Point Blank'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. 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.

16. Hatfield knew or was extremely reckless in not knowing she had no basis or documentation to support the inflated values she assigned to Point Blank's inventory in DHB's books and records. She also knew or was extremely reckless in not knowing DHB would use those values in calculating figures for its earnings releases and filings with the Commission.

17. In every quarter from the beginning of 2003 through the third quarter of 2005 except for the second quarter of 2003, Schlegel reviewed and approved Hatfield's inventory valuations and knowingly incorporated them into DHB's earnings releases and filings with the Commission. Schlegel knew or was extremely reckless in not knowing these valuations were materially false and unsubstantiated because, among other things, she had discussed inventory valuation problems with DHB's auditors, had been warned about overvaluation of DHB's inventory, had acknowledged in late 2004 or early 2005 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.

18. At the end of 2004, Schlegel and Hatfield's manipulations had falsely inflated DHB's inventory by approximately \$23.1 million. 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 despite this warning, and despite

category on DHB's income statement – selling, general, and administrative ("SG&A") expenses. Hatfield knowingly and materially overstated amounts of Point Blank's SG&A expenses for research and development activities and provided these figures to Schlegel. Hatfield had no legitimate basis for her figures, and she knew or was extremely reckless in not knowing Schlegel would use those figures in preparing DHB's financial statements.

22. In each of these same quarters, Schlegel then ordered Point Blank's controllers to make journal entries recording these bogus amounts as research and development expenses purportedly relating to sample vests provided to sales personnel and customers. Hatfield and Schlegel knew or were extremely reckless in not knowing these amounts were baseless because, among other things, they represented tens of thousands of sample vests more than what Point Blank normally used. Furthermore, the corresponding overstated expenses were more than three times Point Blank's actual cost of samples.

23. The amounts of Hatfield and Schlegel's fraudulent research and development reclassifications each quarter are set forth in the table below:

	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
2003	$660,932	$2,747,336	$1,415,212	$2,780,635	$7,604,115
2004	--	$1,157,060	$2,562,061	$2,148,825	$5,867,946
2005	$2,199,498	$3,088,657	$3,182,252	unreported	$8,470,407
					$21,942,468

24. Hatfield and Schlegel knew or were extremely reckless in not knowing that these overstatements and journal entries would cause DHB to make materially false and misleading filings with the Commission and earnings releases.

29. DHB's Form 10-Q, earnings release, and Form 8-K attaching the earnings release for the second quarter of 2003 materially overstated its gross profit by approximately $600,000 or 4%, its gross margin by approximately 4%, and its SG&A expenses by approximately $2.7 million or 55%, while materially understating its cost of goods sold by approximately $600,000 or 1% and its pre-tax income by approximately $2.2 million or 23%.

30. DHB's Form 10-Q, earnings release, and Form 8-K attaching the earnings release for the third quarter of 2003 materially overstated its inventory by approximately $2.6 million or 5%, its gross profit by approximately $4 million or 37%, its gross margin by approximately 37%, its SG&A expenses by approximately $1.4 million or 19%, and its pre-tax income by approximately $2.6 million or 88%, while materially understating its cost of goods sold by approximately $4 million or 9%.

31. DHB's earnings release and Form 8-K attaching the earnings release for the fourth quarter of 2003 materially overstated its inventory by approximately $6.6 million or 14%, its gross profit by approximately $6.8 million or 52%, its gross margin by approximately 52%, its SG&A expenses by approximately $2.8 million or 23%, and its pre-tax income by approximately $4 million or 232%, while materially understating its cost of goods sold by approximately $6.8 million or 11%.

32. DHB's Form 10-K for the year ended December 31, 2003 materially overstated the value of its inventory by approximately $6.6 million or 14%, its gross profit by approximately $14.2 million or 29%, its SG&A expenses by approximately $7.6 million or 26%, and its pre-tax income by approximately $6.6 million or 34%, while materially understating its annual cost of goods sold by approximately $14.2 million or 8%.

49. Schlegel also lied to the auditors and provided false support for the $60 million charge to earnings recorded in the third quarter of 2005. Specifically, in a meeting on March 7, 2006, at one of DHB's facilities in Pompano Beach, Florida, Schlegel falsely told DHB's auditors she did not know anything about the $2 million reclassification from cost of goods sold to the $60 million charge to earnings — the same entry she had directed in the third quarter of 2005. Later that day, Schlegel changed her story and again lied to the auditors by stating the $2 million entry was to correct the previous adjustment for the discontinued product line.

50. Schlegel continued trying to hide Hatfield's and her manipulations of DHB's books, records, and financial statements by giving the company's auditors fabricated inventory schedules that concealed the $2 million reclassification from cost of goods sold in the third quarter of 2005 and the $7.1 million in fictitious inventory added in the first quarter of 2005. For example, on March 7, 2006, Schlegel provided DHB's auditors with a schedule that supposedly showed the breakdown of the $60 million charge to earnings taken in the third quarter of 2005. In this schedule, however, she masked the $2 million and $7.1 million as an approximate $9 million write-off of inventory of the unrelated product line.

51. In a meeting that same day at DHB's Pompano Beach location, Schlegel falsely told the auditors the $7.1 million inventory adjustment was related to the products forming the basis of the $60 million charge. Also in this meeting, she also lied by telling the auditors the $7.1 million of vest components had been moved from one facility to another due to a lack of space, and that they were ultimately destroyed in a hurricane.

52. The following day, Schlegel e-mailed bogus support for her inventory schedule to DHB's auditors. This putative support purports to show specific items and costs comprising the approximately $9 million write-off on her March 7, 2006 schedule.

VI.

Further Relief

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

August 17, 2006

Respectfully submitted,

By: [signature]

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