

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 Holder of Senior Notes other than Fidelity/ Newport who beneficially holds \$100,000 or more (or such other amount as the RSA Creditor Parties, the Debtors and the Sciens Group may agree) in principal amount of the Senior Notes and is an “accredited investor” (each such holder, an “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.
- 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

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

Offering would subscribe to \$2.0 million of the Additional Offering Amount).

Issuance/Transfers:

The Offering Units will 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 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 \$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 do not become Participating Consortium Noteholders shall have the opportunity to 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 a Participating Consortium Noteholder, 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 is paid to holders of the New Class A LLC Units in full in cash, the New Class A LLC Units will convert (the “Conversion”) into New Class B LLC Units at a conversion ratio (the “Conversion Ratio”) such that the former holders of New Class A LLC Units receive 75% of future distributions to holders of New Class B LLC Units while the original holders of New Class B LLC Units receive 25% of future distributions to holders of New Class B

LLC Units (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.

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, Conversion, 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 at the Conversion Ratio 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 Holder of Senior Notes 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.

*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

The initial Board of Directors of Reorganized Parent shall consist of

Reorganized Parent and the Reorganized Debtors:

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 Holders other than Fidelity/Newport 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 Holders other than Fidelity/Newport to appoint a Board Observer shall cease in the event that the Participating Holders other than Fidelity/Newport 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**Illustration**

The following chart illustrates the distributions of the New Class A LLC Units, New Class B LLC Units and the Priority Return pursuant to this Offering Term Sheet. In the event that there is any inconsistency between the terms set forth in the body of the Offering Term Sheet and this illustration, this illustration shall control.

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	= Diluted Class B %	
Management	10.00%	87.50%	8.75%	
NPA	6.75%	87.50%	5.91%	
3rd lien	83.25%	75.00%	62.44%	

Distribution of Priority Return				
Total Priority Return				\$50.0
Management allocation			10.00%	5.0
NPA allocation			6.75%	3.4
3rd lien allocation				
	3rd lien %			
Sciens	30.0%		24.98%	12.5
Newport/Fidelity	30.0%		24.98%	12.5
Other 8.75% Notes	40.0%		33.30%	16.7
Total 3rd lien allocation			83.25%	\$41.6