UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JEROME KRANTZ, CARY CHASIN, and GARY NADELMAN,

Defendants.
_____/

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. DHB Industries, Inc., n/k/a Point Blank Solutions, Inc. ("DHB" or the "Company"), is a major supplier of body armor to the U.S. military and law enforcement agencies. From at least 2003 through 2005, DHB, facilitated by Audit and Compensati0on Committees that willfully ignored significant red flags, engaged in pervasive accounting and disclosure fraud. This resulted in the Company filing materially false and misleading current, quarterly, and annual reports, and at least one proxy statement, with the Commission. The Company's filings materially overstated DHB's results and profitability, and misrepresented the nature of certain related party transactions and the Company's payment of its former Chief Executive Officer's personal expenses.

2. DHB's former outside directors Jerome Krantz, Cary Chasin, and Gary Nadelman, who comprised DHB's Audit and Compensation Committees, wholly failed to carry out their responsibilities as "independent" directors and Audit and Compensations Committee members and instead were willfully blind to numerous red flags signaling accounting fraud,

reporting violations, and misappropriation at DHB. Instead, as the fraud swirled around them, they ignored the obvious and merely rubber-stamped the decisions of DHB's senior management while making substantial sums from sales of DHB's securities.

3. DHB's lack of internal accounting and financial reporting controls, combined with the Audit Committee's willful blindness to red flags signaling fraud, allowed senior management to manipulate the Company's reported gross profit, net income, and other key figures in its earnings releases and public filings. The Company did so by, among other things, overstating inventory values, failing to include appropriate charges for obsolete inventory, and falsifying journal entries.

4. DHB's lack of internal controls and the Audit Committee's willful blindness to red flags also enabled former CEO David Brooks to divert at least $10 million out of DHB through fraudulent transactions with a related entity he controlled. Brooks and others also misappropriated millions from the Company through the use of Company credit cards and checks to pay for personal expenses, including luxury cars, jewelry, extravagant vacations, prostitutes, and his horse racing empire. Moreover, DHB's lack of internal controls and the failure of Krantz, Chasin, and Nadelman to address the significant red flags resulted in them signing or approving the Company's materially false and misleading public filings with the Commission.

5. Due to DHB's lack of internal controls and the Audit Committee's willful blindness to red flags, on October 1, 2007, DHB filed a comprehensive Form 10-K, which included restated financial results for 2003, 2004, and 2005. Restated results eliminated all of DHB's previously reported 2003 and 2004 profits.

6. By engaging in the conduct described above and more fully described below,

Krantz, Chasin and Nadelman violated Sections 10(b) and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act Rules 10b-5 and 14a-9, and aided and abetted DHB's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13. In addition, Nadelman violated Section 13(b)(5) of the Exchange Act and Exchange Act Rules 13b2-1 and 13b2-2.

II. JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), and 78aa.

8. The Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida because many of the acts and transactions constituting the violations alleged in this Complaint occurred in the Southern District of Florida. DHB's headquarters are located in the Southern District of Florida. DHB also conducted shareholder meetings in the Southern District of Florida, at least one of which Krantz, Chasin, and Nadelman attended. Krantz, Chasin, and Nadelman also were involved in conference calls with members of DHB's management and other DHB employees, who participated from the Southern District of Florida. Additionally, much of the field work by DHB's auditors occurred in the Southern District of Florida.

9. The Defendants, directly and indirectly, made use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange in connection with the acts, practices, and courses of business set forth in this Complaint.

III. DEFENDANTS AND RELEVANT ENTITIES

A. Defendants

10. Krantz, 55, resides in Old Westbury, New York. Krantz was a director of DHB and served as Chairman of the Audit and Compensation Committees from July 2000 through May 2006. DHB's public filings claimed that he was independent of management. He also served as the Audit Committee's designated financial expert. Krantz is the owner of an insurance agency and financial consulting firm. He holds a New York state insurance license as well as Series 6 and Series 26 securities licenses. Krantz has been associated with various registered broker-dealers since June 2004.

11. Chasin, age 62, resides in Old Westbury, New York. From October 2002 through February 2007, Chasin was a director of DHB and served as a member of the Audit and Compensation Committees. Chasin was an employee of DHB for several months in 1997, and again from November 1999 through April 2000.

12. Nadelman, age 58, resides in Old Westbury, New York. From approximately November 1995 through August 2000, Nadelman was a director of DHB and served as a member of the Audit Committee. DHB's public filings claimed that he was independent of management. In addition, Nadelman was Co-Chairman of DHB's board of directors from approximately September 1998 through August 2000. From July 2001 through February 2007, Nadelman again served as a director of DHB, and was a member of the Audit and Compensation Committees.

B. Relevant Entities

13. DHB is a publicly-traded Delaware corporation with its headquarters and primary manufacturing facilities in Broward County, Florida. DHB designs, manufactures and sells body armor products for the United States military and domestic law enforcement agencies. In 2006,

DHB relocated its headquarters from New York to Florida. The Company's primary manufacturing facilities are in South Florida and Tennessee. DHB's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and was listed on the American Stock Exchange n/k/a NYSE Euronext ("AMEX") until September 8, 2006, when it was delisted and deregistered for non-compliance with AMEX listing standards. During the relevant time period, DHB's stock traded at high of approximately $20. On October 2, 2007, the Company changed its name to Point Blank Solutions, Inc. On April 14, 2010, DHB filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court in Delaware. The Company's stock is currently registered pursuant to Section 12(g) of the Exchange Act and is quoted on the Pink Sheets.

14. Tactical Armor Products ("TAP") is a private entity which, at the time relevant to this action, Brooks' wife ostensibly ran but Brooks actually controlled. TAP had two primary business segments: the assembly of hard armor plates for insertion into DHB's vests, and the financing of Brooks' multi-million dollar horse racing empire, which included the funding of race horses, horse training, and grooms. Brooks and his brother owned or otherwise controlled more than 800 race horses all over North America.

IV. FACTUAL ALLEGATIONS

A. Background and Prior Commission Action

15. DHB is organized as a holding company and manufactures and sells its body armor products through two subsidiaries, Point Blank Body Armor ("Point Blank") and Protective Apparel Corporation of America. DHB's primary product is the Interceptor vest, a bullet-resistant vest used by the U.S. military.

16. Following the 9/11 terrorist attacks and the subsequent rise in military

expenditures, DHB experienced a substantial increase in its business, becoming one of the largest suppliers of body armor to the military and various law enforcement agencies.

17. On August 17, 2006, the Commission filed a civil action against DHB's former CFO, Dawn Schlegel, and former COO Sandra Hatfield. *Securities and Exchange Commission v. Dawn M. Schlegel and Sandra Hatfield* (U.S. District Court for the Southern District of Florida, Civil Action No. 06-61251-CIV-SEITZ/McAliley). The action was based on Schlegel and Hatfield's violations of the antifraud provisions of the securities laws, and their having aided and abetted DHB's violations of the reporting, books-and-records and internal control provisions of the securities laws. The United States Attorney's Office for the Eastern District of New York simultaneously filed criminal charges against Schlegel and Hatfield. The Commission's action against Schlegel and Hatfield was subsequently stayed, pending the outcome of the criminal proceedings. Schlegel pled guilty to the criminal charges pursuant to a plea agreement.

18. On April 3, 2006, DHB filed a Form 8-K stating its interim reports for 2005 could not be relied upon. On August 18, 2006, the Company filed another Form 8-K stating that the financials for 2003 and 2004 could not be relied upon.

19. On October 1, 2007, DHB filed a comprehensive Form 10-K, which included restated financial statements for 2003, 2004, and 2005. The restated Form 10-K disclosed that DHB's gross profit margins and net income for 2003 and 2004 were materially lower than the Company had previously reported. These restated financials eliminated all of DHB's 2003 and 2004 profits.

20. On October 25, 2007, the Commission filed a civil action against Brooks, alleging he engaged in accounting fraud, misappropriation of corporate funds, and insider trading, and aided and abetted DHB's violations of the reporting, books-and-records, and internal control

provisions of the Federal Securities Laws. *Securities and Exchange Commission v. David H. Brooks* (U.S. District Court for the Southern District of Florida, Civil Action No. 07-61526-CIV-Altonaga/Turnoff). This was the second time that the Commission has brought an action against Brooks. In 1992, the Commission obtained a permanent injunction and $405,000 civil penalty against Brooks and barred him from association with any broker or dealer for five years, as a result of civil and administrative enforcement proceedings related to his role in an insider trading scheme.

21. The United States Attorney's Office for the Eastern District of New York simultaneously filed criminal charges against Brooks alleging securities fraud, conspiracy to commit securities fraud, insider trading, and obstructing the Commission's investigation. The Commission's civil action is stayed pending the resolution of the criminal action. The criminal trials against Brooks and Hatfield were joined. *United States v. David H. Brooks and Sandra Hatfield* (U.S. District Court for the Eastern District of New York, Criminal Docket No. 06-CR-550/Seybert). Schlegel has been a cooperating witness in the criminal case and has pled guilty to criminal charges pursuant to a plea agreement.

22. On September 14, 2010, a jury found Brooks and Hatfield guilty of multiple counts of insider trading, fraud, and obstruction of justice charges, including obstructing the Commission's investigation, based on the same conduct that led to the Commission's actions against them. The forfeiture phase of the criminal trial is expected to continue into spring 2011, and sentencing will occur sometime afterwards.

B. Krantz, Nadelman and Chasin Willfully Ignored Red Flags Because of their Loyalty to Brooks and their Own Self-Interest

23. Krantz, Nadelman, and Chasin lacked impartiality to serve as independent Board or Audit Committee members. They were Brooks' longtime friends and neighbors, with

personal relationships with Brooks that spanned decades. Chasin lived close to Brooks, and he and his family went out to dinner with Brooks and the Brooks family two or three times a month. Nadelman and his family had a social relationship with Brooks and the Brooks family, and regularly attended Brooks' family social functions. Krantz had a relationship with Brooks starting in 1998 or 1999, and was Brooks' insurance agent before Brooks asked him to join DHB's board.

24. In addition to a close personal relationship, Krantz, Nadelman, and Chasin each had business relationships with Brooks that influenced their impartiality and independence.

25. Throughout his tenure as a board member, Krantz served as the insurance agent for DHB and two of its subsidiaries, TAP, and members of the Brooks family. In that capacity, he received upwards of $48,000 per year in commissions from DHB and Brooks personally.

26. Chasin also had prior business relationships with Brooks before joining DHB's board. Chasin previously worked for DHB for a few months in 1997 and again in 1999. Chasin did not have a title during his employment at DHB, and his responsibilities were to help manage the Company and put in systems for accounts payable, accounts receivables and cash management. For the three or four months Chasin worked at DHB in 1997, he earned approximately $100,000. Likewise, for the three or four months Chasin worked at the Company in 1999, he earned approximately $100,000. From 1997 to 2000, DHB was Chasin's only source of income.

27. Nadelman also had prior business relationships with Brooks, including being a significant investor in one of Brooks' private companies, which Brooks took public and conducted a public offering.

28. Krantz, Nadelman, and Chasin were also influenced by Brooks' wealth and the

financial opportunities that loyalty to him provided. Brooks demanded unquestioned loyalty from anyone associated with DHB and exercised absolute control over every aspect of the Company, including the Board of Directors. He rewarded loyalty by giving extravagant bonuses, stock, warrants, and other perks to many employees. Krantz, Nadelman, and Chasin, each received lucrative warrants in 2003, 2004, and 2005. They also received other lucrative perks from Brooks, such as seats to the Company's skybox at Madison Square Garden, which Brooks told them they could use to help with their outside businesses.

29. Additionally, the three directors knew the Company was paying for services with no legitimate business purpose, such as prostitutes. In fact, although these payments were discussed at board meetings, these discussions were concealed by omitting them from the official board minutes.

C. The Audit and Compensation Committees Facilitation of DHB's Fraud

30. From at least 2003 through 2005, DHB, through Brooks, Schlegel and Hatfield, engaged in widespread accounting and disclosure fraud by manipulating inventory, failing to disclose Brooks' control over TAP and the true nature of DHB's transactions with TAP, and falsely stating the Company had agreed to pay Brooks' personal expenses. As a result, DHB filed materially false and misleading periodic reports and at least one false proxy statement with the Commission from at least 2003 through 2005.

31. Throughout the period of DHB's fraud, Krantz, Chasin, and Nadelman served as DHB's purportedly independent directors and as the Company's Audit and Compensation Committees.

32. Krantz, Chasin, and Nadelman made little or no effort even to understand their Audit Committee responsibilities.

33. DHB's 2003, 2004, and 2005 proxy statements incorporated by reference its Audit Committee's Charter and included the Audit Committee's Report, both of which described duties and responsibilities of the Audit Committee. These included, among others:

- monitoring the integrity of DHB's financial reporting process and systems of internal controls;
- monitoring the independence and performance of DHB's independent auditors;
- providing an avenue of communication among the independent auditors, Company management, and the Board of Directors;
- reviewing and discussing DHB's audited financial statements with its independent accountants and management;
- reviewing DHB's system of audit and financial controls and internal audit results with DHB's independent auditors and management;
- reviewing and discussing DHB's financial reports and accounting standards and principles; and
- reviewing and reporting to the Board of Directors on any matters pertaining to the integrity of DHB's management, including conflicts of interest and adherence to standards of business conduct.

34. Despite these enumerated duties and responsibilities and despite Brooks' having a history of securities violations, Krantz, Chasin, and Nadelman turned a blind eye to numerous, significant, and compounding red flags relating to DHB management, namely DHB's lack of internal controls, a controller's allegations of fraud involving inventory valuation, DHB's business arrangement with TAP, and undisclosed payments to Brooks.

1. DHB's Inventory Fraud

a. Inventory Overvaluation

35. Between 2003 and 2005, DHB overstated its inventory quantities and created bogus, unsubstantiated bills of material to price its "work in process" and "finished goods" inventory. These fraudulent bills of material overstated labor costs, the amount of raw materials, overhead costs, and the unit prices of DHB's four primary vest components.

36. Throughout this period, DHB, through Hatfield, falsely adjusted its inventory

schedules to increase the inventory value. For example, in the fourth quarter of 2004, Hatfield falsely adjusted Point Blank's inventory schedules to increase the ending inventory value from approximately $2 million to approximately $9 million. Schlegel and Brooks were aware the inventory was overvalued, but did nothing to correct the Company's financial statements.

37. This manipulation caused DHB's annual reports to materially overvalue inventories by approximately $24 million in 2003 and approximately $30 million in 2004, and caused the Company to materially overvalue its inventories by approximately $33 million in its quarterly report as of September 2005. By overvaluing its inventories, DHB also materially overstated its reported gross profit and net income during these periods.

38. DHB also failed to devise and maintain internal controls sufficient to provide reasonable assurance that it accounted for its inventory, cost of goods sold, gross profit, gross margin, SG&A expenses, pre-tax income, net income, and other key figures in conformity with Generally Accepted Accounting Principles ("GAAP").

39. DHB's lack of internal controls resulted in the Company filing materially false and misleading earnings releases and public filings with the Commission.

b. Excess and Obsolete Inventory

40. Between 2003 and 2005, DHB further manipulated its inventory valuation by failing to account properly for excess and obsolete inventory as GAAP required, i.e. valuing inventory at the lower of cost or market value. DHB's failure to properly report its inventory values falsely inflated its gross profit and net income in its public filings and earnings releases.

41. In 2004, approximately $12.5 million of hard armor plates, a key component of DHB's vests, became obsolete when the U.S. Army changed specifications for the plates. Since the U.S. military was DHB's main customer, this meant the Company could not use those armor

plates in marketable vests. In addition, approximately $4.5 million of inventory became obsolete due to other specification changes, including the discontinuation of certain vest colors and fabrics. The changed specifications left DHB with a large inventory of plates and fabrics it could not sell.

42. DHB should have disclosed the known material risk and uncertainty concerning the marketability of these plates, and established an inventory valuation reserve by recognizing an obsolescence charge for the plates in its 2004 Form 10-K. However the Company failed to do so, thereby falsely misrepresenting and overstating its inventory, gross profit, and pre-tax income for 2004 by at least $17 million.

43. DHB additionally failed to recognize charges for impaired inventory totaling approximately $1 million in 2003 and approximately $6 million as of September 2005. This caused DHB to materially understate its cost of goods sold and materially overstate its gross profit and pre-tax income in its annual reports.

c. Fraudulent Expense Reclassification Entries

44. Between 2003 and 2005, DHB also manipulated the Company's reported gross profit margin by reclassifying amounts from cost of goods sold to "research and development," an expense category on DHB's income statement. These reclassification entries had the effect of materially understating DHB's cost of goods sold and overstating its expenses, resulting in an overstatement of DHB's gross profit.

45. Schlegel (with Brooks' knowledge) routinely directed members of the accounting staff to record journal entries that reclassified these expenses without any supporting documentation. DHB recorded these bogus amounts as research and development expenses, purportedly relating to sample vests provided to sales personnel and customers. However, these

amounts were baseless because, among other things, they represented tens of thousands more sample vests than DHB normally used. Furthermore, the corresponding overstated expenses were several times more than DHB's actual cost of samples.

46. DHB's fraudulently reclassified entries totaled approximately $8.8 million in 2003, approximately $7.1 million in 2004, and approximately $8.2 million as of September 2005, resulting in a material increase to DHB's gross profits reported in its earnings releases and public filings.

2. Krantz, Nadelman, and Chasin Facilitated DHB's Inventory Fraud

47. Krantz, Chasin, and Nadelman facilitated the Company's inventory fraud by failing to address significant red flags regarding the integrity of DHB's financial reporting process and systems of internal controls.

48. As early as 2003, Krantz, Nadelman and Chasin were faced with significant red flags concerning the overvaluation of DHB's inventory. These red flags continued through 2006 and included, among other things, auditors' concerns and material weakness letters relating to DHB's inventory system, and concerns raised by DHB's controller about the Company's inventory valuations.

a. Krantz, Nadelman, and Chasin Willfully Ignored Auditors' Concerns and Material Weakness Letters Relating to DHB's Inventory System

49. Krantz, Nadelman, and Chasin ignored auditors' concerns regarding deficiencies in DHB's inventory system. For instance, Grant Thornton LLP (DHB's then-auditors) resigned on August 20, 2003. That same day, the firm issued a material weakness letter to DHB's Audit Committee concerning DHB's internal controls over financial reporting. The auditors' concerns focused on understaffing in DHB's accounting department, DHB's lack of a comprehensive or formal inventory management system, and the Company's failure to disclose TAP as a related

entity. In its material weakness letter, Grant Thornton stated "there is currently no review process in place to ensure that data is entered into the system accurately and that inventory balances at any point in time are stated fairly. We recommend that the Company acquire and implement a comprehensive inventory management system to assist management in properly managing and controlling inventory in a consistent and organized manner." Krantz, Nadelman, and Chasin failed to take any meaningful actions in response to the material weakness letter.

50. Similarly, in 2004, DHB's new auditors also identified multiple internal control deficiencies relating to DHB's accounting and finance department, and specifically its inventory processes. In early March 2004, Weiser LLP ("Weiser"), raised concerns about the Company's accounting department, and in particular, its inventory processes, to the Audit Committee. Weiser informed the Audit Committee that DHB's inventory tracking system was inadequate and that the Company needed a comprehensive inventory management system. In late March or early April 2004, Weiser told DHB and the Audit Committee to retain a CFO for the Company's Florida operations, a Director of Financial Reporting, a cost accountant responsible for inventory cost accounting and reporting, and they wanted a new financial expert, instead of Krantz, to serve on the Audit Committee.

51. Krantz, Nadelman, and Chasin failed to act on many of Weiser's numerous recommendations, which were needed to ensure that DHB had adequate controls. In fact, the only recommendation that DHB followed was that it hired a new controller.

b. Krantz, Nadelman, and Chasin Willfully Ignored Controller's Concerns About DHB's Inventory Valuation

52. Within months of joining DHB, the new controller warned the Company's management that it was overvaluing its inventory. By no later than February 2005, Krantz, Nadelman, and Chasin learned of the new controller's concerns. Again, however, Krantz,

Nadelman, and Chasin ignored red flags raised by DHB's newly hired controller about its inventory valuations.

53. In late 2004, the controller started raising concerns to Schlegel and Hatfield that DHB was significantly overvaluing its inventory. On February 17, 2005, the controller alerted the Weiser audit engagement team to his belief that the Company's inventory was overvalued, and that he was resigning over the issue. After learning the controller informed the auditors of his concerns, Brooks removed the controller from DHB's premises and fired him.

54. In late February 2005, Weiser informed Krantz the controller had resigned. Weiser then met with Krantz, Nadelman, and Chasin to discuss the details of the controller's allegations, specifically that DHB's inventory was overvalued by $12 to $15 million. Weiser also informed the Audit Committee it intended to issue a material weakness letter concerning DHB's inventory management and accounting system (representing at least the third time in less than two years external auditors had alerted the Audit Committee that the Company's inventory controls were severely deficient).

55. On March 16, 2005, Weiser again met with Krantz, Chasin, and Nadelman, and inquired about what they had done in their Audit Committee oversight role to address the controller's allegations. Krantz, Chasin, and Nadelman responded they were relying on the auditors to expand audit procedures. Weiser explained it was the Audit Committee's responsibility to act, not Weiser's, and recommended the Audit Committee investigate the controller's allegations.

56. During the March 16, 2005 meeting, Weiser's engagement partner informed the Audit Committee that "there is a distinction between auditors roles and audit committee roles." He, therefore, urged the Audit Committee to look into this matter. However, according to

Weiser's minutes of the meeting, Krantz did not seem at all concerned by the substance of the allegations, but with what he saw as the controller's "irresponsibi[lity] in not following protocol per Audit Committee," that the controller had approached the auditors rather than the Company about the matter.

57. Despite the red flags Weiser and the former controller raised, Krantz, Chasin, and Nadelman took no meaningful action to review or investigate these problems.. Krantz, Chasin, and Nadelman did not investigate the matter, nor did they make any attempt to even contact the former controller to discuss his allegations.

58. Ultimately, DHB confirmed the controller's allegations were indeed accurate, and DHB's inventory had been materially overstated. This required the Company to restate its financial results for 2003, 2004, and 2005.

c. DHB's Filed its 2004 Form 10-K Without Its Auditor's Consent and Material Weakness Letter

59. Also, on March 16, 2005, Weiser informed the Company it was not prepared to provide an audit report in time to meet the Company's filing deadline for its 2004 annual report. The auditors advised DHB not to submit the annual report for filing without their permission.

60. Instead of discussing the issues causing the delay, Chasin left a hostile voicemail with the audit team's engagement partner, demanding that Weiser sign off on the annual report.

61. Over Weiser's objections, that evening, DHB submitted its 2004 annual report to the Commission for electronic filing. The filing contained an audit report with a forged signature.

62. Upon learning that DHB filed its annual report with the Commission, Weiser notified the Company that it could not rely on the 2004 audit report associated with the annual report.

63. The following day, after Weiser made certain revisions to DHB's financial statements and other changes, it provided DHB with a signed audit report.

64. At the same time, Weiser issued a material weakness letter to the Audit Committee concerning deficiencies in DHB's systems of inventory valuation. In its material weakness letter, Weiser stated "[m]anagement's systems of inventory valuation is inadequate to accurately capture cost of materials and labor components of certain work in process and finished goods inventory. These deficiencies could result in material errors in the Company's accounting for inventory and cost of goods sold."

65. Weiser's material weakness letter to DHB also included an additional finding highlighting the Company's filing of the annual report without its consent. In the letter, Weiser concluded the Audit Committee itself constituted a material weakness, stating the "conduct of the audit committee did not demonstrate its understanding of its oversight role of the Company's external financial reporting and internal control over its financial reporting processes."

66. DHB filed an amended 2004 annual report on March 17, 2005, which included the actual signed audit report. On April 8, 2005, Weiser resigned. DHB disclosed Weiser's material weakness letter in the Form 8-K announcing the firm's resignation.

67. DHB's lack of internal controls and the failure of Krantz, Chasin, and Nadelman to address the significant red flags resulted in the Company filing materially false and misleading earnings releases and public filings with the Commission. This included DHB's 2003 annual report, which Krantz and Nadelman signed, and DHB's 2004 annual report, which Krantz, Nadelman and Chasin signed.

D. Krantz, Nadelman, and Chasin Facilitated Brooks' Looting of $10 Million from the Company through TAP

1. Brooks' Looting of DHB Was Not Disclosed

68. From at least 2003 to 2006, Brooks diverted approximately $10 million out of DHB through the Company's fraudulent business arrangement with TAP. DHB did not publicly disclose TAP as a related party until July 2003, and even then, the Company failed to accurately divulge Brooks' control over TAP and the nature of the business arrangement.

69. TAP had no significant assets or access to credit, and DHB was its only customer. TAP assembled the hard armor plates DHB purchased for its vests, which involved mainly gluing and sewing services DHB could have performed itself. TAP then resold the assembled plates to DHB for insertion into its vest products.

70. Although Brooks' wife was listed as running TAP, Brooks actually controlled it. Brooks authorized and reviewed all of TAP's checks prior to disbursement, personally signed TAP checks, directed Schlegel to sign his wife's name to TAP checks, authorized the payment of bonuses to TAP employees (including horse trainers) out of DHB's accounts, controlled the price TAP charged DHB for plates, and made decisions regarding TAP's capital expenditures and personnel. TAP either spent the majority of proceeds it received from the sale of the plates to DHB on Brooks' horse racing empire, or Brooks transferred the money to another entity he controlled.

71. TAP charged DHB roughly double the amount of reasonable labor costs for its services. Brooks determined these prices.

72. By directing DHB to pay TAP's inflated labor costs and purchase TAP's entire inventory, Brooks was able to divert at least $10 million from DHB through TAP, disguising it as cost of sales in DHB's financial statements and disclosures.

73. DHB's earnings releases and public filings with the Commission misrepresented funds paid to TAP as part of DHB's routine manufacturing expenses. These releases and filings also failed to properly account for and disclose the true nature of the transactions between DHB and TAP, and Brooks' control over TAP.

74. DHB and others concealed the existence of Brooks' relationship with TAP from auditors and investors until 2003, when the auditors required the Company to file an amended 2002 Form 10-K to disclose TAP's ownership and DHB's related party transactions with TAP.

75. On July 24, 2003, DHB filed an amended 2002 annual report, which for the first time disclosed TAP as a related party that Brooks' wife owned. The amended 2002 Form 10-K failed to disclose, however, Brooks controlled TAP's business, Brooks determined the price TAP would charge DHB, and that Brooks directed DHB to pay TAP's inflated labor costs, and was thus able to divert substantial funds from DHB.

2. Krantz, Nadelman, and Chasin Willfully Ignored Red Flags Regarding TAP

76. Krantz, Chasin, and Nadelman facilitated the fraud relating to TAP by ignoring red flags pointing to a fraudulent scheme. Krantz, Nadelman, and Chasin repeatedly turned a blind eye to numerous red flags relating to DHB's relationship with TAP, including union complaints regarding undisclosed related party transactions with TAP, Brooks' control over investigations concerning TAP, a material weakness letter concerning DHB's failure to disclose TAP, and the resignations of an auditor and a law firm over the issue.

77. The fraudulent DHB/TAP arrangement rendered DHB's related-party disclosures materially false and misleading for years and also resulted in fraudulent accounting. Specifically, DHB's purchase of plates from TAP at inflated prices resulted in the overstatement of inventory and cost of goods sold, which resulted in the understatement of gross profits and

earnings.

a. Krantz, Nadelman, and Chasin Willfully Ignored Union Complaints

78. Krantz, Nadelman, and Chasin ignored red flags regarding TAP as early as 2003, when they received union complaints concerning this and other issues. In 2003, the Union of Needletrades, Industrial and Textile Employees ("UNITE"), a union attempting to organize DHB's employees, issued several complaints highlighting potential disclosure violations at DHB, most notably the Company's failure to disclose TAP as a related entity. DHB's then-outside auditors, Grant Thornton, LLP, learned of the complaints through press coverage and began to scrutinize the DHB/TAP arrangement. Krantz, Nadelman, and Chasin were all aware of the UNITE complaints.

79. In June 2003, UNITE sent a complaint letter to the Commission and others alleging DHB failed to disclose TAP as a related entity. In this letter, UNITE made numerous specific allegations regarding TAP as an undisclosed related party. The allegations included that: (1) TAP was related to DHB through common ownership and control of Terry Brooks (Brooks' wife) and Jeffrey Brooks (Brooks' brother); (2) DHB failed to disclose its ongoing related party transactions with TAP; and (3) TAP was a *de facto* subsidiary of DHB, which the Company had failed to disclose. Around the same time, DHB's auditors also began to raise serious questions to Brooks and the Audit Committee about the Company's arrangement with TAP.

80. Krantz, Nadelman, and Chasin knew of the June 11, 2003 UNITE letter. Yet, Krantz, Nadelman, and Chasin failed to conduct an independent investigation into why the related party transactions were not disclosed in DHB's filings.

b. Krantz, Nadelman, and Chasin Failed to Independently Investigate TAP and Instead Allowed Brooks to Control the TAP Investigation

81. Instead of conducting an independent investigation into DHB's relationship with TAP, Krantz, Nadelman, and Chasin allowed Brooks to commission and control an investigation into the issue, which essentially allowed senior management to investigate itself.

82. On June 11, 2003, amidst questions from DHB's auditors, Brooks requested that an outside law firm, Gibson Dunn & Crutcher, LLP ("Gibson Dunn"), review whether DHB's dealings with TAP constituted related party transactions. Brooks controlled Gibson Dunn's inquiry, including the flow of documents and information and access to witnesses. Krantz, Nadelman, and Chasin were never involved in the investigation.

83. As Gibson Dunn's investigation was nearing completion, Grant Thornton directed the Audit Committee to obtain a written summary of Gibson Dunn's factual findings. On July 2, 2003, Grant Thornton informed DHB there were questions the Audit Committee needed to specifically address regarding TAP, and directed the Company to put these questions to Krantz, as chairman of the Audit Committee. On July 7, 2003, Brooks informed the Audit Committee that management "inadvertently" failed to disclose a related party transaction in the Company's 10-Ks regarding TAP, and that DHB planned to make a disclosure in its filings and "urged" the Audit Committee "to fully review this transaction and to undertake any other review necessary to ensure that the Company has disclosed all related party transactions." The same day, July 7, 2003, the Audit Committee (at the behest of the auditors) requested that Gibson Dunn provide a written summary of the nearly completed investigation.

84. Notwithstanding the concerns raised over DHB's relationship with TAP, Krantz, Nadelman, and Chasin failed to conduct or arrange for any meaningful and independent investigation into the business arrangement. Instead, it was Brooks who oversaw the

investigation into the Company's related party transactions with entities he and his family owned. Brooks was also the person who updated the board members on the Gibson Dunn investigation, informing them about the status of the investigation and about the disclosures the Company would be making regarding TAP. Krantz, Nadelman, and Chasin did not question the disclosures regarding TAP.

85. On July 10, 2003, Gibson Dunn issued a report based on documents DHB's management provided, as well as interviews with DHB management and TAP's President (Brooks' wife). The report, which was not a legal opinion, recommended that DHB disclose its relationship with TAP due to Brooks' wife's purported ownership.

86. The report made no findings about the legitimacy or business purpose of the arrangement. It merely noted that DHB's "management believes that the prices TAP charged were fair prices established in good faith" and based on the information provided (which was provided by DHB's management) the firm found no evidence that DHB's relationship with TAP was designed to create artificial gains or losses. The report made no findings regarding Brooks' involvement with TAP, or DHB's failure to inform its auditors about the arrangement. Krantz, Chasin, and Nadelman received the law firm's report, but did not question any of the key issues.

87. Brooks also informed the board at the July 9, 2003, board meeting that he had many related party transactions with DHB. Nonetheless, Krantz, Nadelman, and Chasin did not question Brooks about any of these related party transactions, nor did they ever review, vote on or approve these transactions.

88. On July 24, 2003, DHB filed an amended 2002 annual report, which for the first time disclosed TAP as a related party, but this disclosure failed to disclose that Brooks, not his wife, controlled TAP's business, Brooks determined the price TAP would charge DHB, and that

Brooks directed DHB to pay TAP's inflated labor costs, and was thus able to divert substantial funds from DHB.

c. Krantz, Nadelman, and Chasin Willfully Ignored Grant Thornton's Resignation and Material Weakness Letter

89. On August 20, 2003, Grant Thornton resigned and issued the previously discussed material weakness letter to the Audit Committee concerning DHB's internal control over financial reporting. The material weakness letter highlighted DHB's failure to disclose TAP as a related entity, the Brooks family controlled, understaffing in the Company's accounting department, and the lack of a comprehensive or formal inventory management system. Grant Thornton resigned the day it issued the material weakness letter.

90. Despite the auditors' subsequent material weakness letter and resignation, the Audit Committee subsequently failed to examine or monitor transactions with TAP or to independently investigate the nature of the business arrangement.

d. Krantz, Nadelman, and Chasin Willfully Ignored the Commission's Investigation and Inquiries

91. Krantz, Nadelman, and Chasin also ignored another red flag that the Commission was questioning the Company's relationship with TAP.

92. By no later than early 2004, the board became aware of subpoenas to DHB for documents from the Commission's enforcement staff, as well as requests from the Commission's Division of Corporation Finance for DHB to provide supporting documentation regarding its relationship with TAP. Despite this, Krantz, Nadelman, and Chasin still did not question Brooks about any of this or make any meaningful inquire into the underlying issues.

e. Krantz, Nadelman, and Chasin Willfully Ignored Gibson Dunn's Resignation and its Calling into Question its Internal Investigation and Report

93. In late January 2004, Krantz, Chasin and Nadelman learned of another red flag regarding TAP. They learned that Gibson Dunn, the law firm that had previously reviewed the TAP-DHB relationship, had resigned. Gibson Dunn's resignation letter, which the firm sent to Krantz, Chasin, and Nadelman, called into question its previously issued TAP report. The law firm stated it had discovered previously undisclosed information about the TAP-DHB relationship, which raised "further questions bearing on issues of control and relatedness that warrant further review."

94. Krantz, Chasin, and Nadelman discussed Gibson Dunn's resignation with Brooks, and discussed the fact that TAP's offices were located at DHB and that Hatfield's sister ran TAP. Krantz admitted the situation was a "smelly fish." Despite this, Krantz, Nadelman, and Chasin merely echoed Brooks' sentiment in one round after another that they thought the lawyer from Gibson Dunn was "tremendously disloyal" and "spineless."

95. Ultimately, Krantz, Chasin, and Nadelman failed to ask Gibson Dunn about its questions regarding TAP or the impact of the newly acquired information on its previously issued report. They also failed to inquire of DHB's management why it withheld information about the TAP-DHB relationship from the investigating law firm.

f. Krantz, Nadelman, and Chasin Willfully Ignored Brooks' Control Over a Second Internal Investigation into TAP

96. After Gibson Dunn's resignation, Krantz, Chasin, and Nadelman attended a February 6, 2004 meeting of DHB's Board of Directors, where the Board discussed hiring another outside law firm to, among other things, further review the TAP-DHB arrangement.

97. Brooks informed the Board he would not agree to an investigation that

independent Board members would oversee. Brooks would only agree to an investigation that he oversaw. Krantz, Chasin, and Nadelman once again failed to question or challenge Brooks' decision, with Chasin incorrectly stating Board members could not take on that responsibility, which is acted contrary to the audit committee charter. Ultimately, DHB did not hire that firm.

98. Three days later, on February 9, 2004, Brooks hired another outside law firm, Pepper Hamilton LLP ("Pepper Hamilton") and a consulting firm, FTI Consulting, Inc. ("FTI") to investigate the TAP-DHB relationship. Again, Brooks coordinated the investigation, controlled the documents DHB provided, and determined who the firms could interview. Despite the concerns the prior law firm had raised, Krantz, Chasin, and Nadelman once again willfully ignored the red flags that confronted them and allowed Brooks to spearhead the inquiry. In fact, they played no meaningful role in it.

99. A little more than a month later, on March 16, 2004, FTI issued a report concerning DHB's relationship with TAP. FTI's report was based on Gibson Dunn's report, documents and correspondence Brooks produced, and phone interviews with Brooks, Schlegel, and Patricia Lennex, Hatfield's sister, who was the Production Manager of TAP. (In June 2009, Patricia Lennex was criminally charged by the United States Attorney's Office for the Eastern District of New York for her role in a tax fraud scheme).

100. Given that Brooks controlled FTI's investigation and the investigation relied upon information he provided, FTI's investigation was not independent and its findings were not reliable. Despite Gibson Dunn's resignation and revelation Brooks withheld information from Gibson Dunn, the Audit Committee still allowed Brooks to oversee and control FTI's inquiry into TAP.

101. To create the illusion the Audit Committee was overseeing the investigation,

Brooks demanded that Krantz, Chasin, and Nadelman hold a special Audit Committee meeting on April 1, 2004 with the lawyer overseeing the second TAP inquiry. Brooks told Krantz, Chasin, and Nadelman the purpose of the meeting was so the lawyer "could say he is dealing with the Audit Committee in person . . . ." Krantz, Chasin, and Nadelman did not question Brooks about this ploy or why the Audit Committee was not overseeing the investigation.

102. Even though FTI's inquiry was conducted on the heels of Gibson Dunn's resignation, Krantz, Nadelman, and Chasin did not question or meet with FTI during its investigation. Nor did they ever question Brooks about the parameters of FTI's investigation, or about the information Brooks was providing to FTI. Moreover, they did not question the report's findings. For instance, in its report, FTI noted TAP's bank statements were being addressed to DHB's CFO, Schlegel, but that Schlegel had told the bank that the bank had "mistakenly" designated her to receive copies of all bank statements for TAP's accounts. (Not only was Schlegel receiving TAP's bank statements, she was also signing Brooks' wife's name on TAP's checks). Krantz, Nadelman, and Chasin did not question why the CFO of DHB was receiving a related party's bank statements. Ultimately, their failure to follow up on this and numerous other red flags, allowed Brooks to divert millions of dollars out of DHB.

g. Krantz, Nadelman, and Chasin Willfully Ignored Brooks' Refusal to Give Weiser Necessary Information Relating to TAP

103. In August 2004, Weiser (DHB's third set of auditors since 2002) informed Krantz that Brooks refused to provide complete financial information relating to the TAP-DHB relationship. The auditors needed the information to determine whether DHB should consolidate TAP within its financial statements. In October 2004, Weiser informed Krantz that Brooks still refused to share the necessary TAP financial information. Despite Brooks' refusal to provide this information to Weiser, Krantz, Nadelman and Chasin did not question Brooks or upper

management about the reasons for Brooks' reluctance to provide complete records. Nor did they question Brooks or upper management about the DHB/TAP relationship. Krantz, Chasin, and Nadelman failed to demand that management produce the records to the auditors, and they also failed to independently examine the DHB/TAP relationship.

E. Krantz, Nadelman, and Chasin Facilitated DHB's Improper Payment for Brooks' Personal Expenses and DHB's Fraudulent Concealment of Its Improper Payment

1. Concealment of $4.7 Million for Brooks' Personal Expenses

104. DHB lacked internal accounting controls over the use of corporate checks and credit cards, enabling Brooks to use DHB as his personal piggy bank. Between 1997 and 2005, Brooks used DHB checks and corporate credit cards to divert approximately $4.7 million in Company funds to his private entities and to pay for millions of dollars in personal expenses. These expenses included such items as luxury cars, jewelry, art, real estate, extravagant vacations, use of personal aircraft, prostitutes, horse training, clothing and accessories from high fashion designers such as Hermes and Louis Vuitton, and more than $120,000 for iPods included in gift bags for guests at his daughter's multi-million dollar bat mitzvah.

105. DHB paid for approximately $975,000 of Brooks' personal expenses in 2003, approximately $788,000 in 2004, and approximately $1.3 million in 2005. In addition, between 1997 and 2002, DHB paid for at least $1.7 million of Brooks' personal purchases on corporate credit cards. Brooks did not repay DHB these amounts.

2. DHB's 2004 Proxy Statement Contained Fraudulent Statements to Justify Its Payment of Brooks' Personal Expenses

106. Following Commission subpoenas requesting documents relating to DHB's payment of Brooks' personal expenses, the Company issued a proxy statement in November 2004 disclosing DHB's payment of only $2 million of those expenses. In the proxy statement,

DHB attempted to justify payment of Brooks' personal expenses through a previously-undisclosed corporate resolution. This resolution, purportedly executed in 1997, granted Brooks the right to reimbursement for business and personal expenses in an aggregate amount not to exceed 10% of DHB's annual net income (the "1997 Resolution").

107. In reality, the 1997 Resolution was a fraudulent document created after the fact to support the Company's history of funding of Brooks' lavish lifestyle and the payment of his personal expenses.

108. Nadelman purportedly signed the bogus 1997 Resolution behalf of the Compensation Committee. However, the only other Compensation Committee member at the time the 1997 Resolution was allegedly executed did not know it existed. Further demonstrating the fraudulent nature of this document, Nadelman has given inconsistent statements on whether he actually executed the 1997 Resolution and other times he has asserted the Fifth Amendment and refused to answer any questions regarding the 1997 Resolution.

109. Moreover, Schlegel had never seen or heard of the 1997 Resolution until after DHB received the Commission subpoena relating to DHB's payment of Brooks' personal expenses. Casting further doubt on the legitimacy of the 1997 Resolution, DHB had never previously tracked or reported Brooks' personal expenses as the 1997 Resolution supposedly required.

110. Significantly, DHB never disclosed the 1997 Resolution in any of its public filings issued in the seven years prior to the November 2004 proxy statement. Moreover, DHB's outside auditors had not seen the resolution or heard of its existence before the purported resolution materialized in mid-2004.

111. Furthermore, Brooks' employment agreement was renegotiated in 2000. That

agreement neither mentioned nor incorporated the 1997 Resolution, even though it contained a detailed compensation and bonus provision.

112. DHB included detailed disclosures regarding the bogus 1997 Resolution and its terms in its November 2004 proxy statement, thereby causing that filing to be materially false and misleading.

3. Krantz, Nadelman, and Chasin Willfully Ignored Red Flags Concerning DHB's Improper Payment of Brooks' Personal Expenses

113. Krantz, Nadelman, and Chasin were confronted with – and ignored – several red flags relating to DHB's improper payment of Brooks' personal expenses. These red flags included Brooks' control over investigations into the issue, his termination of a consultant hired to investigate the matter, and the sudden appearance of the 1997 Resolution.

114. Moreover, the sudden appearance of the 1997 Resolution was a significant red flag that should have caused them to question the legitimacy of the document and the issues relating to Brooks' personal expenses. Prior to August 2004, Krantz and Chasin had no knowledge of the 1997 Resolution, or of any arrangement entitling Brooks to reimbursement for personal expenses. At the time, however, Krantz, Chasin, and Nadelman knew the Commission was investigating, among other things, DHB's payment of Brooks' personal expenses, and had subpoenaed related documents.

115. Yet, they never questioned Schlegel's report to the Audit Committee or the veracity of the 1997 Resolution. Nor did they question why DHB had never disclosed publicly or discussed it with DHB's auditors.

116. Despite the dubious nature of the 1997 Resolution, Krantz, Chasin, and Nadelman again turned a blind eye and took no steps to independently investigate the Company's payments to Brooks, DHB's process for making such payments, and its failure to disclose the payments in

its filings with the Commission or to its auditors.

4. Krantz, Nadelman, and Chasin Allowed Brooks to Control FTI's Investigation into DHB's Payment of his Personal Expenses

117. In the midst of the Commission's investigation into his executive compensation, around March 2004, Brooks requested that FTI examine whether he had used DHB's funds for personal expenses. Krantz, Nadelman, and Chasin did not request that FTI conduct the review, and instead, the Audit Committee allowed Brooks to control FTI's investigation into his own personal expenses.

5. Krantz, Nadelman, and Chasin Allowed Brooks to Fire FTI When FTI Questioned Brooks' Personal Expenses

118. Despite Brooks' control over the investigation, to Brooks' chagrin, FTI began questioning the Company's payment of some of his expenses. FTI questioned the business purpose of certain extravagant items Brooks purchased with DHB funds including: a Hermes briefcase, a Bose radio, a Sharper Image chair, chartered flights, an armored car, limousine services, stationery, and upscale pens. The firm also recommended the Audit Committee take additional steps to ensure Company funds were not expended without authority.

119. Before the firm could complete its inquiry, around July 2004, Brooks terminated FTI's engagement, in part due to a dispute over whether his purchases were personal rather than business related.

120. By the time of FTI's termination, the Audit Committee had been confronted with the resignations of Gibson Dunn and Grant Thornton, and several Commission subpoenas and request letters seeking information regarding Brooks' compensation. However, Krantz, Nadelman, and Chasin continued to ignore these numerous red flags and allowed Brooks to terminate the investigation.

121. Krantz, Nadelman, and Chasin subsequently failed to conduct an independent investigation into Brooks' executive compensation, and instead allowed Brooks and Schlegel to take over the investigation into DHB's payment of Brooks' personal expenses. The Audit Committee relied on Schlegel, who signed check payments to Brooks and paid his credit card expenses, to investigate and report on the facts and circumstances surrounding these payments to Brooks.

122. Krantz, Nadelman, and Chasin also failed to alert Weiser, the Company's auditors at the time, to the issues concerning Brooks' personal expenses. Krantz, Nadelman, and Chasin neither discussed Brooks' personal expenses with the firm nor did they mention FTI's or Schlegel's investigation.

123. Relying solely on management's representations, and without any further investigation or consultation with the Company's auditors, Krantz, Chasin, and Nadelman blindly accepted Schlegel's findings and approved DHB's November 2004 proxy statement that disclosed for the first time DHB's payment of $2 million of Brooks' personal expenses based on the 1997 Resolution.

124. Notably, the same day DHB issued the November 2004 proxy statement, at Brooks' direction, DHB's Board, including Krantz, Chasin, and Nadelman, voted to sell a large amount of DHB's securities. The following week, Krantz, Chasin, and Nadelman each sold a sizeable block of DHB's securities at a substantial profit. But for their extremely reckless actions, Krantz, Nadelman and Chasin would not have reaped these substantial profits.

6. Krantz, Nadelman, and Chasin Failed to Investigate the Impact of the 1997 Resolution on the Company's Prior Financial Statements

125. In February 2005, Grant Thornton, DHB's prior auditor, contacted Krantz and demanded to know why no one at DHB had informed it of the 1997 Resolution before DHB filed

its November 2004 proxy statement. Grant Thornton questioned whether the previously undisclosed payments of Brooks' personal expenses impacted DHB's financial statements for prior periods and it threatened to withdraw its 2002 audit opinion. Despite this, Krantz Nadelman, and Chasin, did not investigate why management had not provided the auditors with the 1997 Resolution and did nothing to determine whether the Company needed to restate its financial results.

F. Krantz, Nadelman, and Chasin Participated in DHB's Attempt to Opinion Shop when Auditors Issued a 10A Advisory Report

126. Krantz, Nadelman, and Chasin participated in an improper attempt by DHB to opinion shop after the Company's auditors issued a report alleging fraud at the Company. In April 2005, DHB engaged new auditors, Rachlin Cohen and Holtz, P.A. ("Rachlin") (the Company's fourth set of auditors since 2002) to audit its 2005 financial statements. Later, in November 2005, DHB hired Rachlin to conduct a re-audit of its 2003 and 2004 financial statements after Weiser refused to consent to the re-issuance of its audit reports.

127. On April 5, 2006, as Rachlin was completing DHB's 2005 year-end audit, it provided DHB, Krantz, Nadelman, Chasin, and the Commission with an "Advisory Statement" pursuant to Section 10A of the Exchange Act (requiring public auditors to report any likely illegal act detected during the audit) detailing DHB's inventory manipulations during the first three quarters of 2005. Schlegel's actions were the subject of Rachlin's 10A report.

128. That same day, following a board meeting, Chasin signed an engagement letter on behalf of DHB hiring a separate audit firm, Russell Bedford Stefanou LLP ("Russell Bedford"), to re-audit DHB's 2003 and 2004 financial statements (contemporaneous with Rachlin's audit of the same periods) in an apparent attempt to opinion shop.

129. Schlegel oversaw Russell Bedford's audit, even though her actions were the

subject of Rachlin's 10A report concerning potential illegal acts.

130. Neither of the auditing firms was aware DHB had engaged two auditors to conduct simultaneous audits of the same period. The auditors were physically separated – Rachlin was conducting its audit field work in DHB's Florida offices, and Russell Bedford conducted its work in the New York office. DHB never publicly disclosed the engagement of the second set of auditors.

131. Krantz, Chasin, and Nadelman knew, or were extremely reckless in not knowing, hiring the second firm was improper. They kept the opinion shopping secret from the previously retained auditors, allowing both firms to perform their audits in ignorance of the other. Brooks even warned them at a Board meeting that DHB's original auditor might quit if they learned about the second firm.

132. These false and misleading disclosures and omissions by DHB had the effect of artificially raising the price of DHB's stock, which allowed Krantz, Chasin, and Nadelman to reap substantial gains by selling DHB's securities at inflated prices.

133. In connection with filing the above referenced false and misleading 10-Q's and 10-K's, from 2003 through 2005 DHB also filed misleading current reports, on Forms 8-K, which included, among other things, false and misleading press releases. These press releases were materially false and misleading, since they included the financial information that were materially misreported in the above described 10-Q's and 10-K's.

134. Furthermore, as directors and as the Audit Committee, Krantz, Chasin, and Nadelman had an obligation and a duty to ensure that DHB filed current, quarterly, and annual reports, and proxy statements that were not materially false and misleading. By failing to act on the numerous red flags described above, from 2003 through 2005, Krantz, Chasin, and Nadelman

allowed DHB to file current, quarterly, and annual reports, and a proxy statement that were materially false and misleading.

G. DHB's Restatement

135. On or about March 31, 2006, DHB publicly announced for the first time in a Form 8-K that its previously issued financial statements for the first three quarters of 2005 should no longer be relied on.

136. On October 1, 2007, DHB filed its annual report on a Form 10-K for the reporting period ending December 31, 2006 ("2006 10-K"). Therein, DHB publicly disclosed that its previously issued financial statements for 2003 and 2004 should no longer be relied on. DHB further disclosed it was restating due to material inaccuracies regarding inventory, gross profit, and net income.

137. Moreover, the Company disclosed it had valued certain items of its inventory at amounts that exceeded its manufacturing costs, which GAAP does not permit. Under GAAP, DHB should have valued its inventory at the lower of cost or market. Furthermore, DHB disclosed that due to its restatement of 2004, its gross profit had dropped by approximately 40%, its net income had gone from positive to negative, and its earnings per share had gone from 67 cents a share to a loss of 23 cents a share. DHB also disclosed that due to its restatement of 2003, its gross profit had dropped by approximately 50%, its net income had gone from a positive to negative, and its earnings per share had gone from 34 cents a share to a loss of 11 cents a share.

V. VIOLATIONS

COUNT I

Fraud in Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

138. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully set forth herein.

139. From at least 2003 through 2005, Krantz, Chasin, and Nadelman, in connection with the purchase or sale of securities as described herein, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly, knowingly, willfully, or with extreme recklessness: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons.

140. By reason of the foregoing, Krantz, Chasin, and Nadelman, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) and Rule 10b-5 of the Exchange Act. [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

COUNT II

Aiding and Abetting Violations of Section 10(b) and Rule 10b-5 of the Exchange Act

141. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

142. From at least 2003 through 2005, DHB, in connection with the purchase or sale of securities as described herein, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly, knowingly, willfully, or with extreme recklessness: (a)

employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons.

143. Krantz, Chasin, and Nadelman, knowingly or with severe or extreme recklessness, provided substantial assistance to DHB in connection with DHB's violations of Exchange Act Section 10(b) and Rule 10b-5.

144. By reason of the foregoing, Krantz, Chasin and Nadelman aided and abetted DHB's violations of Section 10(b) and Rule 10b-5 of the Exchange Act and, unless enjoined, are reasonably likely to continue to aid and abet violations of Section 10(b) and Rule 10b-5 of the Exchange Act. [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

COUNT III

Aiding and Abetting Violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 of the Exchange Act

145. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

146. DHB failed to file timely and accurate periodic and other reports with the Commission containing required information, and failed to add additional material information necessary to make the required periodic reports or statements, in the light of the circumstances under which they were made, not misleading.

147. Krantz, Chasin, and Nadelman, knowingly or with extreme or severe recklessness, provided substantial assistance to DHB in connection with DHB's violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13of the Exchange Act. [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-1, 240.13a-11, 240.13a-13].

148. By reason of the foregoing, Krantz, Chasin, and Nadelman aided and abetted DHB's violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 of the Exchange Act and, unless enjoined, are reasonably likely to continue to aid and abet violations of Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 of the Exchange Act. [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-1, 240.13a-11, 240.13a-13].

COUNT IV

Aiding and Abetting Violations of Section 13(b)(2)(A) and (B) of the Exchange Act

149. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

150. DHB failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets, and failed to devise and maintain a system of internal controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. GAAP or any other criteria applicable to such statements.

151. Krantz, Chasin, and Nadelman, knowingly or with extreme or severe recklessness, provided substantial assistance to DHB in connection with DHB's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. [15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)].

152. By reason of the foregoing, Krantz, Nadelman, and Chasin aided and abetted DHB's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and, unless enjoined, are reasonably likely to continue to aid and abet violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

COUNT V

Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1

(against Nadelman only)

153. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

154. Nadelman knowingly and recklessly circumvented or knowingly and recklessly failed to implement a system of internal controls and, directly or indirectly, falsified DHB's books, records, and accounts.

155. By reason of the foregoing, Nadelman violated and, unless enjoined, is reasonably likely to continue to violate, Section 13(b)(5) and Rule 13b2-1 of the Exchange Act. [15 U.S.C. § 78m(b)(5); 17 C.F.R. § 240.13b2-1].

COUNT VI

Violations of Exchange Act Rule 13b2-2

(against Nadelman only)

156. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

157. Nadelman made or caused to be made materially false or misleading statements to an accountant in connection with audits, reviews, or examinations of the financial statements of DHB and the preparation or filing of documents or reports required to be filed with the Commission.

158. By reason of the foregoing, Nadelman violated and, unless enjoined, is reasonably likely to continue to violate, Exchange Act Rule 13b2-2. [17 C.F.R. § 240.13b2-2].

COUNT VII

Violations of Section 14(a) and Rule 14a-9 of the Exchange Act

159. The Commission repeats and re-alleges paragraphs 1 through 137 of its Complaint as if fully restated herein.

160. Krantz, Chasin, and Nadelman, directly or indirectly, by use of the means or instruments of interstate commerce or of the mails, or of the facility of a national securities exchange, knowingly, with extreme recklessness, or negligently solicited and permitted the use of their names to solicit proxies by means of a proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing statements which, at the time and in light of the circumstances under which they were made, were false and misleading with respect to material facts, or which omitted to state material facts which were necessary in order to make the statements made not false or misleading or which were necessary to correct statements in earlier false or misleading communications with respect to the solicitation of proxies for the same meeting or subject matter.

161. By engaging in the conduct described above, Krantz, Chasin, and Nadelman violated Section 14(a) and Rule 14a-9 of the Exchange Act. [15 U.S.C. § 78n(a); 17 C.F.R. § 240.14a-9] and, unless enjoined, are reasonably likely to continue to violate Section 14(a) and Rule 14a-9 of the Exchange Act.

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Krantz, Chasin, and Nadelman have committed the

violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunction

Permanently restrain and enjoin Krantz, Chasin, and Nadelman, their agents, servants, employees, representatives, attorneys-in-fact, and assigns and those persons in active concert or participation with them, and each of them, from violating Sections 10(b) and 14(a) and Rules 10b-5 and 14a-9 of the Exchange Act and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 of the Exchange Act. [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), 78m(b)(5), and 78n(a), and 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, and 240.14a-9]. In addition, permanently restrain and enjoin Nadelman, his agents, servants, employees, representatives, attorneys-in-fact, and assigns and those persons in active concert or participation with him, and each of them, from violating Section 13(b)(5) and Rules 13b2-1 and 13b2-2 of the Exchange Act. [15 U.S.C. § 78m(b)(5) and 17 C.F.R. §§ 240.13b2-1 and 240.13b2-2].

III.

Disgorgement

Issue an Order requiring the Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the violations alleged in this Complaint.

IV.

Civil Penalties

Issue an Order directing the Defendants to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Officer and Director Bar

Issue an Order pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], barring Krantz, Chasin, and Nadelman from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

VI.

Further Relief

Grant such other relief as this Court may deem just and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this court.

February 28, 2011

Respectfully submitted,

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