

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 07-61526-CIV-ALTONAGA/GOODMAN

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**JEFFREY BROOKS, as Personal Representative
of the Estate of David H. Brooks**

Defendant.

AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

I. INTRODUCTION

1. DHB Industries, Inc., a/k/a Point Blank Solutions, Inc. (“DHB”), was a major supplier of body armor to the U.S. military and law enforcement agencies. From at least 2003 through 2005, David H. Brooks, DHB’s founder, former Chief Executive Officer and Chairman of the Board, engaged in a pervasive accounting fraud, systematically looted company coffers, and took advantage of DHB’s artificially inflated stock price to dump millions of his shares on the market for proceeds of approximately \$186 million. This conduct resulted in DHB filing materially false and misleading periodic reports and proxy statements from at least 2003 through 2005, which presented a substantially more robust picture of DHB’s actual results and profitability.

2. Brooks, with the assistance of the company’s former Chief Financial Officer, Dawn Schlegel, and DHB’s former Chief Operating Officer, Sandra Hatfield, used DHB’s lack

of internal accounting and financial reporting controls to manipulate the company's gross profit margins and net income by overstating DHB's inventory values and falsifying journal entries.

3. In addition, Brooks funneled millions of dollars out of DHB through fraudulent transactions with a related entity he controlled, and misappropriated DHB funds to pay for millions of dollars of personal expenses, including luxury cars, jewelry, horse racing, extravagant vacations, and \$122,000 worth of iPods given as favors to guests at a multi-million dollar Bat Mitzvah party for his daughter in late 2005.

4. Continuing to abuse his position at DHB for outlandish personal gain, in late 2004, Brooks sold the majority of his DHB stock for approximately \$186 million as the company's share price reached its all-time high. Brooks sold his shares while possessing material, non-public information concerning the pervasive fraud at DHB.

5. Moreover, because of the misconduct of Brooke and others, DHB was required to file accounting restatements of its previously reported results from 2003 through 2005. However, in violation of Section 304(a) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") (15 U.S.C. § 7243(a)), Brooks failed to reimburse DHB for the stock profits, including the approximately \$186 million he received from stock sales in late 2004, and for the bonuses and other forms of incentive-based or equity-based compensation he received during the periods that DHB was required to restate.

6. Through his conduct, Brooks violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), Sections 10(b), 13(b)(5), and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 13a-14, 13b2-1, 13b2-2, and 14a-9 thereunder, and Section 304(a) of the Sarbanes-Oxley Act. He also aided and abetted DHB's violations of Sections

13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

II. JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A(a)(1), and 27 of the Exchange Act, 15 U.S.C. §§78u(d), 78u(e), 78u-1(a), and 78aa.

8. This Court has personal jurisdiction over Brooks 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. In addition, Brooks had a residence in the Southern District of Florida and as further described below his estate is open in this District.

9. In connection with the conduct alleged in this Complaint, Brooks, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

III. DEFENDANT

10. Brooks, now deceased, had a Bachelor's of Science degree in Accounting from New York University, founded DHB in 1992 and served as the company's CEO and Chairman of the Board until he was ousted from his position in July 2006, after discovery of the widespread financial and accounting fraud. 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. On September 14, 2010, Brooks was convicted by a jury of securities, mail, and wire fraud charges in a related criminal case. *United States v.*

Brooks, No. 06-cr-550 (E.D.N.Y.). In August 2013, Brooks was sentenced to 204 months' imprisonment.

11. On or about October 27, 2016, Brooks passed away. On or about December 13, 2016, Brooks' Estate was opened in Palm Beach County, Florida. On or about January 10, 2017, Jeffrey Brooks was appointed as the Personal Representative of Brooks' Estate. On January 26, 2017, upon motion by the Commission, the Court substituted Jeffrey Brooks as personal representative of the Brooks' Estate as Defendant in this action in place of Brooks.

IV. RELEVANT ENTITIES

12. DHB was a publicly traded company incorporated in Delaware, with its headquarters and primary manufacturing facilities in Broward County, Florida. DHB's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, 15 U.S.C. § 781(b), and was listed on the American Stock Exchange until July 7, 2006, when it was de-listed for non-compliance with AMEX listing standards. On October 2, 2007, the company changed its name to Point Blank Solutions, Inc. ("Point Blank Solutions"). DHB is presently in bankruptcy.

13. Point Blank Body Armor, Inc. ("Point Blank") was the primary subsidiary through which DHB manufactured and sold its body armor products. It was located in Broward County, Florida.

14. Tactical Armor Products ("TAP"), for which Brooks' wife (at the time) ostensibly was the CEO, but which Brooks actually controlled, had two primary business segments: the assembly of hard armor plates for insertion into DHB's vests with sewing services identical to the services DHB performed in-house, and horse training, one of Brooks' hobbies. At the time relevant to this action, Brooks ran TAP with Hatfield, and DHB was TAP's only customer.

V. BACKGROUND

15. DHB was organized as a holding company and manufactured and sold its body armor products through two subsidiaries, Point Blank and Protective Apparel Corporation of America. DHB's primary product was the Interceptor vest, a bullet-resistant vest all branches of the U.S. military wore.

16. Following the September 11th 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.

A. Prior Commission Injunctive Actions and Restatement

17. On August 17, 2006, the Commission filed a civil action against DHB's former CFO Schlegel and former COO Hatfield. *SEC v. Schlegel and Hatfield*, (U.S. District Court for the Southern District of Florida, Civil Action No. 06-61251-CIV-SEITZ). The Commission's 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 controls provisions. In addition, the United States Attorney's Office for the Eastern District of New York simultaneously announced the filing of criminal charges against Schlegel and Hatfield. Ultimately, Schlegel and Hatfield consented to the injunctive relief sought by the Commission and were criminally convicted in the related criminal proceeding. Schlegel, who plead guilty and cooperated, was sentenced to time served (the one day she spent in custody before posting bail), ordered her to jointly and severally pay restitution of more than \$91 million, and to forfeit more than \$2.9 million. Hatfield, who was convicted by a jury, was sentenced to seven years of incarceration, ordered her to jointly and severally pay restitution of more than \$91 million, and to forfeit more than \$1.8 million.

18. On February 28, 2011, the Commission filed a civil action against certain of DHB's former outside directors, Jerome Krantz, Cary Chasin, and Gary Nadelman. *SEC v. Krantz, Chasin, and Nadelman*, (U.S. District Court for the Southern District of Florida, Civil Action No. 11-60432-CIV-DIMITROULEAS). The Commission's action against DHB's former outside directors was based on misconduct related to this case. Krantz, Chasin and Nadelman all consented to full injunctive relief, including officer-and-director bars, and in the aggregate were ordered to pay more than \$1.5 million in disgorgement and civil penalties.

19. Also, on February 28, 2011, the Commission filed a civil action against DHB. *SEC v. DHB n/k/a/ Point Blank Solutions* (U.S. District Court for the Southern District of Florida, Civil Action No. 11-60431-CIV-COHN). The Commission's action against DHB's was based on misconduct related to this case. DHB consented to full injunctive relief.

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

21. The company, with the assistance of a team of outside forensic accountants and new management, spent approximately a year reconstructing its financial information and accounting records and restating its financial statements due to the years of fraud that flourished under Brooks. On October 1, 2007, DHB filed a comprehensive Form 10-K ("2006 Comprehensive 10-K"), which included restated financial statements for fiscal years 2003 and 2004, and admitted DHB's actual gross profit margins and net income for those years were materially lower than the company had previously disclosed.

B. Brooks' Dictatorial Reign Over DHB

22. Brooks exercised absolute control over every aspect of DHB's business, using the company's weak corporate governance and almost nonexistent internal controls to facilitate and hide the financial fraud he directed through Schlegel and Hatfield. Because Brooks knew any real examination of DHB's books and records would uncover the fraudulent scheme, he ruled the company through intimidation and abuse of those who questioned him and rewarded loyalty with extravagant bonuses and perks.

1. Brooks' Domineering Control of DHB

23. Brooks controlled DHB through a small inner circle of managers, led by Hatfield and Schlegel, who were willing to yield to his demands. Brooks required Schlegel and Hatfield to provide information about even the minutest details of the financial, accounting, and operational aspects of the company, often demanding hourly updates.

24. Brooks and Hatfield regularly spoke as much as three to four hours per day, and often discussed DHB business late into the night.

25. When a long-time DHB employee briefly assumed Hatfield's position as COO in April 2006, Brooks insisted the employee update him at least four or five times a day about the business affairs of the company. Even though the employee gave Brooks those regular updates, Brooks was not satisfied with this frequency of communication and asked the new COO to step down within weeks of his appointment.

26. Brooks insisted on participating in every decision at DHB. For example, Brooks demanded that he personally review and approve all DHB payments. He approved a list of daily disbursements, and would not permit DHB to mail a check until he had approved the payment or signed the check himself. Brooks additionally insisted on reviewing and approving payroll

reports, including overtime. Brooks was involved even in ministerial decisions, requiring managers to consult him regarding issuing laptop computers to individual employees.

27. Brooks was heavily involved in reviewing, editing and occasionally drafting all of DHB's public filings with the Commission and its earnings releases. Brooks also insisted on reviewing and approving every edit made to the company's public filings and earnings releases.

28. Brooks' control extended to DHB's board of directors, which consisted of Brooks' friends and neighbors and Schlegel. At all times relevant to this action, Brooks had a chokehold over DHB's board, which exercised no real oversight, rubber-stamping whatever Brooks wanted, including granting millions of stock options and paying millions of dollars in bonuses to him. Moreover, Brooks lavished perks on those who were supposed to monitor his activities and used DHB funds to pay for services with no legitimate business purpose, such as prostitutes.

29. Brooks regularly interrupted board meetings, rushed votes without discussion and acted in a threatening manner whenever questioned. In a board meeting Brooks once told a board member "you know what we do to outsiders . . . you know what we do to people that aren't on the team."

30. Brooks also controlled the flow of communication with DHB's outside auditors, who regarded Brooks as the key decision-maker. On all significant issues arising in audits, the audit teams went directly to Brooks, and not to DHB's CFO, for guidance.

2. DHB's Lack of Internal Controls

31. Under Brooks' reign, DHB's accounting department was woefully understaffed and mismanaged, and the company lacked the internal accounting and financial reporting processes and controls needed to address its growing business. The lack of transparency and

internal controls enabled Brooks to plunder DHB for years, while he aided and abetted DHB's filing of fraudulent periodic reports and earnings releases.

32. DHB's outside auditors for the 2002 year-end audit resigned, citing material weaknesses relating to the company's accounting and finance department and its failure to disclose Brooks' control over and transactions with TAP, one of DHB's primary suppliers. Under Brooks' leadership, DHB largely ignored the auditors' critical concerns.

33. DHB's outside auditors for the 2003 year-end audit identified multiple internal control deficiencies relating to DHB's accounting and finance department. Again, under Brooks' leadership, DHB largely ignored the auditors' concerns.

34. Brooks' disregard for internal controls and the audit function is further evidenced by the fact that he directed DHB to file its 2004 Form 10-K against the auditors' instructions and without their consent. The auditors identified the premature release of the Form 10-K as a material weakness and identified numerous other internal deficiencies relating to DHB's accounting and finance department, including a material weakness in the company's internal controls for inventory accounting. DHB publicly acknowledged the deficiencies in its internal inventory controls constituted a material weakness. Again, Brooks failed to address these problems in any meaningful way.

35. In March 2006, DHB's fourth set of auditors, over Brooks' objection, refused to issue a timely audit opinion in connection with the 2005 Form 10-K because DHB had no support for many of the figures in the company's books and records. Shortly afterwards, on the day these same auditors notified Brooks they had identified fraudulent accounting at DHB, Brooks, in an improper attempt to shop for a favorable audit opinion that would continue to

conceal the fraud, retained a secret, second auditing firm, which communicated only with Schlegel and him.

3. Brooks' Anger and Threats in Response to Scrutiny of DHB's Finances

36. When anyone questioned the accounting and financial practices underlying the fraud at DHB, Brooks became furious and threatening. Brooks' responses to those who probed DHB's finances showed he knew the company's public filings and releases contained bogus and misleading information.

37. For example, as explained in more detail below, in 2005, when Brooks learned that Point Blank's controller had informed DHB's auditors of his concerns related to DHB's overvalued inventory, he stormed into the controller's office spewing obscenities at him, called the controller a "snake," confiscated his inventory analysis, and violently ejected him from the premises.

38. Brooks was similarly threatening in response to questions from DHB's outside auditors. Shortly after the lead audit partner on DHB's 2005 year-end audit began questioning certain journal entries, Brooks told DHB's interim CFO he was going to have his friends "pay a visit" to the audit partner, and that "if she were not careful, she would be wearing cement blocks on her feet in the Atlantic Ocean."

39. As the 2005 year-end audit team further scrutinized DHB's historical accounting practices, Brooks stated in front of the engagement audit partner that "someone should . . . put a bullet" in the brain of the partner who worked on DHB's 2004 audit. As the scrutiny from DHB's 2005 audit team continued, Brooks declared that counsel for those auditors should have "a bullet to the brain," and on a separate occasion referred to another of the auditors' attorneys with an obscenity, saying he would like to shoot him.

VI. DHB'S FINANCIAL FRAUD UNDER BROOKS

40. From at least 2003 through 2005, DHB materially misrepresented its inventory, cost of goods sold, gross profit, net income, and other key figures in its periodic reports and proxy statements filed with the Commission and its earnings releases, by overstating inventory values, falsifying journal entries, and failing to include appropriate charges for obsolete inventory.

41. From at least 2003 through 2005, DHB reported in filings and press releases gross margins that met or exceeded 27%. In reality, during that time, DHB's actual gross profit margin was materially lower than 27%. As described in more detail below, DHB's 2006 Comprehensive 10-K contained restated financial statements for 2003 and 2004, and 2005 numbers stating the company's true gross profit margins in 2005, 2004, and 2003 were 18%, 18% and 14%, respectively.

42. Brooks touted DHB's consistently high gross profit margins in earnings releases, and he certified and signed periodic filings and proxy statements that fraudulently detailed the company's robust success.

43. Due to Brooks' in-depth involvement in DHB's operations, accounting, and finances, and countless discussions with Schlegel and Hatfield, Brooks knew or was extremely reckless in not knowing that even as DHB's stock hit record highs DHB's and his public statements were false and materially misleading, and DHB was not nearly as profitable as he and others portrayed it.

A. Falsification of DHB's Inventory

44. Between 2003 and 2005, DHB overstated its inventory and created bogus, unsubstantiated bills to price its "work in process" and "finished goods" inventory. These

fraudulent bills overstated labor costs, the amount of raw materials, overhead costs, and the unit prices of DHB's four primary vest components.

45. During this same three-year period, Brooks directly supervised Schlegel and Hatfield in performing all their duties, and demanded to review all financial statements and disclosures DHB included in its filings.

46. Throughout this three-year period, Schlegel supervised DHB's inventory accounting for all DHB subsidiaries. Hatfield was responsible for assigning values to the inventory and Schlegel was responsible for reviewing and approving the inventory valuation before incorporating it into the company's consolidated financial statements.

47. By overvaluing DHB's inventory, Schlegel and Hatfield were able to increase the company's reported gross profit and net income. Specifically, by overvaluing inventory, they reduced DHB's cost of goods sold which had the corresponding effect of increasing gross profit and net income.

48. Hatfield, without any basis whatsoever, falsely adjusted DHB's 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 \$9 million.

49. In late 2004 or early 2005, Point Blank's controller warned Schlegel and Hatfield that Point Blank's inventory was overvalued and they needed to reduce it for 2004. Although they acknowledged the inventory was overstated, Schlegel and Hatfield refused to correct the inventory values. Troubled by concerns over the company's inflated inventory values, the controller turned in his resignation.

50. The controller raised his concerns with DHB's auditors. Within days, the auditors informed Brooks of their discussions with the controller and his concerns about the inflated value of the company's inventory. Brooks' immediate response was to confiscate the controller's inventory analysis, and violently eject him from the premises.

51. Brooks knew the controller warned management that the inventory was overvalued. He also knew the controller turned in his resignation over the issue and discussed his concerns with DHB's auditors.

52. Brooks and Hatfield told the auditors that the controller's inventory analysis was incorrect and that there were "no real problems in the inventory."

53. When pressed about the circumstances in which the controller was removed, Brooks told the auditors the controller was dismissed because "he had violated...internal policies and procedures" by informing the auditors of his concerns.

54. Meanwhile, Brooks knew the inflated inventory values remained on the company's books, and did nothing to correct the situation.

55. At the end of 2004, Schlegel and Hatfield's pricing manipulations had falsely inflated DHB's inventory by approximately \$30 million. Later, in April 2005, Hatfield ordered the use of grossly inflated and unsupported inventory costing schedules to value Point Blank's ending inventory for the first quarter of 2005.

56. Schlegel reviewed and approved Hatfield's inventory valuations and knowingly incorporated them into DHB's 2004 earnings releases and filings with the commission. Schlegel told Brooks she had no support for the numbers DHB was using, but Brooks simply referred Schlegel to Hatfield and then, without any supporting documentation, approved the false

numbers in DHB's filings. Brooks therefore knew or was extremely reckless in not knowing Schlegel and Hatfield were falsifying and fraudulently manipulating DHB's books.

57. Furthermore, late in the first quarter of 2005 after DHB filed its 2004 Form 10-K, in a conversation with a DHB manager, Brooks commented that DHB had not made any changes to the company's inflated 2004 inventory values, and that as a result, "[Hatfield's] going to have to make up some number in 2005."

58. Clearly, the inventory was overvalued. DHB's 2006 Comprehensive Form 10-K included adjustments for the overvaluation of the company's ending inventory of approximately \$24 million in 2003, \$30 million in 2004, and \$19 million in 2005.

59. Brooks knew or was extremely reckless in not knowing DHB's inventory valuations were materially false and unsubstantiated because, among other things, he had discussed inventory valuation problems with DHB's auditors, had been warned about overvaluation of DHB's inventory, had acknowledged knowing of the inventory problems and lack of internal controls, had failed to implement adequate inventory controls, and had failed to request adequate support for the inventory figures.

B. Fraudulent Additions to DHB Inventory and the Attempt to Hide Them

1. Baseless Inflation of DHB's Inventory

60. In the first quarter of 2005, Hatfield and Schlegel added almost 63,000 nonexistent vest components to DHB's ending inventory records, thereby falsely increasing the company's inventory value by \$7.1 million and overstating DHB's reported gross profit and net income, among other key figures, in DHB's Form 10-Q for the first quarter of 2005.

2. Fraudulent Use of the Zylon Charge

61. As a result of the National Institute of Justice's August 2005 decertification of the use of Zylon, a bullet resistant material, in government and law enforcement vests, DHB discontinued using Zylon in its products. That caused the company to take a \$60 million charge to earnings on its books in the third quarter of 2005.

62. In August 2005, when discussing the Zylon charge with Schlegel, Brooks stated DHB could use the Zylon charge and related reserve to conceal DHB's inflated inventory by including the 63,000 nonexistent vest components in that charge.

63. In the third quarter of 2005, Schlegel directed a controller to record a fraudulent \$7.1 million journal entry as part of the \$60 million charge to earnings to write off the fictional inventory. DHB would thereby "account" for the 63,000 fictional vest components Hatfield and Schlegel had falsely added to the company's inventory to improve DHB's first quarter gross profit and earnings.

64. Brooks knew or was extremely reckless in not knowing the inflated inventory values remained on DHB's books along with the bogus attempt to conceal them, because he took no action to change them, and under Brooks' domineering micro-management of DHB no one could make such changes without his permission.

65. In March 2006, in connection with its 2005 audit, DHB's outside auditors questioned the Zylon charge and sought supporting documentation. Brooks first told the auditors DHB wrote off the vest components because the United States Army had changed its color requirements, and then that a hurricane damaged those same vest components. He also offered the auditors fake inventory schedules showing the vests existed.

66. Brooks knew the story and schedules he gave the auditors were bogus. Neither Schlegel nor Hatfield, nor anyone else had ever given him any information indicating the \$7.1 million in vest components were real, had been moth balled because of a change in color requirements, or had been damaged by a hurricane. Meanwhile, Brooks' authoritarian management style and in-depth involvement with DHB's finances and operations meant no one at DHB could have made such inventory decisions or entries in DHB's books without his knowledge and approval.

67. Additionally, Brooks had already acknowledged to Schlegel in August 2005 that the nonexistent vest components were part of an inventory manipulation, and that DHB could hide it by including them in the Zylon charge. Then, in a March 2006 conversation, Brooks told Schlegel about his misrepresentations to the auditors, and in exasperation Schlegel asked Brooks why he had told that story, since they had nothing to support it, and the auditors would want support and details.

68. When the outside auditors pressed further for details about the \$7.1 million in vest components, Brooks changed his story. He blamed Hatfield and Schlegel for making up the figures and claimed he had only recently learned they were false.

69. Brooks therefore falsely represented to DHB's auditors that he did not know the story about storm-damaged vests was a lie. Brooks knew both these stories were false, since he had discussed the nonexistent vests and related journal entries with Schlegel and Hatfield, and he knew there were no such vests.

C. Fraudulent Reclassification Entries

70. Between 2003 and 2005, Schlegel manipulated DHB's reported gross profit margin by reclassifying amounts from cost of goods sold to another category on DHB's income

statement – “Research and Development,” an expense category. 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 (with no effect on net income and related per share data).

71. Schlegel routinely directed members of the accounting staff to record journal entries that reclassified these expenses without any supporting documentation. These bogus amounts were recorded 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 what Point Blank normally used. Furthermore, the corresponding overstated expenses were several times more than Point Blank’s actual cost of samples.

72. Brooks was aware of all of the fraudulent reclassification entries, because Schlegel reviewed them with him, and he approved most of them. These entries totaled \$8.8 million in 2003, \$7.1 million in 2004, and \$10.9 million in 2005.

73. Because of his discussions with Schlegel before signing each of the DHB filings in question and his knowledge of DHB’s operating expenses, Brooks also knew or was extremely reckless in not knowing these manipulations of DHB’s books and records were baseless and would result in DHB’s financial statements materially misstating the company’s actual results.

D. Excess and Obsolete Inventories

74. DHB failed to account properly for excess and obsolete inventory as required by U.S. Generally Accepted Accounting Principles (“GAAP”), which demands that companies value inventories at the lower of cost or market value. DHB’s failure to properly report its

inventory values falsely raised its gross profit and net income in its public filings and earnings releases.

75. In 2004, approximately \$12.5 million of 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.

76. TAP, which Brooks controlled and ran, assembled and supplied these armor plates solely for DHB. He set the specific prices for the plates which TAP charged DHB and controlled TAP's payroll and operations. Brooks therefore knew or was extremely reckless in not knowing the changed specifications left DHB with a large inventory of plates it could not sell.

77. Brooks also demonstrated he knew about the obsolete plates when he urged DHB's lead salesman to try and sell them, after the military had changed the specifications.

78. DHB should have disclosed this known material risk and uncertainty concerning the marketability of these plates and established an inventory valuation reserve by recognizing an obsolescence charge for these plates in its 2004 Form 10-K. However the company did neither, thereby falsely misrepresenting and overstating its inventory, gross profit, and pre-tax income for 2004 by at least \$12.5 million.

79. Because of his intimate involvement with, and control of DHB's and TAP's operations, his experience dealing with DHB manufacturing, inventory, and sales matters, Brooks knew or was extremely reckless in not knowing DHB's inability to sell or use this obsolete inventory would affect its reported inventory, cost of goods sold, gross profit, and net income for 2004.

VII. BROOKS' MISAPPROPRIATION OF CORPORATE FUNDS

A. Brooks Stole Millions of Dollars from DHB

80. Over the years, Brooks used DHB as his personal piggy bank. He used DHB checks and corporate credit cards to divert company funds to his private entities and pay for millions of dollars in personal expenses, including luxury cars, jewelry, art, real estate, vacations, personal aircraft usage, horse training, designer clothing and accessories from Hermes and Louis Vuitton, among other high fashion retailers, and \$122,000 for iPods included in gift bags for guests at his daughter's multi-million dollar bat mitzvah.

81. To fund his extravagant lifestyle, Brooks directed DHB's payment of his personal expenses totaling at least \$975,000 in 2003, \$788,000 in 2004, and \$1.3 million in 2005. In addition, between 1997 and 2002, Brooks charged at least \$1.7 million in personal purchases on DHB's corporate credit card, which DHB paid.

82. Brooks owned a jet through a private entity he controlled, and from 2003 through 2005 he had DHB pay for numerous personal trips he made to Las Vegas, Aspen, Mexico, St. Barthelemy, and St. Maarten, among others.

83. Moreover, Brooks diverted millions of dollars out of DHB through fraudulent transactions with a related entity he controlled.

84. Brooks did not repay DHB these amounts, and he failed to disclose DHB's improper payments of his personal expenses in DHB's periodic reports or proxy statements.

85. Brooks knew he was wrongfully misappropriating corporate funds from DHB for personal expenses. Moreover, Brooks knew or was extremely reckless in not knowing his misappropriation of corporate funds would cause DHB to make materially false and misleading

filings with the Commission because those filings made no mention of DHB's improper financing of his opulent lifestyle.

B. Brooks' Use of Fraudulent Statements in DHB's 2004 Proxy Statement to Justify DHB's Payment of His Personal Expenses

86. In response to numerous Commission inquiries relating to DHB's payment of Brooks' personal expenses, the company issued a proxy statement in November 2004, disclosing that DHB had paid \$2 million of Brooks' personal expenses. The proxy statement attempted to justify DHB's payment of Brooks' personal expenses through a previously-undisclosed 1997 Corporate Resolution, which purportedly granted Brooks the right to reimbursement for business and personal expenses in an aggregate amount not to exceed 10% of the company's annual net income.

87. The 1997 Corporate Resolution was a fraudulent document Brooks created to support the company's funding of his lavish lifestyle and payment of his personal expenses. DHB's two-person compensation committee supposedly unanimously "approved" this resolution. The member who actually signed the document was a friend of Brooks who in November 2004 made \$2 million by selling DHB stock, which he received as a board member, in a sale Brooks arranged. The other member of the compensation committee knew nothing about any such resolution, having never even discussed it.

88. Schlegel had never seen or heard of the 1997 Resolution until mid-2004, after Brooks received a Commission subpoena relating to DHB's payment of his personal expenses, when the resolution magically appeared among a box of board materials she had previously compiled.

89. Casting further doubt on the legitimacy of the 1997 Resolution, DHB had never previously tracked or reported Brooks' personal expenses as the 1997 Resolution would have required.

90. Significantly, DHB never disclosed this supposed 1997 Resolution in any of its public filings prior to the issuance of the November 2004 proxy statement. Moreover, none of DHB's outside auditors had ever seen a copy of the resolution or heard of its existence before the resolution first materialized in mid-2004.

91. Furthermore, Brooks had renegotiated his employment agreement in 2000, and that agreement neither mentioned nor incorporated the 1997 Resolution, even though it contained a detailed compensation and bonus provision.

92. Brooks caused DHB to include the bogus 1997 Resolution in its November 2004 proxy statement, thereby causing that filing to be materially false and misleading.

C. Brooks Used a Related Entity to Funnel Millions from DHB

93. From at least 2003 to 2005, Brooks funneled approximately \$10 million out of DHB through the company's fraudulent business arrangement with TAP.

94. Although Brooks' wife was TAP's president, Brooks controlled all aspects of TAP's business and ran TAP's operations with Hatfield. He 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 for plates, and made decisions regarding TAP's capital expenditures and personnel.

95. Under Brooks, DHB concealed the existence of his relationship with TAP from its auditors and investors until 2003, when DHB's auditors required DHB to file an amended 2002

Form 10-K to disclose TAP's ownership and DHB's related party transactions with TAP. This filing failed to disclose that Brooks controlled TAP.

96. TAP had no significant assets or access to credit, and DHB was its only customer.

97. By directing DHB to pay TAP's inflated labor costs (which were approximately double the reasonable amount) and purchase all of TAP's inventory, Brooks personally benefited by approximately \$10 million.

98. DHB's periodic filings with the Commission misrepresented money paid to TAP as part of DHB's routine manufacturing expenses.

99. Because of Brooks' control of DHB's and TAP's operations, as well as his power to set the prices TAP charged DHB for plates and services, Brooks knew or was reckless in not knowing he was diverting millions from DHB through the company's fraudulent business transactions with TAP. Brooks orchestrated DHB's fraudulent business transactions with TAP, and thereby caused DHB to make materially false and misleading filings with the Commission.

VIII. BROOKS' FALSE CERTIFICATIONS OF DHB'S FILINGS WITH THE COMMISSION

100. As part of DHB's Forms 10-K for the years ending December 31, 2003 and December 31, 2004, and its Forms 10-Q for all quarters in 2003, 2004, and the first three quarters of 2005, Brooks signed and falsely certified in writing that each report contained no untrue statement of a material fact. Brooks further certified that each report fairly presented DHB's financial condition, results of operations, and cash flows.

101. In certifying each of DHB's filings, Brooks represented, among other things, that each filing contained no material misstatements or omissions. Because of his role in DHB's pervasive accounting and financial fraud, his knowledge of DHB's operations and the

manipulation of DHB's books and records, and his systematic looting from the company, Brooks knew or was extremely reckless in not knowing his certifications were fraudulent.

IX. BROOKS' FALSE MANAGEMENT REPRESENTATION LETTERS TO DHB'S AUDITORS

102. Brooks also signed multiple management representation letters to DHB's outside auditors between 2003 and 2005, affirming, among other things, that there had been no "[f]raud involving management." Brooks knew or was extremely reckless in not knowing these representations were false, because of his role in DHB's accounting fraud, his detailed knowledge and oversight of DHB's operations and the manipulations of its books and records, and his knowledge of the money he misappropriated from DHB for years.

X. DHB'S FAILURE TO DEVISE AND IMPLEMENT ADEQUATE INTERNAL CONTROLS

103. From at least 2003 through 2005, Brooks was DHB's CEO and Chairman, and was responsible for DHB's financial results and disclosures reported in its public filings and announcements. Moreover, Brooks actively participated in the preparation of these filings and announcements. He drafted sections of the filings, insisted on reviewing each edit made to the filings, and approved all information incorporated into DHB's financial statements and public filings.

104. During this same time period and under Brooks' direction, DHB failed to devise and maintain internal controls sufficient to provide reasonable assurance that DHB 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 its financial statements and disclosures in conformity with U.S. GAAP.

105. In addition, DHB maintained only minimal inventory records, and had inadequate inventory controls. The company also failed to take accurate quarterly physical inventory counts, and the documentation used to value its inventory was outdated, unsupported, and grossly inaccurate.

106. Brooks knew or was extremely reckless in not knowing DHB failed to devise and maintain adequate internal controls. Brooks took advantage of these deficiencies to create and manipulate the figures included in the DHB's books, records, public filings, and earnings releases in his scheme to materially overstate key DHB results. He fabricated these figures while knowing or being extremely reckless in not knowing DHB would include them in its public filings with the Commission and earnings releases.

XI. DHB'S RESTATEMENTS

107. On or about April 3, 2006, DHB filed a Form 8-K stating its interim reports for 2005 could not be relied upon.

108. On or about August 17, 2006, the Executive Committee of DHB concluded that its previously issued consolidated financial statements for the fiscal years ended December 31, 2004 and December 31, 2003, and the related financial information for those periods and interim periods, should no longer be relied upon. On or about August 18, 2006, the Company filed another Form 8-K stating that the financials for 2003 and 2004 could not be relied upon.

109. In the process of making its determination with regard to historical financial statements, DHB's Executive Committee also considered the conclusions of its interim financial management that its existing internal controls over financial reporting did not provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

110. In April 2006, DHB's auditors issued an "Advisory Statement" pursuant to Section 10A of the Exchange Act, which highlighted an inventory manipulation scheme that occurred during the first three quarters of 2005.

111. DHB's board of directors then demanded Schlegel's resignation, and hired forensic accountants to examine DHB's inventory accounting and gross margin figures.

112. The board placed Brooks on administrative leave on July 7, 2006, and Brooks announced his resignation as Chairman of the Board and CEO on July 13, 2006.

113. The restated financials in DHB's 2006 Comprehensive 10-K provide a radically different view of DHB's results and profitability than what the company originally reported to the public under Brooks' leadership and certification. In fact, these restated financials eliminated all of DHB's 2003 and 2004 profits.

114. In the 2006 Comprehensive 10-K, DHB concluded it overstated its 2003 net income by approximately \$43 million, or 154% (from a reported net income of approximately \$15 million to a net loss of approximately \$28 million) and its 2004 net income by approximately \$103 million, or 141% (from a reported net income of approximately \$30 million to a net loss of \$73 million).

115. DHB's 2003 net income restatement consisted of: \$25 million in adjustments relating to inventory overvaluation and obsolescence; \$1 million for potential withholding tax obligations; and \$25 million in adjustments relating to accounting for stock options offset by an \$8 million income tax benefit.

116. The company's 2004 net income restatement consisted of: \$23 million in adjustments relating to inventory overvaluation and obsolescence; \$29 million for potential withholding tax obligations for executive and employee bonuses and profits from stock option

exercises not withheld by the company and paid to the taxing authorities as required; \$65 million in adjustments relating to accounting for stock options; and \$6 million in other adjustments offset by a \$20 million income tax benefit.

117. DHB had to make these restatements because of the discovery of the fraudulent accounting and financial practices Brooks, Hatfield, and Schlegel employed to create the company's original misleading periodic filings and proxy statements.

118. Brooks knew or was extremely reckless in not knowing about these fraudulent practices because, as described in more detail above, he closely reviewed the preparation of DHB's periodic filings and proxy statements, he was intimately involved in DHB's operations, he had discussed many of these accounting and financial machinations with Schlegel and Hatfield, and others had informed him of problems related to the very figures and entries Schlegel and Hatfield falsified.

119. As Chief Executive Officer of DHB, Brooks received, at a minimum, the following bonuses or other incentive-based or equity-based compensation and profits from the sale of DHB's stock: (a) a \$1 million bonus and 50,000 of securities underlying his options/SAR that he received during fiscal year ending 2003, (b) a \$2 million bonus and 50,000 of securities underlying his options/SAR that he received during fiscal year ending 2004 and the approximately \$186 million of profits he received from selling DHB's shares during fiscal year ending 2004; and (c) a \$2.4 million bonus and 5,300,000 of securities underlying his options/SAR that he received during fiscal year ending 2005.

XII. BROOKS' INSIDER TRADING

120. At the end of the third quarter of 2004, the accounting and financial fraud and the undisclosed payments by DHB for Brooks' personal expenses caused DHB to materially

misrepresent key figures in its Form 10-Q, earnings releases, and Form 8-K attaching the earnings release filed on November 9, 2004.

121. Less than three weeks after DHB reported those November 2004 results and before the public knew about the misrepresentations in DHB's filings, Brooks dumped 9.5 million shares of his DHB stock on the market for an astounding \$186 million.

122. In these sales, Brooks sold approximately 60% of his personal DHB shares.

123. On November 29, 2004, Brooks sold 3.7 million of his DHB shares at a share price of \$18.90, for proceeds of \$69,930,000.

124. On December 22, 2004, Brooks sold 400,000 of his DHB shares at a share price of \$18.60, for proceeds of \$7,440,000.

125. On December 23, 2004, Brooks sold 84,100 of his DHB shares at a share price of \$20.06, for proceeds of \$1,687,046.

126. On December 27, 2004, Brooks sold 2,538,744 of his DHB shares at a share price of \$20.94, for proceeds of \$53,161,299.

127. On December 28, 2004, Brooks sold 858,267 of his DHB shares at a share price of \$19.88, for proceeds of \$17,062,348.

128. On December 29, 2004, Brooks sold 1,916,914 of his DHB shares at a share price of \$19.10, for proceeds of \$36,613,057.

129. During this period, DHB's stock was trading near its all-time high, reaching its peak of \$20.56 on December 23, 2004.

130. Brooks' salary in 2004 was \$675,000. The proceeds from these stock sales totaled \$185,893,750, or more than 275 times Brooks' 2004 salary.

131. Brooks directed these sales while knowing he possessed material, non-public information regarding the manipulation of DHB's books and records, the materially false numbers in the company's filings, and the company's failure to disclose that he had funneled millions of dollars from DHB through TAP for his personal use while misappropriating millions of dollars from DHB through payments for personal expenses.

XIII. VIOLATIONS

COUNT I

Violations of Section 17(a)(1) of the Securities Act

132. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

133. Brooks, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, knowingly or recklessly employed devices, schemes, or artifices to defraud.

134. By reason of the foregoing, Brooks violated Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Violations of Section 17(a)(2) of the Securities Act

135. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

136. Brooks, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, negligently obtained money or property by means of untrue statements of material

facts and omissions 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.

137. By reason of the foregoing, Brooks violated Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT III

Violations of Section 17(a)(3) of the Securities Act

138. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

139. Brooks, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, negligently engaged in transactions, practices, or courses of business which have operated, are now operating or will operate as a fraud or deceit upon the purchasers.

140. By reason of the foregoing, Brooks violated Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT IV

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

141. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

142. Brooks, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly employed devices, schemes or artifices to defraud in connection with the purchase or sale of any security.

143. By reason of the foregoing, Brooks violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a), 17 C.F.R. § 240.10b-5(a).

COUNT V

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

144. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

145. Brooks, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly 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, in connection with the purchase or sale of any security.

146. By reason of the foregoing, Brooks violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b).

COUNT VI

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

147. The Commission repeats and re-alleges paragraphs 1 through 131 of the Amended Complaint as if fully set forth herein.

148. Brooks, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly engaged in acts, practices, and courses of business which have operated, are now operating or will operate as a fraud upon any person in connection with the purchase or sale of any security.

149. By reason of the foregoing, Brooks violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(c), 17 C.F.R. § 240.10b-5(c).

COUNT VII

Violations of Section 10(b) and Rules 10b-5 of the Exchange Act
(Insider Trading)

150. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully set forth herein.

151. Brooks sold DHB stock while in possession of, and without disclosing, material non-public information regarding the basis and accuracy of DHB's books, records, filings with the Commission, and earnings releases. Brooks knew, or was reckless in not knowing, that DHB's financial performance was vastly overstated, DHB was being run as a quasi-criminal enterprise and DHB's reputation would be greatly hurt if the truth about DHB's financial performance, related party transactions, and management were disclosed to the investing public, and DHB's prior filings with the Commission were required to be restated. Nonetheless, Brooks traded on the basis of this inside knowledge and reaped substantial ill-gotten gains from his sales of DHB's stock in late 2004.

152. Brooks, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly (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 and (c) engaged in acts, practices, and courses of business which have operated, are now operating or will operate as a fraud upon any person in connection with the purchase or sale of any security.

153. By reason of the foregoing, Brooks violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. §§ 240.10b-5.

COUNT VIII

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

154. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

155. 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 are made, not misleading.

156. Brooks knowingly or recklessly provided substantial assistance to DHB's violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, 13a-11, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13.

157. By reason of the foregoing, Brooks aided and abetted DHB's violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, 13a-11, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13.

COUNT IX

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

158. The Commission repeats and re-alleges paragraphs 1 through 131 its Amended Complaint as if fully restated herein.

159. 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.

160. Brooks knowingly or recklessly provided substantial assistance to 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).

161. By reason of the foregoing, Brooks aided and abetted 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).

COUNT X

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

162. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

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

164. By reason of the foregoing, Brooks violated Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1, 17 C.F.R. § 240.13b2-1.

COUNT XI

Violations of Rule 13b2-2 Promulgated under the Exchange Act

165. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

166. Brooks 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 and reports required to be filed with the Commission.

167. By reason of the foregoing, Brooks violated Rule 13b2-2 promulgated under the Exchange Act, 17 C.F.R. § 240.13b2-2.

COUNT XII

Violations of Rule 13a-14 Promulgated under the Exchange Act

168. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

169. Brooks certified annual and quarterly reports filed by DHB with the Commission that contained materially false and misleading statements.

170. By reason of the foregoing, Brooks violated Rule 13a-14 promulgated under the Exchange Act, 17 C.F.R. § 240.13a-14.

COUNT XIII

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

171. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

172. Brooks, 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, at least negligently, solicited 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.

173. By engaging in the conduct described above, Brooks violated Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and Exchange Act Rule 14a-9, 17 C.F.R. § 240.14a-9.

COUNT XIV

Failure to Reimburse: Violations of Section 304(a) of the Sarbanes-Oxley Act

174. The Commission repeats and re-alleges paragraphs 1 through 131 of its Amended Complaint as if fully restated herein.

175. DHB was required to prepare accounting restatements with respect to its 2003 Form 10-K, its 2004 Form 10-K, and its 2005 1st Quarter, 2nd Quarter, and 3rd Quarter Forms 10-Q, due to DHB's material non-compliance, as a result of the misconduct of Brooks and others, with the financial reporting requirements of the securities laws. Namely, the requirement pursuant to Exchange Act Rule 13a-1 and Items 8 and 15 of Form 10-K that financial statements meet the requirements of Regulation S-X, 17 C.F.R. Part 210, including conformity with GAAP, and that the financial statements filed as part of the Form 10-K were required to not include material false and misleading information. In addition, the financial statements filed as part of the Form 10-Q's were required to be in conformity with GAAP and that the financial statements filed as part of Form 10-Q were required to not include material false and misleading information

176. On or about October 1, 2007, the Company filed with the Commission an annual report on Form 10-K for the fiscal year ending December 31, 2006. Included in DHB's 2006 Form 10-K were restated accounting statements for fiscal years ending on December 31, 2003 and 2004.

177. Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)] requires the CEO and CFO of an issuer that is required to prepare an accounting restatement due to the material

noncompliance of the issuer, as a result of misconduct, with any financial reporting requirement under the securities laws, to reimburse the issuer for any bonus or other incentive-based or equity-based compensation received during the 12-month period following the first public issuance or filing of the financial document embodying such financial reporting requirement and any profits realized from the sale of the issuer's stock during the 12-month period.

178. As Chief Executive Officer of DHB, Brooks was required by Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)] to reimburse DHB: (a) for any bonus received by Brooks from DHB during or other incentive-based or equity-based compensation the 12-month period following the first public issuance or filing of the financial document embodying the financial reporting requirement, and (b) any profits realized from the sale of the issuer's stock during that 12-month period.

179. Neither Brooks nor his Estate have reimbursed DHB for the incentive and equity-based compensation that he received or obtained during the statutory time periods established by Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)].

180. The Commission has not exempted Brooks or his Estate, pursuant to Section 304(b) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(b)], from the application of Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)].

181. By reason of the foregoing, Brooks has not complied with Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)] and the Court should require his Estate to reimburse DHB.

XIV. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court find the Brooks committed the violations alleged, and:

I.

Disgorgement

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

II.

Reimbursement of Bonuses and Profits from Stock Sales

Issue an order directing the Estate to reimburse DHB for Brooks' bonuses, incentive compensation, equity compensation, and stock profits, pursuant to Section 304 of the Sarbanes-Oxley Act, 15 U.S.C. § 7243.

III.

Further Relief

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

April 7, 2017

Respectfully submitted,

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on April 7, 2017, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

s/Christopher E. Martin
Christopher E. Martin

SERVICE LIST

Securities and Exchange Commission v. David H. Brooks
Case No. 07-61526-CIV-ALTONAGA
United States District Court, Southern District of Florida

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