

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

In re:

COLT HOLDING COMPANY LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 15-11296 (LSS)

(Jointly Administered)

Hearing Date: August 13, 2015 at 10:30 a.m. (ET)

Objection Deadline: August 5, 2015 at 4:00 p.m. (ET)

Re: Docket No. 213

**OBJECTION OF AD HOC
CONSORTIUM OF HOLDERS OF 8.75% SENIOR NOTES DUE 2017 TO
APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE
EMPLOYMENT AND RETENTION OF FTI CONSULTING, INC. AS FINANCIAL
ADVISOR TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS NUNC
PRO TUNC TO JUNE 25, 2015**

The Ad Hoc Consortium of Holders of 8.75% Senior Notes the (“Senior Notes”) due 2017 (the “Consortium”), comprised of institutions holding, among other interests, more than 63% of the Debtors unsecured notes, hereby submits this Objection to the *Application Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the Official Committee of Unsecured Creditors Nunc Pro Tunc to June 25, 2015*, dated July 14, 2015 [D.I. 213] (the “Application”). In support of this Objection, the Consortium respectfully states as follows:

¹ 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.

OBJECTION

1. In the Application, the Committee proposes that FTI receive a fixed fee of \$150,000 per month and a fee of \$650,000 upon the earliest to occur of confirmation of a plan or consummation of a sale of substantially all of the Debtors' Assets. The Consortium respectfully submits (and with all due to and well-earned respect for FTI) that this is an unreasonable compensation structure in the circumstances of this case.

2. As reflected in the Consortium's previous filings, the Debtors' restructuring began in November 2014. Diligence materials were gathered, reviewed and summarized pre-petition. Plan constructs were developed, memorialized and (at least to some extent) negotiated pre-petition. Post-petition financing, including exit financing, was proposed pre-petition, which effort eventually gave rise to the "settlement" DIP financing package that was approved by the Court. Estate causes of action against insiders (i.e., Sciens) and potential claims against aiders and abettors (e.g., landlord) were laid out in Consortium pleadings before Committee appointment. In sum, much of the work normally entrusted to any official creditors' committee was already performed and delivered to the Committee the moment it was appointed.

3. This is not to suggest that the Committee does not have an important role to play in the case; it certainly does. And, this is not to suggest that the Committee is not entitled to a high-quality financial advisor; it certainly is. But, the proposed compensation structure needs to be tailored to the task at hand. That is especially true here where the proposal is a "fixed" fee structure (i.e., does not modulate downward, if there is less work to do) that is locked-in under Section 328(a)'s "improvident" standard.

4. That is also especially true if the proposed compensation structure follows the traditional investment banker model, of a monthly "consulting" fee and an incentive-driving

“transaction” fee. Here, it is incontrovertible that: (1) the Committee members will not be providing capital or otherwise leading the exit solution; (2) that responsibility falls principally on the Consortium and Morgan Stanley; (3) FTI will not otherwise be deputized to run an M&A process or otherwise search for exit financing from the capital markets; rather, (4) FTI’s task is principally overseeing how this case progresses and concludes, and advising the Committee along the way. For this type of assignment, the monthly “consulting” fee makes sense, but the “success” fee does not. Alternatively, FTI might propose charging on an hourly rate basis, as it does in other Chapter 11 cases.

5. The Consortium intends to continue speaking with the Committee towards a settlement of this contested matter before the hearing scheduled 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: August 5, 2015

ASHBY & GEDDES, P.A.

/s/ Karen B. Skomorucha Owens
William P. Bowden, Esq. (#2553)
Karen B. Skomorucha Owens (#4759)
Benjamin W. Keenan (#4724)
500 Delaware Ave., 8th Floor
P.O. Box 1150
Wilmington, DE 19899
Tel: (302) 654-1888
Fax: (302) 654-1888

-and-

BROWN RUDNICK LLP

Robert J. Stark, Esq. (admitted *pro hac vice*)
Andrew M. Carty, Esq. (admitted *pro hac vice*)
Seven Times Square
New York, NY 10036
Tel: (212) 209-4800
Fax: (212) 209-4801

Steven B. Levine, Esq. (admitted *pro hac vice*)
One Financial Center
Boston, MA 02111
Tel: (617) 856-8200
Fax: (617) 856-8201

*Counsel for Ad Hoc Consortium of
Holders of 8.75% Senior Notes due 2017*