheet*** means the "Chapter 11 Plan Term Sheet" attached as Exhibit B to the Restructuring Term Sheet.

B. Interpretation, Application of Definitions, and Rules of Construction.

(a) For purposes of the Plan and unless otherwise specified herein: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) unless otherwise specified, any reference in the Plan to an existing document, schedule, or exhibit, whether or not filed with the Bankruptcy Court (or the Canadian Court, as applicable), shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (iii) any reference to an Entity as a Holder of a Claim or Equity Interest includes that Entity's permitted successors and assigns; (iv) unless otherwise specified, all references in the Plan to sections are references to sections of the Plan; (v) the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to a particular provision of the Plan; (vi) subject to the provisions of any contract, certificate of incorporation, bylaw, certificate of formation, limited liability company agreement, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with, applicable federal law, including the Bankruptcy Code and Bankruptcy Rules; (vii) captions and headings to sections of the Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (viii) unless otherwise set forth in the Plan, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (ix) any term used in capitalized form in the Plan that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; and (x) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, as applicable to the Chapter 11 Cases or the Canadian Proceedings, unless otherwise stated.

(b) In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

(c) All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

SECTION 2. UNCLASSIFIED CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Tax Claims, and DIP Facility Claims have not been classified, and, thus, are excluded from the Classes of Claims and Equity Interests set forth in Section 3.

2.1 ***Administrative Expense Claims.***

(a) *Filing Administrative Expense Claims*. The Holder of an Administrative Expense Claim, other than (i) a Claim covered by Section 2.3 or Section 2.4 hereof, (ii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due),

or (iii) an Administrative Expense Claim that has been Allowed on or before the Administrative Expense Claim Bar Date, must file and serve on the Debtors a request for payment of such Administrative Expense Claim so that it is received no later than 4:00 p.m. (Eastern Standard Time) on the Administrative Expense Claim Bar Date. **Holders required to file and serve, who fail to file and serve, a request for payment of Administrative Expense Claims by 4:00 p.m. (Eastern Standard Time) on the Administrative Expense Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Expense Claims against the Debtors or Reorganized Debtors and their property and such Administrative Expense Claims shall be deemed discharged as of the Effective Date. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Section 10.6 hereof**. Notwithstanding the foregoing, pursuant to section 503(b)(1)(D) of the Bankruptcy Code, no Governmental Unit shall be required to file a request for payment of any Administrative Expense Claim of a type described in sections 503(b)(1)(B) or 503(b)(1)(C) of the Bankruptcy Code as a condition to such Claim being Allowed. All requests for payment of Administrative Expense Claims shall be filed with the Bankruptcy Court at the following address:

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

With a copy delivered by mail to co-counsel to the Debtors at the following address:

O'Melveny & Myers LLP
Times Square Tower
Seven Times Square
New York, New York 10036
Attn: John J. Rapisardi, Esq.
Peter Friedman, Esq.

and

Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Attn: Mark D. Collins, Esq.
Jason M. Madron, Esq.

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

(b) *Allowance of Administrative Expense Claims*. An Administrative Expense Claim, with respect to which a request for payment has been properly and timely filed pursuant to Section 2.1(a) shall become an Allowed Administrative Expense Claim if no objection to such request is filed with the Bankruptcy Court and served on the Debtors and the requesting party on or before the later of (i) the one-hundred-and-twentieth (120th) day after the Effective Date or (ii) the sixtieth (60th) day after the filing of the applicable request for payment of Administrative

Expense Claims, if applicable, as the same may be modified or extended from time to time by order of the Bankruptcy Court. If an objection is timely filed, the Administrative Expense Claim shall become an Allowed Administrative Expense Claim only to the extent allowed by Final Order or as such Claim is settled, compromised, or otherwise resolved pursuant to Section 7.4 of the Plan.

(c) *Payment of Allowed Administrative Expense Claims*. Except to the extent that the Holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment, and except as provided in Section 2.3 below, each Holder of an Allowed Administrative Expense Claim against the Debtors shall receive, in full and complete settlement, release, and discharge of such Claim, Cash equal to the unpaid amount of such Allowed Administrative Expense Claim either on, or as soon as practicable after, the latest of (a) the Effective Date; (b) the date on which such Administrative Expense Claim becomes Allowed; (c) the date on which such Administrative Expense Claim becomes due and payable in the ordinary course of business under any agreement or understanding between the applicable Debtor and the Holder of such Allowed Administrative Expense Claim; and (d) such other date as may be mutually agreed to by such Holder and the Debtors or Reorganized Debtors, as applicable, subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders. Notwithstanding the foregoing, any Allowed Administrative Expense Claim representing obligations incurred in the ordinary course of business or assumed by any of the Debtors shall be paid in full, in Cash, or performed by the applicable Debtor or Reorganized Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or regulations governing, instruments evidencing, or other documents relating to, such transactions.

2.2 *Priority Tax Claims.*

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

2.3 *Professional Fees.*

Each Professional requesting compensation pursuant to sections 328, 330, 331, 363, or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Effective Date shall (a) file with the Bankruptcy Court, and serve on the Reorganized Debtors, an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases on or before the forty-fifth (45th) day following the Effective Date and (b) after notice and a hearing in accordance with the procedures established by the Bankruptcy Code and any prior orders of the Bankruptcy Court in the Chapter 11 Cases, be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court.

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

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

Notwithstanding the above (or anything herein to the contrary), all reasonable fees and expenses of Professionals previously submitted on a monthly basis and for which a certificate of no objection has been filed with respect to such fees and expenses pursuant to the Order Establishing Interim Compensation Procedures (as modified by the order approving the Disclosure Statement or otherwise), the payment of which has been deferred through the Effective Date (the "**Deferred Professional Fees**"), shall be paid in Cash on the Effective Date; *provided*, *however*, that such Deferred Professional Fees are subject to final allowance in accordance with this Section 2.3, and that nothing herein shall prevent any Professional from accepting less favorable treatment than set forth herein. Within five (5) calendar days following entry of an order by the Bankruptcy Court Allowing any Deferred Professional Fees or any other Professional fees and expenses in accordance with this Section 2.3, the Reorganized Debtors shall pay, from the Professional Fees Escrow, such Allowed Deferred Professional Fees and any other Allowed Professional fees and expenses.

Further notwithstanding the above (or anything herein to the contrary), all Lender Group Expenses (as such term is defined in the DIP Credit Agreements, including all DIP Fee Obligations, as such term is defined in the DIP Senior Loan Agreement) and all other unpaid reasonable and documented fees and expenses of the professional advisors retained by the DIP Senior Loan Lenders, the DIP Senior Loan Agent, the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, the Term Loan Agent, the Consortium, and the Senior Notes Indenture Trustee, whether incurred prepetition or postpetition, and all reasonable and documented fees and expenses required to be paid pursuant to paragraph 28 of the Restructuring Support Agreement (whether or not the Restructuring Support Agreement is terminated) (the "**Non-Estate Professionals**"), shall be deemed to be Allowed Administrative Expense Claims for purposes hereof and shall, subject to Section 2.4, except to the extent such professional advisors agree to less favorable treatment, be paid in Cash in full on the Effective Date (or before, if so provided in the DIP Order or the DIP Facilities) without requirement of application

to or approval by the Bankruptcy Court or the Canadian Court; *provided*, *however*, that copies of any invoices for such fees and expenses shall be provided to the Debtors, the U.S. Trustee, and the Committee ten (10) calendar days prior to the Effective Date (unless otherwise agreed among the relevant parties) and the Debtors, the U.S. Trustee, and the Committee shall have until prior to the occurrence of the Effective Date to file and serve an objection to all such fees and expenses, limited solely to the reasonableness of such fees and expenses, per the procedures set forth in the final paragraph of this Section 2.3; *provided*, *further*, *however*, that such invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential information (the "**Redactions**"), and the provision of such invoices shall not constitute a waiver of the attorney-client privilege or any benefits of the attorney work product doctrine.

If the Debtors, the U.S. Trustee, or the Committee objects to the reasonableness of any such Non-Estate Professional's fees and expenses, and such objection cannot be resolved within ten (10) days of receipt of such invoices, the Debtors, the U.S. Trustee, or the Committee, as appropriate, shall file with the Court and serve on such party an objection limited to the reasonableness of any such Non-Estate Professional's fees and expenses. Without limiting the foregoing, if the Debtors, the U.S. Trustee, or the Committee objects to the Redactions and such objection cannot be resolved within ten (10) days of receipt of such invoices, the party subject to such Redaction objection shall file with the Court and serve on the Debtors, the Committee, and the U.S. Trustee request for Court resolution of the disputes concerning the propriety of the disputed Redactions. The Debtors shall pay in accordance with the terms and conditions of this Section 2.3 (i) the full amount invoiced if no objection has been filed on or before the occurrence of the Effective Date, and (ii) the undisputed fees, costs, and expenses reflected on any invoice to which an objection has been filed on or before the occurrence of the Effective Date. Without limitation of the generality of the foregoing, (a) in the case of the DIP Senior Loan Lenders, the DIP Senior Loan Agent, and the Consortium, such professional advisors shall include (i) Brown Rudnick LLP, (ii) Ashby & Geddes, P.A., (iii) GLC Advisors & Co. LLC, (iv) Osler, Hoskin & Harcourt LLP, and (v) Holland & Knight LLP; (b) in the case of the DIP Term Loan Lenders, the DIP Term Loan Agent, the Term Loan Lenders, and the Term Loan Agent, such professional advisors shall include Willkie Farr & Gallagher LLP, Cassels Brock & Blackwell LLP, Morris Nichols Arsht & Tunnell LLP, and Pryor Cashman LLP; (c) in the case of the Senior Notes Indenture Trustee, such professional advisors shall include Loeb & Loeb LLP and Reed Smith LLP; (d) in the case of the Sciens Group, such professional advisors shall include Skadden, Arps, Slate, Meagher & Flom LLP; and (e) in the case of NPA, such professional advisors shall include Finn Dixon & Herling LLP.

2.4 ***DIP Facility Claims.***

Pursuant to the Plan, the DIP Senior Loan Claims shall be Allowed in the aggregate principal amount of approximately $44,166,666.67, plus accrued postpetition interest and any and all accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date. Pursuant to the Plan, the DIP Term Loan Claims shall be Allowed in the aggregate principal amount of approximately $33,333,333.33, plus accrued postpetition interest and any and all accrued paid-in-kind interest, fees, or other amounts which have been or shall be applied to the principal amount through the Effective Date.

On the Effective Date, all DIP Senior Loan Claims shall be paid in full in Cash on or before the Effective Date by and with: (i) proceeds of the $40,000,000 Senior Loan Exit Facility (as defined in the Restructuring Term Sheet); and (ii) the Senior DIP Reduction (as defined in the Restructuring Term Sheet), which shall be in the amount (not to exceed $7,500,000) equal to the amount of all DIP Senior Loan Claims less the initial principal balance of the $40,000,000 Senior Loan Exit Facility (which initial principal balance is exclusive of the 3% paid in kind closing fee).

On the Effective Date, all DIP Term Loan Claims shall be converted to claims and obligations in accordance with the terms of the Term Loan Exit Term Sheet (other than DIP Term Loan Claims for (i) fees required to be paid in Cash upon the Effective Date pursuant to the terms of the DIP Term Loan Agreement or any related agreements and (ii) reimbursement of costs and expenses of the DIP Term Loan Lenders and the DIP Term Loan Agent, which shall be paid in full in Cash on or before the Effective Date in accordance with the terms of the DIP Term Loan Agreement).

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

SECTION 3. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

The following table designates the Classes of Claims against, and Equity Interests in, each of the Debtors, and specifies which of those Classes are (a) Impaired and entitled to vote to accept or reject each Plan, as applicable, in accordance with section 1126 of the Bankruptcy Code or (b) Unimpaired and presumed to accept each Plan, as applicable, and therefore are not entitled to vote to accept or reject such Plans. A Claim or Equity Interest or portion thereof shall be deemed classified in a particular Class only to the extent that such Claim or Equity Interest or portion thereof qualifies within the description of such Class and shall be deemed classified in a different Class to the extent that the portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is considered to be in a particular Class only to the extent that such Claim or Equity Interest has not been paid or otherwise settled prior to the Effective Date. To the extent that a specified Class does not include any Allowed Claims or Allowed Equity Interests, then, as applicable, such Class shall be deemed not to exist.

This Plan, though proposed jointly and consolidated for purposes of making distributions to Holders of Claims or Equity Interests under this Plan, constitutes a separate Plan proposed by each Debtor. Therefore, the classifications set forth herein shall be deemed to apply separately with respect to each Plan proposed by, and the Claims against and Equity Interests in, each Debtor.

Class	Designation	Impairment	Entitled to Vote
1	Priority Non-Tax Claims	Unimpaired	No (presumed to accept)
2	Term Loan Claims	Impaired	Yes

Class	Designation	Impairment	Entitled to Vote
3	Other Secured Claims	Unimpaired	No (presumed to accept)
4-A	Senior Notes Claims of Participating Holders	Impaired	Yes
4-B	Senior Notes Claims of Nonparticipating Holders	Impaired	Yes
5	Trade Claims	Unimpaired	No (presumed to accept)
6	General Unsecured Claims	Impaired	Yes
7	Intercompany Claims	Unimpaired	No (presumed to accept)
8	Equity Interests in Debtor Subsidiaries	Unimpaired	No (presumed to accept)
9	Equity Interests in Parent	Impaired	No (presumed to reject)

SECTION 4. TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 *Priority Non-Tax Claims (Class 1).*

(a) Classification. Class 1 consists of all Allowed Priority Non-Tax Claims.

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

(c) Impairment and Voting. Class 1 is Unimpaired. The Holders of Claims in Class 1 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.2 *Term Loan Claims (Class 2).*

(a) Classification. Class 2 consists of all Allowed Term Loan Claims. Pursuant to the Plan, the Term Loan Claims shall be Allowed in the aggregate principal amount of $67.9 million, plus reasonable and documented fees and expenses of the Term Loan Agent and the Term Loan Lenders, accrued prepetition interest and postpetition interest and any and all

accrued paid-in-kind interest which shall be applied to the principal amount through the Effective Date.

(b) Treatment. On the Effective Date, in exchange for the full and complete settlement, release, and discharge of such Claims, all Term Loan Claims shall be satisfied in full in accordance with the Term Loan Exit Term Sheet and by the payment of (x) fees required to be paid in Cash upon the Effective Date pursuant to the terms of the Term Loan Exit Documents and (y) the reasonable and documented fees and expenses of the Term Loan Lenders and the Term Loan Agent pursuant to Section 2.3 of the Plan. For the avoidance of doubt, (i) the distributions to the Term Loan Lenders under this Section 4.2 shall be in full satisfaction of all of the Term Loan Lenders' prepetition and postpetition Claims, and (ii) no make-whole, prepayment penalty, or default interest under the Term Loan Agreement shall be due to the Term Loan Lenders.

(c) Impairment and Voting. Class 2 is Impaired, and accordingly, the Holders of Claims in Class 2 are entitled to vote to accept or reject the Plan.

4.3 ***Other Secured Claims (Class 3).***

(a) Classification. Class 3 consists of all Allowed Other Secured Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, each Holder of an Allowed Other Secured Claim shall receive, in full and complete settlement, release, and discharge of such Claim, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable, in each case subject to the reasonable consent of the Requisite Consenting Lenders and the Term Loan Exit Lenders: (i) reinstatement of its Allowed Other Secured Claim in accordance with section 1124(2) of the Bankruptcy Code (including any Cash necessary to satisfy the requirements for reinstatement), such that such Claim is rendered Unimpaired; (ii) either (w) Cash in the full amount of such Allowed Other Secured Claim, including any non-default postpetition interest Allowed pursuant to section 506(b) of the Bankruptcy Code, (x) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim, to the extent of the value of such Holder's secured interest in such Collateral, (y) the Collateral securing such Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (z) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code; or (iii) such other treatment as may be mutually agreed to by and among such Holder and the Debtors or the Reorganized Debtors, as applicable. Any cure amount that the Debtors may be required to pay pursuant to section 1124(2) of the Bankruptcy Code on account of any such reinstated Other Secured Claim or any distributions due pursuant to clause (ii) above shall be paid or made, as applicable, either on, or as soon as practicable after, the latest of (1) the Effective Date; (2) the date on which such Other Secured Claim becomes Allowed; (3) the date on which such Other Secured Claim becomes due and payable; and (4) such other date as may be mutually agreed to by such Holder and the Debtors or the Reorganized Debtors, as applicable.

(c) Reservation of Rights. The failure of the Debtors or any other party in interest to file an objection, prior to the Effective Date, with respect to any Other Secured Claim

that is reinstated by the Plan shall be without prejudice to the rights of the Reorganized Debtors or any other party in interest to contest or otherwise defend against such Claim in an appropriate forum (including the Bankruptcy Court, if applicable, in accordance with Section 11 below) when and if such Claim is sought to be enforced.

(d) Impairment and Voting. Class 3 is Unimpaired. The Holders of Claims in Class 3 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.4 *Senior Notes Claims of Participating Holders (Class 4-A).*

(a) Classification. Class 4-A consists of all Allowed Senior Notes Claims held by Participating Holders.

(b) Treatment. Except to the extent that a Participating Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment (which such less favorable treatment shall be in consultation with the Committee), in exchange for the full and complete settlement, release, and discharge of such Claim, on the Effective Date or as soon as practicable thereafter, each Participating Holder of an Allowed Senior Notes Claim shall receive its Pro Rata Share of the New Class B LLC Units (calculated to include the aggregate dollar amount of Allowed Senior Notes Claims held by Nonparticipating Holders who shall receive New Class B LLC Units in accordance with Section 4.5 of this Plan).

In addition, the distributions under Sections 4.4 and 4.5 (without duplication) shall include the payment of the Senior Notes Indenture Trustee Fees and Expenses in Cash in full on the Effective Date; *provided*, *however*, that the Senior Notes Indenture Trustee shall provide copies of invoices (as well as estimated fees and expenses, if applicable) for such Senior Notes Indenture Trustee Fees and Expenses to the Debtors ten (10) calendar days prior to the Effective Date, and the Debtors shall have until prior to the occurrence of the Effective Date to file and serve an objection to any such fees and expenses limited solely to the reasonableness thereof. The Debtors shall pay (i) the full amount invoiced if no objection has been filed on or before the occurrence of the Effective Date, and (ii) the undisputed fees, costs, and expenses reflected on any invoice to which an objection has been filed on or before the occurrence of the Effective Date.

(c) Impairment and Voting. Class 4-A is Impaired, and accordingly, the Holders of Claims in Class 4-A are entitled to vote to accept or reject the Plan.

4.5 *Senior Notes Claims of Nonparticipating Holders (Class 4-B).*

(a) Classification. Class 4-B consists of all Allowed Senior Notes Claims held by Nonparticipating Holders.

(b) Treatment. Except to the extent that a Nonparticipating Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each Nonparticipating Holder of an Allowed Senior Notes Claim shall receive—

(i) if such Nonparticipating Holder submits a duly executed and timely delivered ballot but votes to reject the Plan, such Nonparticipating Holder's Pro Rata Share of the New Class B LLC Units (calculated to include the aggregate dollar amount of Allowed Class 4-A Senior Notes Claims held by Participating Holders who shall receive New Class B LLC Units in accordance with Section 4.4 of this Plan);

(ii) if such Nonparticipating Holder either (A) does not submit a duly executed and timely delivered ballot or (B) submits a duly executed and timely delivered ballot, does not vote to reject the Plan, and does not affirmatively make an election for a Cash payment or a Fourth Lien Note (as defined below) in accordance with the instructions of its duly executed and timely delivered ballot, a Fourth Lien Note (and such Nonparticipating Holder shall be deemed to have affirmatively elected a Fourth Lien Note) in an aggregate principal amount equal to the lesser of (x) 10.00% of such Nonparticipating Holder's Allowed Senior Notes Claims and (y) such Nonparticipating Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of all Allowed Claims for which Fourth Lien Notes will be exchanged); *provided*, *however*, that in the event of a Cash Undersubscription and a Fourth Lien Note Oversubscription, such Nonparticipating Holder shall be treated as a Fourth Lien Note Election Holder in accordance with Section 4.5(iii)(B) of this Plan;

or

(iii) if such Nonparticipating Holder submits a duly executed and timely delivered ballot and does not vote to reject the Plan, at such Nonparticipating Holder's election in accordance with the instructions of its duly executed and timely delivered ballot—

(A) **Cash** in an amount equal to 7.00% of such Nonparticipating Holder's aggregate Allowed Senior Notes Claims payable solely from the Cash Election Reserve;

provided, *however*, that in the event of a Cash Oversubscription—

(1) each Preferred Cash Election Holder shall receive 7.00% of such Holder's aggregate Allowed Claims in Cash payable solely from the Cash Election Reserve;

but if the Cash Election Reserve is insufficient to pay Preferred Cash Election Claims in full in Cash, each Preferred Cash Election Holder shall receive (and shall be deemed to have elected to receive notwithstanding such Holder's election) (x) such Preferred Cash Election Holder's Pro Rata Share of the Cash Election Reserve in Cash (calculated to include only the aggregate dollar amount of Allowed Claims of Preferred Cash Election

Holders) and, on account of such Holder's Preferred Cash Election Holder Deficiency Claim, (y) a Fourth Lien Note in an aggregate principal amount equal to the lesser of (a) 10.00% of such Holder's Preferred Cash Election Holder Deficiency Claim and (b) such Preferred Cash Election Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of Preferred Cash Election Holder Deficiency Claims and all other Allowed Claims for which Fourth Lien Notes will be exchanged);

and

(2) each Subordinated Cash Election Holder shall receive (and shall be deemed to have elected to receive notwithstanding such Holder's election) (x) to the extent any funds remain in the Cash Election Reserve after payment to Preferred Cash Election Holders on account of their Allowed Claims, such Subordinated Cash Election Holder's Pro Rata Share of the remaining Cash Election Reserve in Cash (calculated to include only the aggregate dollar amount of Allowed Claims of Subordinated Cash Election Holders) and, on account of such Holder's Subordinated Cash Election Holder Deficiency Claim, (y) a Fourth Lien Note in an aggregate principal amount equal to the lesser of (a) 10.00% of such Holder's Subordinated Cash Election Holder Deficiency Claim and (b) such Subordinated Cash Election Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of Subordinated Cash Election Holder Deficiency Claims and all other Allowed Claims for which Fourth Lien Notes will be exchanged);

or

(B) **a secured note** (subject and subordinate in all respects to the Exit Facilities and subject to the terms of the Exit Intercreditor Agreements) (a "**Fourth Lien Note**") bearing interest at a rate of 8.00% per annum, payable-in-kind, and maturing on a date that is no earlier than six (6) months after the stated maturity of the Third Lien Exit Facility as of the Effective Date, in an aggregate principal amount equal to the lesser of (x) 10.00% of such Holder's Allowed Senior Notes Claim and (y) such Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of all Allowed Claims for which Fourth Lien Notes will be exchanged);

provided, *however*, that in the event of a Cash Undersubscription and a Fourth Lien Note Oversubscription, such Fourth Lien Note Election Holder shall receive (x) a Fourth Lien Note in an aggregate principal amount equal to such Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of all Allowed Claims for which Fourth Lien Notes will be exchanged) and, on account of such Holder's Fourth Lien Note Election Holder Deficiency Claim, (y) Cash payable from, but only to the extent of, the remaining funds in the Cash Election Reserve in an amount equal to the lesser of (a) 7.00% of such Holder's Fourth Lien Note Election Holder Deficiency Claim and (b) such Fourth Lien Note Election Holder's Pro Rata Share of the remaining funds in the Cash Election Reserve (calculated to include the aggregate dollar amount of Fourth Lien Note Election Holder Deficiency Claims).

For the avoidance of doubt, in no event shall the Cash Election Reserve exceed $3 million in the aggregate and in no event shall the aggregate principal amount of Fourth Lien Notes issued pursuant to this Section 4.5 and Section 4.7 exceed $7 million.

In addition, the distributions under Sections 4.4 and 4.5 (without duplication) shall include the payment of the Senior Notes Indenture Trustee Fees and Expenses in Cash in full on the Effective Date; *provided*, *however*, that the Senior Notes Indenture Trustee shall provide copies of invoices (as well as estimated fees and expenses, if applicable) for such Senior Notes Indenture Trustee Fees and Expenses to the Debtors ten (10) calendar days prior to the Effective Date, and the Debtors shall have until prior to the occurrence of the Effective Date to file and serve an objection to any such fees and expenses limited solely to the reasonableness thereof. The Debtors shall pay (i) the full amount invoiced if no objection has been filed on or before the occurrence of the Effective Date, and (ii) the undisputed fees, costs, and expenses reflected on any invoice to which an objection has been filed on or before the occurrence of the Effective Date.

Substantially final forms of the Fourth Lien Note Documents shall be included in the Plan Supplement. The Fourth Lien Note shall have a fourth priority lien on substantially all of the assets of the Reorganized Debtors and shall be consistent with the terms of the Term Loan Exit Documents, and subject to the terms of the Exit Intercreditor Agreements and such other terms and conditions as agreed upon by the Committee and the RSA Credit Parties, which such agreed terms and conditions include, but not limited to, the following: (i) interest at the rate of eight percent (8%) per annum, payable in kind; and (ii) maturing on a date that is no earlier than six (6) months after the stated maturity of the Third Lien Exit Facility as of the Effective Date.

(c) Impairment and Voting. Class 4-B is Impaired, and accordingly, the Holders of Claims in Class 4-B are entitled to vote to accept or reject the Plan.

4.6 ***Trade Claims (Class 5).***

(a) Classification. Class 5 consists of all Allowed Trade Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed Trade Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed Trade Claim shall receive payment in full in Cash on account of such Allowed Trade Claim on the later of (i) the Effective Date and (ii) the date on which such Trade Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter.

(c) Impairment and Voting. Class 5 is Unimpaired. The Holders of Claims in Class 5 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.7 ***General Unsecured Claims (Class 6).***

(a) Classification. Class 6 consists of all Allowed General Unsecured Claims.

(b) Treatment. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim, each Holder of an Allowed General Unsecured Claim shall receive, on the later of (i) the Effective Date and (ii) the date on which such General Unsecured Claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter—

(i) if such Holder either (A) does not submit a duly executed and timely delivered ballot, (B) submits a duly executed and timely delivered ballot and votes to reject the Plan, or (C) submits a duly executed and timely delivered ballot, does not vote to reject the Plan, and does not affirmatively make an election for a Cash payment or a Fourth Lien Note in accordance with the instructions of its duly executed and timely delivered ballot, a Fourth Lien Note (and such Holder shall be deemed to have affirmatively elected a Fourth Lien Note) in an aggregate principal amount equal to the lesser of (x) 10.00% of such Holder's Allowed General Unsecured Claims and (y) such Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of all Allowed Claims for which Fourth Lien Notes will be exchanged); *provided*, *however*, that in the event of a Cash Undersubscription and a Fourth Lien Note Oversubscription, such Holder shall be treated as a Fourth Lien Note Election Holder in accordance with Section 4.5(iii)(B) of this Plan;

or

(ii) if such Holder submits a duly executed and timely delivered ballot and does not vote to reject the Plan, at such Holder's election in accordance with the instructions of its duly executed and timely delivered ballot—

(A) **Cash** in an amount equal to 7.00% of such Holder's aggregate Allowed General Unsecured Claims payable solely from the Cash Election Reserve; *provided*, *however*, that in the event of a Cash Oversubscription, such Holder shall be treated as a Preferred Cash Election Holder in accordance with Section 4.5;

or

(B) a **Fourth Lien Note** bearing interest at a rate of 8.00% per annum, payable-in-kind, and maturing on a date that is no earlier than six (6) months after the stated maturity of the Third Lien Exit Facility as of the Effective Date, in an aggregate principal amount equal to the lesser of (x) 10.00% of such Holder's Allowed General Unsecured Claim or (y) such Holder's Pro Rata Share of $7 million (calculated to include the aggregate dollar amount of all Allowed Claims for which Fourth Lien Notes will be exchanged); *provided*, *however*, that in the event of a Cash Undersubscription and a Fourth Lien Note Oversubscription, such Holder shall be treated as a Fourth Lien Note Election Holder in accordance with Section 4.5(iii)(B).

(c) Impairment and Voting. Class 6 is Impaired, and accordingly, the Holders of Claims in Class 6 are entitled to vote to accept or reject the Plan.

4.8 ***Intercompany Claims (Class 7).***

(a) Classification. Class 7 consists of all Allowed Intercompany Claims.

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

(c) Impairment and Voting. Class 7 is Unimpaired. The Holders of Claims in Class 7 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.9 ***Equity Interests in Debtor Subsidiaries (Class 8).***

(a) Classification. Class 8 consists of all Allowed Equity Interests in Debtor Subsidiaries.

(b) Treatment. On the Effective Date, all Allowed Equity Interests in Debtor Subsidiaries shall be reinstated and otherwise unaffected by the Plan. Equity Interests in Debtor Subsidiaries are Unimpaired solely to preserve the Debtors' corporate structure and Holders of

those Equity Interests shall not otherwise receive or retain any property on account of such Equity Interests.

(c) Impairment and Voting. Class 8 is Unimpaired. The Holders of Equity Interests in Class 8 are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.10 *Equity Interests in Parent (Class 9).*

(a) Classification. Class 9 consists of all Equity Interests in the Parent.

(b) Treatment. On the Effective Date, all Equity Interests in the Parent shall be cancelled without further notice to, approval of, or action by, any Entity.

(c) Impairment and Voting. Class 9 is Impaired. The Holders of Equity Interests in Class 9 are conclusively presumed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.11 *Subordinated Claims.*

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

SECTION 5. MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 *Compromise of Controversies.*

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

5.2 *Restructuring Transactions.*

On or after the Confirmation Date (or, with respect to Debtor entities incorporated in Canada, on or after the date of entry of the Confirmation Recognition Order), the Debtors shall be authorized to enter into such transactions and take such other actions as may be necessary or appropriate to effect a corporate restructuring of their businesses, to otherwise simplify the

overall corporate structure of the Debtors, or to organize certain of the Debtors under the laws of jurisdictions other than the laws of which such Debtors currently are organized, which restructuring may include one or more mergers, consolidations, dispositions, liquidations, or dissolutions as may be determined by the Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors vesting in one or more surviving, resulting, or acquiring Entities (collectively, the "**Restructuring Transactions**"). In each case in which the surviving, resulting, or acquiring Entity in any such transaction is a successor to a Debtor, such surviving, resulting, or acquiring Entity shall perform the obligations of such Debtor pursuant to the Plan to satisfy the Allowed Claims against, or Allowed Equity Interests in, such Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring Entity, which may provide that another Debtor shall perform such obligations.

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

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

5.3 *Exit Financing; Sources of Cash for Plan Distribution.*

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

the Plan, those funds shall be made available for distributions to Disputed Claims that become Allowed and are entitled to Cash distributions in accordance with this Plan.

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

5.4 *Offering: Third Lien Exit Facility and New Class A LLC Units.*

(a) Offering: Prior to the Effective Date, pursuant to the Restructuring Term Sheet and the Offering Procedures, the Reorganized Debtors shall conduct the Offering and distribute the Offering Units to Fidelity/Newport, the Sciens Group, and the other Participating Holders (other than Fidelity/Newport) as of the Offering Record Date who elect to participate in the Offering. The Noteholder Offering Allocation (defined below) of the Offering shall be fully backstopped by the Backstop Parties on the terms and conditions set forth in the Backstop Agreement, a form of which shall be included in the Plan Supplement. The Plan Supplement shall also include forms of Subscription Agreements pursuant to which Fidelity/Newport and Sciens Group shall each respectively subscribe to the Offering.

In accordance with the Offering Term Sheet and the Offering Procedures, the Reorganized Debtors shall raise not less than $50 million in new capital from the Offering as follows: (x) Sciens Group or its affiliates shall subscribe to $15 million of the Offering, (y) Fidelity/Newport shall subscribe to $15 million of the Offering, and (z) each Eligible Holder shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering (the "**Noteholder Offering Allocation**") as further allocated as set forth herein. The new capital raised in connection with the Offering may be increased by up to $5 million (the "Additional Offering Amount," as such term is defined in the Restructuring Term Sheet) by the mutual agreement of the Reorganized Debtors, Sciens Group, Fidelity/Newport, and the Consortium, such Additional Offering Amount to be allocated to each of Sciens Group, Fidelity/Newport, and

Eligible Holders that participate in the Offering on a pro rata basis as set forth in the Restructuring Term Sheet. For the avoidance of doubt, the Consenting 8.75% Noteholders shall participate in the Offering.

(b) Summary of Principal Terms of Offering: The terms and conditions of the Offering shall be set forth in the Offering Procedures and related documents to be included in the Plan Supplement, the terms of which shall be consistent with the Restructuring Term Sheet. The following is a summary of certain of the key terms of the Offering.

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

Purpose: The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors' pending Chapter 11 Cases and other Claims required to be paid on the Effective Date under the Plan, and (iii) to pay the $7.5 million Senior DIP Reduction.

The Offering Consideration shall be issued on the Effective Date. Following the Effective Date, the Third Lien Exit Facility loans and the New Class A LLC Units may be transferred separately from each other, subject to the restrictions provided in the Reorganized Parent LLC Agreement, the Restructuring Term Sheet, and any additional definitive documentation.

Offering Allocation: Prior to the commencement of the Offering to the Eligible Holders of the Senior Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below (such electing Consortium members, the "**Participating Consortium Noteholders**," as defined in the Restructuring Term Sheet). For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that are Consenting 8.75% Noteholders but that do not become Participating Consortium Noteholders shall participate in the Offering as Eligible Holders.

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

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

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

(iv) Each of the Backstop Parties has agreed to participate in the Offering as Participating Consortium Noteholders.

The timing and other terms, mechanics and documentation of the Offering shall be in form and substance satisfactory to the Participating Noteholders, including, without limitation, the Backstop Parties and the Debtors, and shall be as set forth in the Offering Procedures.

New Class A LLC Units: The terms and conditions of the New Class A LLC Units and New Class B LLC Units shall be as summarized in the Offering Term Sheet and set forth in the Reorganized Parent LLC Agreement, and shall be consistent with the Restructuring Term Sheet. Certain of the principal terms of the New Class A LLC Units are also summarized below.

Voting	Except as set forth in the Offering Term Sheet in respect of any matter to be voted on by the holders of New Class B LLC Units, the New Class A LLC Units and the New Class B LLC Units will vote together as a single class on all matters to be voted on by equity holders in Reorganized Parent. The holders of New Class A LLC Units shall be entitled to cast one hundred (100) votes for each unit of

New Class A LLC Units held by such holder.

Dividends

Holders of New Class A LLC Units shall be entitled to receive 100% of distributions made by Reorganized Parent until such time as the Priority Return has been paid in full to holders of New Class A LLC Units.

After the Priority Return has been paid in full to holders of New Class A LLC Units, holders of New Class A LLC Units shall be entitled to participate with the New Class B LLC Units in distributions to equity holders in Reorganized Parent at a ratio of 75% to 25% (the "**Participation Ratio**"); *provided*, *however*, that: (i) one-half (1/2) of the New Class A LLC Units issuable in connection with the New Management Incentive Program and one-half (1/2) of the New Class A LLC Units to be issued to NPA shall not dilute the excess distributions to be received by the New Class B LLC Units issued on the Effective Date, such that such New Management Incentive Program units and NPA units shall only dilute the excess distribution to be received by the holders of the other New Class A LLC Units issued on the Effective Date, and (ii) the remaining one-half (1/2) of the New Class A LLC Units issuable in connection with the New Management Incentive Program and one-half (1/2) of the New Class A LLC Units to be issued to NPA shall dilute all New Class A LLC Units and New Class B LLC Units in accordance with the Participation Ratio (such adjusted ratio to be referred to as the "**Initial Adjusted Participation Percentage**"); *provided*, *further*, that the Initial Adjusted Participation Percentage shall be further adjusted to arrive at final adjusted participation percentages (the "**Final Adjusted Participation Percentages**") to reflect the exchange of consideration other than New Class B LLC Units to certain Nonparticipating Holders (as set forth in this Section 5.4) calculated as provided below:

FAPP = IAAPP/(100% - (EPP x IABPP))
FBPP = 100% - FAPP

Where:

FAPP = The Final Adjusted New Class A LLC

Unit Participation Percentage

FBPP = The Final Adjusted New Class B LLC Unit Participation Percentage

IAAPP = The Initial Adjusted New Class A LLC Unit Participation Percentage as set forth in the Initial Adjusted Participation Percentage

IABPP = The Initial Adjusted New Class B LLC Unit Participation Percentage as set forth in the Initial Adjusted Participation Percentage

EPP = The Electing Principal Percentage, which is the percentage of Senior Notes (as measured by the outstanding principal amount) that have validly elected to receive, or who otherwise will receive, consideration other than New Class B LLC Units in exchange for such Senior Note Claims pursuant to the Plan.

The effect of all such adjustments is further set forth in the example attached hereto as Exhibit D. In the event that there is any inconsistency between the description of the terms of the New Class A LLC Units in this Plan and the example attached hereto as Exhibit D, the example attached hereto as Exhibit D shall control.

Conversion

Each New Class A LLC Unit shall automatically convert into and become New Class B LLC Units upon the occurrence of:

(i) a Liquidity Event (as such term is defined in the Restructuring Term Sheet), which shall include,

(a) A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "**Qualified IPO**"). If a Qualified IPO does not generate cash proceeds that are distributed to the holders of New Class A LLC Units in excess of the Priority Return, then Reorganized Parent shall issue New Class B LLC Units to holders of New Class A LLC Units with a value equal to the

unpaid portion of the Priority Return upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO,

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

(c) An asset sale or a series of asset sales generating proceeds that are distributed to the holders of New Class A LLC Units in the aggregate of at least the then outstanding Priority Return in excess of the Reorganized Debtors' funded debt; or

(ii) The payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero.

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

5.5 *New Class B LLC Units.*

The terms and conditions of the New Class B LLC Units shall be set forth in the Plan Supplement and shall be consistent with the Restructuring Term Sheet. Certain of the principal terms of the New Class B LLC Units are summarized below.

Voting	New Class B LLC Units will vote together with New Class A LLC Units as a single class in respect of any matter to be voted on by the holders of New Equity Interests. The holders of New Class B LLC

	Units shall be entitled to cast one (1) vote per New Class B LLC Unit. Any matter that disproportionately and adversely affects the New Class B LLC Units (including issuances of New Class B LLC Units without a concurrent proportionate issuance of New Class A LLC Units) will require a separate class vote of the holders of New Class B LLC Units.
Dilution	Holders of Allowed Senior Notes Claims that are receiving New Class B LLC Units shall receive their Pro Rata Share of 100% of the New Class B LLC Units on the Effective Date, which shall be subject to dilution upon conversion of the New Class A LLC Units on the terms and conditions summarized in the Offering Term Sheet.
Dividends	The right of holders of the New Class B LLC Units to receive distributions shall be contingent upon the payment in full to the holders of New Class A LLC Units of the Priority Return. After the payment in full to the holders of New Class A LLC Units of the Priority Return, holders of New Class B LLC Units shall be entitled to receive distributions at the Participation Ratio.

5.6 ***Exit Intercreditor Agreements.***

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

5.7 ***Cancellation of Liens.***

Except as provided otherwise under the Exit Credit Agreements, the DIP Credit Agreements, or this Plan, on the Effective Date, all Liens securing any Secured Claim (other than a Lien with respect to a Secured Claim that is reinstated pursuant to Section 4.3 above) shall be deemed released, and the Holder of such Secured Claim shall be authorized and directed to

release any Collateral or other property of any Debtor (including any cash collateral) held by such Holder, and to take such actions as may be requested by the Reorganized Debtors to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases. The filing of the Confirmation Order or the Confirmation Recognition Order, as applicable, with any federal, state, provincial, or local agency or department shall constitute good and sufficient evidence of, but shall not be required to effect, the termination of such Liens.

5.8 *Cancellation of Notes and Instruments.*

So long as the treatments provided in, and the distributions contemplated by, Section 4 are effectuated or made, on the Effective Date, but subject to this Section 5.7, each of (a) the Term Loan Agreement; (b) the Senior Notes Indenture; (c) the DIP Senior Loan Agreement; (d) the DIP Term Loan Agreement; and (e) any notes, bonds, indentures, certificates, or other instruments or documents evidencing or creating any Claims that are Impaired by the Plan, shall be cancelled and deemed terminated and satisfied and discharged with respect to the Debtors, and the Holders thereof shall have no further rights or entitlements in respect thereof against the Debtors, except the rights to receive the distributions, if any, to which the Holders thereof are entitled under the Plan; *provided*, *however*, the agreements and other documents evidencing the DIP Senior Loan Claims, Term Loan Claims, and the DIP Term Loan Claims shall continue in effect solely for the purposes of (a) allowing the DIP Senior Loan Agent, Term Loan Agent, and DIP Term Loan Agent to make distributions under this Plan and to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the DIP Senior Loan Agreement, Term Loan Agreement, and DIP Term Loan Agreement, respectively, in doing so; and (b) permitting the Term Loan Lenders, DIP Term Loan Lenders, DIP Senior Loan Lenders, Term Loan Agent, DIP Term Loan Agent, and DIP Senior Loan Agent to maintain or assert any right or remedy it may have for indemnification, contribution, or otherwise against the Debtors, Term Loan Lenders, DIP Term Loan Lenders, or DIP Senior Loan Lenders, as applicable, arising under the Term Loan Agreement, DIP Term Loan Agreement, or DIP Senior Loan Agreement; *provided, further*, notwithstanding the occurrence of the Effective Date or anything in this Section 5.8 to the contrary, the Senior Notes Indenture shall remain in effect solely for purposes of (a) allowing the Holders of Allowed Senior Note Claims to receive distributions under the Plan as provided for herein, (b) permitting the Senior Notes Indenture Trustee to exercise the Senior Notes Indenture Trustee Charging Lien, (c) permitting the Senior Notes Indenture Trustee to perform such other functions as set forth in this Plan or as the Senior Notes Indenture Trustee shall deem necessary or appropriate consistent with the terms of the Senior Notes Indenture and the Plan, (d) preserving all rights against, and obligations of, parties other than the Debtors, and (e) preserving any rights of the Senior Notes Indenture Trustee to indemnification from any non-Debtors.

5.9 *Corporate Actions.*

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

requirement of further action by the members, stockholders, or directors of the Debtors or the Reorganized Debtors.

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

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

(i) the CEO of Reorganized Colt;

(ii) two (2) directors designated by Fidelity/Newport;

(iii) two (2) independent directors; and

(iv) two (2) directors designated by Sciens Group.

The Participating Consortium Noteholders shall have the right to designate one (1) of the independent directors, and Fidelity/Newport and Sciens Group shall collectively have the right to designate one (1) of the independent directors; *provided, however*, that any independent director so designated shall be reasonably acceptable to each of Fidelity/Newport or the Sciens Group (as applicable) and the Participating Consortium Noteholders.

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

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

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

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

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

5.10 West Hartford Facility Lease

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

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

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

5.11 ***New Management Incentive Plan.***

On the Effective Date, without the need for any further corporate action and without further action by the holders of Claims or Equity Interests, the New Management Incentive Plan shall become effective and shall replace the Colt Defense Long Term Incentive Plan. The solicitation of votes on the Plan shall include, and be deemed to be, a solicitation for approval of the New Management Incentive Plan; *provided*, *however*, that entry of the Confirmation Order shall not constitute approval of the New Management Incentive Plan by the Bankruptcy Court.

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

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

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

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

transfers of such New Class A LLC Units and New Class B LLC Units) and exercise all of the rights with respect of the New Class A LLC Units and New Class B LLC Units (so that such holder shall be deemed for tax purposes to be the owner of the New Class A LLC Units and New Class B LLC Units).

5.13 ***Oversight Committee***

(a) Appointment. To the extent Allowed or Disputed General Unsecured Claims plus Senior Notes Claims held by Nonparticipating Holders against the Debtors exceed $112.9 million as of the Effective Date, then, on the Effective Date, there shall be formed the Oversight Committee. The Oversight Committee's initial membership shall consist of one (1) to three (3) persons and shall be determined by the Committee no later than ten (10) calendar days following the General Bar Date. The Debtors shall file with the Plan Supplement (i) a notice identifying the initial members of the Oversight Committee and (ii) any documents governing the actions of the Oversight Committee.

(b) Termination. The Oversight Committee shall continue in existence until the earlier of (i) the first date after the General Bar Date on which asserted General Unsecured Claims plus Senior Notes Claims held by Nonparticipating Holders against the Debtors do not exceed $112.9 million, (ii) the Final Distribution Date, or (iii) until its member(s) unanimously elect to cause such Oversight Committee's dissolution. Upon the termination and dissolution of the Oversight Committee, the members thereof shall be released and discharged of and from further authority, duties, responsibilities, and obligations relating to, arising from, and in connection with the Chapter 11 Cases. Upon the termination and dissolution of the Oversight Committee, all remaining funds, after all Oversight Committee Fees and Expenses (as defined below) have been paid in full, in the Oversight Committee Reserve Account shall promptly be returned to the Reorganized Debtors and shall not be distributed to Holders of Claims or Equity Interests under this Plan.

(c) Oversight Committee Duties and Powers. If and to the extent asserted General Unsecured Claims plus Senior Notes Claims held by Nonparticipating Holders against the Debtors exceed $112.9 million as of the Effective Date or as of any date thereafter until the Oversight Committee is terminated or dissolved, the Reorganized Debtors and the Oversight Committee shall take the following steps:

(i) The Reorganized Debtors shall, within fifteen (15) Business Days after the Effective Date advise the Oversight Committee of a proposed schedule upon which the Reorganized Debtors intend to prosecute objections to any Disputed General Unsecured Claim greater than $100,000 (an "**Excess Claim**"). Prior to the Reorganized Debtors providing such schedule, the Oversight Committee shall not file any objections with respect to an Excess Claim without the express written consent of the Reorganized Debtors; and

(ii) If the Reorganized Debtors do not specify that they intend to object to a specific Excess Claim, and the Oversight Committee believes an objection to such Excess Claim is warranted, the Oversight Committee shall request

that the Reorganized Debtors object to an Excess Claim or request that the Reorganized Debtors consent to the Oversight Committee objecting to such Excess Claim (which such consent shall not be unreasonably withheld). If the Reorganized Debtors refuse the request of the Oversight Committee to object to any Excess Claim within ten (10) Business Days after receipt of such a request, nothing herein shall prevent the Oversight Committee from seeking authority from the Bankruptcy Court, to the extent required by the Bankruptcy Code or applicable law, to object to any Excess Claim.

To the extent the Reorganized Debtors are prosecuting an objection to an Excess Claim, the Oversight Committee shall be entitled to appear and be heard at any hearing on such objection. With respect to Excess Claims to which the Reorganized Debtors are prosecuting objections, the Reorganized Debtors shall retain exclusive authority to settle or compromise any such objection to an Excess Claim that is Disputed (subject to the Oversight Committee's rights to object to any settlement or compromise as set forth below). The Reorganized Debtors shall notify the Oversight Committee in writing prior to entering into any settlement or compromise of any Excess Claim. The Oversight Committee shall have a period of ten (10) Business Days after receipt of such notice to review the proposed settlement or compromise and notify the Reorganized Debtors of objections, if any, to the proposed settlement or compromise of such Excess Claims. In the event the Oversight Committee fails to timely notify the Reorganized Debtors of objections to the proposed settlement within such proscribed ten (10) Business Day period, the Reorganized Debtors shall be authorized to enter into the proposed settlement or compromise without further order of the Bankruptcy Court. If the Oversight Committee and the Reorganized Debtors are unable to resolve any such objection to the proposed settlement or compromise of an Excess Claim, then the Reorganized Debtors shall be required to file a motion with the Bankruptcy Court seeking approval of such proposed settlement or compromise of such Excess Claim. Pending resolution of any settlement or compromise proposed by the Reorganized Debtors, the Oversight Committee shall not file any objection to such Excess Claim (except to the extent necessary to prevent such claim objection from being time barred under Section 7.2). For the avoidance of doubt, the Reorganized Debtors shall have the authority to settle any Disputed General Unsecured Claim that is lesser than $100,000 without approval of the Oversight Committee or the Bankruptcy Court. For the further avoidance of doubt, nothing herein shall require the Debtors or the Reorganized Debtors to consult with or obtain the approval of the Oversight Committee with respect to the objections to or the compromise or settlement of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, or any Claims other than General Unsecured Claims.

To the extent the Oversight Committee has obtained authority, either from the Reorganized Debtors or the Bankruptcy Court (to the extent required by the Bankruptcy Code or applicable law), to object to an Excess Claim, the Oversight Committee may object to such Excess Claim on any basis and shall have the exclusive authority to settle or compromise any such objection (subject to the Reorganized Debtors' rights to object to any settlement or compromise as set forth below); *provided, however*, that the Oversight Committee shall notify the Reorganized Debtors prior to entering into any proposed settlement or compromise of any Excess Claim. The Reorganized Debtors shall have a period of ten (10) Business Days after receipt of such notice to review the proposed settlement or compromise and notify the Oversight

Committee of objections, if any, to the proposed settlement or compromise. In the event the Reorganized Debtors fail to timely notify the Oversight Committee of objections to any such proposed settlement within such proscribed ten (10) Business Day period, the Oversight Committee shall be authorized to enter into the settlement or compromise without further order of the Bankruptcy Court. If the Reorganized Debtors and the Oversight Committee are unable to resolve any such objection to the proposed settlement or compromise of the Excess Claim, then the Oversight Committee shall be required to file a motion with the Bankruptcy Court seeking approval of such settlement or compromise of such Excess Claim. Pending resolution of any settlement or compromise proposed by the Oversight Committee, the Reorganized Debtors shall not file any objection to an Excess Claim (except to the extent necessary to prevent such claim objection from being time barred under Section 7.2).

(d) Employment of Professionals and Compensation of Members of the Oversight Committee. The Oversight Committee may employ professionals. The member(s) of the Oversight Committee, and any professionals retained to serve on behalf of the Oversight Committee, shall be entitled to reasonable compensation for services rendered and to reimbursement of reasonable fees, costs, and expenses (collectively, the "**Oversight Committee Fees and Expenses**"). The payment of Oversight Committee Fees and Expenses shall be made in the ordinary course of business and shall not be subject to approval of the Bankruptcy Court; *provided*, *however*, that any disputes related to such Oversight Committee Fees and Expenses shall be brought before the Bankruptcy Court; *provided*, *further*, that Oversight Committee Fees and Expenses shall be payable solely from the Oversight Committee Reserve Account and that the aggregate amount of Oversight Committee Fees and Expenses shall not exceed $150,000.

(e) Limitation of Liability. No recourse shall ever be had, directly or indirectly, against the Debtors and/or Reorganized Debtors, their shareholders, officers, directors, agents, employees, attorneys, advisors, or other professionals, by legal or equitable proceedings or by virtue of any statute or otherwise, or any deed of trust, mortgage, pledge, or note, or upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Oversight Committee or by reason of the creation of any indebtedness by the Oversight Committee. All such liabilities, covenants, and agreements of the Oversight Committee, its respective members, agents, attorneys, advisors, or other professionals, whether in writing or otherwise, shall be enforceable, if at all, only against, and shall be satisfied only out of, the Oversight Committee Reserve Account. Every undertaking, contract, covenant or agreement entered into in writing by the Oversight Committee shall provide expressly against the personal liability of the Debtors and Reorganized Debtors. The Debtors and/or Reorganized Debtors and their officers, directors, agents, employees, attorneys, advisors, and other professionals shall not be liable for any act or omission of the Oversight Committee.

SECTION 6. DISTRIBUTIONS

6.1 *Distribution Record Date.*

Distributions hereunder to the Holders of Allowed Claims and Allowed Equity Interests shall be made to the Holders of such Claims and Equity Interests as of the Distribution Record Date. Transfers of Claims and Equity Interests after the Distribution Record Date shall

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

6.2 ***Date of Distributions.***

Except as otherwise provided herein, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6.3 [Reserved]

6.4 ***Disbursement Agent.***

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

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

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

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

(f) Fourth Lien Note Indenture Trustee. The Fourth Lien Note Indenture Trustee shall be deemed to be the Holder of all General Unsecured Claims for which Fourth Lien Notes will be exchanged under the Plan, and all distributions on account of Allowed General Unsecured Claims for which Fourth Lien Notes will be exchanged shall be made

through the Fourth Lien Note Indenture Trustee or as otherwise agreed to by the Reorganized Debtors and the Fourth Lien Note Indenture Trustee.

6.5 ***Rights and Powers of Disbursement Agent.***

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

6.6 ***Expenses of the Disbursement Agent.***

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

6.7 ***Delivery of Distributions.***

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

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

or be construed to require, the Disbursement Agent to attempt to locate any Holder of an Allowed Claim or Allowed Equity Interest.

6.8 ***Manner of Payment Under Plan.***

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

6.9 ***Setoffs and Recoupment.***

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

6.10 ***Distributions After Effective Date.***

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

6.11 ***Allocation of Distributions Between Principal and Interest.***

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

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

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

6.13 ***Claims Paid or Payable by Third Parties.***

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

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

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

6.14 ***Surrender of Cancelled Instruments or Securities.***

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

(b) Subject to Section 6.15 below, other than for instruments, securities, or other documentation evidencing the Senior Notes, which shall be deemed surrendered as

provided in Section 5.8 of this Plan, any Holder of any Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 above that fails to surrender such applicable instruments, securities, or other documentation in accordance with Section 6.14(a) within one year after the Effective Date shall have such Claim or Equity Interest, and the distribution on account of such Claim or Equity Interest, disgorged or forfeited, as applicable, and shall forever be barred from asserting such Claim or Equity Interest against any of the Reorganized Debtors or their respective property.

6.15 *Lost, Stolen, Mutilated, or Destroyed Debt or Equity Securities.*

In addition to any requirements under any applicable agreement, any Holder of a Claim or Equity Interest evidenced by the instruments, securities, or other documentation cancelled under Section 5.7 above, which instruments, securities, or other documentation have been lost, stolen, mutilated, or destroyed, shall, in lieu of surrendering such instruments, securities, or other documentation, (a) deliver evidence of such loss, theft, mutilation, or destruction that is reasonably satisfactory to the Reorganized Debtors and (b) deliver to the Reorganized Debtors such security or indemnity as may be required by the Reorganized Debtors to hold the Reorganized Debtors harmless from any damages, liabilities, or costs incurred in treating such Entity as the Holder of such Allowed Claim or Allowed Equity Interest. Such Holder shall, upon compliance with this Section 6.15, be deemed to have surrendered such instruments, securities, or other documentation for all purposes hereunder.

6.16 *Withholding and Reporting Requirements.*

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

SECTION 7. PROCEDURES FOR RESOLVING DISPUTED CLAIMS AND EQUITY INTERESTS

7.1 *No Proofs of Equity Interests Required.*

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

7.2 *Objections to Claims; Estimation of Claims.*

Except insofar as a Claim is Allowed under the Plan, the Debtors or the Reorganized Debtors, as applicable, shall be entitled to object to Claims. No other entity shall be entitled to object to Claims; *provided*, *however*, that if and to the extent asserted General Unsecured Claims plus Senior Notes Claims held by Nonparticipating Holders against the Debtors exceed $112.9 million as of the Effective Date or as of any date thereafter, the Reorganized Debtors may, subject to Section 5.13, authorize the Oversight Committee to object to one or more General Unsecured Claims. Any objections to Claims shall be served and filed on or before (a) the one-hundred and twentieth (120th) day following the later of (i) the Effective Date and (ii) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a holder of such Claim, or (b) such later date as may be fixed by the Bankruptcy Court.

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

7.3 *Payments and Distributions on Disputed Claims.*

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

At such time as a Disputed Claim becomes Allowed or as soon as practicable thereafter, the Disbursement Agent shall distribute to the Holder of such Allowed Claim the property distributable to such Holder pursuant to Section 4 of the Plan. To the extent that all or a

portion of a Disputed Claim is Disallowed, the Holder of such Claim shall not receive any distribution on account of the portion of such Claim that is Disallowed. Notwithstanding any other provision of the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date, except as provided for in the DIP Order or to the extent that section 506(b) of the Bankruptcy Code permits interest to accrue and be Allowed on such Claim.

7.4 *Preservation of Claims and Rights to Settle Claims.*

Except as otherwise provided in the Plan, or in any contract, instrument, or other agreement or document entered into in connection with this Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, compromise, otherwise resolve, discontinue, abandon, or dismiss all Claims, rights, Causes of Action, suits, and proceedings, including those described in the Plan Supplement (collectively, the "**Retained Actions**"), whether at law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Entity (other than Claims, rights, Causes of Action, suits, and proceedings released pursuant to Section 10.4 below), without the approval of the Bankruptcy Court or the Canadian Court, subject to the terms of Section 7.2 hereof, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. For the avoidance of doubt, Retained Actions do not include any claim or cause of action arising under or authorized by sections 510, 542 through 551, and 553 of the Bankruptcy Code, which claims and causes of actions will be released pursuant to Section 10.4 below. The Reorganized Debtors or their successor(s) may pursue such Retained Actions, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) that hold such rights.

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

SECTION 8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 *Assumption of Contracts and Leases.*

Except for any executory contracts or unexpired leases that are (a) the subject of a motion to assume or reject pending on the Confirmation Date, which shall be assumed or rejected in accordance with the disposition of such motion or (b) identified in the Plan Supplement as executory contracts or unexpired leases to be rejected pursuant to the Plan, all

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

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

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

8.2 ***Cure of Defaults.***

Any monetary amount by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, in accordance with section 365(b)(1) of the Bankruptcy Code, by payment of such amount in Cash on the Effective Date, subject to the limitation described below, or upon such other terms as the parties to such executory contract or unexpired lease may otherwise agree. If a dispute arises regarding (a) the amount of any cure payments required under section 365(b)(1) of the Bankruptcy Code; (b) the ability of any Reorganized Debtor or any assignee thereof to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (c) any other matter pertaining to assumption under section 365 of the Bankruptcy Code, the cure payments required under section 365(b)(1) of the Bankruptcy Code, if any, shall be made following the entry of a Final Order resolving such dispute and shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date. The Debtors and Reorganized Debtors, in consultation with the Committee and the Consortium, may settle any such dispute without any further notice to any party or any action, order, or approval of the Bankruptcy Court. Notwithstanding anything to the contrary herein, prior to the entry of a Final Order resolving any dispute and approving the assumption and assignment of such executory contract or unexpired lease, the Debtors and Reorganized Debtors, in consultation with

the Committee and the Consortium, reserve the right to reject any executory contract or unexpired lease which is subject to dispute.

At least ten (10) days prior to the Confirmation Objection Deadline, with respect to executory contracts and unexpired leases proposed to be assumed pursuant to this Plan, the Debtors shall provide for notices of proposed assumption and proposed cure amounts to be sent to applicable third parties, the Committee, and the Consortium and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court (the "**Plan Assumption and Cure Notice**"), which such notices may be served by electronic mail, facsimile, or overnight mail; *provided*, that the Debtors reserve all rights with respect to any such proposed assumption and proposed cure amount in the event of an objection or dispute. Any objection by a counterparty to an executory contract or unexpired lease to a proposed assumption or related cure amount listed in the Plan Assumption and Cure Notice must be filed, served, and actually received by the Debtors or Reorganized Debtors, as applicable, the Committee, and the Consortium no later than thirty (30) days after service of the Plan Assumption and Cure Notice. **Any counterparty to an executory contract or unexpired lease that fails to timely object to the proposed assumption or cure amount listed in the Plan Assumption and Cure Notice shall be deemed to have assented to such assumption or cure amount regardless of whether such counterparty filed an objection with respect to any other proposed assumption or cure amounts set forth in the Sale Assumption and Cure Notices**.

Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise, and payment of the applicable cure amount, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or non-monetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time prior to the effective date of assumption. Any proof of Claim filed with respect to an executory contract or unexpired lease that is assumed shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or the Canadian Court.

8.3 *Claims Based on Rejection of Executory Contracts or Unexpired Leases.*

All proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases must be filed on or before the later of (i) the General Bar Date and (ii) the thirtieth (30th) day after service of an order of the Bankruptcy Court approving such rejection or the date of withdrawal of a motion to assume. Any Claim arising from the rejection of an executory contract or unexpired lease for which proof of such Claim is not filed within such time period shall be forever barred from assertion against any of the Debtors, the Estates, or the Reorganized Debtors or their property, unless otherwise ordered by the Bankruptcy Court. Any Allowed Claim arising from the rejection of executory contracts or unexpired leases for which proof of such Claim has been timely filed shall be, and shall be treated as, an Allowed General Unsecured Claim under the terms hereof, subject to any limitation under section 502(b) of the Bankruptcy Code or otherwise.

8.4 *Indemnification of Directors, Officers, and Employees.*

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

8.5 *Compensation and Benefit Plans.*

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

For the avoidance of doubt, as of the Effective Date, the Reorganized Debtors shall continue (and shall continue their obligations with respect to) the Colt Retirement Defined Benefit Plan (the "**Pension Plan**") in accordance with, and subject to, their terms, the Employee Retirement Income Security Act of 1974, the Internal Revenue Code, and applicable law, and shall preserve all of their rights thereunder. Notwithstanding anything to the contrary in this Plan, no provision in this Plan or the Confirmation Order, or proceeding within the Chapter 11 Cases, shall in any way be construed as discharging, releasing, or relieving the Debtors, the Reorganized Debtors, or any other party in any capacity, from any liability with respect to the Pension Plan under any law, governmental policy, or regulatory provision, including for breach of fiduciary duty.

8.6 *Insurance Policies.*

All insurance policies (including all director and officer insurance policies) pursuant to which the Debtors have any obligations in effect as of the Effective Date shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed by the respective Debtors (and assigned to the Reorganized Debtors if necessary to continue such

insurance policies in full force) pursuant to section 365 of the Bankruptcy Code and shall continue in full force and effect. All other insurance policies shall revest in the Reorganized Debtors.

8.7 ***The West Hartford Facility.***

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

8.8 ***Reservation of Rights.***

Nothing contained in the Plan shall constitute an admission by the Debtors that any agreement, contract, or lease is an executory contract or unexpired lease subject to Section 8 of the Plan, as applicable, or that the Debtors or Reorganized Debtors have any liability thereunder.

8.9 ***Contracts and Leases Entered into After the Petition Date.***

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

SECTION 9. CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE

9.1 ***Conditions Precedent to Confirmation.***

It shall be a condition to confirmation of this Plan that the following conditions shall have been satisfied in full or waived in accordance with Section 9.3 of the Plan:

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

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

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

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

9.2 ***Conditions Precedent to the Effective Date.***

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions have been satisfied in full or waived in accordance Section 9.3 of the Plan:

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

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

(c) Execution and Delivery of Other Documents. All other actions and all agreements, instruments, or other documents necessary to implement the Plan, including the Exit Credit Agreements (in form and substance acceptable to the Plan Support Parties and the Exit Lenders), the Fourth Lien Note Documents (in form and substance acceptable to the RSA Creditor Parties, the Exit Lenders, and the Committee), and the Exit Intercreditor Agreements (in form and substance acceptable to the Plan Support Parties, the Committee, and the Exit Lenders), shall have been (i) effected or (ii) duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall be in form (where applicable) and substance acceptable to the RSA Creditor Parties and the Committee and shall have been satisfied or waived.

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

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

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

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

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

(i) Collective Bargaining Agreement. The Debtors shall have entered into a memorandum of understanding with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and its Local 376 with respect to certain amendments to be made to that certain Collective Bargaining Agreement dated as of April 1, 2014, which memorandum of understanding shall be reasonably acceptable to the Debtors, the Sciens Group, and the RSA Creditor Parties and shall have been filed with the Plan Supplement.

(j) Consents. All authorizations, consents, and approvals determined by the Debtors to be necessary to implement the Plan shall have been obtained.

(k) Amendments. Subject to Section 12.7, the Plan and the Plan Documents shall not have been materially amended or modified without the consent of the Committee, the Plan Support Parties, and the Term Loan Exit Lenders, such consents not to be unreasonably withheld.

(l) Statutory Fees. All statutory fees and obligations then due and payable to the Office of the United States Trustee shall have been paid and satisfied in full.

(m) Regulatory Approvals. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement the Plan.

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

(o) Reorganized Parent LLC Agreement. The holders of the New Class A LLC Units and New Class B LLC Units shall have entered or be deemed to have entered into the Reorganized Parent LLC Agreement.

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

(q) Other Acts. Any other actions that the Debtors, in consultation with the Committee and the Plan Support Parties, determine are necessary to implement the terms of the Plan shall have been taken.

9.3 *Waiver of Conditions Precedent.*

Each of the conditions precedent in Section 9.1 and Section 9.2 of the Plan may be waived, in whole or in part, by the Debtors in writing, with the consent of the Committee, the Plan Support Parties, and the Term Loan Exit Lenders, but without notice to any other third parties or order of the Bankruptcy Court or any other formal action.

9.4 *Effect of Non-Occurrence of the Effective Date.*

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

SECTION 10. EFFECT OF CONFIRMATION

10.1 *Vesting of Assets; Continued Corporate Existence.*

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

10.2 *Binding Effect.*

Subject to the occurrence of the Effective Date and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062, on and after the Confirmation Date, the provisions of the Plan shall be immediately effective and enforceable and deemed binding upon any Holder of a Claim against, or Equity Interest in, the Debtors, and such Holder's respective successors and assigns, (whether or not the Claim or Equity Interest of such Holder is Impaired under the Plan, whether

or not such Holder has accepted the Plan, and whether or not such Holder is entitled to a distribution under the Plan), all Entities that are party, or subject, to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor counterparties to executory contracts, unexpired leases, and any other prepetition agreements.

10.3 ***Discharge of Claims.***

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

10.4 ***Releases.***

(a) **Releases by the Debtors**. **Pursuant to section 1123(b) of the Bankruptcy Code and to the extent allowed by applicable law, upon the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, shall be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction, including laws of Canada and the provincial laws applicable therein, or otherwise (other than the rights of the Debtors or Reorganized Debtors to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in**

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

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

(b) **Releases by Holders of Claims and Holders of Equity Interests**. **Upon the Effective Date, to the maximum extent permitted by applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Releasing Party, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan, and the Cash and other contracts, instruments, releases, agreements, or documents to be delivered in connection with the Plan, shall be deemed forever to release, waive, and**

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

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

Released Parties or their property. Entry of the Confirmation Recognition Order shall constitute the Canadian equivalent of the same.

10.5 ***Exculpation and Limitation of Liability.***

None of the Debtors or Reorganized Debtors, or the direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, or agents (whether current or former, in each case, in his, her, or its capacity as such) of the Debtors or the Reorganized Debtors, including, for the avoidance of doubt, the Sciens Group and any other direct or indirect holders of Equity Interests in Colt Defense LLC, or the Released Parties shall have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the Canadian Proceedings, formulation, negotiation, preparation, dissemination, confirmation, solicitation, implementation, or administration of the Plan, the Plan Supplement, the Disclosure Statement, the Prepetition RSA, the Restructuring Support Agreement, the Restructuring Term Sheet, the DIP Credit Agreements, the Exit Credit Agreements, the Fourth Lien Note Documents, the Exit Intercreditor Agreements, the Term Loan Agreement, the Senior Notes Indenture, the West Harford Facility and the West Hartford Facility Lease (including, for the avoidance of doubt, any negotiations, discussions, or conduct in connection with the West Hartford Facility Lease or the West Hartford Facility), any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or any other pre- or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or confirming or consummating the Plan (including the issuance of any securities or the distribution of any property under the Plan); *provided, however*, that the foregoing provisions of this Section 10.5 shall have no effect on the liability of any Person or Entity that results from any such act or omission that is determined by a Final Order to have constituted willful misconduct, fraud, or gross negligence and shall not impact the right of any Holder of a Claim or Equity Interest, or any other party to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan. Without limiting the generality of the foregoing, the Debtors and the Debtors' direct or indirect affiliates, officers, directors, partners, employees, members, members of boards of managers, advisors, attorneys, financial advisors, accountants, investment bankers, and agents (whether current or former, in each case, in his, her, or its capacity as such) including, for the avoidance of doubt, the Sciens Group and any other direct or indirect Holders of Equity Interests in Colt Defense LLC, shall, in all respects, be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan. The exculpated parties have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

10.6 *Injunction.*

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

(b) **Injunction Against Interference With the Plan**. **Upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals, and affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim or Allowed Equity Interest, by accepting, or being eligible to accept, distributions under or reinstatement of such Claim or Equity Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in this section of the Plan.**

10.7 *Settlement of Claims Against the Sciens Group and NPA*

Without limiting the generality of Section 5.1, this Plan shall constitute a motion of the Debtors, on behalf of the Debtors' Estates, and the Plan Support Parties requesting approval of a settlement pursuant to Bankruptcy Rule 9019 of any and all Claims of the Debtors and their Estates against the Sciens Group and NPA (and any other named defendant in the draft complaint filed by the Committee in these cases) related to the West Hartford Facility Lease or any other matters. In exchange for the releases provided to the Sciens Group pursuant to Section 10.4(a), the Sciens Group has agreed to contribute $15 million to the Offering on the terms set forth in the Offering Term Sheet and to grant releases in favor of the Debtors pursuant to Section 10.4(b). In exchange for the releases provided to NPA (and other parties) pursuant to Section 10.4(a), NPA has agreed to either (i) an extension of the West Hartford Facility Lease or (ii) a sale of the West Hartford Facility, in each case on the terms set forth in the West Hartford Facility Term Sheet, and to grant releases in favor of the Debtors pursuant to Section 10.4(b).

10.8 ***Term of Bankruptcy Injunction or Stays.***

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

10.9 ***Termination of Subordination Rights and Settlement of Related Claims.***

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

10.10 ***Reservation of Rights.***

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

SECTION 11. RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code, and notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Plan, the Confirmation Order, and the Chapter 11 Cases, to the fullest extent permitted by law, including jurisdiction, to the extent applicable:

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

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

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

(d) To ensure that distributions to Holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the terms of the Plan;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(w) To recover all assets of the Debtors and property of the Debtors' Estates, wherever located; and

(x) To enter a final decree closing the Chapter 11 Cases.

SECTION 12. MISCELLANEOUS PROVISIONS

12.1 *Payment of Statutory Fees.*

All fees due and payable pursuant to section 1930 of title 28 of the U.S. Code prior to the Effective Date shall be paid by the Debtors. On and after the Effective Date, the either the Debtors or the Reorganized Debtors shall pay any and all such fees when due and payable, and shall file with the Bankruptcy Court quarterly reports in a form reasonably acceptable to the United States Trustee. Each and every one of the Debtors and Reorganized Debtors shall remain obligated to pay quarterly fees to the Office of the U.S. Trustee until the earliest of that particular Debtor's case being closed, dismissed or converted to a case under chapter 7 of the Bankruptcy Code.

12.2 ***Exemption from Securities Laws.***

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

12.3 ***Exemption from Certain Transfer Taxes.***

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

12.4 ***Dissolution of Statutory Committees and Cessation of Fee and Expense Payment.***

On the Effective Date, all statutory committees (including the Committee) shall dissolve; *provided, however*, that, following the Effective Date, any statutory committees shall continue to have standing and a right to be heard with respect to (i) Claims and/or applications for compensation by professionals and requests for allowance of administrative expenses for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code, (ii) any

appeals of the Confirmation Order that remain pending as of the Effective Date to which any statutory committees are a party, and (iii) any adversary proceedings or contested matter as of the Effective Date to which any statutory committees are a party. Upon the dissolution of any statutory committees, the current and former members of any statutory committees and their respective officers, employees, counsel, advisors, and agents, shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of any statutory committees' respective attorneys, accountants, and other agents shall terminate, except that any statutory committees and their respective professionals shall have the right to pursue, review, and object to any applications for compensation and reimbursement of expenses filed in accordance with Sections 2.3 and 2.4 hereof. The Reorganized Debtors shall not be responsible for paying any fees and expenses incurred after the Effective Date by the professionals retained by any statutory committees, if any.

12.5 ***Substantial Consummation.***

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

12.6 ***Expedited Determination of Postpetition Taxes.***

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

12.7 ***Modification and Amendments.***

The Debtors shall not amend this Plan without the prior written consent of (a) the RSA Creditor Parties, such consent not to be unreasonably withheld; (b) the other Plan Support Parties, to the extent such consent is required under the Restructuring Support Agreement, (c) the Term Loan Exit Lenders, such consent not to be unreasonably withheld, and (d) only with respect to modifications or amendments that adversely affect the treatment of General Unsecured Claims or the treatment of Senior Notes Claims, the Committee. Otherwise, subject to the requirements of section 1127 of the Bankruptcy Code, Rule 3019 of the Federal Rules of Bankruptcy Procedure, and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments, or modifications of the Plan may be proposed in writing by the Debtors at any time prior to or after the Confirmation Date (with three (3) Business Days of advance notice to the Committee or, with the consent of the Committee, on less than three (3) Business Days of advance notice to the Committee), but prior to the Effective Date. Holders of Claims and Equity Interests that have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification complies with the requirements of this Section 12.7 and does not materially and adversely change the treatment of the Claim or Equity Interest of such Holder; *provided, however*, that any Holders of Claims or Equity Interests that were deemed to accept the Plan because such Claims or Equity Interests were Unimpaired shall continue to be deemed to accept

the Plan only if, after giving effect to such amendment or modification, such Claims or Equity Interests continue to be Unimpaired.

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

12.8 ***Additional Documents.***

On or before the Effective Date, the Debtors may enter into any agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Equity Interests receiving distributions pursuant to the Plan and all other parties in interest may, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

12.9 ***Effectuating Documents and Further Transactions.***

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

12.10 ***Plan Supplement.***

The Plan Supplement will include certain documents relating to the Plan and its consummation and implementation, including, without limitation, forms of the Reorganized Parent LLC Agreement, the form of Subscription Agreement for Fidelity/Newport and the Sciens Group, the Backstop Agreement, the Exit Credit Agreements, the Fourth Lien Note Documents, the Exit Intercreditor Agreements, the Offering Procedures, the identity and affiliations of each of the officers and directors of the Reorganized Debtors, and a list of any executory contracts or unexpired leases to be rejected pursuant to the Plan. The Plan Supplement shall be filed with the Clerk of the Bankruptcy Court ten (10) calendar days prior to the first date on which the Confirmation Hearing is scheduled to be held (other than with respect to the Third Lien Exit Facility, the Fourth Lien Note Documents, and the Offering Procedures, which shall be filed six (6) calendar days prior to the Voting Deadline) and may be altered, amended, modified, or supplemented by the Debtors prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be accessed on the docket electronically maintained by the Clerk of the Bankruptcy Court (for a minor fee) or on the Voting Agent's website www.kccllc.net/ColtDefense (free of charge) or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

12.11 ***Additional Intercompany Transactions.***

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

12.12 ***Revocation or Withdrawal of the Plan.***

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

12.13 ***Severability.***

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms; (b) integral to the Plan; and (c) non-severable and mutually dependent.

12.14 ***Schedules and Exhibits Incorporated.***

All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if fully set forth herein.

12.15 ***Solicitation.***

The Debtors have, and upon the Confirmation Date shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, section 1125(e) of the Bankruptcy Code,

and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation. The Debtors, the Reorganized Debtors, and each of their respective principals, members, partners, officers, directors, employees, agents, managers, representatives, advisors, attorneys, accountants, and professionals shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and purchase of any securities offered or sold under the Plan, and therefore, are not, and on account of such offer, issuance, sale, solicitation, or purchase shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of any securities offered or sold under the Plan.

12.16 ***Governing Law.***

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

12.17 ***Compliance with Tax Requirements.***

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

12.18 ***Successors and Assigns.***

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

12.19 ***Closing of Chapter 11 Cases and the Canadian Proceedings.***

The Reorganized Debtors shall, as promptly as practicable after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022, Del. Bankr. L.R. 3022-1, and any applicable order of the Bankruptcy

Court to close the Chapter 11 Cases. The Confirmation Order shall identify a Reorganized Debtor to serve as foreign representative, who shall, as promptly as practicable after the full administration of the Chapter 11 Cases (or at such other time as the Reorganized Debtors determine appropriate), seek to terminate the Canadian Proceedings.

12.20 ***Document Retention.***

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

12.21 ***Conflicts*****.**

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

12.22 ***Service of Documents.***

All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors, to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors or the Reorganized Debtors:

COLT DEFENSE LLC
547 New Park Avenue
West Hartford, Connecticut 06110
Attn: John Coghlin
Telephone: (860) 236-6311
Facsimile: (860) 244-1335
Email: jcoghlin@colt.com

with copies to:

O'MELVENY & MYERS LLP
Times Square Tower
Seven Times Square
New York, New York 10036
Attn: John J. Rapisardi, Esq.
Joseph Zujkowski, Esq.
Telephone: (212) 326-2000
Facsimile: (212) 326-2061

-and-

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

After the Effective Date, the Reorganized Debtors shall be authorized to send a notice to Entities specifying that, in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors shall be authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have filed such renewed requests.

12.23 ***Deemed Acts.***

Whenever an act or event is expressed under the Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan, the Confirmation Order, and the Confirmation Recognition Order.

Dated: November 9, 2015

Respectfully Submitted,

COLT HOLDING COMPANY LLC,

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

COLT DEFENSE LLC

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

COLT SECURITY LLC

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

COLT FINANCE CORP.

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

NEW COLT HOLDING CORP.

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

COLT'S MANUFACTURING COMPANY LLC

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

COLT DEFENSE TECHNICAL SERVICES LLC

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

COLT CANADA CORPORATION

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

COLT INTERNATIONAL COÖPERATIEF U.A.

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

CDH II HOLDCO INC.

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

EXHIBIT A

SENIOR LOAN EXIT TERM SHEET

BR DRAFT NOV. 9, 2015
SUBJECT TO FRE 408

$40[1] MILLION EXIT FINANCING
SUMMARY OF CERTAIN KEY TERMS AND CONDITIONS

The following is a non-binding indicative term sheet outlining certain of the basic terms and conditions on which the Lenders (as defined below) may be interested in providing exit financing to the Borrowers (as defined below) subject to certain terms and conditions, satisfactory due diligence and any necessary internal approvals. This term sheet is not a commitment to arrange financing for, or lend or make any financial accommodations to, the Borrowers or any other person, and any such agreement is subject to execution of definitive documentation (including a credit agreement, security agreements, intercreditor agreements and other customary or required loan documents) that is mutually acceptable to the parties (the "**Definitive Documentation**"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in that certain Chapter 11 Plan Term Sheet (as it may be amended, modified, or supplemented, the "**Restructuring Term Sheet**"). This term sheet is not an agreement or acknowledgement by the Lenders or any other person that any claim held by the Lenders or such other person may be settled or compromised other than in cash in full.

Borrower:	Reorganized [Colt Defense LLC][2] (the "**US Borrower**") and reorganized Colt Canada Corporation (together, the "**Borrowers**").[3]
Lenders:	Those entities holding the Loans under the Senior Exit Facility (collectively the "**Lenders**").
Administrative Agent and Collateral Agent:	**[**Cantor Fitzgerald Securities], or such other third-party appointed by the Lenders (collectively in such capacities, the "**Agent**"). [Borrowers shall pay to the Agent an agent fee of $[_____] on the Closing Date.]
Term Loan Facility:	A senior term loan exit facility (the "**Senior Exit Facility**") in an aggregate principal amount of up to $40 million (the "**Loans**") in a single deemed borrowing on the Closing Date (as defined below).
Guarantors:	All Loans and other obligations under the Senior Exit Facility (collectively, the "**Obligations**") shall be fully and unconditionally guaranteed by Colt Holding Company LLC or such other parent company that owns, directly or indirectly the

1 This amount does not include the Closing Fee paid in kind.

2 **NTD:** Debtors to confirm that Borrowers/Guarantors names are all correct and will remain the same as the existing DIP Senior Loan.

3 The Borrowers are expected to be the main US operating company and the Canadian operating company.

equity of the operating companies as of the Closing Date ("**Holdings**"), and all of its direct and indirect, existing and subsequently formed or acquired domestic and foreign subsidiaries (other than the Borrowers, collectively, the "**Guarantors**"), including but not limited to, Colt Security LLC ("**Colt Security**"), Colt Finance Corp. ("**Colt Finance**"), New Colt Holding Corp. ("**New Colt**"), Colt's Manufacturing Company, LLC ("**Colt's Manufacturing**"), Colt Defense Technical Services LLC ("**Colt Technical**"), Colt International Coöperatief U.A. ("**Colt International**") and CDH II Holdco Inc. ("**CDH**"), in each case to the extent applicable as reorganized. The Guarantors also shall include one or more newly formed wholly-owned subsidiaries of Holdings or the Borrowers (organized in jurisdictions acceptable to the Lenders, collectively referred to as the "**IP Holdco**") that shall own substantially all of the currently owned or subsequently created or acquired intellectual property assets of Holdings and its subsidiaries that comprise Collateral (as defined below). The Agent and the Lenders shall have a second priority lien and security interest in the assets and stock of IP Holdco, junior only to those securing the Exit Term Loan Facility. The Guarantors and the Borrowers may be referred to individually as a "**Loan Party**" and collectively as the "**Loan Parties**".

Closing Fee: An amount equal to one of the following, as applicable per the terms set forth below:

(a) 3.00% of the initial principal amount of the Senior Exit Facility payable in kind in full on the Closing Date, provided that the Closing Date has occurred on or before December [28], 2015;

(b) 3.25% of the initial principal amount of the Senior Exit Facility payable in kind in full on the Closing Date, provided that the Closing Date occurs on or after December [29], 2015 but prior to 5:00 p.m. EST on January [14], 2016; or

(c) 3.50% of the initial principal amount of the Senior Exit Facility payable in kind in full on the Closing Date, provided that the Closing Date occurs on or after January [15], 2016.

Maturity: The Senior Exit Facility shall mature on [_____][4], 2020 (the "**Maturity Date**"); *provided*, *however*, that the Maturity Date shall be shortened, automatically and without any action on the part of the Agent, Lenders or Loan Parties, to the date that is 365

[4] The date that is 5 years from the Closing Date.

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

Other Senior Debt:	After giving effect to the transactions contemplated to occur on the Closing Date, the Loan Parties shall incur or be deemed to incur loans and other obligations (collectively, the "**Exit Term Loan Obligations**") to be provided by one or more lenders (collectively, the "**Exit Term Loan Lenders**") in an original principal amount of up to $[87.6] million (the "**Exit Term Loan Facility**"). All of the proceeds of the Exit Term Loan Facility shall be used to refinance in full all of the outstanding obligations under (i) that certain Senior Secured Super-Priority Debtor in Possession Loan Agreement, dated as of June 16, 2015 (as amended, the "**DIP Term Loan**") among certain of the Loan Parties, Wilmington Savings Fund Society, FSB, as agent, and the lenders party thereto and (ii) that certain Term Loan Agreement, dated as of November 17, 2014 among certain of the Loan Parties party thereto, Wilmington Savings Fund Society, FSB, as agent, and the lenders party thereto (as amended, the "**Pre-Petition Term Loan**" and together with the DIP Term Loan, the "**Existing Term Loan Facilities**"). The Exit Term Loan Obligations shall be secured by a second priority lien on the Collateral except that they shall be secured by a first priority lien and security interest on the Collateral constituting Term Loan Priority Collateral. The relative rights and priorities in the Collateral and of the holders of each of the Senior Exit Facility and the Exit Term Loan Facility will be set forth in an intercreditor agreement in a form substantially consistent with the existing intercreditor agreement between the Existing Term Loan Facilities and the DIP Senior Loan (the "**Intercreditor Agreement**"), subject to certain modifications required by the Lenders including as set forth on Annex A hereto. In the event that the Exit Term Loan Facility is refinanced at any time (subject to any additional limitations in the Intercreditor Agreement), and such refinanced facility (x) has a Yield (to be mutually defined) or (y) reporting or information provisions that are more favorable (as determined by the Lenders) to the lenders thereunder as compared to the terms, provisions or economics under the Senior Exit Facility as in effect on the Closing Date, the Loan Parties shall be required to amend the Senior Exit Facility at such time so as to provide the Agent and the Lenders with the benefit of all such more favorable terms, provisions and economics.
Interest:	Interest on the outstanding principal balance of the Loans shall be paid in cash monthly in arrears at the rate of 10.0% *per annum*.
Default Interest:	2.00% *per annum* plus the rate otherwise applicable.

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

	of any other applicable provisions set forth in such documentation). All prepayments (except prepayments resulting from a condemnation or event of loss) shall be accompanied by all accrued and unpaid interest and the applicable Prepayment Premium.
Prepayment/Repayment Premium:	"**Prepayment Premium**" means, with respect to any principal amount of the Loans repaid, the following additional amounts: during the one year period from the Closing Date, 6%; during the next one year period, 5%; during the next one year period, 4%; during the next six month period, 3%; and thereafter, none. For the avoidance of doubt, the Prepayment Premium shall be due and owing to the Lenders including in the event of acceleration of the Loans (whether voluntary or involuntary and including whether upon a chapter 11 filing or otherwise) or a mandatory prepayment; *provided, however* no Prepayment Premium shall be due in respect to a mandatory prepayment of any Excess Cash Flow.
Conditions Precedent to Effectiveness:	The Senior Exit Facility will become effective on the date (the "**Closing Date**") when the conditions to effectiveness set forth in the Definitive Documentation shall have been satisfied. Such conditions shall include, without limitation: (a) substantial consummation of a plan of reorganization in the Chapter 11 Cases of Colt Holding Company LLC, *et al*., with such plan of reorganization and all related plan documents and the related order confirming such plan (collectively, the "**Plan Documents**") in form and substance satisfactory to the Agent and the Lenders[5]; (b) contemporaneously with the effectiveness of the Senior Exit Facility, the Exit Term Loan Facility shall become effective (and the Existing Term Loan Facilities shall have been deemed repaid in full) and at least $50.0 million is borrowed on the Closing Date pursuant to the Third Lien Agreement (as defined below); (c) no indebtedness other than this Senior Exit Facility, the Exit Term Loan Facility, the Third Lien Exit Facility, and any indebtedness permitted pursuant to the terms of the Definitive Documentation, shall be outstanding; (d) the Obligations shall be secured by fully perfected liens in and security interests on the Collateral subject to the priorities described above and, except for obligations incurred in

[5] The plan and related confirmation order shall include, among other things, provisions for the full release of all claims and causes of action against the Lenders (in their capacities as DIP lenders) and the Agent (in its capacity as DIP agent).

connection with the Exit Term Loan Facility and the Third Lien Exit Facility, the Collateral shall be free from any other liens, claims and encumbrances (for the avoidance of doubt, any liens securing the Third Lien Exit Facility shall be junior to the liens securing the Senior Exit Facility and the Exit Term Loan Facility); (e) the Definitive Documentation and the definitive documentation with respect to the Exit Term Loan Facility and the Third Lien Exit Facility, including the Intercreditor Agreement and any other intercreditor and subordination agreements, each shall be in form and substance satisfactory to the Agent and the Lenders; (f) substantially all intellectual property owned by the Loan Parties in the United States and Canada shall have been transferred to IP Holdco (and such transfers properly registered with the appropriate governmental authorities in the United States and Canada), and all beneficial rights in respect of all other intellectual property shall have been transferred to IP Holdco (with all actions required to implement and register transfer of title and remaining interests thereto in countries other than the United States and Canada to occur in agreed upon times following the Closing Date, *provided*, that the Lenders may request acceleration of one or more of such registrations, such requests not to be denied or delayed by the Loan Parties); (g) after giving effect to the consummation of the transactions contemplated by the Plan Documents, the Loan Parties shall have unrestricted cash of not less than $20.0 million; (h) the West Hartford Lease shall have been entered into (or amended, as the case may be), and be in full force and effect, with a lease period of not less than 5 years from the Closing Date, on terms and subject to conditions (including, among other things, that a change in control resulting in connection with the exercise of remedies by the Agent or Lenders would not be an event of default under the West Hartford Lease) satisfactory to the Agent and the Lenders, and the landlord thereunder shall have consented to the collateral assignment to the Agent and the Lenders (and the Exit Term Loan Lenders) of such lease and/or shall have entered into access agreements acceptable to the Agent and the Lenders, or the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease and shall have entered into access agreements acceptable to the Agent and the Lenders (and the Exit Term Loan Lenders) and provided the Agent for the benefit of the Lenders with a real property mortgage securing the Obligations; (i) the collective bargaining agreement as between certain of the Loan Parties and the applicable union shall be in full force and effect and, to the extent amended from the version of such agreement that was in effect on the closing date of the DIP Senior Loan, shall be in form and substance acceptable to the Agent and the Lenders; (j)

	all management services agreements or similar arrangements shall be in the form of written agreements each in form and substance satisfactory to the Agent and the Lenders; (k) the Agent and the Lenders shall be satisfied with the results of their due diligence (legal and business) and the *pro forma* ownership and capital structure of Holdings and its subsidiaries; and (l) the Closing Date shall have occurred on or before December 15, 2015.
Representations and Warranties:	To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders.
Affirmative Covenants:	To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders (it being understood that covenants relating directly to the bankruptcy case and the DIP Senior Loan shall be removed). Affirmative covenants shall include, among other things, financial reporting in respect of the financial covenants applicable at such time of not less frequently than monthly (within 21 days after the end of each calendar month) and other monthly, quarterly and annual financial reporting within 30 days (for monthly reports), 45 days (for quarterly reports) and 90 days (for annual reports); *provided, however,* that solely with respect to the annual reports for the fiscal year ended December 31, 2015, the annual reports shall be due within 60 days (unaudited) and 115 days (audited) of the end of such fiscal year. Management of the Loan Parties shall (i) hold quarterly conference calls with the Lenders and (ii) offer to host an annual meeting, in person, with the Lenders, in each case regarding financial results and performance of the Loan Parties, operations of the Loan Parties, and/or any other matters.
Negative Covenants:	To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders.[6] Negative covenants shall permit: (i) the Exit Term Loan Facility on the terms in effect on the Closing Date and as amended subject to the Intercreditor Agreement limitations; (ii) $50.0 million borrowed on the Closing Date pursuant to a facility agreement (the "**Third Lien Agreement**") in form and substance satisfactory to the Agent and the Lenders[7], subject to

[6] NTD: Additional representations and covenants of a customary nature will be required outside of the DIP context that were unnecessary for the DIP.

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

an intercreditor acceptable to the Agent and the Lenders[8]; (iii) unsecured junior indebtedness of up to $25.0 million on terms acceptable to the Agent and Lenders subject to a subordination agreement[9] acceptable to the Agent and the Lenders; (iv) in the event that the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease, third party mortgages (which may be from one or more third party mortgagees) and an additional mortgage securing this Facility, the Exit Term Loan Facility (junior to this Facility), and the Third Lien Agreement (junior to both this Facility and the Exit Term Loan Facility) on terms acceptable to the Agent and the Lenders shall be permitted; (v) IP Licenses for specified, non-perpetual periods of time on customary, market and otherwise reasonable and commercial terms, *provided*, that: (a) the Definitive Documentation shall not permit the Loan Parties to license (or allow the licensing or sublicensing of) any intellectual property rights to third parties in connection with firearm products except (1) solely for the purpose of acting as a contract manufacturer for one or more of the Loan Parties, or (2) solely for the marketing, sale, distribution and final assembly of firearms for which one or more of the Loan Parties manufactured (or had manufactured by a contract manufacturer, other than such third party) all or a substantial portion of the components of such firearm (collectively, the "**Prohibited IP Licenses**"), except that IP Licenses that would otherwise be Prohibited IP Licenses that are currently in existence (and were, as of the date of the DIP Term Loan Agreement, in existence), and set forth in detail on a schedule (collectively, the "**Grandfathered IP Licenses**") shall not be deemed to be Prohibited IP Licenses; (b) each IP License shall be subject to the Agent's perfected second priority lien, and shall be included in the definition of Term Loan Priority Collateral; (c) all IP License Proceeds shall be required to be in cash and be deposited in an account over which the Agent has control and a perfected second priority lien (the "**IP Proceeds Account**"), junior only to the lien securing the Exit Term Loan Facility, and such account and proceeds shall be included in the definition of Term Loan Priority Collateral; (d) each IP License shall be of reasonable duration and shall include reasonable and customary provisions typical for agreements of such kind and designed to ensure the ownership, validity, enforceability, and preservation of the value of the intellectual

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

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

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

Financial Covenants:

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

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

Events of Default: To be substantially consistent with those set forth in the DIP Senior Loan and such others as required by the Agent and the Lenders.

Expenses and Indemnity: The Borrowers shall pay or reimburse all reasonable costs and expenses of the Agent and the Lenders (including in connection with the DIP Senior Loan) incurred in connection with the Chapter 11 Cases of Colt Holding Company, *et al.*, and with the preparation, negotiation, execution and delivery of the Definitive Documentation and any security arrangements in connection therewith, including without limitation, the reasonable fees and disbursements of counsel. The Borrowers also shall pay all costs and expenses of the Agent, the Lenders and their respective affiliates (including, without limitation, reasonable fees and disbursements of counsel) incurred in connection with the administration, amendment, waiver or modification (including proposed amendments, waivers or modifications) of, and enforcement of any of its rights and remedies under, the Senior Exit Facility (including in connection with the retention of a financial advisor following the occurrence of a default or event of default).

	The Loan Parties will indemnify the Lenders, the Agent and their respective affiliates, agents and representatives, and hold them harmless from and against all reasonable out-of-pocket costs, expenses (including but not limited to reasonable legal fees and expenses) and liabilities arising out of or relating to the transactions contemplated herein and any actual or proposed use of the proceeds of any loans made under this Senior Exit Facility; *provided*, *however*, that no such person will be indemnified for costs, expenses or liabilities to the extent determined by a final, non-appealable judgment of a court of competent jurisdiction to have been incurred solely from the gross negligence or willful misconduct of such person.
Waivers and Amendments:	Amendments and waivers of the provisions of this Senior Exit Facility shall require the approval of Lenders holding not less than a majority of the aggregate principal amount of the Loans; *provided* that: (a) the consent of each affected Lender shall be required with respect to (i) reductions of principal, interest or fees, (ii) extensions of the final maturity date or reductions of the term of the Senior Exit Facility, (iii) changes to the interest rate, (iv) changing cash payment of fees, premiums or interest to "Paid in Kind", (v) changes to the amount and timing of the payment of the prepayment premium, and (vi) releases of all or substantially all of the value of the Collateral or the guarantees; (b) the consent of all of the Lenders shall be required with respect to (i) modification of the voting percentages (or any of the applicable definitions related thereto) and (ii) modifications to the *pro rata* provisions; and (c) the consent of 66.67% of the Lenders shall be required with respect to changes to financial and other material covenants of the Senior Exit Facility.
Assignments and Participations:	Each Lender may assign all or, subject to minimum amounts to be agreed, a portion of its Loans. The Borrowers agree to assist reasonably in the preparation of any marketing materials typically prepared in connection with a syndication of loans or otherwise as may be requested by the Lenders. Assignments will require payment of an administrative fee to the Agent. In addition, each Lender may sell participations in all or a portion of its Loans; *provided* that no purchaser of a participation shall have the right to exercise or to cause the selling Lender to exercise voting rights in respect of the Senior Exit Facility (except as to certain basic issues). Consent of the Borrowers shall not be required, but assignments and participations shall not be permitted to certain disqualified institutions identified by the Borrowers in writing prior to the Closing Date.
Yield Protection, Taxes and Other Deductions:	The Definitive Documentation will contain customary provisions for facilities of this kind, and as otherwise deemed necessary or appropriate by the Lenders, including, without limitation, in

	respect of breakage and redeployment costs, increased costs, funding losses, capital adequacy, illegality, requirements of law. All payments shall be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income taxes in the jurisdiction of a Lender's applicable lending office).
Governing Law:	The State of New York, except as to real estate and certain other collateral documents required to be governed by local law. Each party to this Senior Exit Facility will waive the right to trial by jury and will consent to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, The City of New York.
Counsel to the Lenders:	Brown Rudnick LLP and Orrick, Herrington & Sutcliffe LLP (subject to a fee cap of $100,000).

Annex A to Term Sheet

Certain modifications to the Intercreditor Agreement shall include:

1. Permitted Exit Term Loan Facility indebtedness shall be capped at the result of (i) $[87.6] million less (ii) the amount of all payments or prepayments of the principal amount of such obligations (other than in connection with a refinancing of all or a portion of the Exit Term Loan Facility with an equal amount of obligations under a new facility or facilities).

2. Changes to Exit Term Loan Facility documents (including in connection with a refinancing) shall be limited as set forth in the existing Intercreditor Agreement, and the following additional change shall require consent by the Agent and the Lenders: elimination, reduction or waiver of any mandatory prepayment obligations.

3. Lenders will be required to exercise remedies under the applicable collateral assignments of lease rights or access agreements in respect of the US Borrower's primary location in West Hartford, CT (the "**West Hartford Lease**") within 21 days from the date of notice delivered by the Exit Term Loan Facility agent or the Exit Term Loan Lenders (following the occurrence of an event of default), failing which the Exit Term Loan Facility agent, an Exit Term Loan Lender or a designee appointed by an Exit Term Loan Lender shall have the exclusive right to exercise remedies under the applicable collateral assignment of lease rights or access agreements.

4. The Intercreditor Agreement shall provide that the Lenders shall have a right to purchase the Exit Term Loan Obligations at any time during the period that (A) begins on the date of the occurrence of any of the following: (1) the maturity of the Exit Term Loan Obligations has been accelerated based on an event of default under the Exit Term Loan Facility; (2) the Exit Term Loan Facility agent or Exit Term Loan Lenders shall have commenced, or shall have notified the Agent and Lenders that they intend to commence, the exercise of any of their rights and remedies with respect to any Term Loan Priority Collateral, or shall have commenced, or shall have notified the Agent and Lenders that they intend to commence, the exercise of any of their rights and remedies to collect the Exit Term Loan Obligations, all in accordance with the Exit Term Loan Facility; (3) a payment event of default has occurred and is continuing under the Exit Term Loan Facility and has not been waived in accordance with the terms of the Exit Term Loan Facility and, other than with respect to payments of principal (which shall have no grace period), has continued for a period of three (3) business days; or (4) the commencement of any Insolvency or Liquidation Proceeding (defined in a manner consistent with the existing Intercreditor Agreement) and (B) ends on the thirtieth (30th) day after the start of the applicable period described in clause (A) above. If the Lenders shall exercise the purchase option described in the foregoing sentence within the time period provided in the foregoing sentence, they shall provide Exit Term Loan Facility agent with notice of their exercise thereof, which notice, (I) once given, shall be irrevocable; and (II) shall specify a date of purchase not less than five (5) business days, nor more than ten (10) business days, after the date of the receipt by the Exit Term Loan Facility agent of such notice. Failure to close within such ten (10) business day period shall result in a forfeiture of the purchase right described in this Section 4. If the Term Loan Priority Collateral has been foreclosed upon at the time the buyout right is exercised, then it is understood that legal ownership of the Term Loan Priority Collateral shall be transferred from the Exit Term Loan Facility agent and the Exit Term Loan Lenders to the purchasing Lenders. The purchasing Lenders agree that any purchase made pursuant to the rights described in this Section 4 shall be at par plus 2% in the first year after the Closing Date, 1% in the second year, and 0% thereafter.

5. The Intercreditor Agreement shall provide that the Exit Term Loan Lenders shall have a right to purchase the Obligations at any time during the period that (A) begins on the date of the occurrence of any of the following: (1) the maturity of the Obligations has been accelerated based on an Event of Default under the Senior Exit Facility; (2) the Agent shall have commenced, or shall have notified the Exit Term Loan Lenders that they intend to commence, the exercise of any of their rights and remedies with respect to any Collateral, or shall have commenced, or shall have notified the Exit Term Loan Lenders that they intend to commence, the exercise of any of their rights and remedies to collect the Obligations, all in accordance with the Senior Exit Facility; (3) a payment Event of Default has occurred and is continuing under the Senior Exit Facility and has not been waived in accordance with the terms of the Senior Exit Facility and, other than with respect to payments of principal (which shall have no grace period), has continued for a period of three (3) business days; or (4) the commencement of any Insolvency or Liquidation Proceeding (defined in a manner consistent with the existing Intercreditor Agreement) and (B) ends on the thirtieth (30th) day after the start of the applicable period described in clause (A) above. If the Exit Term Loan Lenders shall exercise the purchase option described in the foregoing sentence within the time period provided in the foregoing sentence, they shall provide Agent with notice of their exercise thereof, which notice, (I) once given, shall be irrevocable; and (II) shall specify a date of purchase not less than five (5) business days, nor more than ten (10) business days, after the date of the receipt by Agent of such notice. Failure to close within such ten (10) business day period shall result in a forfeiture of the purchase right described in this Section 5. If the Collateral has been foreclosed upon at the time the buyout right is exercised, then it is understood that legal ownership of the Collateral shall be transferred from the Agent and the Lenders to the purchasing Exit Term Loan Lenders. The purchasing Exit Term Loan Lenders agree that any purchase made pursuant to the rights described in this Section 5 shall be at par plus 2% in the first year after the Closing Date, 1% in the second year, and 0% thereafter.

EXHIBIT B

TERM LOAN EXIT TERM SHEET

$98.5[1] MILLION EXIT FINANCING
SUMMARY OF CERTAIN KEY TERMS AND CONDITIONS

The following is a non-binding indicative term sheet outlining certain of the basic terms and conditions on which MSSF (as defined below) may be interested in providing exit financing to the Borrowers (as defined below) subject to certain terms and conditions, satisfactory due diligence and any necessary internal approvals. This term sheet is not a commitment to arrange financing for, or lend or make any financial accommodations to, the Borrowers or any other person, and any such agreement is subject to execution of definitive documentation (including a credit agreement, security agreements, intercreditor agreements and other customary or required loan documents) that is mutually acceptable to the parties (the "**Definitive Documentation**"). This term sheet is not an agreement or acknowledgement by MSSF or any other person that any claim held by MSSF or such other person may be settled or compromised other than in cash in full.

Borrower:	Reorganized Colt Defense LLC (the "**US Borrower**") and reorganized Colt Canada Corporation (together, the "**Borrowers**").[2]
Lenders:	Morgan Stanley Senior Funding, Inc. ("**MSSF**") or one or more of its affiliates, and any person agreeing with MSSF to assume a portion of the Loans (as defined below) of MSSF or its affiliates (collectively the "**Lenders**").
Administrative Agent and Collateral Agent:	Wilmington Savings Fund Society, FSB, or such other third-party appointed by MSSF (collectively in such capacities, the "**Agent**").
Term Loan Facility:	A term loan facility (the "**Facility**") in an aggregate principal amount of up to $98.5 million (the "**Loans**") in a single deemed borrowing on the Closing Date (as defined below).
Guarantors:	All Loans and other obligations under the Facility and under any interest rate protection or other hedging arrangements entered into with the Agent, any Lender, or any affiliates of the foregoing (collectively, the "**Obligations**") shall be fully and unconditionally guaranteed by Colt Holding Company LLC or such other parent company that owns, directly or indirectly the equity of the operating companies as of the Closing Date ("**Holdings**"), and

1 This amount reflects principal amounts outstanding under the MS DIP plus prepetition TL as of the date of this term sheet draft, inclusive of an estimated amount for the prepetition TL's back-end fee and make whole premium amounts, plus certain accrued interest amounts. If acceptable terms for exiting financing (including terms and provisions in the plan of reorganization and confirmation order including exculpations and releases) and overall capital structure are achieved, MS will, consistent with prior discussions, waive the back-end fee and make whole premium amounts otherwise due and payable. If waived, as of November 30, 2015 the loan balances to be rolled into this Facility will be approximately $87,529,585, and as of December 15, 2015, approximately $87,653,245.

2 The Borrowers are expected to be the main US operating company and the Canadian operating company.

	all of its direct and indirect, existing and subsequently formed or acquired domestic and foreign subsidiaries (other than the Borrowers, collectively, the "**Guarantors**"), including but not limited to, Colt Security LLC ("**Colt Security**"), Colt Finance Corp. ("**Colt Finance**"), New Colt Holding Corp. ("**New Colt**"), Colt's Manufacturing Company, LLC ("**Colt's Manufacturing**"), Colt Defense Technical Services LLC ("**Colt Technical**"), Colt International Cooperatief U.A. ("**Colt International**") and CHD II Holdco Inc. ("**CHD**"), in each case to the extent applicable as reorganized. The Guarantors also shall include one or more newly formed wholly-owned subsidiaries of Holdings or the Borrowers (organized in jurisdictions acceptable to the Lenders, collectively referred to as the "**IP Holdco**") that shall own substantially all of the currently owned or subsequently created or acquired intellectual property assets of Holdings and its subsidiaries that comprise Collateral (as defined below) on which the Agent and the Lenders have a first priority lien and security interest. The Guarantors and the Borrowers may be referred to individually as a "**Loan Party**" and collectively as the "**Loan Parties**".
Closing Fee:	3.00% of the initial principal amount of the Facility payable in cash in full on the Closing Date.
Maturity:	The Facility shall mature on [_____][3], 2020 (the "**Maturity Date**"); *provided*, *however*, that the Maturity Date shall be shortened, automatically and without any action on the part of the Agent, Lenders or Loan Parties, to the date that is 365 days prior to the scheduled date of termination of the West Hartford Lease (as defined below).
Amortization:	None.
Purpose and Availability:	Upon satisfaction or waiver of the conditions precedent to funding to be specified in the Definitive Documentation, the Loans shall be available in a single deemed borrowing on the Closing Date and shall be deemed to have been utilized to repay in full all of the obligations outstanding under (a) that certain Senior Secured Superpriority Debtor-in-Possession Term Loan Agreement, dated as of June 16, 2015 (as amended, the "**DIP Term Loan**") among certain of the Loan Parties party thereto, the Agent and the Lenders and (b) that certain Term Loan Agreement, dated as of November 17, 2014 (as amended, the "**Prepetition Term Loan Agreement**" and, together with the DIP Term

[3] The date that is 5 years from the Closing Date.

	Loan, the "**Existing Loan Facilities**") among certain of the Loan Parties party thereto, the Agent and the Lenders.
Collateral:	The Obligations at all times shall be secured by substantially all of the assets and properties, personal and real, of the Loan Parties, including, without limitation, intellectual property and related assets and proprietary rights, leasehold interests (which, for this purpose, shall include any rights to purchase), and all of the ownership interests in each of the Loan Parties (except in Holdings), including IP Holdco (collectively, the "**Collateral**"). The Agent and the Lenders shall have at all times a fully perfected first priority lien in, and security interest on, all of the Collateral consisting of intellectual property (including ownership interests in IP Holdco) and all property and assets related thereto, all claims under business interruption insurance and the policies providing such coverage (it being agreed that 50% of any proceeds shall be paid to the Agent and the Lenders and the other 50% to the Senior Loan Lenders (as defined below)), all rights in, and all rights in respect of, any IP Licenses (as defined below), and all of the proceeds and products of the foregoing (collectively, the "**Term Loan Priority Collateral**"). The Senior Loan Lenders shall have a junior lien on the Term Loan Priority Collateral subject to the Intercreditor Agreement (as defined below). The liens and security interests of the Agent and the Lenders in Collateral other than Term Loan Priority Collateral shall be permitted to be junior only to the liens and security interests granted to secure the Senior Loan Obligations (as defined below).
Other Senior Debt:	After giving effect to the transactions contemplated to occur on the Closing Date, the Loan Parties shall incur or be deemed to incur loans and other obligations (collectively, the "**Senior Loan Obligations**") to be provided by one or more lenders (collectively, the "**Senior Loan Lenders**") of up to $[40.0] million, plus up to a 3% closing fee thereon payable in kind, to the extent paid on the Closing Date (the "**Senior Loan Facility**"). An amount of the proceeds of the Senior Loan Facility shall be used to refinance in full all of the outstanding obligations under that certain First Amended and Restated Senior Secured Super-Priority Debtor in Possession Credit Agreement, dated as of _____, 2015 (the "**DIP Senior Loan**") among the Loan Parties, Cortland Capital Markets Services LLC as agent and the lenders party thereto, and any remaining proceeds shall be retained by the US Borrower. The Senior Loan Obligations shall be secured by the Collateral on the same terms as the Obligations, and shall have a first priority lien and security interest on the Collateral other than the Term Priority Collateral.

	The relative rights and priorities in the Collateral and of the holders of each of the Facility and the Senior Loan Facility will be set forth in an intercreditor agreement in a form substantially consistent with the existing intercreditor agreement between the Existing Term Loan Facility and the DIP Senior Loan (the "**Intercreditor Agreement**"), subject to certain modifications required by the Lenders including as set forth on Annex A hereto. In the event that the Senior Loan Facility is refinanced at any time, (subject to any additional limitations in the Intercreditor Agreement), and such refinanced facility (x) has a Yield (to be mutually defined) or (y) reporting or information provisions that are more favorable (as determined by the Lenders) to the lenders thereunder as compared to the terms, provisions or economics under the Senior Loan Facility as in effect on the Closing Date, the Loan Parties shall be required to amend the Facility at such time so as to provide the Agent and the Lenders with the benefit of all such more favorable terms, provisions and economics.
Interest:	Interest on the outstanding principal balance of the Loans shall be paid in cash monthly in arrears at the rate of 10.0% *per annum*.
Default Interest:	2.00% *per annum* plus the rate otherwise applicable.
Optional Prepayments:	Permitted at any time, but subject to the Prepayment Premium as defined and set forth below.
Mandatory Prepayments:	Events requiring offers of prepayment of the Loans shall include, without limitation, dispositions (other than in the ordinary course, with priority of payments to be as set forth in the Intercreditor Agreement based on the type of Collateral) including dispositions in the form of IP Licenses, issuances of additional debt (with an exception for certain permitted debt), condemnation or loss, and change of control. In addition, a portion of any Excess Cash Flow (to be mutually defined) shall be subject to prepayment of the Senior Loan Obligations (without a right to waive or change such obligation from the terms set forth in the Senior Loan Facility as of the Closing Date). 75% (or, if the Loan Parties' then-trailing twelve month EBITDA (to be mutually defined) is greater than $35 million, then 50%) of IP License Proceeds (as defined below) shall be required to be offered for prepayment of the Loans to the extent the aggregate amount of all such proceeds exceeds $10.0 million following the Closing Date. As used herein, "**IP License Pro-**

ceeds" means the net proceeds of royalties and other payments (upfront or otherwise) received in connection with each license of intellectual property owned or controlled by a Loan Party to a third party (an "**IP License**"), including Grandfathered IP Licenses (as defined below).

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

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

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

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

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

Conditions Precedent to Effectiveness: The Facility will become effective on the date (the "**Closing Date**") when the conditions to effectiveness set forth in the Definitive Documentation shall have been satisfied. Such conditions shall include, without limitation: (a) substantial consummation of a plan of reorganization in the Chapter 11 Cases of Colt Holding Company LLC, *et al*., with such plan of reorganization and all related plan documents and the related order confirming such plan (collectively, the "**Plan Documents**") shall be in form

and substance satisfactory to the Agent and the Lenders[4]; (b) contemporaneously with the effectiveness of the Facility, the Senior Loan Facility shall become effective (and the DIP Senior Loan shall have been deemed repaid in full) and at least $50.0 million is borrowed on the Closing Date pursuant to the Third Lien Agreement, (c) no indebtedness other than this Facility, the Senior Loan Facility, the Third Lien Facility (as defined below), and any indebtedness permitted pursuant to the terms of the Definitive Documentation, shall be outstanding; (d) the Obligations shall be secured by fully perfected liens in and security interests on the Collateral subject to the priorities described above and, except for obligations incurred in connection with the Senior Loan Facility and the Third Lien Facility, the Collateral shall be free from any other liens, claims and encumbrances; (e) the Definitive Documentation and the definitive documentation with respect to the Senior Loan Facility and the Third Lien Facility, including the Intercreditor Agreement and any other intercreditor and subordination agreements, each shall be in form and substance satisfactory to the Agent and the Lenders; (f) substantially all intellectual property owned by the Loan Parties in the U.S. and Canada shall have been transferred to IP Holdco (and such transfers properly registered with the appropriate governmental authorities in the U.S. and Canada), and all beneficial rights in respect of all other intellectual property shall have been transferred to IP Holdco (with all actions required to implement and register transfer of title and remaining interests thereto in countries other than the U.S. and Canada to occur in agreed upon times following the Closing Date, *provided*, that the Lenders may request acceleration of one or more of such registrations, such requests not to be denied or delayed by the Loan Parties); (g) after giving effect to the consummation of the transactions contemplated by the Plan Documents the Loan Parties shall have unrestricted cash of not less than $20.0 million; (h) the West Hartford Lease shall have been entered into (or amended, as the case may be), and be in full force and effect, with a lease period of not less than 5 years from the Closing Date, on terms and subject to conditions (including, among other things, that a change in control resulting in connection with the exercise of remedies by the Agent or Lenders would not be an event of default under the West Hartford Lease) satisfactory to the Agent and the Lenders, and the landlord thereunder shall have consented to the collateral assignment to the Agent and the Lenders (and the Senior Loan Lenders) of such lease and/or shall have entered into access

[4] The plan and related confirmation order shall include, among other things, provisions for the full release of all claims and causes of action against MSSF (in its capacities as DIP and prepetition lender) and WSFS (in its capacities as DIP and prepetition agent).

	agreements acceptable to the Agent and the Lenders, or the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease and shall have entered into access agreements acceptable to the Agent and the Lenders (and the Senior Loan Lenders) and provided the Agent for the benefit of the Lenders with a real property mortgage securing the Obligations; (i) the collective bargaining agreement as between certain of the Loan Parties and the applicable union shall be in full force and effect and, to the extent amended from the version of such agreement that was effect on the closing date of the Existing Loan Facilities, shall be in form and substance acceptable to the Agent and the Lenders; (j) all management services agreements or similar arrangements shall be in the form of written agreements each in form and substance satisfactory to the Agent and the Lenders; (k) the Agent and the Lenders shall be satisfied with the results of their due diligence (legal and business) and the *pro forma* ownership and capital structure of Holdings and its subsidiaries; and (l) the Closing Date shall have occurred on or before November 30, 2015.
Representations and Warranties:	To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders.
Affirmative Covenants:	To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders (it being understood that covenants relating directly to the bankruptcy case and the DIP Term Loan shall be removed). Affirmative covenants shall include financial reporting in respect of the financial covenants applicable at such time of not less frequently than monthly (within 21 days after the end of each calendar month) and other monthly, quarterly and annual financial reporting within 30 days (for monthly reports), 45 days (for quarterly reports) and 90 days (for annual reports); *provided, however,* that solely with respect to the annual reports for the fiscal year ended December 31, 2015, the annual reports shall be due within 60 days (unaudited) and 115 days (audited) of the end of such fiscal year.
Negative Covenants:	To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders. Negative covenants shall permit: (i) the Senior Loan Facility on the terms in effect on the Closing Date and as amended subject to the Intercreditor Agreement limitations; (ii) $50.0 million borrowed on the Closing Date pursuant to a facility agreement (the "**Third Lien Agreement**") in form and substance

satisfactory to the Agent and the Lenders[5], subject to an intercreditor acceptable to the Agent and the Lenders[6]; (iii) unsecured junior indebtedness of up to $25.0 million on terms acceptable to the Agent and Lenders subject to a subordination agreement[7] acceptable to the Agent and the Lenders; (iv) in the event that the US Borrower or a Guarantor formed under the laws of a State within the United States and otherwise acceptable to the Lenders shall have purchased the facility underlying the West Hartford Lease, a third party first mortgage (which may be from one or more third party mortgagees) and an additional mortgage securing the Senior Loan Facility (senior to this Facility), this Facility and the Third Lien Agreement (junior to this Facility) on terms acceptable to the Agent and the Lenders shall be permitted; (v) IP Licenses for specified, non-perpetual periods of time on customary, market and otherwise reasonable and commercial terms, *provided*, that: (a) the Definitive Documentation shall not permit the Loan Parties to license (or allow the licensing or sublicensing of) any intellectual property rights to third parties in connection with firearm products except (1) solely for the purpose of acting as a contract manufacturer for one or more of the Loan Parties, or (2) solely for the marketing, sale, distribution and final assembly of firearms for which one or more of the Loan Parties manufactured (or had manufactured by a contract manufacturer, other than such third party) all or a substantial portion of the components of such firearm (collectively, the "**Prohibited IP Licenses**"), except that IP Licenses that would otherwise be Prohibited IP Licenses that are currently in existence (and were, as of the date of the DIP Term Loan Agreement, in existence), and set forth in detail on a schedule (collectively, the "**Grandfathered IP Licenses**") shall not be deemed to be Prohibited IP Licenses; (b) each IP License shall be subject to the Agent's perfected first priority lien, and shall be included in the definition of Term Loan Priority Collateral; (c) all IP License Proceeds shall be required to be in cash and be deposited in an account over which the Agent has control and a perfected first priority lien (the "**IP Proceeds Account**"), and such account and proceeds shall be included in the definition of Term Loan Priority Collat-

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

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

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

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

Financial Covenants: Financial covenants will include the following: (i) minimum Liquidity (to be mutually defined but shall be limited to unrestricted cash in the U.S. and in Canada, to the extent such cash is subject to a perfected lien in favor of the Agent (for purposes of this covenant, cash on deposit in the IP Proceeds Account in the U.S. and Canada and subject to the Agent's first priority lien shall be considered unrestricted cash) of not less than $10.0 million as of the last day of each calendar month and not less than $7.0 mil-

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

Events of Default: To be substantially consistent with those set forth in the Existing Loan Facilities and such others as required by the Agent and the Lenders.

Expenses and Indemnity: The Borrower shall pay or reimburse all reasonable costs and expenses of the Agent and the Lenders (including in connection with the Existing Loan Facilities) incurred in connection with the Chapter 11 Cases of Colt Holding Company, *et al.*, and with the preparation, negotiation, execution and delivery of the definitive documentation and any security arrangements in connection therewith, including without limitation, the reasonable fees and disbursements of counsel. The Borrower also shall pay all costs and expenses of the Agent, the Lenders and their respective affiliates (including, without limitation, reasonable fees and disbursements of counsel) incurred in connection with the administration, amendment, waiver or modification (including proposed amendments, waivers or modifications) of, and enforcement of any of its rights and remedies under, the Facility (includ-

ing in connection with the retention of a financial advisor following the occurrence of a default or event of default).

The Loan Parties will indemnify the Lenders, the Agent and their respective affiliates, and hold them harmless from and against all reasonable out-of-pocket costs, expenses (including but not limited to reasonable legal fees and expenses) and liabilities arising out of or relating to the transactions contemplated herein and any actual or proposed use of the proceeds of any loans made under this Facility; *provided, however*, that no such person will be indemnified for costs, expenses or liabilities to the extent determined by a final, non-appealable judgment of a court of competent jurisdiction to have been incurred solely from the gross negligence or willful misconduct of such person.

Waivers and Amendments: Amendments and waivers of the provisions of this Facility shall require the approval of Lenders holding not less than a majority of the aggregate principal amount of the Loans; *provided* that: (a) the consent of each affected Lender shall be required with respect to (i) reductions of principal, interest or fees, (ii) extensions of the final maturity date and (iii) releases of all or substantially all of the Collateral or the guarantees; and (b) the consent of all of the Lenders shall be required with respect to (i) modification of the voting percentages (or any of the applicable definitions related thereto) and (ii) modifications to the *pro rata* provisions.

Assignments and Participations: Each Lender may assign all or, subject to minimum amounts to be agreed, a portion of its Loans. The Borrower agrees to assist reasonably in the preparation of any marketing materials typically prepared in connection with a syndication of loans or otherwise as may be requested by the Lenders. Assignments will require payment of an administrative fee to the Agent. In addition, each Lender may sell participations in all or a portion of its Loans; *provided* that no purchaser of a participation shall have the right to exercise or to cause the selling Lender to exercise voting rights in respect of the Facility (except as to certain basic issues). Consent of the Borrowers shall not be required, but assignments and participations shall not be permitted to certain disqualified institutions identified by the Borrowers in writing prior to the Closing Date.

Yield Protection, Taxes and Other Deductions: The Definitive Documentation will contain customary provisions for facilities of this kind, and as otherwise deemed necessary or appropriate by MSSF, including, without limitation, in respect of breakage and redeployment costs, increased costs, funding losses, capital adequacy, illegality, requirements of law. All payments shall be free and clear of any present or future taxes, with-

	holdings or other deductions whatsoever (other than income taxes in the jurisdiction of a Lender's applicable lending office).
Governing Law:	The State of New York, except as to real estate and certain other collateral documents required to be governed by local law. Each party to this Facility will waive the right to trial by jury and will consent to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, The City of New York.
Counsel to the Lenders:	Willkie Farr & Gallagher LLP.

Annex A to Term Sheet

Certain modifications to the Intercreditor Agreement shall include:

1. Permitted Senior Loan Facility indebtedness shall be capped at the result of (i) [40.0] million plus up to 3% paid in kind as a closing fee to the extent actually paid on the Closing Date, less (ii) the amount of all payments or prepayments of the principal amount of such obligations (other than in connection with a refinancing of all or a portion of the Senior Loan Facility with an equal amount of obligations under a new facility or facilities).

2. Changes to Senior Loan Documents (including in connection with a refinancing) shall be limited as set forth in the existing Intercreditor Agreement, and the following additional change shall require consent by the Agent and the Lenders: elimination, reduction or waiver of any prepayment obligations.

3. Senior Loan Lenders will be required to exercise remedies under the applicable collateral assignments of lease rights or access agreements in respect of the US Borrower's primary location in West Hartford, CT (the "**West Hartford Lease**") within 21 days from the date of notice delivered by the Agent or a Lender (following the occurrence of an event of default), failing which the Agent, a Lender or a designee appointed by a Lender shall have the exclusive right to exercise remedies under the applicable collateral assignment of lease rights.

4. In the event that the Agent and the Lenders foreclose upon the stock (or other ownership rights) in IP Holdco, the Agent and Lenders shall provide the agent for the Senior Loan Lenders with written notice promptly thereafter, and shall agree not to dispose of such stock (or rights) for the period of five days following such notice. If, during the five day notice period, one or more of the Senior Loan Lenders irrevocably commits in writing to purchase 100% of the Obligations (at par plus 2% in the first year after the Closing Date, 1% in the second year, and 0% thereafter), then the Agent and Lenders shall further agree not to dispose of such stock (or rights) for a period of 21 days following the date of such irrevocable commitment. If, within such 21 day period the purchase shall have not occurred, the Agent and Lenders shall have no further obligation to standstill with respect to the stock (or rights).

5. In the event that the Lenders exercise a right to purchase the Senior Loan Obligations in accordance with the provisions in the Intercreditor Agreement, the purchasing Lenders agree that such purchase shall be at par plus 2% in the first year after the Closing Date, 1% in the second year, and 0% thereafter.

EXHIBIT C

OFFERING TERM SHEET

OFFERING TERM SHEET
IN CONNECTION WITH THE PLAN OF REORGANIZATION OF
COLT HOLDING COMPANY, LLC, ET AL.

This Offering Term Sheet summarizes the principal terms for a private offering (the "Offering") and related transactions in connection with the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Plan") of Colt Holding Company, LLC, et al. (the "Debtors")[1]*. This Offering Term Sheet shall not constitute an offer to buy, sell or exchange for any of the securities or instruments described herein. It also shall not constitute a solicitation of the same.*

Offering Terms

Offering:	On or before the Effective Date, the Reorganized Debtors will raise at least $50 million in new capital (the "Offering Proceeds") from a private offering (the "Offering") of units (the "Offering Units") as further described herein.
Offering Units:	The Offering Units shall consist of (i) third lien secured debt to be issued pursuant to a third lien exit facility (the "Third Lien Exit Facility") and (ii) priority equity interests of Reorganized Parent (the "New Class A LLC Units" and, together with the third lien debt under the Third Lien Exit Facility, the "Offering Consideration") as follows: (x) affiliates of the Sciens Group will subscribe to $15 million of the Offering Consideration (the "Sciens Offering Allocation"), (y) Fidelity/Newport shall subscribe to $15 million and (z) each Eligible Holder shall be entitled to subscribe to their pro rata portion of the remaining $20 million of the Offering Consideration (the "Noteholder Offering Allocation") as further allocated as set forth herein. For the avoidance of doubt, the Consenting 8.75% Noteholders shall participate in the Offering.
Additional Offering Amount:	The Offering Consideration may be increased by up to $5 million (the "Additional Offering Amount") by the mutual agreement of the Debtors, the Sciens Group, Fidelity/Newport and the Consortium, such Additional Offering Amount to be allocated to each of the Sciens Group, Fidelity/Newport and Eligible Holders that participate in the Offering on a pro rata basis (i.e., if the Offering Amount were increased by $5 million, affiliates of the Sciens Group would subscribe to $1.5 million of the Additional Offering Amount, Fidelity/Newport would subscribe to $1.5 million of the Additional Offering Amount and Eligible Holders that participate in the Offering would subscribe to $2.0 million of the Additional Offering Amount).

1 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan.

Issuance/Transfers:	The Offering Units will be issued on the Effective Date or as soon as reasonably practicable thereafter. Following their incurrence or issuance, the Third Lien Exit Facility loans and the New Class A LLC Units may be transferred separately from each other, subject to the restrictions provided below and any additional restrictions thereon in the definitive documentation.
Offering Proceeds / Uses:	The Offering Proceeds shall be used (i) to provide working capital for and to pay other general corporate expenses of the Debtors, (ii) for payment of costs of administration (including the payment of professional fees) of the Debtors pending chapter 11 cases and other claims required to be paid on the Effective Date under the Plan, and (iii) to pay down $7.5 million of the DIP Senior Loan (the "Senior DIP Reduction").
Offering Allocation:	Prior to the commencement of the Offering to the Eligible Holders of the Senior Notes, all members of the Consortium (other than Fidelity/Newport) shall be offered the opportunity to elect to fully participate in the Offering as described below. Such electing members of the Consortium shall be referred to as the "Participating Consortium Noteholders". For the avoidance of doubt, members of the Consortium (other than Fidelity/Newport) that are Consenting 8.75% Noteholders but that do not become Participating Consortium Noteholders shall participate in the Offering as Eligible Holders. (Collectively, Participating Consortium Noteholders and Eligible Holders who elect to purchase Offering Units shall be described as "Participating Holders").

- Each Eligible Holder, other than Fidelity/Newport and the Participating Consortium Noteholders, shall be offered the opportunity to purchase a dollar amount of Units in the Offering equal to 80% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the fraction equal to the principal amount of the Senior Notes held by such Eligible Holder divided by the difference between $250 million and the principal amount of the Senior Notes beneficially held by Fidelity/ Newport (the, "Offering Denominator" and such fraction, the "Eligible Holder Pro Rata Share").
- An amount equal to 20% of the product of (a) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (b) the aggregate principal amount of the Senior Notes not beneficially held by the Participating Consortium Noteholders or Fidelity/Newport divided by the Offering Denominator shall be set aside for the backstop

parties (the "Backstop Set Aside Amount"). Each Participating Consortium Noteholder, prior to the commencement of the Offering shall have committed to purchase a dollar amount of Units in the Offering equal to the sum of (a) the product of (i) $20 million (or $22 million if the Offering is increased by the Additional Offering Amount) times (ii) the fraction equal to the principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the Offering Denominator plus (b) the product of (i) the Backstop Set Aside Amount times the (ii) the fraction equal to principal amount of the Senior Notes held by such Participating Consortium Noteholder divided by the aggregate amount of the Senior Notes held by all Participating Consortium Noteholders (such fraction, the "Participating Consortium Noteholder Pro Rata Share").

- In addition, each Participating Consortium Noteholder shall be required to further commit to purchase a dollar amount of Units in the Offering representing the Participating Noteholder's Pro Rata Share of any remaining Units not purchased by either the Eligible Holders or the Participating Consortium Noteholders pursuant to the foregoing.
- Each of Bowery, Phoenix and Matlin Patterson (the "Backstop Parties"), have agreed to participate in the Offering as Participating Consortium Noteholders.

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

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

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

a result of such direct ownership.

Senior Exit Facility Participation:

On the Effective Date, the DIP Senior Loan shall be refinanced by the Senior DIP Reduction and a new $40,000,000 senior secured loan (the "Senior Exit Facility") as described on the DIP Senior Loan Exit Term Sheet. The Reorganized Debtors may arrange the Senior Exit Facility with third party financing sources on the same or better terms as those set forth in the DIP Senior Loan Exit Term Sheet.

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

In the event that Fidelity/Newport and Participating Holders who elect to participate in the Offering (other than any affiliate of the Sciens Group) fund the Senior Exit Facility, each of Fidelity/Newport and such Participating Holders may elect to fund all or a portion of their share of the Senior Exit Facility by deferring payment of their portion of the DIP Senior Loan on the Effective Date and rolling it over into the Senior Exit Facility.

Third Lien Exit Facility Terms

Issuer:

[Colt Defense LLC].

Guarantors:	Reorganized Debtors other than [Colt Defense LLC].
Collateral:	The Third Lien Exit Facility will have a third priority lien on substantially all of the assets of the Reorganized Debtors.
Interest Rate:	Eight percent (8%) per annum, payable in kind semiannually during the first two (2) years of the term by capitalizing it and adding it to the principal balance thereof and commencing with the third anniversary of the Effective Date until the full outstanding balance thereof is paid, payable entirely in cash or entirely in kind, at the option of the Reorganized Debtors.
Maturity:	[December] 2020.
Covenants:	Minimum liquidity covenants and other minimal financial covenants to be determined.
Other Terms:	Junior debt basket of $25 million, subject to such other terms and conditions as agreed upon by the RSA Creditor Parties.

New Class A LLC Unit Terms

Issuer:	Reorganized Parent.
Units to be Issued:	Class A limited liability company units.
Priority Return:	Per unit amount determined based on dividing the aggregate offering price ($50 million) by the number of New Class A LLC Units outstanding on a fully diluted basis (the "Priority Return"). The Priority Return is payable to holders of New Class A LLC Units before any amounts are paid to holders of New Class B LLC Units. There shall be no increase in the aggregate Priority Return for the issuance of New Class A LLC Units to NPA, under the New Management Incentive Plan, or otherwise. The Priority Return is payable in the event of a liquidation, dissolution, merger or sale of substantially all the assets of the Reorganized Debtors before any amounts are paid to holders of New Class B LLC Units.
Participation Ratio:	After the Priority Return has been paid in full to holders of New Class A LLC Units, holders of New Class A LLC Units shall be entitled to participate with the New Class B LLC Units in distributions to equity holders in Reorganized Parent at a ratio of 75% to 25% (the "Participation Ratio"); provided, however, that (i) one-half of the New Class A LLC Units issuable in connection with the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA pursuant to the West Hartford

Facility Lease Term Sheet shall not dilute the excess distributions to be received by the New Class B LLC Units issued on the Effective Date, such that such New Class A Units issued pursuant to the New Management Incentive Plan and to NPA pursuant to the West Hartford Facility Lease Term Sheet shall only dilute the excess distribution to be received by the holders of the other New Class A LLC Units issued on the Effective Date, and (ii) the remaining one-half of the New Class A LLC Units issuable in connection with the New Management Incentive Plan and one-half of the New Class A LLC Units to be issued to NPA pursuant to the West Hartford Facility Lease Term Sheet shall dilute all New Class A LLC Units and New Class B LLC Units in accordance with the Participation Ratio (such adjusted ratio to be referred to as the "**Initial Adjusted Participation Percentage**"); *provided, further*, that the Initial Adjusted Participation Percentage shall be further adjusted to arrive at final adjusted participation percentages (the "**Final Adjusted Participation Percentages**") to reflect the exchange of consideration other than New Class B LLC Units to certain Nonparticipating Holders (as set forth in this Section 5.4) calculated as provided below:

FAPP = IAAPP/(100% - (EPP x IABPP))
FBPP = 100% - FAPP

Where:

FAPP = The Final Adjusted New Class A LLC Unit Participation Percentage

FBPP = The Final Adjusted New Class B LLC Unit Participation Percentage

IAAPP = The Initial Adjusted New Class A LLC Unit Participation Percentage as set forth in the Initial Adjusted Participation Percentage

IABPP = The Initial Adjusted New Class B LLC Unit Participation Percentage as set forth in the Initial Adjusted Participation Percentage

EPP = The Electing Principal Percentage, which is the percentage of Senior Notes (as measured by the outstanding principal amount) that have validly elected to receive, or who otherwise will receive, consideration other than New Class B LLC Units in exchange for such Senior Note Claims pursuant to the Plan;

Except as provided above, there shall be no adjustment to the

Participation Ratio for future issuances of New Class A LLC Units or New Class B LLC Units. The Participation Ratio will be adjusted for changes in Reorganized Parent's capital structure (i.e. recapitalization, unit dividends, etc.).

Annex A attached hereto sets forth an illustration of the Participation Ratio and Priority Return. In the event that there is any inconsistency between the terms set forth in the body of this Offering Term Sheet and the illustration set forth on Annex A, the illustration shall control.

Conversion:

New Class A LLC Units will be automatically converted into New Class B LLC Units upon the following events (each of events 1 through 3 below, a "Liquidity Event"):

1. A public offering of equity generating proceeds in the aggregate of at least the then outstanding Priority Return (a "Qualified IPO"). For example, if a Liquidity Event consisting of a Qualified IPO at an offering price of $10 per share, generates $100 million of net proceeds to Reorganized Parent, a portion of which proceeds are used to repay debt of Reorganized Colt (and $30 million of which are used to pay the then Priority Return of $50 million), the Company shall distribute the holders of New Class A LLC Units 2.0 million additional units of New Class B LLC Units (which will have an aggregate value of $20 million based upon the initial public offering price), upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO.

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

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

4. The payment of aggregate dividends or distributions equal to the Priority Return such that the Priority Return is reduced to zero.

For the avoidance of doubt, (1) if a Qualified IPO does not generate cash proceeds that are distributed to the holders of the New Class A LLC Units in excess of the Priority Return, then the Reorganized

	Debtors shall issue New Class B LLC Units to holders of New Class A LLC Units with a value equal to the unpaid portion of the Priority Return upon the automatic conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Qualified IPO; and (2) in any other Liquidity Event, holders of the New Class A LLC Units shall be paid the Priority Return in full in connection with the conversion of the New Class A LLC Units into New Class B LLC Units as a result of the Liquidity Event, or a Liquidity Event will not be deemed to have occurred.
Voting:	New Class A LLC Units will have 100 votes per unit and will vote together as a single class with the New Class B LLC Units.
Dividends:	If and when declared by the Board of Directors (dividends or other distributions to reduce the Priority Return dollar for dollar).

New Class B LLC Unit Terms

Issuer:	Reorganized Parent.
Units to be Issued:	Class B limited liability company units (the "New Class B LLC Units").
Issuance:	In addition to the Offering, on the Effective Date all of the Senior Notes shall be cancelled, and each Participating Holder and each Nonparticipating Holder that votes to reject the Plan shall receive, on account of its allowed claim in respect of such Senior Notes, such Holder's pro rata share of the New Class B LLC Units as set forth in the Plan.
Post-Priority Return Participation Ratio:	The New Class B LLC Units will receive dividends and distributions in accordance with the Participation Ratio described above. There shall be no adjustment for future issuances of capital units. The Participation Ratio will be adjusted for changes in Reorganized Parent's capital structure (i.e. recapitalization, unit dividends, etc.).
Voting:	The New Class B LLC Units will have 1 vote per share and will vote together with the New Class A LLC Units. A separate vote by only holders of New Class B LLC Units shall be required for certain matters disproportionately and adversely affecting the New Class B LLC Units, including future disproportionate issuances of New Class B LLC Units (i.e. no issuance of New Class B LLC Units without a concurrent proportionate issuance of New Class A LLC Units) other than in connection with the conversion of New Class A LLC Units as provided above.

Dividends:	No dividends until the Priority Return is paid in full. Subsequently, if and when declared by the Board of Directors in accordance with the Participation Ratio.
Record Holders:	The New Class B LLC Units will be issued pursuant to an exemption from registration pursuant to Section 1145 of the Bankruptcy Code to either DTC or in book entry form to the DTC Trust Participants that own Senior Notes as of the record date for such distribution. The New Class A LLC Units will be issued to Eligible Holders as part of the units offering pursuant to an exemption from registration pursuant to Section 4(a)(2) of the Securities Act.

Corporate Governance

Corporate Organizational Documents:	The holders of New Class A LLC Units and New Class B LLC Units will be parties to the Reorganized Parent LLC Agreement, and the Reorganized Parent LLC Agreement and/or Reorganized Parent's organizational documents shall provide customary minority unit holder protections as set forth herein and reasonably agreed to among the RSA Creditor Parties, including, but not limited to: (a) Information Rights (as set forth herein). (b) Tag-Along, Drag-Along, Preemptive and Registration Rights (as set forth herein). (c) Restrictions on transfers to competitors (as set forth herein). (d) Affiliate transaction protections. (e) Right of first refusal, in favor of the Participating Consortium Noteholders, Fidelity/Newport and Sciens, over proposed transfers of the New Class A LLC Units and the New Class B LLC Units, such right of first refusal to cease to apply if New Class A LLC Units or New Class B LLC Units are registered as provided below.
Registration Rights	Holders of a majority of the registrable securities may cause Reorganized Parent to commence an initial public offering in the event that Reorganized Parent has not commenced an initial public offering on or before the fifth (5th) anniversary of the Effective Date. On or after the date that is six (6) months following an initial public offering, persons (acting as a group or individually) holding at least 20% in the aggregate of the registrable securities may make up to two (2) demands that Reorganized Parent register all or a portion of their units of registrable securities; provided, that any such offering

of registrable securities generates proceeds of at least $50 million. The registration rights agreement will include other customary restrictions and limitations applicable to demand registrations.

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

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

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

Information Rights

NPA and all holders of (i) the Senior Exit Facility, (ii) the Third Lien Exit Facility, (iii) more than three percent (3%) of the voting power of the outstanding capital units of Reorganized Parent, or (iv) more than one percent (1%) of the voting power of the outstanding capital units of Reorganized Parent that are Participating Consortium Noteholders, shall have customary information rights, including, without limitation:

(i) annual and quarterly consolidated financial statements within 90 days and 45 days, respectively, of the respective period;

(ii) no later than 90 days prior to the end of Reorganized Parent's fiscal year, a copy of a comprehensive consolidated budget, including projections, of Reorganized Parent for the following fiscal year;

(iii) (x) upon request and (y) no later than ten (10) business days following the completion of any offering or sale of equity securities of Reorganized Parent, a copy of Reorganized Parent's consolidated capitalization table; and

(iv) management calls to be held at least quarterly.

A holder may elect to not receive the specified information on one or more occasions.

All of the foregoing information may be shared with bona fide

	prospective purchasers (except for direct competitors and specific disapproved funds or financial institutions on a list to be developed prior to the Effective Date) under the cover of a customary non-disclosure agreement in form and substance reasonably acceptable to the Reorganized Debtors and the holders of the New Class A LLC Units and may be provided through a restricted website.
Drag-Along Rights	Holders of more than an aggregate of 50% in voting power of the outstanding capital units of Reorganized Parent will have the right to drag-along the other holders of capital units of Reorganized Parent (the "Dragged Unit Holders") in any sale transaction to a third party who is not an affiliate and all other unit holders shall be required to consent to, and raise no objection against, such sale and to take all actions reasonably requested in order to consummate such sale; provided, however, that drag-along rights shall only be available in connection with transactions that have received the prior approval of a majority of the Board of Directors. Subject to the foregoing, Dragged Unit Holders shall participate on the same terms and conditions as the initiating holders. Dragged Unit Holders shall only be required to make representations and warranties with respect to ownership and authorization of capital units, and shall not be required to make business-related representations or warranties. A drag-along is only permissible in circumstances where outstanding capital units are to receive the same consideration. Dragged Unit Holders' New Class B LLC Units shall be dragged at a price per unit (not less than zero) equal to the per unit price of New Class A LLC Units (on an as converted basis giving effect to the Participation Ratio) less the then per unit New Class A LLC Unit Priority Return. Drag-along rights terminate upon the completion of a Qualified IPO.
Tag-Along Rights	Except with respect to transfers by unit holders to their affiliates, holders of equity securities of Reorganized Parent will have the right to participate pro rata in (i) any direct or indirect transfer (through one or more related transactions) of 20% or more of the outstanding units of the same class by one or more other holders of the same class (a "Selling Unit Holder") on the same terms and conditions as the Selling Unit Holder, or (ii) any sale of capital units that otherwise would trigger Drag-Along rights as described above (without regard to the Board approval requirement), at the same price that would have applied if the Drag-Along rights had been

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

	designated shall be reasonably acceptable to each of Fidelity/Newport or the Sciens Group (or an affiliate of the Sciens Group), as applicable, and the Participating Holders other than Fidelity/Newport. In the event that a Liquidity Event is not consummated on or before the fifth (5th) anniversary of the Effective Date, the number of members of the Board of Directors shall be increased by one (1) and the then holders of New Class B LLC Units (but not any holders of New Class A LLC Units which have been converted into New Class B LLC Units) shall have the right to designate one (1) additional member of the Board of Directors (for a total of eight (8) members) with full voting privileges.
Board Observer:	The Participating Consortium Noteholders shall have the right to appoint one (1) board observer (the "Board Observer"). The Board Observer (i) shall have the right to attend any scheduled meeting of the Board of Directors and (ii) shall not have the right to vote at any meeting of the Board of Directors. The right of the Participating Consortium Noteholders to appoint a Board Observer shall cease in the event that the Participating Consortium Noteholders obtain the right to designate one (1) director as described above.
Indemnification of Directors:	The organizational documents of the Reorganized Parent shall provide for the indemnification of Reorganized Parent's and the Reorganized Debtors' directors to the fullest extent permitted by law as if such entities were Delaware corporations. In addition, Reorganized Parent will purchase a D&O insurance policy with such amounts of coverage and limits as are usual and customary for companies similarly situated to Reorganized Parent.
Board Committee Matters:	For so long as Fidelity/Newport and the Sciens Group (or an affiliate of the Sciens Group) are entitled to designate directors, each Board Committee shall include at least one designee of Fidelity/Newport and one designee of the Sciens Group (or an affiliate of the Sciens Group).
Board Voting:	The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors; provided, however, that the vote of a majority of the disinterested directors shall be required for the Board of Directors to approve and authorize Reorganized Parent or any of its subsidiaries to enter into any material transaction with any equityholder or affiliate thereof (including any director that is designated by such equityholder).
Protective Provisions:	In addition to any other vote or approval required under Reorganized Parent's organizational documents, Reorganized Parent

will not, without the written consent of the holders of at least 66.67% of the voting power of the capital units casting a vote, either directly or indirectly:

(i) amend, alter, or repeal any provision of the organizational documents of Reorganized Parent or the Reorganized Debtors; or

(ii) increase or decrease the size of the Board of Reorganized Parent or the Reorganized Debtors.

Unit holder voting requirements will otherwise be modeled after stockholder voting requirements for a corporation organized under the Delaware General Corporation Laws.

Status as Private Company

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

The organizational documents of Reorganized Parent will contain provisions to enable Reorganized Parent to remain as a private company, e.g., prohibitions on transfers of the equity of Reorganized Parent if such transfers would result in Reorganized Parent being required to be a public reporting company.

Annex A

($US millions except for share count)

Illustrative assumptions and legend

Illustrative initial share count

Class A	1,000,000
Class B	1,000,000

8.75% Notes Holdings	Face Value **$**	**%**	
Ad Hoc (excl. Newport/Fidelity)	$137.2	54.9%	
Newport/Fidelity	20.1	8.0%	
Non-Ad Hoc receiving Class B	30.0	12.0%	**<<==== Non-Ad Hoc holders who receive Class B shares (figure for illustrative purposes only)**
Non-Ad Hoc receiving other consideration	62.7	25.1%	**<<==== Non-Ad Hoc holders receiving other consideration in lieu of Class B shares**
Total 8.75% Notes	$250.0	100.0%	

Legend

Term	**Acronym**	**Amount**	**Description**	
Electing principal amount	na	$62.7	Principal amount held by Noteholders receiving consideration other than B shares	
Total principal amount	na	250.0	Total face value of Notes	
Electing Principal Percentage	EPP	25.1%	% of Noteholders not receiving Class B	
Initial Adjusted Class A Participation Percentage	IAAPP	77.1%	Percentage of distribution going to A after giving effect to dilution (calculation below)	
Initial Adjusted Class B Participation Percentage	IABPP	22.9%	Percentage of distribution going to B after giving effect to dilution (calculation below)	
Final Class A Adjusted Partipation Percentage	FAPP	81.8%	Percentage of distribution going to A after adjusting for electing Noteholders	= IAAPP / (100% - (EPP x IABPP)
Final Class B Adjusted Partipation Percentage	FBPP	18.2%	Percentage of distribution going to B after adjusting for electing Noteholders	= 100% - FAPP

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

Distribution of Class B shares			**% of Total**
8.75% Notes initial Class B shares			100.00%
Participation Ratio for Class A shares (after Priority Return)			77.09%
8.75% Notes fully-diluted Class B shares			22.91%
Class A value distribution (after Priority Return)	**Class A %**	**(x) Conversion Ratio**	**= Converted Class B %**
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%
Total	**100.00%**		**77.09%**

Distribution of Priority Return			
Total Priority Return			**$50.00**
Management allocation		10.00%	5.00
NPA allocation		6.75%	3.38
3rd lien allocation	**3rd lien %**		
Sciens	30.0%	24.98%	12.49
Newport/Fidelity	30.0%	24.98%	12.49
Other 8.75% Notes	40.0%	33.30%	16.65
Total 3rd lien allocation		83.25%	$41.63

Class B share distribution

Class A Conversion	**Class A % (after Priority Return)**	**(x) Conversion Ratio**	**= Converted Class B %**
Management	10.00%	87.50%	8.75%
NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%
Total	**100.00%**		**77.09%**

8.75% Notes initial Class B shares	100.00%	
(-) Class A shares initial % of converted Class B shares	77.09%	**<<==== IAAPP**
8.75% Notes initial % converted Class B shares	22.91%	**<<==== IABPP**

Class B Adjustment

Non-Ad Hoc receiving other consideration	$62.70	
(÷) Total principal amount of Notes	250.00	
% of Noteholders not receiving Class B	25.08%	**EPP**
Class A % of converted B shares	77.09%	**IAAPP**
(÷) (100% - (EPP x IABPP))	94.25%	**<<==== Formula from term sheet**
Final Class A Adjusted Participation Percentage	81.79%	**FAPP**
Final Class B Adjusted Participation Percentage	18.21%	**FBPP**

Fully-diluted Class B share count

Initial Class B share count	1,000,000	
(÷) Fully-diluted Class B % held by 8.75% holders	18.2%	**<<==== FBPP**
Fully-diluted Class B share count	5,492,334	

Fully-diluted Class B distribution	**Converted Class B %**	**(÷) Adjustment Factor**	**= Fully-Diluted Shares**	**%**	
Management	8.75%	94.25%	509,872	9.28%	
NPA	5.91%	94.25%	344,163	6.27%	
3rd lien	62.44%	94.25%	3,638,299	66.24%	
Total original Class A holders	77.09%		4,492,334	81.79%	**<<==== FAPP**
8.75% Notes	22.91%		1,000,000	18.21%	**<<==== FBPP**
Total	100.00%		5,492,334	100.00%	

EXHIBIT D

ILLUSTRATION

($US millions except for share count)

Illustrative assumptions and legend

Illustrative initial share count

Class A	1,000,000
Class B	1,000,000

8.75% Notes Holdings	Face Value **$**	**%**	
Ad Hoc (excl. Newport/Fidelity)	$137.2	54.9%	
Newport/Fidelity	20.1	8.0%	
Non-Ad Hoc receiving Class B	30.0	12.0%	**<<==== Non-Ad Hoc holders who receive Class B shares (figure for illustrative purposes only)**
Non-Ad Hoc receiving other consideration	62.7	25.1%	**<<==== Non-Ad Hoc holders receiving other consideration in lieu of Class B shares**
Total 8.75% Notes	$250.0	100.0%	

Legend

Term	**Acronym**	**Amount**	**Description**	
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	% of Total
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Less: Management incentive (10.0% of A)	10.00%
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Less: NPA share (7.5% of B)	6.75%
3rd lien fully-diluted Class A shares (C)	83.25%

Distribution of Class B shares

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

Class A value distribution (after Priority Return)	**Class A %**	**(x) Conversion Ratio**	**= Converted Class B %**
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NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%
Total	**100.00%**		**77.09%**

Distribution of Priority Return

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Other 8.75% Notes	40.0%	33.30%	16.65
Total 3rd lien allocation		83.25%	$41.63

Class B share distribution

Class A Conversion	**Class A % (after Priority Return)**	**(x) Conversion Ratio**	**= Converted Class B %**
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NPA	6.75%	87.50%	5.91%
3rd lien	83.25%	75.00%	62.44%
Total	**100.00%**		**77.09%**

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(-) Class A shares initial % of converted Class B shares	77.09%	**<<==== IAAPP**
8.75% Notes initial % converted Class B shares	22.91%	**<<==== IABPP**
Class B Adjustment		
Non-Ad Hoc receiving other consideration	$62.70	
(÷) Total principal amount of Notes	250.00	
% of Noteholders not receiving Class B	25.08%	**EPP**
Class A % of converted B shares	77.09%	**IAAPP**
(÷) (100% - (EPP x IABPP))	94.25%	**<<==== Formula from term sheet**
Final Class A Adjusted Participation Percentage	81.79%	**FAPP**
Final Class B Adjusted Participation Percentage	18.21%	**FBPP**

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Initial Class B share count	1,000,000	
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3rd lien	62.44%	94.25%	3,638,299	66.24%	
Total original Class A holders	77.09%		4,492,334	81.79%	**<<==== FAPP**
8.75% Notes	22.91%		1,000,000	18.21%	**<<==== FBPP**
Total	100.00%		5,492,334	100.00%	