

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

COLT HOLDING COMPANY LLC, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-11296 (LSS)

(Jointly Administered)

**Hearing Date: July 29, 2015 at 9:30 a.m. (ET)**

**Objection Deadline: July 24, 2015 at 4:00 p.m. (ET)**  
(as extended by agreement of the Debtors)

**Re: Docket No. 179**

**OBJECTION OF AD HOC  
CONSORTIUM OF HOLDERS OF 8.75% SENIOR NOTES DUE 2017 TO  
DEBTORS' APPLICATION FOR ENTRY OF AN ORDER (I) AUTHORIZING THE  
EMPLOYMENT AND RETENTION OF PERELLA WEINBERG PARTNERS LP  
AS FINANCIAL ADVISOR, *NUNC PRO TUNC* TO THE PETITION DATE  
AND (II) WAIVING INFORMATION REQUIREMENTS OF LOCAL RULE 2016-2(d)**

The Ad Hoc Consortium of Holders of 8.75% Senior Notes due 2017 (the "Consortium"), by and through its undersigned co-counsel, hereby submits this objection (the "Objection") to the *Debtors' Application for Entry of an Order (I) Authorizing the Employment and Retention of Perella Weinberg Partners LP as Financial Advisor, Nunc Pro Tunc to the Petition Date and (II) Waiving Information Requirements of Local Rule 2016-2(d)*, dated July 8, 2015 [D.I. 179] (the "Application").<sup>2</sup> In support of this Objection, the Consortium respectfully states as follows:

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<sup>1</sup> The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: 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); CDH II Holdco Inc. (1782). The address of the Debtors' corporate headquarters is 547 New Park Avenue, West Hartford, Connecticut 06110.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Application.

## OBJECTION

1. At case commencement, the Debtors advanced a particular restructuring strategy, predicated on an emergency sale process (to the Debtors' equity sponsor) under Bankruptcy Code Section 363. The Debtors' investment banker, Perella Weinberg Partners LP ("Perella"), was supposed to run the M&A process in only 45 days and under remarkably "hostile" case circumstances. Not surprisingly, the size of its compensation structure seemed to have had some correlation to the difficult task at hand.

2. But, the case dynamic has changed. The Debtors' secured and unsecured creditors prefer a plan strategy. To that end, certain members of the Consortium acquired secured debt and proposed (with Morgan Stanley) a new post-petition financing regime that substantially relieved case pressure and enables a plan process. As a consequence, Perella's fee proposal now seems rich, and remarkably out of step with current case circumstances.

3. To the extent that the proposal intends to compensate Perella for helping the parties structure a plan of reorganization, such assistance is unnecessary. This is not an overly complex business, and the Debtors do not have an involved pre-petition capital structure. All major creditor constituencies today are well-represented at the bargaining table, and they are now well on their way to figuring out a plan construct on their own. Given past history with the Debtors (including expressed concerns about Sciens' control), it seems likely that the creditors will continue working on their own to determine for themselves the fate of their Colt exposure.

4. To the extent that the proposal intends to compensate Perella for raising post-petition financing, here too the proposal is unjustified. Perella did not go out to the capital markets and raise funds from third-parties. Rather: (i) the first interim DIP loans came from the

Debtors' pre-petition lenders; and (ii) the second interim and final DIP loans came from the Consortium and Morgan Stanley, and was based on negotiations principally involving attorneys.

5. This is not to suggest that the Debtors should be deprived of professional assistance. But, Colt – like every other debtor-in-possession – has the burden to show that the costs of retention are outweighed by the benefits likely to be conferred. That is especially true where, as here, the fees (including a large “success” fee) are to be locked-in under Section 328(a)'s “improvident” standard. The Consortium here sees high cost, but does not see corresponding benefit.

6. It also bears noting that the business is not now generating substantial cash surplus, such that the estates can easily bear the “option” costs of having a banker waiting around to do a job (e.g., an M&A process) if ultimately called upon. If that is what now drives the Debtors to prosecute the Application (given the change in case circumstances), it would be far more prudent and commercially reasonable for the Debtors to adjourn consideration of the Application pending future events. The Consortium asked the Debtors to do just that, but the suggestion was not accepted.

7. The Consortium also asked Perella to consider a reduced compensation structure, better adjusted to present case circumstance. The parties have thus far been unable to reach an agreement. Nonetheless, the Consortium will continue to pursue a settlement with Perella in advance of the hearing on the Application.

**CONCLUSION**

WHEREFORE, the Consortium respectfully requests that the Court deny the relief requested in the Application and grant such other and further relief as the Court deems just and proper.

Dated: July 24, 2015

**ASHBY & GEDDES, P.A.**

*/s/ Karen B. Skomorucha Owens* \_\_\_\_\_  
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