

In re DHB INDUSTRIES, INC. CLASS ACTION LITIGATION	X : : : : : : : : : X	Civil Action No. 2:05-cv-04296-JS-ETB
This Document Relates To: ALL ACTIONS.	 : : : : : : : : : : X	 <u>CLASS ACTION</u>

NOTICE REGARDING SUPPLEMENTAL SETTLEMENT AGREEMENT

TO: ALL PERSONS WHO PURCHASED OR ACQUIRED DHB INDUSTRIES, INC. (“DHB”) PUBLICLY TRADED SECURITIES ON OR AFTER NOVEMBER 18, 2003 UNTIL AND INCLUDING NOVEMBER 30, 2006 AND SUBMITTED A VALID CLAIM IN CONNECTION WITH THE SETTLEMENT OF THIS SECURITIES CLASS ACTION PURSUANT TO THE SETTLEMENT AGREEMENT DATED NOVEMBER 30, 2006 (THE “PRIOR SETTLEMENT”), AND ADDITIONAL INVESTOR VICTIMS WHO SUBMITTED A VALID CLAIM IN THE CLAIMS ADMINISTRATION PROCESS IN CONNECTION WITH THE CRIMINAL ACTION AGAINST DAVID BROOKS

This Notice is being sent to you regarding the status of the Prior Settlement,¹ to summarize the proceedings that have occurred since the United States District Court for the Eastern District of New York (the “Court”) initially approved the Prior Settlement on July 8, 2008, and recent events, including the execution of a supplemental agreement and addendum (herein the “Supplemental Settlement” or “Supplemental Settlement Agreement”) that will allow distributions of certain proceeds of the Prior Settlement to Class Members to occur, in conjunction with a distribution of a criminal restitution award for the benefit of investor claimants in the criminal action against David Brooks (the “Criminal Action”).² You are receiving this Notice because you submitted a valid claim either in this action (the “Class Action”) in connection with the Prior Settlement or in the claims administration process in connection with the Criminal Action. In either case, you may be entitled to proceeds that may be obtained under the Supplemental Settlement Agreement.

I. PROCEDURAL HISTORY REGARDING THE PRIOR SETTLEMENT AND RELATED MATTERS

As noted above, the Prior Settlement was approved by the Court on July 8, 2008. An appeal was taken from the Court’s approval of the settlement of a related derivative action (the “Derivative Action”), and on September 30, 2010, the Second Circuit Court of Appeals vacated and remanded the judgment approving the Derivative Action settlement, which impacted the occurrence of the Effective Date in connection with the Prior Settlement. On April 14, 2010, DHB (now referred to as “Point Blank” or, with certain other affiliated entities, the “Debtors”) commenced bankruptcy proceedings under chapter 11 of the U.S. Bankruptcy Code. On September 17, 2010, Point Blank moved to reject the Prior Settlement, which motion was granted by the Bankruptcy Court on December 22, 2010. An appeal from that order was taken and is still pending.

On November 16, 2010, Point Blank filed an action in the Bankruptcy Court against, among others, counsel to the Lead Plaintiffs in the Class Action, seeking a return of the settlement funds that were transferred to escrow (the “Escrowed Funds”) pursuant to the Prior Settlement. Motions to dismiss and related motions have been filed in that action and have been denied (and appealed) or stayed. Lead Plaintiffs in the Class Action have also filed claims against Point Blank in the bankruptcy proceedings based on the same facts alleged in the Class Action.

In and after October 2007, David Brooks (Point Blank’s former Chief Executive Officer), Sandra Hatfield (Point Blank’s former Chief Operating Officer), and Dawn Schlegel (Point Blank’s former Chief Financial Officer) were indicted for crimes based on, among other things, the same conduct alleged in the Class Action and/or the Derivative Action. All three were subsequently convicted or pled guilty to one or more criminal counts. In connection with the indictment of David Brooks, the Government restrained a significant amount of his assets (the “Restrained Assets”), and additional funds posted as bail (the “Bail Funds”) were subsequently forfeited. In November 2010 and December 2011, the Court conducted extensive proceedings in David Brooks’ criminal action to determine the amount of traceable assets that David Brooks obtained as a result of his criminal offenses. As a result of these proceedings, the amount of Restrained Assets potentially available for restitution to victims (including claimants in the Class Action) was approximately \$185.7 million, inclusive of the Bail Funds and approximately \$60 million that is the subject of an order of forfeiture. Lead Plaintiffs (on behalf of claimants in the Class Action) and Point Blank asserted competing claims to this money in connection with the criminal case against David Brooks and the proceeding therein to determine appropriate restitution. The Government made recommendations to the Court regarding its view of the respective amounts claimants in the Class Action, other investor victims, and Point Blank were entitled to, and these recommendations were significantly more favorable to Point Blank than to the claimants in the Class Action.

On March 27, 2015, the Court ordered restitution (the “Restitution Order”) in the amount of \$53.9 million to Point Blank and \$37.5 million to the investor victims of David Brooks’ crimes, including members of the Class in the Class Action. Under the terms of the Supplemental Settlement Agreement, as more fully described below, the restitution award to investor victims will be significantly augmented and the risk that none of the Escrowed Funds will be available for Class Members will be eliminated.

II. NEGOTIATIONS LEADING TO THE SUPPLEMENTAL SETTLEMENT AGREEMENT

The complicated procedural posture of the various proceedings summarized above has prevented the Prior Settlement from becoming effective, and prevented any distribution of the proceeds of the Prior Settlement to claimants in the Class Action.

¹ The terms of the Prior Settlement are summarized in the “Revised Notice of Pendency and Settlement of Class Action” dated August 3, 2007, which you may view on the Internet at www.dhbindustriesclassactionlitigation.com under “DHB Industries.”

² The Supplemental Settlement Agreement, entitled “Amended Settlement Agreement” and fully executed as of May 4, 2015, including the addendum, entitled “Addendum to Amended Settlement Agreement” and fully executed as of June 10, 2015, may also be viewed on the Internet at www.dhbindustriesclassactionlitigation.com under “DHB Industries.”

Beginning in June 2011, therefore, Lead Plaintiffs and the Debtors embarked on negotiations with David Brooks and various other members of the Brooks family to resolve the matters described above. On December 22, 2011, these parties signed a global settlement term sheet. Thereafter, the parties commenced the process of seeking approval of the global settlement from the Government and the Court. However, David Brooks abandoned this global settlement in late 2013.

Thereafter, Lead Plaintiffs and the Debtors agreed to continue settlement negotiations among themselves, reached agreement, and executed a term sheet on November 25, 2014, followed by a settlement agreement on February 5 and 6, 2015. As a result of the entry of the Restitution Order, the settlement agreement was amended and the Supplemental Settlement Agreement was executed on or about May 4, 2015 to take into account the impact of the Restitution Order. An Addendum to the Supplemental Settlement Agreement was executed on or about June 10, 2015 (the "Addendum") to resolve an Objection to the Supplemental Settlement submitted by the Official Committee of Equity Security Holders of Point Blank Solutions, Inc. (the "Equity Committee") in connection with the Debtors' motion seeking the approval of the Bankruptcy Court for the Supplemental Settlement in the bankruptcy proceedings.

III. SUMMARY OF SIGNIFICANT TERMS OF THE SUPPLEMENTAL SETTLEMENT AGREEMENT

The following is a summary of the significant terms of the Supplemental Settlement Agreement and Addendum. To review all of the terms of the Supplemental Settlement Agreement and Addendum, you may view the agreement on the Internet at www.dhbindustriesclassactionlitigation.com under "DHB Industries," at the office of the Clerk of the Court, United States District Court for the Eastern District of New York, Alfonse M. D'Amato Federal Building, 100 Federal Plaza, Central Islip, NY 11722-4438, or by contacting Lead Counsel at the addresses listed below.

1. Lead Plaintiffs and the Debtors (the "Parties") will take all appropriate actions, consistent with their respective fiduciary duties, to maximize their rights, claims and recoveries in connection with the following "Shared Recovery Matters":

(a) All claims of the Parties against David Brooks, his family members (including his brother, Jeffrey Brooks, and his ex-wife, Terry Brooks), and entities in which the Brooks family has direct or indirect interests, except that the Class Action and the Derivative Action will be dismissed with prejudice. (Supplemental Settlement Agreement ¶3(d)(i));

(b) All claims of the Parties to the Restrained Assets and the Bail Funds (*id.* ¶¶3(d)(ii)-(iv)); and

(c) All other claims of the Parties in the civil forfeiture proceeding and the criminal action (*id.* ¶3(d)(v)).

2. The Parties will use their best efforts, consistent with their respective fiduciary duties, to effectuate a 50/50 division (the "50/50 Division") of certain Recoveries/Proceeds realized by any of the Parties such that 50% of the Recoveries/Proceeds is realized by the Debtors' bankruptcy estates and 50% of the Recoveries/Proceeds is realized by the Class and investor claimants in the Criminal Action. The 50/50 Division shall apply to the Plaintiffs' Stock Share (defined below) and the first \$128,400,000 of any and all other Recoveries/Proceeds realized by any of the Parties, individually or collectively. *Id.* ¶3(a) and Addendum. The term "Recoveries/Proceeds" means the recoveries or proceeds realized by any of the Parties arising out of the Shared Recovery Matters, the Escrowed Funds, and the Plaintiffs' Stock Share. *Id.* ¶3(c).

3. As of the date of the Addendum, the sum of \$128,400,000 reflected the combined amount of the Debtors' Restitution Award, the Investor Victims' Restitution Award, and the Escrowed Funds. To the extent that the combined amount of the Recoveries/Proceeds ultimately realized by the Parties, individually or collectively, arising out of the Debtors' Restitution Award, the Investor Victims' Restitution Award, and the Escrowed Funds is less than \$128,400,000, the 50/50 Division shall nonetheless continue to apply to the first \$128,400,000 of any and all Recoveries/Proceeds realized by any of the Parties, individually or collectively, and to the Plaintiffs' Stock Share. See Addendum.

4. The equalization of the Recoveries/Proceeds to achieve the 50/50 Division will take into account the Restitution Order, the distribution of the Escrowed Funds, the Plaintiffs' Stock Share, the Restrained Assets, and the Bail Funds, and the Class Plaintiffs will forgive the Plaintiffs' Loan (described below) to the extent necessary to equalize the Debtors' Share and the Plaintiffs' Share. *Id.* ¶¶3(b)(i)-(ii) and Exhibit 1 thereto. In no event, however, will the \$37.5 million the Court awarded to the investor victims in the Restitution Order be subject to any reduction, to achieve the 50/50 Division or otherwise, except to the extent it is reduced in connection with any appeal by any court of competent jurisdiction.

5. At present, assuming the Supplemental Settlement is approved by the courts and becomes effective, each constituency would be entitled to approximately \$64 million, inclusive of their respective restitution awards.

6. As to any and all Recoveries/Proceeds realized by the Parties, individually or collectively, in excess of \$128,400,000 (the "Excess Recoveries"), the Parties will utilize their reasonable best efforts, consistent with their respective fiduciary duties, to effectuate a division (the "63/37 Division") of the Excess Recoveries such that:

(a) the ultimate value of sixty-three percent (63%) of the Excess Recoveries is realized by the Debtors' bankruptcy estates, and shall be considered part of the "Debtors' Share" as that term is used in the Supplemental Settlement Agreement; and

(b) the ultimate value of thirty-seven percent (37%) of the Excess Recoveries is realized by the Plaintiffs for the benefit of the investor victims identified in the Class Action and the Criminal Action, as set forth in section 3(f) of the Supplemental Settlement Agreement, and shall be considered part of the "Plaintiffs' Share" as that term is used in the Supplemental Settlement Agreement; provided, however, that notwithstanding any provision of the Supplemental Settlement Agreement or the Addendum to the contrary, the portion of the Excess Recoveries realized by the Plaintiffs arising out of the 63/37 Division necessary to satisfy any shortfall in the Escrowed Funds distributable to the investor victims with allowed claims in the Class Action shall be distributed exclusively to those members of the class certified in the Class Action in accordance with the Prior Settlement and the Plan of Allocation previously approved in connection therewith, prior to any distribution pursuant to the Additional Allocation Procedure, described below.

7. The 63/37 Division approximates the Court's allocation of restitution as between the Debtors and Class Members in the Restitution Order.

8. \$20,000,000 of the Escrowed Funds will be loaned to the Debtors' estates (the "Plaintiffs' Loan") to fund a chapter 11 plan. The Plaintiffs' Loan will be interest-free and non-recourse as to the Debtors' estates, except that the loan will be secured by, and payable solely from, 50% of the Recoveries/Proceeds realized by the Debtors from the Shared Recovery Matters, including but not limited to the \$54.9 million restitution award to Point Blank.

9. Except as set forth in the Supplemental Settlement Agreement in connection with the Plaintiffs' Loan, the Debtors will release their claims to the Escrowed Funds, which have an approximate current value of \$37,000,000, before the 50/50 Division discussed in paragraph 2 above. *Id.* ¶5(c)(ii). The portion of the Escrowed Funds available after taking into account the 50/50 Division will be distributed to claimants in the Class Action in accordance with the Prior Settlement, the prior award of attorneys' fees and expenses in the Class Action,³ and the Plan of Allocation approved in the Class Action. *Id.* ¶2(a). The claimants in the Class Action also will be entitled to an additional distribution, if available, from Point Blank's bankruptcy estate of 50% of the value of the 3,184,713 shares of Point Blank common stock that were to be delivered to the claimants in the Class Action pursuant to the Prior Settlement ("Plaintiffs' Stock Share"), in compliance with the overall 50/50 allocation methodology. *Id.* ¶4.

10. If there are any distributions to be made over and above the portion of the Excess Recoveries utilized to satisfy any shortfall in the Escrowed Funds distributable to the investor victims with allowed claims in the Class Action, such distributions will be made in accordance with an Additional Allocation Procedure to be established by the Court in the Criminal Action. *Id.* ¶3(f).

11. Lead Plaintiffs and their counsel believe, for numerous reasons, that the terms of the Supplemental Settlement Agreement are very favorable to claimants in the Class Action and investor victims in the Criminal Action. First, if the Supplemental Settlement Agreement obtains the required Court approvals⁴ and the Debtors' chapter 11 plan of liquidation is confirmed, a significant portion of the Escrowed Funds and the Plaintiffs' Stock Share will finally be available for distribution to claimants in the Class Action. Without a settlement with the Debtors, there is a significant risk that the Escrowed Funds would never be distributed to claimants in the Class Action.

12. Second, the Supplemental Settlement Agreement provides for cooperative efforts between Lead Plaintiffs and the Debtors in asserting claims in connection with the Shared Recovery Matters, potentially generating recoveries in excess of the amount contemplated by the Restitution Order, the Escrowed Funds, and the Plaintiffs' Stock Share created by the Prior Settlement. Third, the Supplemental Settlement Agreement's provision for a 50/50 Division of the proceeds from the Shared Recovery Matters up to \$128,400,000, and a 63/37 Division of the Excess Recoveries between the Debtors on the one hand and the Class Action claimants and investor victims on the other, will provide the Class Action claimants and investor victims more than the Court's restitution determination with respect to investor victims. For these reasons, among others, Lead Plaintiffs and their counsel believe that the Supplemental Settlement Agreement is in the best interests of the Class Action claimants and investor victims.

IV. COURT HEARING TO CONSIDER APPROVAL OF THE SUPPLEMENTAL SETTLEMENT AGREEMENT

On August 18, 2015 at 10:00 am, the Court will hold a hearing to consider approval of the Supplemental Settlement Agreement. The Hearing will be held before The Honorable Joanna Seybert, United States District Judge, at the Alfonse M. D'Amato Federal Building, United States District Court, 100 Federal Plaza, Central Islip, New York 11722-4438. If you submitted a valid claim in connection with the settlement of the securities Class Action or a valid claim in the claims administration process in connection with the Criminal Action against David Brooks you may appear at the hearing. However, in order to be heard by the Court with respect to the Supplemental Settlement Agreement, you must file a notice of intent to appear (which sets forth any position you wish to take with respect to the Supplemental Settlement Agreement) with the Clerk of the Court at the address above no later than July 28, 2015, and serve the notice such that it is received no later than July 28, 2015 on each of the following:

SAMUEL H. RUDMAN

NICOLE M. ZEISS

ROBBINS GELLER RUDMAN & DOWD LLP
58 South Service Road, Suite 200
Melville, NY 11747

LABATON SUCHAROW LLP
140 Broadway, 34th Floor
New York, NY 10005

V. FURTHER INFORMATION

You may obtain further information regarding the Supplemental Settlement Agreement on the Internet at www.dhbindustriesclassactionlitigation.com under "DHB Industries," at the Clerk's Office of the District Court at the address above, or by writing to Lead Plaintiffs' counsel at:

SAMUEL H. RUDMAN

NICOLE M. ZEISS

ROBBINS GELLER RUDMAN & DOWD LLP
58 South Service Road, Suite 200
Melville, NY 11747

LABATON SUCHAROW LLP
140 Broadway, 34th Floor
New York, NY 10005

You may also obtain additional information by calling the Claims Administrator, Gilardi & Co. LLC, at the following toll-free number: 877-234-0931.

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE

DATED: July 2, 2015

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

³ In the Class Action, the Court previously awarded Lead Plaintiffs' counsel attorneys' fees of 25% of the Escrowed Funds and Plaintiffs' Stock Share, and expenses in the amount of \$196,841.98. To the extent the Class ultimately receives less than the full benefit of the Escrowed Funds as a result of the 50/50 Division, Lead Plaintiffs' counsel's attorneys' fees will be reduced by a proportionate amount.

⁴ The Bankruptcy Court began to hear the approval motion, which was previously filed by the Debtors, on June 12, 2015. That hearing is scheduled to continue on July 6, 2015.

DHB Industries Class Action Litigation
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

Presorted
First-Class Mail
US Postage
PAID
Gilardi & Co

Barcode BarDisplay
FName LName
Addr1 Addr2
City, St Zip-Zip4

DHBIND