

# EXHIBIT A

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereinafter referred to as the "MOU") is made on \_\_\_\_\_ by and on behalf of (a) Colt's Manufacturing Company LLC ("CMC") (b) Colt Holding Company LLC ("CHC"), (c) each of any existing and/or future entities falling within the definition of either a "Reorganized Debtor" or "Reorganized Parent" (or both), found, respectively, in Sections 1.144 and 1.145 of the Chapter 11 plan filed with the United States Bankruptcy Court for the District of Delaware on November 10, 2015 (D.I. 675), and (d) each and every successor and assign of any or all of CMC, CHC, and/or each and every Reorganized Parent and Reorganized Debtor (all of the foregoing entities shall be deemed to be a party to this MOU and are together referred to herein as "Colt") (e) Amalgamated UAW Local No. 376 ("Local 376") and (f) International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, (UAW) ("UAW") (Local 376 and UAW are hereinafter together referred to as the "Union").

WHEREAS, on June 15, 2015, CMC, CHC and various other entities filed for Chapter 11 bankruptcy court protection with the United States Bankruptcy Court for the District of Delaware (the "Court");

WHEREAS, a Chapter 11 plan has been filed with the Court which provides for assumption by Colt of the current collective bargaining agreement to which certain Colt entities and the Union are parties (the "CBA"), such assumption not being contingent on the approvals of this MOU described below;

WHEREAS, Colt and the Union are desirous of Colt successfully exiting bankruptcy as a reorganized company; and

WHEREAS a hearing on Confirmation of the Plan is scheduled for December 16, 2015, and if such the Plan is approved and consummated, Colt shall emerge from chapter 11 as a reorganized company on the effective date of the Plan (the "Effective Date");

WHEREAS the parties are entering into this MOU to identify those subjects and items to be further negotiated in good faith by the parties hereto after the Effective Date, subject to membership and other ratification procedures as provided in the UAW Constitution; and

WHEREAS, the parties agree that, except with respect to Attachment A hereto, which provides terms to be added to the CBA, nothing contained herein is intended to modify the CBA, with this MOU instead reflecting negotiation objectives that Colt and the Union will discuss and, where agreed and ratified (in the case of the Union) pursuant to the UAW Constitution, implement post-Effective Date.

NOW, THEREFORE, the Union and Colt agree as follows:

<b>Relationship of MOU to CBA</b>	The MOU does not in any way modify the provisions of the CBA, except with respect to Attachment A hereto, which provides terms to be added to the CBA.
<b>Approval and Ratification</b>	The MOU is contingent on (a) approval by the Colt Board of Directors, (b) ratification pursuant to the UAW Constitution, (c) entry of an order confirming the Plan that provides for assumption of the CBA by Colt and further provides that all grievances and other questions with respect to performance under the CBA shall be resolved either by joint settlement agreement or, in the case of non-settled grievances or other questions, by arbitration under the CBA's arbitration provisions, rather than by any cure procedures or provisions arising by operation of the Bankruptcy Code or under any order of the Bankruptcy Court.
<b>Joint Committee</b>	<p>In a spirit of cooperation, the parties agree to immediately form a joint Labor Relations Committee that will meet at least bi-weekly for the purpose of:</p> <ul style="list-style-type: none"> <li>• Jointly improving communication on day-to-day relations;</li> <li>• Jointly enhancing visibility into sales forecasting, production scheduling and production volumes;</li> <li>• Jointly developing protocols, where mutually agreed, to more effectively administer certain provisions of the CBA;</li> <li>• Jointly identifying opportunities to improve gross margins and enable Colt to become more competitive and profitable; and</li> <li>• Jointly implementing the terms of this MOU set forth below.</li> </ul>
<b>Incentive Compensation Programs and Gross Margin and Profit Improvement</b>	<p><u>Objective:</u> To jointly develop new incentive compensation programs for Colt hourly employees to replace the gain and profit sharing programs contained in the CBA.</p> <p>The intention of these incentive compensation programs will be to properly align incentives of hourly employees with the achievement of the objectives contained in this MOU. The degree and extent of any such jointly developed compensation programs will, among other things, take into account the impact that the program's objectives have on improvements to Gross Margins and over-all profitability.</p>

<p><b>Accelerating Joint Program for Manufacturing Operations</b></p>	<p><u>Objective:</u> To more effectively implement the Joint Program for Manufacturing Operations set forth in Appendix A of the CBA through jointly developed initiatives, including the following:</p> <ul style="list-style-type: none"> <li>• Jointly strive to improve skills and cross-training capabilities to allow employees to advance in the CBA job classification system.</li> <li>• Joint development of a culture of continuous improvement <ul style="list-style-type: none"> <li>○ Fully engage hourly and salaried employees</li> <li>○ Communicate expectations clearly</li> <li>○ Deliver information and training consistently</li> <li>○ Make data driven decisions</li> <li>○ Drive the importance of continuous improvement with everybody</li> <li>○ Empower all employees to make daily continuous improvement a part of their own work</li> <li>○ Emphasize the importance of small, incremental improvement - don't make every improvement be an event or a project</li> <li>○ Help share and spread ideas</li> <li>○ Compile and celebrate the impact achieved through continuous improvement</li> </ul> </li> <li>• Jointly rolling out training to all employees to institutionalize lean efforts <ul style="list-style-type: none"> <li>○ Train through Kaizen events or learning events</li> <li>○ Not academic exercise – train and do</li> </ul> </li> <li>• Jointly implement advanced training at key levels in the hourly workforce to be able to lead continuous improvement initiatives <ul style="list-style-type: none"> <li>○ Advanced training to be voluntary</li> <li>○ Advanced training to include tools that drive the business: <ul style="list-style-type: none"> <li>▪ Creating value from the customers' perspective</li> <li>▪ Identifying all the steps along the process chain</li> <li>▪ Making those processes flow</li> </ul> </li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>▪ Making what is pulled by the customer</li> <li>▪ Striving for perfection by continually removing wastes</li> <li>• Jointly develop and coordinate lean implementation initiatives             <ul style="list-style-type: none"> <li>○ Manage and track initiatives via scorecard</li> <li>○ Daily Gemba walks to review metrics and drive improvements                 <ul style="list-style-type: none"> <li>▪ Go, Look, See</li> <li>▪ PDCA (Plan/Do/Check/Act) mentality</li> </ul> </li> </ul> </li> <li>• Jointly review status of Kaizen projects and Final Reports             <ul style="list-style-type: none"> <li>○ Issue and maintain Kaizen scorecard</li> <li>○ Ensure all Kaizen events have a purpose and measurable results</li> <li>○ Report-out to share Kaizen results and celebrate achievement</li> </ul> </li> </ul>
<p><b>Job Security and Manufacture of Class of Trade and other Critical Parts and Components,</b></p>	<p><u>Objective:</u> To jointly establish guidelines regarding “make v. buy” decisions that are consistent with existing job security provisions of the CBA.</p> <ul style="list-style-type: none"> <li>• Jointly ensure that Colt in West Hartford remains the supplier for Class of Trade products as outlined in and consistent with Appendix K of the CBA, as well as other critical parts and components</li> <li>• Jointly identify areas for further infrastructure investment, including but not limited to continued investment in the manufacture in West Hartford of such Appendix K Class of Trade products and other critical parts and components</li> <li>• Jointly develop target levels of production for Colt in West Hartford as the supplier of Appendix K Class of Trade products and other critical parts and components</li> <li>• Jointly develop initiatives for Colt in West Hartford to achieve target levels of production of Appendix K Class of Trade products and other critical parts and components</li> <li>• Jointly develop protocol for location of manufacture of new products, focusing on:             <ul style="list-style-type: none"> <li>○ Productivity levels</li> <li>○ Expertise</li> <li>○ Physical space requirements</li> <li>○ Infrastructure requirements</li> <li>○ Internal maximum practical capacity</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>o Returning any outsourced parts and components in-house in West Hartford wherever possible to do so</li> </ul>
<b>Work Week</b>	<u>Objective:</u> To discuss and give due consideration to jointly transitioning from five-day/8 hour work-week to four-day/10 hours.
<b>Active Employee Health Plan Benefits</b>	<u>Objective:</u> Explore means to provide current levels of coverage for active workforce, but in a more cost-effective manner. (The parties and their health care experts are currently exploring options that include switching benefit plan providers, wellness programs, telemedicine, and incentives to use primary physicians, in order to achieve these ends.)
<b>State Financing</b>	<u>Objective:</u> Colt and Union to work together to pursue \$10 million in financing from the State of Connecticut, the proceeds from which would be used for working capital, West Hartford-based product development initiatives, and, to purchase the currently Colt-leased land and facility located in West Hartford, Connecticut.
<b>Union's Board Access and Information Rights</b>	<p>Reorganized Colt shall create a committee comprised of at least two members of the Board of Directors and two representatives from the local UAW. The purpose of this committee will be to provide the UAW with access to the Board of Directors to discuss issues impacting Reorganized Colt's hourly workforce, discuss the financial condition of the business, and to exchange ideas for further developing the relationship between Reorganized Colt and the UAW. This committee would meet 3-4 times per year. In addition, the UAW representatives on this committee would be invited to be non-voting observers for the annual meeting of the Board of Directors where the annual budget for Reorganized Colt is presented for approval.</p> <p>The Union representatives on the Joint Supervisory Committee will also be entitled to participate in the quarterly financial update calls provided to holders of the Third Lien Notes.</p>

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be executed by their respective officers and representatives as of \_\_\_\_\_.

ATTACHMENT A

- 1) Notwithstanding (i) any expiration, termination or modification of the 2014 collective bargaining agreement between the Company and the UAW of which this Attachment A is a part, or (ii) the terms of any other agreement or document, effective February 2, 2016, and until midnight December 31, 2030, with respect to current employees of the Company as of February 2, 2016 who thereafter retire on or after a Normal Retirement Date, Early Retirement Date or Late Retirement Date under the Pension Plan, as defined below in Section 6, or who incur a Total and Permanent Disability and become entitled to a Disability Benefit under the Pension Plan, and who in each case have at least 15 years of seniority at the time of any such retirement, and who were hired on or before January 1, 2006:
  - a) The Company shall reimburse each such employee who so retires, each spouse of any such retiree, each surviving spouse of any such retiree, as well as each eligible dependent of any such person (together, the "Covered Persons") for the amount of any Medicare Part B premiums that they pay (not including income-related monthly adjustment amounts added to the standard Medicare Part B premium for the relevant calendar year), provided that to receive such reimbursement the Covered Person shall provide the Company with proof of payment of their Medicare Part B premiums, consistent with federal tax law requirements, and provided further that such reimbursements shall not, in any calendar year, exceed a cap that is the product of a multiplier of \$1,500 times the number of Covered Persons entitled to receive Medicare Part B reimbursements for that year (as that cap may be adjusted as provided in section 1.b) and/or c) below, the "Annual Cap"). (The \$1,500 or other multiplier used for any calendar year shall be prorated solely as to any Covered Person(s) who newly retires or dies during a calendar year, so as to reflect only the months of that such Covered Person has paid Medicare Part B premiums after retirement and before death, ex., for a person who dies after paying six months of Medicare Part B premiums in a calendar year, the multiplier solely for that person shall be 50% of what it otherwise would be, but that adjustment shall not affect the multiplier for any other person.) Such reimbursements shall be made quarterly. If a person receiving such reimbursements dies, any unpaid reimbursements shall be payable to the decedent's spouse or, if there is no such spouse, to the decedent's estate.
  - b) To the extent that in any calendar year the total Medicare Part B premium reimbursements that are made pursuant to section 1.a) above total less than the Annual Cap for that calendar year, as it has been adjusted from prior years pursuant to this section 1.b) and or section 1.c) below, then the amount remaining unexpended below the Annual Cap for that year shall be allocated to increase the Annual Cap for Medicare Part B premium reimbursements for the next calendar year.
  - c) The Annual Cap for payments made pursuant to 1.a) above for any year will also be increased to the extent that administrative costs in the immediately prior year total less than than \$120 times the number of Covered Persons entitled to receive Medicare Part B reimbursements for that immediately prior calendar year;
  - d) Covered Persons hereunder shall not include a spouse of a current employee entitled to Medicare Part B reimbursement unless the spouse is married to the current employee at the time s/he retires;

- e) Effective February 2, 2016, then-current employees of the Company, and their spouses, surviving spouses and eligible dependents shall, upon retirement receive only the post-retirement health benefits described above. The Company's obligation to provide life insurance to employees upon retirement remains unchanged by this Attachment A ;
  - f) All rights are reserved by both the Company and the Union as to whether the Company is obliged to provide health benefits upon retirement to current employees of the Company, and to their spouses, surviving spouses and eligible dependents (including those described above), beyond midnight December 31, 2030. The Company and the Union agree that that issue will not be ripe for adjudication or arbitration before July 1, 2030.
- 2) Notwithstanding (i) any expiration, termination or modification of the 2014 collective bargaining agreement between the Company and the UAW of which this Attachment A is a part, or (ii) the terms of any other agreement or document, effective April 1, 2016, and until midnight December 31, 2030, persons retired under the Pension Plan on or before February 1, 2016 on or after any Normal Retirement Date, Early Retirement Date or Late Retirement Date, or with any Disability Benefit under the Pension Plan, and their spouses, surviving spouses and eligible dependents, (a) shall also be Covered Persons as described in Section 1 above, (b) shall be counted as such for determining the "Annual Cap" and upward adjustments thereto in the manner described in Section 1 above, (c) shall be paid Medicare Part B premium reimbursements as in the manner described in Section 1 above, and (d) shall be deemed to be within the scope of Section 1. d), e) and f) above.
  - 3) Those Covered Persons described in Section 2 above shall be covered by the Company's current post-retirement health plans until such plans are terminated effective midnight, March 31, 2016, or such later termination date as to which the Company and the UAW shall agree in writing (the "Transition Time"). Beginning immediately after the Transition Time, such Covered Persons shall begin eligibility for the Medicare Part B premium reimbursement program described above. Coverage under the existing post-retirement health plans until the Transition Time shall include coverage for (i) courses of treatment in process on or before the Transition Time ("Course(s) of Treatment") and (ii) claims incurred but not yet paid ("IBNP") as of the Transition Time, which such Course of Treatment and IBNP coverage shall be (y) with respect to the Company's insured retiree plan, as required under Connecticut law applicable to such plan, and (y) with respect the Company's self-insured retiree plan, treated as would be required under Connecticut law if such law was applicable to that plan. For the avoidance of doubt, to the extent that the Company continues coverage for Courses of Treatment as provided above, such reimbursed expenses/insurance premiums, as the case may be, shall offset the \$1,500 Medicare Part B premium reimbursement that the Covered Person would otherwise be entitled to receive, but not the Medicare Part B premium reimbursements of any other person.
  - 4) The Company's obligation to provide life insurance to retirees upon retirement remains unchanged by this Attachment A.
  - 5) The terms of this Attachment A shall apply to current retirees, their spouses, surviving spouses and eligible dependents, and the Section 1114(a) "retiree benefits" of such persons shall be modified under Bankruptcy Code Section 1114(e)(1)(B) as provided for herein, if, and only if, simultaneously with the approval of the MOU of which this Attachment A is a part, the Bankruptcy Court approves an allowed claim consistent with Bankruptcy Code Section 1114(i) for the modification of the post-retirement medical benefits of such persons. Such allowed claim shall be in the amount of \$3,571,428.58, which shall be satisfied by



payment of \$250,000 payable (i) on the Effective Date of the Chapter 11 plan to the UAW, to be held for the benefit of the Current Retirees, (ii) or as otherwise directed by the UAW, provided that such direction is given to the Company on or before the Effective Date.

- 6) The term "Pension Plan" as used herein shall include each of (a) Colt's Manufacturing Company LLC Bargaining Unit Employees' Pension Plan, (b) the Colt Defense LLC Bargaining Unit Employees' Pension Plan, (b) the Bargaining Unit Employees' Pension Plan, Firearms Division, Colt Industries, and (c) the Colt Retirement Defined Benefit Plan.