QUARTERLY REPORT

For the quarterly period ended:

September 30, 2011

FREEDOM GROUP, INC.

(Exact name of company as specified in its charter)

Delaware	**26-0174491**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

870 Remington Drive
P.O. Box 1776
Madison, North Carolina 27025-1776
(Address of principal executive offices) (Zip Code)

(336) 548-8700
(Company's telephone number, including area code)

FREEDOM GROUP, INC.

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In this Quarterly Report, unless otherwise indicated or the context otherwise requires, references to (1) the terms ‘‘we,’’ ‘‘us,’’ ‘‘our,’’ the ‘‘Company’’ and ‘‘Freedom Group’’ refer to Freedom Group, Inc. and its subsidiaries on a consolidated basis, (2) the term ‘‘FGI’’ refers to Freedom Group, Inc., (3) the term "FGI Holding" refers to FGI Holding Company, LLC, (4) the term "FGI Opco" refers to FGI Operating Company, LLC, (5) the term ‘‘Remington’’ refers to Remington Arms Company, LLC and its direct and indirect subsidiaries, (6) the term ‘‘EOTAC’’ refers to EOTAC, LLC, (7) the term ‘‘INTC’’ refers to INTC USA, LLC, (8) the term "Mountain Khakis" refers to Mountain Khakis, LLC, (9) the term ‘‘S&K’’ refers to S&K Industries, LLC, (10) the term "AAC" refers to Advanced Armament Corp., LLC, (11) the term "Barnes" refers to Barnes Bullets, LLC, (12) the term "Mountain Khakis Acquisition" refers to the formation of our joint venture of Mountain Khakis on May 28, 2010, (13) the terms "PIK Notes," "Opco Notes," and "ABL Revolver" have the respective meanings given to them in the "Notes to Consolidated Financial Statements – Note 7 – Debt."

FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all references to "dollars" and "$" in this Quarterly Report are to, and all monetary amounts in this Quarterly Report are presented in, U.S. dollars. Unless otherwise indicated, the financial information contained in this Quarterly Report has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

Certain monetary amounts, percentages and other figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this Quarterly Report, we refer to and rely on publicly available information regarding our industry and our competitors. Although we believe the information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations and financial results and the business and the products of Freedom Group, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions.

Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. The following important factors, and those important factors described elsewhere in our earlier quarterly reports and annual report for the fiscal year ended December 31, 2010 could affect (and in some cases have affected) our actual results and could cause such results to differ materially from estimates or expectations reflected in such forward-looking statements.

- We are subject to the effects of general global economic and market conditions. Increases in commodity prices, higher levels of unemployment, higher consumer debt levels, declines in consumer confidence, uncertainty about economic stability and other economic factors that may affect consumer spending or buying habits could adversely affect the demand for products we sell. If the current economic conditions and the related factors remain uncertain or persist, spread or deteriorate further, our business, results of operations or financial condition could be materially adversely affected.

- Continued volatility and disruption in the credit and capital markets may negatively impact our revenues and/or our suppliers' or customers' ability to access financing on favorable terms or at all.
- Our ability to make scheduled payments of principal or interest on, or to refinance our obligations with respect to, our indebtedness, as well as our ability to comply with the covenants and restrictions contained in the instruments governing such indebtedness, will depend on our future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors beyond our control including the responses of competitors, changes in customer inventory management practices, changes in customer buying patterns, regulatory developments and increased operating costs, all of which could materially adversely affect our business.
- The degree to which we are leveraged could have important consequences, all of which could materially adversely affect our business, including the following: (i) our ability to obtain additional financing for working capital or other purposes in the future may be limited; (ii) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on our indebtedness, thereby reducing funds available for operations; (iii) certain of our borrowings are at variable rates of interest, which could cause us to be vulnerable to increases in interest rates; and (iv) we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.
- The development of rural property in many locations has curtailed or eliminated access to private and public lands previously available for hunting, and the continuation of the development of rural property could materially adversely affect our industry as well as our business and results of operations.
- A significant portion of our sales are seasonal. As a result of the seasonal nature of our sales, our historical working capital financing needs generally have exceeded cash provided by operations during certain parts of the year. Our ability to meet our debt service and other obligations depends in significant part on customers purchasing our products during the fall hunting season. Notwithstanding our cost containment initiatives and continuing management of costs, a decrease in demand during the fall hunting season for our higher priced, higher margin products would require us to further reduce costs or increase our reliance on borrowings under our credit facility to fund operations. If we are unable to reduce costs or increase our borrowings sufficiently to adjust to such a reduction in demand, our financial condition and results of operations could be adversely affected.
- Lead, copper, steel, brass and zinc prices historically have experienced significant volatility primarily due to increased global demand. Furthermore, fuel and energy costs have increased and have remained volatile over the same time period, although at a slower rate of increase. We currently purchase copper and lead options contracts to hedge against price fluctuations of anticipated commodity purchases. With the volatility of pricing that we have recently experienced, there can be no assurance that we will not see further material adverse changes in commodity pricing or energy costs, and such further changes, were they to occur, could have a material adverse impact on our consolidated financial position, results of operations, or cash.
- Achieving the benefits of our acquisitions will depend in part on the integration of products and internal operating systems in a timely and efficient manner. Such integration may be unpredictable, and subject to delay because the products and systems typically were developed independently and were designed without regard to such integration. If we cannot successfully integrate such products and internal operating systems on a timely basis, we may lose customers and our business and results of operations may be harmed.
- We face significant domestic and international competition and our competitors vary according to product line. Certain of these competitors are subsidiaries of large corporations with substantially greater financial resources than we have. There can be no assurance that

we will continue to compete effectively with all of our present competition, and our ability to so compete could be adversely affected by our leveraged condition.

- Sales made to Wal-Mart accounted for approximately 13% and 11% of our total sales for the nine months ended September 30, 2011 and fiscal 2010, respectively, and 16%, 12%, and 9% of our trade receivables balance as of September 30, 2011, December 31, 2010, and September 30, 2010, respectively. Wal-Mart, together with another customer, accounted for approximately 24%, 23%, and 14% of our trade receivables balance as of September 30, 2011, December 31, 2010, and September 30, 2010, respectively. Our sales to Wal-Mart are generally not governed by a written long-term contract between the parties. In the event that Wal-Mart were to significantly reduce or terminate its purchases of firearms, ammunition and/or other products from us, our financial condition or results of operations and cash flows could be adversely affected.
- We utilize numerous raw materials, including steel, zinc, lead, copper, brass, plastics and wood, as well as manufactured parts, which are purchased from one or a few suppliers. Any disruption in our relationship with these suppliers could increase our cost of operations. Such a disruption may result from or be amplified by the recent volatility of and uncertainty in the U.S. and global financial markets.
- The manufacture, sale and purchase of firearms, ammunition and certain accessories are subject to extensive governmental regulation on the federal, state and local levels. Changes in regulation could materially adversely affect our business by restricting the types of products we manufacture or sell or by imposing additional costs on us or our customers in connection with the manufacture or sale of our products. Regulatory proposals, even if never enacted, may affect firearms or ammunition sales as a result of consumer perceptions. While we do not believe that existing federal and state legislation relating to the regulation of firearms and ammunition had a material adverse effect on our sales, no assurance can be given that more restrictive regulations, if proposed or enacted, will not have a material adverse effect on us in the future.
- As a manufacturer of firearms, we were previously named as a defendant in certain lawsuits brought by municipalities or organizations challenging manufacturers' distribution practices and alleging that the defendants have also failed to include a variety of safety devices in their firearms. Our insurance primarily excludes coverage regarding such claims. In the event that additional such lawsuits were filed, or if certain legal theories advanced by plaintiffs were to be generally accepted by the courts, our financial condition and results of operations could be adversely affected.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this quarterly report.

Freedom Group, Inc. and Subsidiaries Condensed Consolidated Balance Sheets
(Dollars in Millions, Except Par Value of Stock)

	Unaudited September 30, 2011	December 31, 2010	*Unaudited* September 30, 2010
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 10.5	$ 54.7	$ 79.9
Trade Receivables, net of allowances of $0.7, $0.4, and $0.2, respectively	125.2	102.2	125.5
Inventories - net	146.0	114.1	142.2
Deferred Tax Assets	18.3	10.1	13.2
Other Assets	26.1	39.0	21.1
Total Current Assets	326.1	320.1	381.9
Property, Plant and Equipment - net	113.3	117.9	119.1
Goodwill	68.2	68.3	83.3
Intangible Assets - net	117.9	123.0	125.5
Other Assets	38.2	42.9	45.5
Total Assets	$ 663.7	$ 672.2	$ 755.3
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	$ 72.4	$ 51.3	$ 56.3
Short-Term Borrowings	0.9	3.9	0.7
Current Portion of Product Liability	6.5	4.3	3.7
Other Liabilities	69.7	73.3	70.6
Total Current Liabilities	149.5	132.8	131.3
Long-Term Debt, net	486.9	504.7	498.3
Retiree Benefits, net	52.6	49.3	50.1
Product Liability, net	11.1	11.1	10.4
Deferred Tax Liabilities	19.6	22.0	26.8
Other Long-Term Liabilities	27.4	22.4	23.3
Total Liabilities	747.1	742.3	740.2
Commitments and Contingencies (Note 13)			
Preferred Stock, Series A, at aggregate liquidation preference	28.2	26.3	95.6
Total Mezzanine Equity	28.2	26.3	95.6
Common Stock issued 166,989, 166,989, and 166,745, respectively	0.2	0.2	0.2
Less: Treasury Stock	(3.4)	(2.3)	(0.7)
Paid-in Capital	-	-	-
Accumulated Other Comprehensive Loss	(51.8)	(47.7)	(45.2)
Accumulated Deficit	(57.4)	(47.6)	(36.4)
Total Parent's Deficit	(112.4)	(97.4)	(82.1)
Noncontrolling Interest Equity	0.8	1.0	1.6
Total Stockholders' Deficit	(111.6)	(96.4)	(80.5)
Total Liabilities, Mezzanine Equity and Stockholders' Equity	$ 663.7	$ 672.2	$ 755.3

The accompanying notes are an integral part of these consolidated financial statements.

Freedom Group, Inc. and Subsidiaries Condensed Consolidated Statements of Operations
(Dollars in Millions, except for Earnings Per Share)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net Sales	$ 198.0	$ 207.6	$ 564.6	$ 561.0
Cost of Goods Sold	142.8	146.9	409.0	382.0
Gross Profit	55.2	60.7	155.6	179.0
Selling, General and Administrative Expenses	30.9	39.3	104.7	112.6
Research and Development Expenses	3.0	3.6	8.6	12.7
Impairment Charges	-	0.7	-	1.7
Other Expense	2.8	2.1	6.4	6.2
Operating Income	18.5	15.0	35.9	45.8
Interest Expense	16.3	15.6	47.3	38.5
Income (Loss) before Income Taxes and Noncontrolling Interests	2.2	(0.6)	(11.4)	7.3
Income Tax Provision (Benefit)	(0.2)	(0.3)	(5.1)	2.7
Equity in Losses from Unconsolidated Joint Venture	-	0.1	-	0.3
Net Income (Loss)	2.4	(0.4)	(6.3)	4.3
Add: Net Loss Attributable to Noncontrolling Interest	-	0.1	0.2	0.3
Net Income (Loss) Attributable to Controlling Interest	$ 2.4	$ (0.3)	$ (6.1)	$ 4.6
Net Income (Loss) Attributable to Controlling Interest	$ 2.4	$ (0.3)	$ (6.1)	$ 4.6
Accretion of Preferred Stock	(0.7)	0.9	(1.9)	(7.9)
Net Income (Loss) Applicable to Common Stock	$ 1.7	$ 0.6	$ (8.0)	$ (3.3)
Net Income (Loss) Per Common Share, Basic	$ 10.60	$ 3.79	$ (49.48)	$ (19.65)
Net Income (Loss) Per Common Share, Diluted	$ 10.43	$ 3.64	$ (49.48)	$ (19.65)
Weighted Average Number of Shares Outstanding, Basic	162,488	164,081	163,104	163,867
Weighted Average Number of Shares Outstanding, Diluted	165,181	171,019	163,104	163,867

Net Sales are presented net of Federal Excise taxes of $17.4 and $18.0 for the three months ended September 30, 2011 and 2010, respectively.
Net sales are presented net of Federal Excise taxes of $45.1 and $45.6 for the nine months ended September 30, 2011 and 2010, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Freedom Group, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows
(Dollars in Millions)
(Unaudited)

	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
Operating Activities		
Net Income (Loss)	$ (6.3)	$ 4.3
Adjustments:		
Depreciation and Amortization	21.3	24.3
Loss on Disposal of Property, Plant, and Equipment	0.5	0.6
Loss on Early Extinguishment of Debt	2.5	-
Deferred Income Taxes	(10.4)	(4.2)
Share Based Compensation Charges	0.5	0.4
Other Non-Cash Charges	6.6	7.1
Changes in Operating Assets and Liabilities net of effects of acquisitions:		
Trade Receivables	(23.0)	(31.5)
Inventories - net	(31.9)	(31.9)
Other Current Assets	8.0	14.3
Other Noncurrent Assets	(0.8)	0.9
Accounts Payable	20.8	5.3
Other Long-Term Liabilities	5.4	(8.1)
Net Cash used in Operating Activities	(6.8)	(18.5)
Investing Activities		
Purchase of Property, Plant and Equipment	(8.6)	(15.5)
Proceeds from Sale of Property, Plant and Equipment	0.6	0.7
Acquisition of Businesses, net of Cash Acquired	(1.4)	(5.1)
Net Cash used in Investing Activities	(9.4)	(19.9)
Financing Activities		
Principal Payments on Debt	(31.5)	-
Proceeds on Issuance of Debt	-	220.5
Proceeds from Revolving Credit Facilities	27.7	33.1
Payments on Revolving Credit Facilities	(25.2)	(33.1)
Payments on Capital Leases	(0.2)	(0.5)
Debt Issuance Costs	(0.2)	(12.6)
Acquisition of Preferred and Common Stock	(3.4)	(150.7)
Distributions to Noncontrolling Interests	-	(0.1)
Change in Book Overdraft	4.8	1.5
Net Cash (used in) provided by Financing Activities	(28.0)	58.1
Change in Cash and Cash Equivalents	(44.2)	19.7
Cash and Cash Equivalents at Beginning of Period	54.7	60.2
Cash and Cash Equivalents at End of Period	$ 10.5	$ 79.9
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	43.3	$ 34.9
Income Taxes	0.4	6.7
Previously Accrued Capital Expenditures	1.9	3.4

The accompanying notes are an integral part of these consolidated financial statements.

Freedom Group, Inc. and Subsidiaries Condensed Statement of Stockholders' Equity (Deficit), Mezzanine Equity and Comprehensive Loss
(Dollars in Millions)
(Unaudited)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Controlling Interest Stockholders' Equity (Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)	Mezzanine Equity Preferred Stockholders
Freedom Group, Inc and Subsidiaries									
Balance, December 31, 2009	$ 0.2	$ (0.6)	$ -	$ (38.3)	$ (33.1)	$ (71.8)	$ (0.3)	$ (72.1)	$ 238.2
Comprehensive Income (Loss):									
Net Income (Loss)					4.6	4.6	(0.3)	4.3	
Other comprehensive income:									
Minimum pension liability, net of tax effect of $0.0				-		-	-	-	
Net derivative losses, net of tax effect of ($2.6)				(2.8)		(2.8)		(2.8)	
Net derivative gains reclassified as earnings, net of tax effect of ($1.7)				(4.1)		(4.1)		(4.1)	
Total Comprehensive Income (Loss)						(2.3)	(0.3)	(2.6)	
Purchase of Subsidiary Shares from Noncontrolling Interest					(0.3)	(0.3)	0.2	(0.1)	
Formation of Joint Venture with Noncontrolling Interest							2.0	2.0	
Share-Based Compensation and Redemption of Stock		(0.1)	0.3		-	0.2		0.2	(150.5)
Accretion of Preferred Stock			(0.3)		(7.6)	(7.9)		(7.9)	7.9
Balance, September 30, 2010	$ 0.2	$ (0.7)	$ -	$ (45.2)	$ (36.4)	$ (82.1)	$ 1.6	$ (80.5)	$ 95.6

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Controlling Interest Stockholders' Equity (Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)	Mezzanine Equity Preferred Stockholders
Freedom Group, Inc and Subsidiaries									
Balance, December 31, 2010	$ 0.2	$ (2.3)	$ -	$ (47.7)	$ (47.6)	$ (97.4)	$ 1.0	$ (96.4)	$ 26.3
Comprehensive Income (Loss):									
Net Income (Loss)					(6.1)	(6.1)	(0.2)	(6.3)	
Other comprehensive income:									
Minimum pension liability, net of tax effect of ($0.2)				0.2		0.2	-	0.2	
Net derivative losses, net of tax effect of ($2.5)				(4.0)		(4.0)		(4.0)	
Net derivative gains reclassified as earnings, net of tax effect of ($0.2)				(0.3)		(0.3)		(0.3)	
Total Comprehensive Income (Loss)						(10.2)	(0.2)	(10.4)	
Share-Based Compensation and Redemption of Stock		(1.1)	0.5		(2.3)	(2.9)		(2.9)	
Accretion of Preferred Stock			(0.5)		(1.4)	(1.9)		(1.9)	1.9
Balance, September 30, 2011	$ 0.2	$ (3.4)	$ -	$ (51.8)	$ (57.4)	$ (112.4)	$ 0.8	$ (111.6)	$ 28.2

The accompanying notes are an integral part of these consolidated financial statements.

(dollars in millions, except share and per share amounts) – Unaudited

Note 1 -- Basis of Presentation

The accompanying unaudited interim consolidated financial statements include those of Freedom Group, Inc. (“FGI” or the “Company”) and its subsidiaries. FGI owns 100% of FGI Holding Company, LLC (“FGI Holding”), which in turn owns 100% of FGI Operating Company, LLC (“FGI Opco”). FGI Opco includes the financial results of Remington Arms Company, LLC (“Remington”), Barnes Bullets, LLC (“Barnes”), E-RPC, LLC (“E-RPC”), RA Brands, L.L.C. and Outdoor Services, LLC. Remington, in turn, owns Advanced Armament Corp., LLC (“AAC”), a 75% interest in Mountain Khakis, LLC (“Mountain Khakis”), an 84% interest in EOTAC, LLC (“EOTAC”), and a 27.13% interest in INTC USA, LLC. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of FGI and subsidiaries as of and for the year ended December 31, 2010. These unaudited interim statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. The results for the three month period may not be indicative of a full year’s result. Certain amounts reported in prior periods have been reclassified to conform to the presentation at September 30, 2011.

Note 2 -- Business Combinations

On May 28, 2010, the Company, through its Remington subsidiary, formed a new venture with Mountain Khakis. The Company then purchased a 75% ownership interest in Mountain Khakis (the “Mountain Khakis Acquisition”) and Mountain Khakis owns the remaining 25%. Remington completed its total investment of $6.0 with the final $1.4 cash contribution made on April 1, 2011. The Mountain Khakis Acquisition was funded with cash from operating activities and its operations are consolidated with Remington in accordance with FASB ASC 805 “Business Combinations.” Mountain Khakis designs and markets specialty outdoor apparel and the new venture is expected to augment existing product lines and enhance the availability of durable, comfortable, high-quality apparel to consumers.

The Mountain Khakis Acquisition was accounted for as a business combination using the acquisition method, in accordance with FASB ASC 805 whereby the final purchase price (including assumed liabilities) is allocated and pushed down to the assets acquired based on their estimated fair market values at the date of the acquisition. The following table summarizes the fair values of the assets acquired and liabilities assumed in accordance with FASB ASC 805:

	Mountain Khakis
Trade Receivables	$ 2.6
Inventory	1.6
Property, Plant and Equipment	0.3
Goodwill	1.5
Identifiable Intangible Assets	3.7
Other Long-Term Assets	0.1
Total Assets Acquired	$ 9.8
Current Liabilities	$ 0.3
Other Long-Term Liabilities	1.5
Total Liabilities Assumed	$ 1.8
Total Assets Acquired Less Liabilities Assumed	$ 8.0
Noncontrolling Interest	(2.0)
Total Acquisition Cost	$ 6.0

(dollars in millions, except share and per share amounts) – Unaudited

Pro Forma Financial Information (Unaudited)

The following unaudited pro forma results of operations assume that the acquisition of Mountain Khakis occurred as of January 1, 2010. Income taxes are provided at the estimated statutory rate. This unaudited pro forma information should not be relied upon as necessarily being indicative of historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

For the Periods Ended September 30, 2010	Three Months	Nine Months
Net Sales	$207.6	$562.7
Operating Income	15.0	45.4
Net Income (Loss)	(0.3)	4.2

Note 3 -- Fair Value Measurements

FASB ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different. The accounting standards also establish a three-level hierarchy that prioritizes the inputs used in fair value measurements. The hierarchy consists of three broad levels as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than quoted prices within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

The following table presents assets measured at fair value on a recurring basis as of September 30, 2011, December 31, 2010, and September 30, 2010:

	Level 1	Level 2	Level 3	Total
September 30, 2011:				
Assets				
Commodity Contract Derivatives [1]	N/A	$ 3.6	N/A	$ 3.6
Life Insurance Policies [2]	N/A	N/A	N/A	N/A
December 31, 2010:				
Assets				
Commodity Contract Derivatives [1]	N/A	$ 3.9	N/A	$ 3.9
Life Insurance Policies [2]	N/A	$ 0.1	N/A	$ 0.1
September 30, 2010:				
Assets				
Commodity Contract Derivatives [1]	N/A	$ 2.2	N/A	$ 2.2
Life Insurance Policies [2]	N/A	$ 0.1	N/A	$ 0.1

(dollars in millions, except share and per share amounts) – Unaudited

[1] The fair value of commodity contract derivatives is provided by the Company's commodity brokers whose inputs are classified within Level 2 of the fair value hierarchy. Most derivative contracts are not listed on an exchange and are measured based on observable inputs such as spot and future commodity prices. Refer to Note 14.

[2] Life insurance policies are valued by using cash surrender values, net of related policy loans, and are classified within Level 2 of the fair value hierarchy. During the nine months ended September 30, 2011, the policies were cancelled and the Company collected $0.1.

Other Fair Value Measurements and Concentrations of Credit Risk

Due to their liquid nature, the carrying values of cash and cash equivalents, trade receivables, accounts payable, income taxes payable and receivable, and other current liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of $496.8, $516.2, and $506.2 as of September 30, 2011, December 31, 2010, and September 30, 2010, respectively, and a carrying value of $487.8, $508.6, and $499.0 as of September 30, 2011, December 31, 2010, and September 30, 2010, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at September 30, 2011, December 31, 2010, and September 30, 2010 which is considered a Level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 17.9% and 12.9% of total net sales for the three months ended September 30, 2011 and 2010, respectively, and 13.3% and 10.5% of total net sales for the nine months ended September 30, 2011 and 2010, respectively, consisted of sales made to one customer from all reportable business segments.

Note 4 – Inventories, Net

Inventories consist of the following at:

	September 30, 2011	December 31, 2010	September 30, 2010
Raw Materials	$ 48.2	$ 31.5	$ 37.3
Semi-Finished Products	35.6	31.7	32.5
Finished Products	62.2	50.9	72.4
Total	$ 146.0	$ 114.1	$ 142.2

At the end of the year during the winter hunting season, retail sales begin to subside from their seasonal peak and the Company's inventory levels are at their lowest annual levels. As a result, the Company's inventory levels at September 30, 2011 are expected to be higher than those at December 31, 2010. Raw materials and semi-finished product inventory levels at September 30, 2011 have increased when compared to those at September 30, 2010 due to increases in safety stock to meet production demand and production timing.

In December 2010, the Company changed its accounting policy to value its entire inventory under the FIFO method. Previously, a portion of its firearms inventory was valued using the LIFO method. The change was due to recent restructuring activities and a desire to apply consistent valuation methods for homogenous components, parts, and processes. The consolidated financial statements, accompanying footnotes, and disclosures for all periods presented within this report have been retroactively adjusted for the change in accounting principle in accordance with FASB ASC 250 "Accounting Changes".

Since the change in accounting policy was made in December 2010, results for the three and nine months ended September 30, 2010 were affected. The following table summarizes those effects on the Company's consolidated financial statements as of and for the three and nine months ended September 30, 2010:

(dollars in millions, except share and per share amounts) – Unaudited

	Three Months		Nine Months	
	As Adjusted for Accounting Change	As Originally Stated	As Adjusted for Accounting Change	As Originally Stated
Consolidated Statements of Operations for the Periods Ended September 30, 2010				
Cost of Goods Sold	$ 146.9	$ 146.9	$ 382.0	$ 382.2
Operating Income	15.0	15.0	45.8	45.6
Income Tax Provision (Benefit)	(0.3)	(0.3)	2.7	2.6
Net Income (Loss) Attributable to Controlling Interest	(0.3)	(0.3)	4.6	4.5
Net Loss Per Common Share, Basic [1]	$ 3.79	$ 3.49	$ (19.65)	$ (20.56)
Net Loss Per Common Share, Diluted [1]	$ 3.64	$ 3.34	$ (19.65)	$ (20.56)

[1] The Net Loss Per Common Share data for all reported periods were retroactively restated to reflect the reverse stock split as discussed in Note 9.

	As Adjusted	As Originally Stated
Consolidated Balance Sheet as of September 30, 2010:		
Inventories	$142.2	$143.3
Deferred Tax Assets	13.2	12.8
Accumulated Deficit	(36.4)	(35.7)
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010:		
Provision for Deferred Income Taxes – net	(4.2)	(4.3)
Inventories – net	(31.9)	(31.7)

Note 5 -- Goodwill and Other Intangible Assets

The change in the carrying amount of goodwill for the twelve months ended September 30, 2011 by segment is as follows:

Goodwill	September 30, 2011	Net Adjustments	December 31, 2010	Net Adjustments	September 30, 2010
Firearms:					
gross carrying value [1]	$ 79.2	$ 0.1	$ 79.1	$ (0.4)	$ 79.5
aggregate impairment	(36.8)	-	(36.8)	-	(36.8)
Net	42.4	0.1	42.3	(0.4)	42.7
Ammunition:					
gross carrying value [2]	28.7	-	28.7	(3.9)	32.6
aggregate impairment [2]	(4.8)	-	(4.8)	(4.8)	-
Net	23.9	-	23.9	(8.7)	32.6
All Other and Reconciling Items:					
gross carrying value [3]	11.5	(0.2)	11.7	(3.9)	15.6
aggregate impairment [3]	(9.6)	-	(9.6)	(2.0)	(7.6)
Net	1.9	(0.2)	2.1	(5.9)	8.0
Total	$ 68.2	$ (0.1)	$ 68.3	$ (15.0)	$ 83.3

(dollars in millions, except share and per share amounts) – Unaudited

[1] As part of the application of purchase accounting, $0.5 of S&K's goodwill was reclassified to equipment during 2010.

[2] As part of the application of purchase accounting related to the acquisition of Barnes, $3.9 of goodwill was reclassified to inventory, equipment, and other intangible assets. As a result of the Company's annual impairment test in 2010, Barnes' goodwill was eliminated.

[3] In May 2010, the Company acquired Mountain Khakis, initially resulting in $5.6 of goodwill. As part of purchase accounting, $3.9 of Mountain Khakis' goodwill was reclassified to inventory and other intangible assets during 2010 and $0.2 was reclassified to other intangible assets in May 2011. As a result of the Company's annual impairment test in 2010, a $2.0 impairment charge was recognized.

The gross carrying amount and accumulated amortization of the Company's identifiable intangible assets at September 30, 2011, December 31, 2010 and September 30, 2010 are comprised of the following:

	September 30, 2011 Gross Balance	**Accumulated Amortization**	**September 30, 2011 Net Balance**	**Amortization Period**
Goodwill	$ 68.2	N/A	$ 68.2	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 73.0	N/A	$ 73.0	Indefinite
Customer Relationships/Lists	47.9	$ (13.4)	34.5	14.5 Years [1]
License Agreements	8.5	(5.3)	3.2	7.0 Years [1]
Unpatented Technology	13.2	(7.4)	5.8	7.3 Years [1]
Other	4.1	(2.7)	1.4	4.2 Years [1]
Total Intangible Assets	146.7	(28.8)	117.9	11.8 Years [1]
Total Goodwill and Intangibles	$ 214.9	$ (28.8)	$ 186.1	

	December 31, 2010 Gross Balance	**Accumulated Amortization**	**December 31, 2010 Net Balance**	**Amortization Period**
Goodwill	$ 68.3	N/A	$ 68.3	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 73.9	N/A	$ 73.9	Indefinite
Customer Relationships/Lists	46.9	$ (10.9)	36.0	14.6 Years [1]
License Agreements	8.5	(4.4)	4.1	7.0 Years [1]
Unpatented Technology	13.2	(5.9)	7.3	7.3 Years [1]
Other	4.1	(2.4)	1.7	4.2 Years [1]
Total Intangible Assets	146.6	(23.6)	123.0	11.8 Years [1]
Total Goodwill and Intangibles	$ 214.9	$ (23.6)	$ 191.3	

(dollars in millions, except share and per share amounts) – Unaudited

	September 30, 2010 Gross Balance	Accumulated Amortization	September 30, 2010 Net Balance	Amortization Period
Goodwill	$ 83.3	N/A	$ 83.3	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 68.6	N/A	$ 68.6	Indefinite
Customer Relationships/Lists	38.9	$ (9.8)	29.1	16.6 Years [1]
License Agreements	8.4	(4.0)	4.4	7.0 Years [1]
Unpatented Technology	12.0	(5.3)	6.7	7.0 Years [1]
Other	21.2	(4.5)	16.7	5.1 Years [1]
Total Intangible Assets	149.1	(23.6)	125.5	11.6 Years [1]
Total Goodwill and Intangibles	$ 232.4	$ (23.6)	$ 208.8	

[1] Represents weighted average amortization period for the capitalized balance of the intangible asset.

Amortization expense related to intangible assets was $1.7 and $5.1 for the three and nine months ended September 30, 2011, respectively, and $2.1 and $6.6 for the three and nine months ended September 30, 2010, respectively.

Estimated annual amortization for identifiable intangible assets over the next five calendar years is as follows:

Year	Amount
2011 (remainder of fiscal year)	$ 1.7
2012	6.6
2013	6.4
2014	4.3
2015	3.7
Thereafter	22.2
Total	$ 44.9

Note 6 -- Other Current Liabilities

Other Current Liabilities consisted of the following at:

	September 30, 2011	December 31, 2010	September 30, 2010
Marketing	$ 17.2	$ 15.2	$ 13.0
Excise Tax	16.9	15.0	11.4
Interest	4.2	15.1	4.7
Other	31.4	28.0	41.5
Total	$ 69.7	$ 73.3	$ 70.6

(dollars in millions, except share and per share amounts) – Unaudited

Note 7 -- Debt

Long-term debt consisted of the following at,

	September 30, 2011	December 31, 2010	September 30, 2010
FGI 10.25% Senior Secured Notes due 2015	$ 247.7	$ 275.2	$ 275.3
FGI Credit Facility (ABL Revolver)	2.5	-	-
FGI 11.25%/11.75% Pay-In-Kind Notes due 2015	234.7	227.4	220.8
Mountain Khakis Notes	1.5	1.5	1.6
Short-Term Debt	0.3	3.5	-
Capital Lease Obligations	1.1	1.0	1.3
Subtotal	487.8	508.6	499.0
Less: Current Portion	(0.9)	(3.9)	(0.7)
Total	$ 486.9	$ 504.7	$ 498.3

10.25% Senior Secured Notes due 2015 and ABL Revolver

As of September 30, 2011, the Company's subsidiary, FGI Opco, has $247.5 in aggregate principal amount outstanding of 10.25% Senior Secured Notes (the "Opco Notes") due 2015. In July 2011, the Company redeemed $27.5 in principal amount of its outstanding Opco Notes. Per the terms of the Opco Notes indenture, prior to August 1, 2012 the Company may redeem up to 10% of the original aggregate principal amount during any twelve month period of the Opco Notes at a redemption price of 103% plus accrued and unpaid interest. The Company paid out $29.7, consisting of $27.5 in respect of the principal amount of the Opco Notes being redeemed, $0.8 for the premium and $1.4 of accrued and unpaid interest. The Company also recognized a $1.8 loss in connection with the redemption which includes the write off of approximately $1.0 of previously capitalized debt issuance costs.

The Company also maintains a senior secured asset-based revolving credit facility (the "ABL Revolver"). In June 2011, the Company twice amended the Loan and Security Agreement (the "Loan Agreement") on its ABL Revolver. The first amendment allowed two of the Company's subsidiaries, Barnes Bullets, LLC and Advanced Armament Corp., to become borrowers under the ABL Revolver. The second amendment reduced the maximum credit line from $180.0 to $150.0 as well as applicable interest rates and fees on unused credit lines. Specifically, the second amendment reduced the applicable interest rate range from 3.25%-3.75% to 2.0%-2.5% and reduced the unused line fees range from 0.75%-0.50% to 0.50%-0.25%. The Company capitalized $0.2 of financing costs and recognized a $0.6 loss related to the amendments. Borrowings under the ABL Revolver prior to and subsequent to the amendment bear interest at an annual rate of either (a) LIBOR plus a spread or (b) the base rate plus a spread. The ABL Revolver includes an unused line fee that will change at an annual rate to be paid monthly in arrears. Monthly fees are also chargeable on letters of credit equal to the applicable LIBOR margin and a fronting fee equal to 0.125% per annum.

As of September 30, 2011, the weighted average interest rate on the ABL Revolver was 3.5% and approximately $122.4 in additional borrowings, including the minimum availability requirement of $30.0, was available.

11.25%/11.75% Senior Pay-In-Kind Notes due 2015

In April 2010, the Company's direct subsidiary, FGI Holding, issued $225.0 aggregate principal amount of 11.25%/11.75% Senior Pay-in-Kind Notes (the "PIK Notes") due 2015. The PIK Notes are not guaranteed by FGI Holding's subsidiaries. Interest is payable on the PIK Notes semi-annually in arrears on April 1 and October 1, and commenced on October 1, 2010. On or prior to April 1, 2015, interest will be payable, at the election of FGI Holding (1) entirely in cash or (2) 50% in cash and 50% by increasing the principal amount of the outstanding notes or by issuing additional PIK notes. For interest payments on the PIK Notes that FGI Holding elects to pay entirely as cash interest, the cash interest will accrue at a rate equal to 11.25% per annum. For interest payments on the PIK Notes that FGI Holding elects to pay 50% as cash interest and 50% as PIK interest, cash interest on the notes will accrue at a rate equal to 5.875% per annum and PIK interest on the PIK Notes will accrue at a rate equal to 5.875% per annum. If FGI Holding elects to pay any PIK interest, FGI Holding will increase the principal amount of the PIK

Notes or issue new PIK Notes in an amount equal to the amount of PIK interest for the applicable interest payment period (rounded down to the nearest whole dollar) to holders of the PIK Notes on the relevant record date. In April 2011, the Company elected to pay half of its semi-annual interest payable in cash and increase the PIK Notes principal by the remaining half of the interest payable. Approximately $7.0 is included in Other Long-Term Liabilities and will be added to the PIK Note principal on October 1, 2011.

Prior to the issuance of the PIK Notes, FGI formed FGI Holding as a new wholly-owned subsidiary, which in turn formed a new wholly-owned subsidiary, FGI Opco. In connection with the issuance of the PIK Notes, FGI transferred substantially all of its assets (principally equity interests in its subsidiaries, other than the stock of FGI Holding) to FGI Opco and FGI Opco assumed all of the liabilities of FGI (other than those that relate to retained assets), including the obligations under the Opco Notes and the ABL Revolver (collectively, the "Transfer Transactions").

As a part of Transfer Transactions, (i) FGI Opco became a borrower under the ABL Revolver and the related financing documents with the same force and effect as if originally named as a borrower, (ii) FGI Opco was substituted as issuer of the Opco Notes with the same force and effect as if it were the original issuer, (iii) FGI Opco granted a security interest in all its personal property for the benefit of the secured parties under the ABL Revolver and the Opco Notes, (iv) FGI was released from all liability and obligations under the ABL Revolver and the Opco Notes, and the related lien on all the collateral granted by FGI was released, and (v) each of FGI and FGI Holding unconditionally guaranteed the obligations of FGI Opco under the Opco Notes.

The indentures governing the Opco Notes and PIK Notes contain covenants which include, among others, limitations on the ability of the issuers and its restricted subsidiaries: to incur additional debt or issue disqualified stock; to permit its restricted subsidiaries to issue preferred stock; make certain investments; enter into transactions with affiliates; merge, consolidate or sell all or substantially all assets; allow certain restrictions on the ability of the restricted subsidiaries to pay dividends or make other payments to the Company; and incur liens on assets. The PIK Notes indenture also requires FGI Holding to own 100% of FGI Opco's capital stock at all times.

The PIK Notes indenture requires the Company to accrue an additional 200 basis points of interest in the quarter following a quarter end where our last twelve months ("LTM") Adjusted EBITDA (as defined in the PIK Notes indenture) falls below $115.0. Based on the Company's LTM Adjusted EBITDA of $109.3 at March 31, 2011, the Company accrued this additional interest from July 1, 2011 through September 30, 2011, and paid it with the semi-annual interest payment in October 2011. The Company also began accruing this additional interest for the period October 1 through December 31, 2011, based on the Company's LTM Adjusted EBITDA of $109.4 at June 30, 2011. At September 30, 2011, the Company's LTM Adjusted EBITDA was $108.5, and additional interest will be accrued January 1, 2012 through March 31, 2012. The additional interest for the quarters ending June 30, 2011 and September 30, 2011 will be paid in April 2012, along with the semi-annual interest payment.

Other Debt

In conjunction with the Mountain Khakis Acquisition, the Company assumed $1.5 of Mountain Khakis debt (the "Mountain Khakis Notes"). The Mountain Khakis Notes represent nine individual notes to unrelated parties with maturities ranging from March 2012 through May 2013. Interest rates for the Mountain Khakis Notes range between 10% and 12%.

Short-Term Debt of $0.3, $3.5, and zero as of September 30, 2011, December 31, 2010, and September 30, 2010, respectively, consisted of a fixed interest agreement for financing the Company's insurance premiums. The interest rate under this agreement is 1.8% and matures in December 2011.

Outstanding standby letters of credit were $6.6 as of September 30, 2011.

The Company was in compliance with its debt covenants as of September 30, 2011.

(dollars in millions, except share and per share amounts) – Unaudited

Note 8 -- Stock Compensation

On April 29, 2011, the Company declared a reverse stock split effective April 29, 2011, whereby every 100 shares of the Company's preferred, common and restricted stock were combined into one share of Company stock and every 100 stock options were combined into one stock option. There were no fractional shares issued. All fractional shares were rounded up to the next whole number. The fair value and number of shares authorized, issued, and outstanding for all prior periods presented have been retroactively restated.

Restricted Stock/Restricted Units

The following table summarizes the restricted common unit/share activity for the nine months ended September 30, 2011:

	Restricted Common Units/Shares Outstanding	Weighted Average Grant Date Fair Value	Units/Shares Vested
Balance January 1, 2011	3,999	$ 416.49	2,988
Exercised Options[1]	2,326		
Repurchased[1]	4,335		
Balance September 30, 2011	1,990	$ 623.61	1,278

[1] In 2011, the Company repurchased 4,335 shares of restricted common stock. The Company paid out approximately $2.0 to repurchase the 2,326 shares of restricted stock issued as a result of exercised stock options and $2.0 for 2,009 shares of restricted common stock.

The vesting of the restricted stock occurs at various times through 2014. Compensation expense was approximately $0.1 and $0.3 for the three and nine months ended September 30, 2011, respectively. In addition, the Company expects to recognize approximately $0.8 in remaining compensation cost for the non-vested restricted shares through 2014.

Stock Options

On May 14, 2008, the board of directors of FGI (the "FGI Board") adopted the American Heritage Arms, Inc. 2008 Stock Incentive Plan (the "Plan"). The Plan is designed to provide a means by which certain current employees, officers, non-employee directors and other individual service providers may be given an opportunity to benefit from increases in the value of FGI common stock (the "Common Stock"), through the grant of awards. FGI, by means of the Plan, seeks to retain the services of such eligible persons and to provide incentives for such persons to exert maximum efforts for the success of FGI and its subsidiaries. Also on May 14, 2008, the FGI Board adopted the form of Nonqualified Stock Option Award Agreement (the "Form Award Agreement"). The Form Award Agreement outlines terms relating to stock option awards, including (i) the exercise price per share of each option granted, which shall be the fair market value of a share of the Common Stock on the date of grant (as defined in the Plan), (ii) the vesting schedule of the options granted, and (iii) acceleration provisions upon the occurrence of a change in control, termination of employment without cause or termination of employment for good reason.

Per the terms of the Plan, the Company substituted a new option for every 100 of the old options and adjusted the grant fair market value of the shares subject to the option so that immediately after the substitution the aggregate option price of the shares was not more than the excess of the aggregate fair market value of all shares subject to the option immediately before the substitution. The fair value and number of shares authorized, issued, and outstanding for all prior periods presented have been retroactively restated.

(dollars in millions, except share and per share amounts) – Unaudited

The awards under the Plan may be in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and stock unit awards. The maximum aggregate number of shares of Common Stock that may be issued under all awards granted to participants under the Plan is 24,247 shares, including approximately 1,234 shares which are restricted shares and not stock options, subject to certain adjustments as set forth in the Plan.

The vesting of the options occurs at various times through March 2013. For the three and nine months ended September 30, 2011, the Company recognized approximately $0.1 and $0.2, respectively, in expense related to these options. In addition, the Company expects to recognize approximately $0.4 in remaining compensation cost for the non-vested stock options through 2013.

A summary of the stock option activity for the Plan for the nine months ended September 30, 2011 is summarized below:

	Number of Awards	Weighted Average Exercise Price
Awards outstanding, January 1, 2011	10,483	$428.31
Exercised[1]	2,326	274.86
Forfeited	2,047	594.48
Awards outstanding, September 30, 2011	6,110	$431.06
Awards vested, September 30, 2011	4,913	$331.51
Awards available for grant, September 30, 2011	12,598	

[1] In 2011, the Company received approximately $0.6 for 2,326 vested stock option exercises.

Note 9 -- Mezzanine and Stockholders' Equity

The number of shares authorized, issued, and outstanding, for all prior periods presented have been retroactively restated to reflect the reverse stock split. Refer to Note 8 – Stock Compensation.

The Company is authorized to issue 200,000 shares of $0.01 par value preferred stock as approved by the FGI Board. As of September 30, 2011, there were 190,000 shares of preferred stock approved for issuance as Series A with no other approved classes of preferred stock issued or outstanding. The Company is also authorized to issue 200,000 shares of $0.01 par value common stock.

The Company's shares of treasury stock are recorded at cost. Activity in the Series A preferred stock and common stock for the nine months ended September 30, 2011 is summarized below:

	Issued	Held in Treasury	Outstanding
Shares of Preferred Stock at December 31, 2010	186,977	(168,327)	18,650
Purchases / Issuances	-	-	-
Shares of Preferred Stock at September 30, 2011	186,977	(168,327)	18,650
Shares of Common Stock at December 31, 2010	166,989	(1,743)	165,246
Issuances [1]	-	2,326	2,326
Purchases [1]	-	(4,335)	(4,335)
Shares of Common Stock at September 30, 2011	166,989	(3,752)	163,237

[1] The Company issued 2,326 shares of common stock from its treasury to satisfy the exercise of vested stock options which it subsequently reacquired. It also acquired 2,009 shares of restricted common stock. Refer to Note 8.

Note 10 – Net Income (Loss) Per Share

Net income (loss) per share is computed under the provisions of FASB ASC 260 "Earnings Per Share". Basic income (loss) per share is computed using net income (loss) and the weighted average number of shares of common stock outstanding. Diluted earnings per share reflect the weighted average number of shares of common stock outstanding plus any potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of shares issuable upon the exercise of vested and non-vested stock options (using the treasury stock method) and restricted shares that are non-vested.

The following table sets forth the computation of basic and diluted net income/loss per share for the periods indicated (in millions, except share and per share amounts):

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2011	**2010**	**2011**	**2010**
Numerator:				
Net income (loss) attributable to controllable interest	$ 2.4	$ (0.3)	$ (6.1)	$ 4.6
Accretion of Preferred Stock	(0.7)	0.9	(1.9)	(7.9)
Net Income (Loss) Applicable to Common Stock	$ 1.7	$ 0.6	$ (8.0)	$ (3.3)
Denominator:				
Weighted average common shares outstanding (basic)	162,488	164,081	163,104	163,867
Weighted average common shares outstanding (diluted)	165,181	171,019	163,104	163,867
Income (loss) per common share:				
Basic	$ 10.60	$ 3.79	$ (49.48)	$ (19.65)
Diluted	$ 10.43	$ 3.64	$ (49.48)	$ (19.65)

The following table shows the common equivalent shares related to non-vested restricted stock and stock options that were not included in the computation of diluted earnings per share as their effect would have been antidilutive:

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2011	**2010**	**2011**	**2010**
Common Share Equivalents of Potentially Dilutive Securities:				
Restricted stock	712	-	712	2,072
Stock options	1,183	2,226	6,110	14,859
Total	1,895	2,226	6,822	16,931

Note 11 -- Income Taxes

The effective tax rate on continuing operations for the nine months ended September 30, 2011 and 2010 was 45.5% and 37.0%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of September 30, 2011 and 2010.

(dollars in millions, except share and per share amounts) – Unaudited

Note 12 -- Retiree Benefits

Defined Benefit Pension Plans:

The Company sponsors two defined benefit pension plans (the “DB Plans”) and a supplemental defined benefit pension plan (the “SERP”) for certain of its employees. For disclosure purposes, the DB Plans and the SERP have been combined and are collectively referred to as the “Plans”. Vested employees who retire will receive an annual benefit equal to a specified amount per month per year of credited service, as defined by the Plans.

The following tables summarize the components of net periodic pension cost for the Plans for the periods indicated:

	Three Months Ended September 30,	
	2011	**2010**
Service Cost	$0.1	$—
Interest Cost	3.1	3.1
Return on Assets	(4.4)	(4.2)
Amortization of Actuarial Loss	2.9	2.2
Total Cost	$1.7	$1.1

	Nine Months Ended September 30,	
	2011	**2010**
Service Cost	$0.1	$—
Interest Cost	9.2	9.2
Return on Assets	(13.1)	(12.5)
Amortization of Actuarial Loss	8.7	6.5
Total Cost	$4.9	$3.2

Anticipated Contributions

The Company expects to make aggregate cash contributions of approximately $1.8 to the Plans during the year ending December 31, 2011 and has contributed approximately $1.5 to the Plans as of September 30, 2011.

As a result of the Company’s restructuring activities that are described in Note 17, the Company notified the Pension Benefit Guaranty Corp (“PBGC”) that the closure of the manufacturing facility in North Haven, Connecticut may be considered a cessation of operations event under ERISA Section 4062(e). The Company is currently in the process of reviewing this matter with the PBGC to determine if additional funding, security, or collateral may be required and over what time period. The PBGC has determined that the Company’s 4062(e) unfunded liability is approximately $10.3 which amount is determined on a different basis of accounting than that reflected in the Company’s financial statements. The Company’s recorded liability under generally accepted accounting principles is approximately $5.9 at September 30, 2011. At this time, the Company does not know the amount, if any, or the arrangement for any payments related to of this matter; however, management does not believe the impact of any settlement with the PBGC will have a material impact on the Company’s liquidity, financial position or results of operations.

(dollars in millions, except share and per share amounts) – Unaudited

The following tables summarize the components of net periodic post-retirement cost for the periods indicated:

	Three Months Ended September 30,	
	2011	2010
Service Cost	$0.1	$0.2
Interest Cost	—	0.3
Net Amortization and Deferral	—	(0.1)
Total Cost	$0.1	$0.4

	Nine Months Ended September 30,	
	2011	2010
Service Cost	$0.3	$0.4
Interest Cost	—	0.9
Net Amortization and Deferral	—	(0.2)
Total Cost	$0.3	$1.1

Note 13 -- Commitments and Contingencies

Purchase Commitments

The Company has various purchase commitments for services incidental to the ordinary conduct of business, including, among other things, a services contract with its third party warehouse provider. Such commitments are not at prices in excess of current market prices. Included in the purchase commitment amounts are the Company's purchase contracts with certain raw material suppliers, for periods ranging from one to three years, some of which contain firm commitments to purchase specified minimum quantities. Otherwise, such contracts had no significant impact on the Company's financial condition, results of operations, or cash flows during the reporting periods presented herein.

Contingencies

The Company is subject to various lawsuits and claims with respect to product liabilities, governmental regulations and other matters arising in the normal course of business. Pursuant to an asset purchase agreement (the "Purchase Agreement"), on December 1, 1993, Remington acquired certain assets and assumed certain liabilities (the "Asset Purchase") of the sporting goods business formerly operated by E. I. du Pont de Nemours and Company ("DuPont") and one of DuPont's subsidiaries (together with DuPont, the "1993 Sellers"). Under the Purchase Agreement, the Company generally bears financial responsibility for all product liability cases and claims relating to occurrences after the closing of the Asset Purchase, except for certain costs relating to certain shotguns, for all cases and claims relating to discontinued products and for limited other costs. Because the Company's assumption of financial responsibility for certain product liability cases and claims involving pre-Asset Purchase occurrences was limited to a fixed amount that has now been fully paid, and with the 1993 Sellers retaining liability in excess of that amount and indemnifying the Company in respect of such liabilities, the Company believes that product liability cases and claims involving occurrences arising prior to the Asset Purchase are not likely to have a material adverse effect upon the financial condition, results of operations or cash flows of the Company. Moreover, although it is difficult to forecast the outcome of litigation, the Company does not believe, in light of relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company), as well as the passage of time, that the outcome of all pending post-Asset Purchase product liability cases and claims will be likely to have a material adverse effect upon the financial condition, results of operations, or cash flows of the Company. Nonetheless, in part because the nature and extent of manufacturer liability based on the manufacture and/or sale of allegedly defective products (particularly as to firearms and ammunition) is uncertain, there can be no assurance that the Company's resources will be adequate to cover pending and future product liability and other product related occurrences, cases or claims, in the aggregate, or that such a material adverse effect upon the Company's financial condition, results of operations or cash flows will not result therefrom. Because of the nature of its products, the Company anticipates that it will continue to be involved in product liability and product related litigation in the future. As of September 30, 2011, the Company had two class action cases pending relating to breach of warranty claims concerning certain of its firearms products where economic damages were being claimed.The Company's accruals for losses relating to product liability cases and claims include accruals for all probable losses for which the amount can be reasonably estimated. Based on the relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company), the Company does not believe with respect to product liability and product related cases and claims that any reasonably possible loss exceeding amounts already recognized through the Company's accruals has been incurred. At September 30, 2011, December 31, 2010, and September 30, 2010, the Company's accrual for product liability cases and claims was $17.6, $15.4, and $14.1, respectively.

Marlin is conducting remediation of oil-related contamination at a former Marlin facility in New Haven, Connecticut. Costs for the remediation are not expected to be material.

Note 14 -- Derivatives

The Company purchases copper and lead options contracts to hedge against price fluctuations of anticipated commodity purchases. The options contracts are intended to limit the unfavorable effect that cost increases will have on these metal purchases.

In accordance with the provisions of FASB ASC 815 "Derivatives", commodity contracts are designated as cash flow hedges, with the fair value of these financial instruments recorded in other current assets and in other noncurrent assets, changes in fair value recorded in accumulated other comprehensive income, and net gains/losses reclassified to cost of sales based upon inventory turnover, indicating consumption and sale of the underlying commodity in the Company's products. Cash flows associated with the purchase and exercise of commodity contracts are classified as cash flows from operating activities on the Consolidated Statement of Cash Flows.

At September 30, 2011, the fair value of the Company's outstanding derivative contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 45.4 million pounds of copper and lead) up to fifteen months from such date was $3.6 as determined with the assistance of the Company's commodity counterparties. At December 31, 2010, the fair value of the Company's outstanding derivative contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 14.7 million pounds of copper and lead) up to eight months from such date was $3.9 as determined with the assistance of the Company's commodity counterparties. At September 30, 2010, the fair value of the Company's outstanding derivative contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 16.0 million pounds of copper and lead) up to eight months from such date was $2.2 as determined with the assistance of the Company's commodity counterparties.

Based on current market prices, approximately $3.6 (net of income taxes) of unrealized losses included in the balance of accumulated other comprehensive income ("AOCI") is expected to transfer into earnings within the next twelve months. Hedged contracts are expected to mature by December 2012.

(dollars in millions, except share and per share amounts) – Unaudited

	Fair Values of Derivatives Instruments as of					
	September 30, 2011		December 31, 2010		September 30, 2010	
Derivatives designated as hedging instruments	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
Commodity Contracts	Other Current Assets	$ 3.6	Other Current Assets	$ 3.9	Other Current Assets	$ 2.2

The following table presents the changes in fair value derivatives designated as hedging instruments had on earnings and AOCI for the periods indicated:

Derivatives in FASB ASC 815 Net Investment Hedging Relationships	Gain (Loss) (net of tax) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) (net of tax) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Three months ended September 30, 2011:					
Commodity Contracts	($2.5)	Cost of Sales	($0.5)	N/A	N/A
Three months ended September 30, 2010:					
Commodity Contracts	$0.6	Cost of Sales	$0.1	N/A	N/A
Nine months ended September 30, 2011:					
Commodity Contracts	($4.0)	Cost of Sales	$0.3	N/A	N/A
Nine months ended September 30, 2010:					
Commodity Contracts	$(2.8)	Cost of Sales	$4.1	N/A	N/A

Note 15 -- Segment Information

The Company identifies its reportable segments in accordance with FASB ASC 280 “Segment Reporting”. Based upon FASB ASC 280 “Criteria and Thresholds for Disclosures of Segment Reporting”, the Company’s business is classified into two reportable segments: Firearms, which designs, manufactures, imports and markets primarily sporting shotguns, rifles and modular firearms; and Ammunition, which designs, manufactures and markets sporting ammunition and ammunition reloading components. The remaining operating segments, which include accessories and other gun-related products, the manufacture and marketing of powder metal products, licensed products and apparel are combined into our All Other reporting segment. Other reconciling items include corporate and other assets not allocated to the individual segments. The chief operating decision makers are a group of executive officers.

Although the Company reports its financial results in accordance with U.S. GAAP, the Company primarily evaluates the performance of its segments and allocates resources to them based on the non-GAAP financial measure “Adjusted EBITDA,” which is unaudited. Adjusted EBITDA differs from the term “EBITDA” as it is commonly used, and is based on the definition in the indenture governing the Opco Notes. In addition to adjusting net income (loss) to exclude income taxes, interest expense, and depreciation and amortization, Adjusted EBITDA also adjusts net income (loss) by excluding items or expenses not typically excluded in the calculation of

(dollars in millions, except share and per share amounts) – Unaudited

"EBITDA", such as noncash items, gain or loss on asset sales or write-offs, extraordinary, unusual or nonrecurring items.

In managing the Company's business, the Company utilizes Adjusted EBITDA to evaluate performance of the Company's business segments and allocate resources to those business segments. The Company believes that Adjusted EBITDA provides useful supplemental information to investors and enables investors to analyze the results of operations in a similar way as management.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
Net Sales:				
Firearms	$ 105.6	$ 104.6	$ 309.1	$ 292.6
Ammunition	82.3	95.3	229.6	250.2
All Other	10.1	7.7	25.9	18.2
Consolidated Net Sales	$ 198.0	$ 207.6	$ 564.6	$ 561.0

	September 30, 2011	**December 31, 2010**	**September 30, 2010**
Assets:			
Firearms	$ 416.0	$ 312.6	$ 319.9
Ammunition	219.7	179.3	214.7
All Other	53.8	47.8	51.9
Other Reconciling Items	(25.8)	132.5	168.8
Consolidated Assets	$ 663.7	$ 672.2	$ 755.3

	Unaudited			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
Adjusted EBITDA:				
Firearms	$ 18.4	$ 17.2	$ 44.2	$ 41.7
Ammunition	12.2	18.3	37.4	54.7
All Other	3.1	2.3	6.4	3.2
Other Reconciling Items	(2.0)	(5.2)	(5.6)	(8.1)
Consolidated Adjusted EBITDA	$ 31.7	$ 32.6	$ 82.4	$ 91.5

(dollars in millions, except share and per share amounts) – Unaudited

The following table illustrates the calculation of Adjusted EBITDA, by reconciling Net Income to Adjusted EBITDA:

	Unaudited			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Income (Loss) Attributable to Controllable Interest	$ 2.4	$ (0.3)	$ (6.1)	$ 4.6
Adjustments:				
Equity in Losses of Unconsolidated JV	-	0.1	-	0.3
Depreciation Expense	3.9	4.2	12.1	13.3
Interest Expense (A)	16.3	15.6	47.3	38.5
Intangibles Amortization	1.7	2.2	5.1	6.6
Product Safety Warning	-	0.4	-	0.4
Other Noncash Charges (B)	4.4	2.1	10.0	6.5
Impairment Charges	-	0.7	-	1.7
Nonrecurring Charges (C)	3.2	7.9	19.1	16.9
Income Tax (Benefit) Expense	(0.2)	(0.3)	(5.1)	2.7
Adjusted EBITDA	$ 31.7	$ 32.6	$ 82.4	$ 91.5

(A) Interest Expense for the three and nine months ended September 30, 2011 includes amortization expense of deferred financing costs of $1.3 and $4.1, respectively, as well as amortization expense associated with the PIK Notes discounts and Opco Notes discounts and premiums of $0.1 and $0.4, respectively. Interest Expense for the three and nine months ended September 30, 2010 includes amortization expense of deferred financing costs of $1.6 and $4.2, respectively, as well as amortization expense associated with the PIK Notes discounts and the Opco Notes discounts and premiums of $0.1 and $0.2, respectively.

(B) Other Noncash Charges consist of the following for the periods indicated:

	Unaudited			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other Noncash Charges:				
Retiree Benefits	$ 1.8	$ 1.3	$ 5.3	$ 4.2
Stock Compensation Expense	0.2	0.2	0.5	0.5
Disposal of Assets	0.2	0.2	0.5	0.6
Write off of Debt Costs	1.9	-	2.5	-
Other	0.3	0.4	1.2	1.2
Total Noncash Charges	$ 4.4	$ 2.1	$ 10.0	$ 6.5

(C) Nonrecurring Charges consist of the following for the periods indicated:

	Unaudited			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Nonrecurring Charges:				
Restructuring and Integration Expenses	$ 1.7	$ 4.7	$ 15.1	$ 6.9
Purchase Accounting	-	0.2	-	1.7
Employee Related Costs	0.1	0.1	0.2	0.8
Other Fees and Transaction Costs	1.4	2.9	3.8	7.5
Total Nonrecurring Charges	$ 3.2	$ 7.9	$ 19.1	$ 16.9

Note 16 – Recent Accounting Pronouncements

On January 1, 2011, the Company adopted the applicable provisions of FASB Accounting Standards Update ("ASU") 2010-06 "Improving Disclosures about Fair Value Measurements". During the prior year, the Company adopted sections of ASU 2010-06 that were effective for interim and annual periods beginning after December 15, 2009. That portion of the standard required augmented discussions surrounding the fair value measurement inputs and valuation techniques as well as transfers in and out of level 1 and 2 measurements. The disclosure provisions made effective in the current year requires a reconciliation of Level 3 measurement inputs stated on a gross basis and information about purchases, sales, issuances, and settlements of those input measurements. Disclosures for the Level 3 measurement reconciliation became effective for interim and annual reporting for fiscal years beginning after December 15, 2010. Since the requirements apply to additional disclosures, adoption of the remaining provisions of FASB ASU 2010-06 will not have a significant impact on the Company's results of operations, financial condition, or equity. Refer to Note 3 for disclosures on the Company's fair value measurements.

In May 2011, the FASB issued FASB ASU 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". The new update does not modify when the requirements for fair value measurements apply, but clarifies how to measure fair value and requires additional fair value disclosures. The concept of highest and best use, for example, would not be relevant for measuring the fair value of financial assets and liabilities because such items do not have alternative uses. The new fair value disclosures will include quantitative and qualitative information for Level 3 inputs, descriptions of the valuation processes utilizing Level 3 inputs, and the level of fair value hierarchy for assets and liabilities that are not measured at fair value but whose fair value are required to be disclosed. FASB ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Since the new guidance offers interpretation on current guidance and requires additional disclosures, adoption of FASB ASU 2011-04 is not expected to significantly impact the Company's results of operations, financial condition, or equity.

In June 2011, the FASB issued FASB ASU 2011-05 "Presentation of Comprehensive Income". The new standard eliminates the option to present other comprehensive income and its components in the statement of changes in equity. Presentation of net income, other comprehensive income, and their components may be made in one continuous statement or in two separate, but consecutive, statements. The items constituting net income and other comprehensive income, the computation of earnings per share, and determination of when an item of other comprehensive income should be reclassified to net income will not change as a result of the new guidance. FASB ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. Other than the reclassification of the other comprehensive income and its components from the statement of changes in equity, adoption of the new standard is not expected to significantly impact the Company's results of operations, financial condition, or equity.

In September 2011, the FASB issued FASB ASU 2011-08 "Testing Goodwill for Impairment". The new standard allows entities to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Based on the results of its qualitative assessment, if the entity determines that the fair value of a reporting unit is more likely than not less than its carrying value, then the entity is required to perform the first step of the goodwill impairment test. Otherwise, no further testing is required. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. The Company has not yet decided whether to adopt the guidance before its effective date. The intent of the new standard is to reduce the cost and complexity of goodwill impairment tests, so adoption of the new standard is not expected to significantly impact the Company's results of operations, financial condition, or equity.

Note 17 –Restructuring Initiatives

In 2010, the Company announced a strategic rationalization decision that resulted in the closures of its manufacturing facilities in North Haven, Connecticut and Windham, Maine. Operations at both facilities ceased as of March 31, 2011. In order to improve efficiencies within the Company's firearms manufacturing process, the manufacture of both Marlin and Bushmaster products was integrated and transferred into existing facilities. During the first quarter of 2011, the Company began realigning its corporate organizational structure to expand its focus on product quality and delivery. As a result of these initiatives, the Company disbursed $1.2 and $6.8 during the three and nine months ended September 30, 2011, respectively. With exception to severance related costs which are recognized as administrative expenses, all restructuring charges are recognized as costs of goods sold in the Consolidated Statement of Operations.

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The Company's current estimate of costs at September 30, 2011 to complete its restructuring initiatives and the cumulative costs incurred since inception and costs incurred in the three and nine months ended September 30, 2011 by cost type is as follows:

	Estimated Costs	Cumulative Costs Incurred to Date	Costs Incurred During the Three Months Ended September 30, 2011	Costs Incurred During the Nine Months Ended September 30, 2011
Severance and other employee benefits	$ 8.9	$ 8.4	$ 0.1	$ 4.0
Equipment transfer and site carrying costs	3.4	3.3	-	0.6
Contract terminations	0.4	0.4	-	0.4
Contingency costs	0.3	0.3	-	0.3
Other operating costs	3.1	3.0	0.2	2.1
Total	$ 16.1	$ 15.4	$ 0.3	$ 7.4

The following table summarizes the balance and changes of accrued expenses related to the integration and restructuring activities for the three months ended September 30, 2011:

	Severance and Employee Costs	Contract Termination Costs	Contingency Costs
Balance as of July 1, 2011	$ 2.7	$ 0.4	$ 0.3
Charges	0.1	-	-
Cash disbursements	(0.8)	-	(0.2)
Balance as of September 30, 2011	$ 2.0	$ 0.4	$ 0.1

The following table summarizes the balance and changes of accrued expenses related to the restructuring activities for the nine months ended September 30, 2011:

	Severance and Employee Costs	Contract Termination Costs	Contingency Costs
Balance as of December 31, 2010	$ 1.6	$ -	$ -
Charges	3.3	0.4	0.3
Revisions of estimated costs [1]	0.7	-	-
Cash disbursements	(3.6)	-	(0.2)
Balance as of September 30, 2011	$ 2.0	$ 0.4	$ 0.1

[1] Since the North Haven, Connecticut facility closed before its anticipated closing date, severance costs increased $0.7 from its original estimate.

Note 18 – Subsequent Events

Subsequent events have been evaluated through November 14, 2011, which is the date the financial statements were available to be issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes of Freedom Group, Inc. ("FGI" or "the Company"), which owns 100% of FGI Holding Company, LLC ("FGI Holding"), which in turn owns 100% of FGI Operating Company, LLC ("FGI Opco"). FGI Opco includes the financial results of Remington Arms Company, LLC ("Remington"), Barnes Bullets, LLC ("Barnes"), E-RPC, LLC ("E-RPC"), RA Brands, L.L.C. and Outdoor Services LLC. Remington, in turn, owns Advanced Armament Corp., LLC ("AAC"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), an 84% interest in EOTAC, LLC ("EOTAC"), and a 27.13% interest in INTC USA, LLC.

Management's Discussion and Analysis of Financial Condition and Results of Operations is separated into the following sections:

- Company Overview
- Recent Industry Developments
- 2011 Company Developments
- EBITDA Measurements
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements
- Environmental Matters
- Regulatory Developments

Company Overview

We are one of the leading firearms, ammunition and related products companies in the world, with #1 commercial market positions across all of our major product categories in the United States and the largest firearms and ammunition market globally. With our *Remington* brand dating back to 1816, we are America's oldest and largest manufacturer of firearms and ammunition. We are the only major U.S. manufacturer of both firearms and ammunition, which we believe is a significant competitive advantage and supports our market leadership position. We believe this leadership position across all of our major product categories is evidenced by our #1 U.S. commercial market shares in shotguns, rifles and ammunition.

We have made significant progress in our transition to a customer-focused sales and marketing organization, successfully creating a single customer facing platform and we continue to focus on flexible manufacturing capability across our end-markets that allows us to quickly respond to changes in customer preferences and demands. Our 7 manufacturing facilities and approximately 2,800 employees represent the largest domestic manufacturing presence in the industry, enabling us to deliver our products throughout the United States and internationally to approximately 85 countries. In addition, our product leadership and innovation is supported by our freestanding firearms research and development facility.

We continue to look for opportunities to improve our quality and efficiencies in our manufacturing facilities as we strive to be a customer focused company in an increasingly demanding global marketplace. Accordingly, we have undertaken an effort to accelerate existing initiatives in the area of lean manufacturing, six sigma, facility consolidations and other continuous improvement projects focused on inventory management, cost reductions and productivity.

In addition, we are committed to enhancing our core businesses and positioning ourselves to take advantage of opportunities to strategically grow and improve our business by identifying and pursuing add-on strategic acquisitions or investments that expand and enhance our brand, product and intellectual property portfolio. We seek to acquire highly complementary products, brands or external capabilities to fill gaps in our portfolio or extend our brands and channel relationships.

One of our core strategies is to consistently introduce new and innovative products. These efforts resulted in the introduction of the Remington patented Versamax Semi Automatic Shotgun, the Remington *1911R1* pistol, the *Bushmaster Adaptive Combat Rifle* as well as the Remington version *Adaptive Combat Rifle* for the Military, and a variety of new ammunition products and accessories including the patented Hypersonic Steel for Waterfowlers, the Barnes *VOR-TX* and the *300 AAC Blackout cartridge*. We are also engaged in selective efforts to promote certain products through marketing and promotional activities.

We have initiated numerous activities to properly adjust our operational footprint and streamline our management and processes in order to become a leaner and more focused operation. Similarly, we've streamlined our management and governance to become a more efficient and effective organization. Our capital position remains strong and we are in a good position to continue to execute a strategic plan that we believe will enhance our position both in the outdoor sporting goods market as well as in the military and law enforcement channels.

Management's strategy in light of the current economic and political environment has been to continue to introduce new products, enhance our sales and marketing efforts and improve overall performance in working capital and operating productivity. We continue to pursue growth initiatives in our government, military, and law enforcement divisions along with broadening our brand awareness with selective licensing arrangements.

These developments, in addition to new consumers from the surge in demand, represent a significant installed base that generates a recurring revenue stream for ammunition, parts and accessories sales. Over the long term, we believe that the surge in firearms demand will have sustained benefits for our industry, including increasing the overall user base of firearms, expanding the popularity of shooting sport categories, as well as providing an opportunity to cultivate new, and renew existing, long-term customer relationships across our portfolio of products and brands.

Recent Industry Developments

In 2011, demand for modern sporting rifles and handguns has continued an upward trend in the industry. Long gun sales are focused on low to medium price points. We have experienced a softening in certain premium ammunition markets in 2011 as consumers are searching for value products.

At present, we are experiencing some shifts in the industry created by changes in the overall economic environment, including rising healthcare costs and fluctuating fuel and commodity acquisition costs. Competition is more intense and innovative in all core product categories. Our brands remain strong at retail with consumers; however product choices are increasing and retailers are diversifying their merchandising mix. In addition, customer order patterns seem to indicate that the retailers and distributors are managing their inventories tightly and continue to expect "just in time" type deliveries.

We also note that consumers are currently focused on products with lower average selling prices. The focus on value remains at retail and has challenged premium priced products in all categories. Our key account managers monitor channel inventories and certain point of sale information closely which enables us to plan better with our customers. We believe we are effectively managing through these shifts and are adjusting our infrastructure to ensure that we maintain appropriate profitability levels.

2011 Company Developments

Organizational Changes

In the first quarter of 2011, the Company implemented several organizational changes to better align the Company with certain customer focused initiatives emphasizing quality and timeliness. As a result of these organizational changes, we recognized $0.1 million and $3.1 million of severance related charges for the three and nine months ended September 30, 2011, respectively. During the three and nine months ended September 30, 2011, we disbursed $0.7 million and $1.5 million, respectively, related to the organizational changes.

On September 15, 2011, Fredric E. Roth, Jr. resigned his positions as General Counsel and Secretary of the Company and on October 3, 2011, entered into a separation agreement and release. Pursuant to the terms of the agreement, Mr. Roth agreed to remain an employee of the Company through December 31, 2011, after which he will be entitled to one year of severance pay.

Closures of Manufacturing Facilities

In the first quarter of 2011, we closed our manufacturing facilities in North Haven, Connecticut and Windham, Maine and relocated the production of these products to our existing firearms manufacturing facilities in Ilion, New York, Mayfield, Kentucky, and Lexington, Missouri. We have experienced certain transition delays and start up inefficiencies as part of our consolidation efforts; however, through the use of direct project management and six sigma strategies, management continues to see improvements. Management continues to expect economic and operational benefits from these strategic decisions.

We originally estimated that the total costs associated with both closures would be approximately $11.6 million and subsequently increased the estimate to $13.0 million. We have incurred $12.3 million of operating charges and disbursed $11.4 million since we announced our restructuring activities in the first quarter of 2010, including $2.3 million related to capital expenditures. During the three and nine months ended September 30, 2011, we incurred $0.2 million and $4.3 million, respectively, of costs and disbursed $0.5 million and $5.3 million, respectively, including zero and $0.3 million, respectively, relating to capital expenditures. Costs incurred in the restructuring plans are being funded internally with cash provided by our operating activities.

ABL Amendments

In the second quarter of 2011, we twice amended our Loan and Security Agreement on our ABL Revolver. The first amendment allowed two of our subsidiaries, Barnes and AAC, to become borrowers under the ABL Revolver. The second amendment reduced the maximum credit line from $180.0 million to $150.0 million, as well as reducing the applicable interest rates and fees on unused credit lines. Specifically, the second amendment reduced the applicable interest rate range from 3.25%-3.75% to 2.0%-2.5% and reduced the unused line fees range from 0.75%-0.50% to 0.50%-0.25%. We chose to amend the ABL Revolver in order to provide the necessary working capital flexibility and obtain a more competitive rate. We estimate the lower fees will provide a cash savings of approximately $0.7 million through 2012.

Legal Reorganization

In the third quarter of 2011, we reorganized our legal entity structure. Key components of the reorganization involved merging several entities and converting several entities to limited liability companies. Over the last few years we have purchased a number of companies and have maintained separate entities and locations. This growing structure had proven cumbersome and inefficient. We reorganized our legal entity structure in a manner that reflects the current and anticipated business/operating strategy and creates operational, regulatory and tax efficiencies. The new structure will maintain the consolidated group for U.S. federal income tax purposes and adhere to the requirements/restrictions of the debt agreements.

Bond Redemption

In the third quarter of 2011, we redeemed $27.5 million of our outstanding Opco Notes. Per the terms of the Opco Notes indenture, prior to August 1, 2012 we may redeem up to 10% of the original aggregated principal amount during any twelve month period of the Opco Notes at a redemption price of 103% plus accrued and unpaid interest. As a result of the redemption, we paid out $29.7 million, consisting of $27.5 million in respect of the principal amount of the Opco Notes being redeemed, $0.8 million for the premium and $1.4 million of accrued and unpaid interest. We estimate the redemption will provide a cash interest savings of approximately $2.4-$2.8 million per year.

EBITDA Measurements

We use the term Adjusted EBITDA throughout this interim report. Adjusted EBITDA is not a measure of performance defined in accordance with GAAP. We use Adjusted EBITDA as a supplement to our GAAP results in evaluating certain aspects of our business, as described below. We calculate Adjusted EBITDA based on the definition in the indenture governing the Opco Notes.

We believe that Adjusted EBITDA is useful to investors in evaluating our performance because such measures are commonly used financial metrics for measuring and comparing the operating performance of companies in our industry. We believe that the disclosure of Adjusted EBITDA offers additional financial metrics that, when coupled with the GAAP results and the reconciliation to GAAP results, provide a more complete understanding of our results of operations and the factors and trends affecting our business.

Adjusted EBITDA should not be considered as an alternative to net income (loss), as an indicator of our performance, as an alternative to net cash provided by operating activities, as a measure of liquidity, or as an alternative to any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA, although we believe that Adjusted EBITDA may make an evaluation of our operating performance more consistent because such measures remove items that do not reflect our core operations:

(i) other companies in our industry may define Adjusted EBITDA differently than we do and, as a result, such measures may not be comparable to similarly titled measures used by other companies in our industry; and

(ii) such measures exclude financial information that some may consider important in evaluating our performance.

We compensate for these limitations by providing disclosure of the differences between our EBITDA calculations and GAAP results, including providing a reconciliation of GAAP results to Adjusted EBITDA, to enable investors to perform their own analysis of our operating results.

Because of these limitations, the Adjusted EBITDA calculation should not be considered as a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA as a supplemental financial metric for evaluation of our operating performance. See our consolidated statements of operations and consolidated statements of cash flows in our consolidated financial statements included elsewhere in this interim report.

Results of Operations

Three and Nine Month Periods Ended September 30, 2011 as Compared to the Three and Nine Month Periods Ended September 30, 2010

Net Sales

The following table compares net sales by reporting segment for each of the periods presented:

	Three Months Ended September 30,					
	2011	Percentage of Total	2010	Percentage of Total	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Firearms	$105.6	53.3%	$104.6	50.4%	$1.0	1.0%
Ammunition	82.3	41.6	95.3	45.9	(13.0)	(13.6)
All Other	10.1	5.1	7.7	3.7	2.4	31.2
Total	$198.0	100.0%	$207.6	100.0%	$(9.6)	(4.6)%

	Nine Months Ended September 30,					
	2011	Percentage of Total	2010	Percentage of Total	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Firearms	$309.1	54.7%	$292.6	52.2%	$16.5	5.6%
Ammunition	229.6	40.7	250.2	44.6	(20.6)	(8.2)
All Other	25.9	4.6	18.2	3.2	7.7	42.3
Total	$564.6	100.0%	$561.0	100.0%	$3.6	0.6%

Firearms

Net sales for the three months ended September 30, 2011 were $105.6 million, an increase of $1.0 million, or 1.0%, as compared to the three months ended September 30, 2010, primarily due to increased sales of centerfire rifles of $7.7 million, handguns of $2.2 million, rimfire rifles of $2.2 million, and other firearm products of $0.9 million. The increases were the result of increased demand in the market place for centerfire products, as well as volumes associated with our new handgun introduction. These increases were primarily offset by decreased sales of shotguns of $7.3 million, primarily due to production timing, as well as higher consumer discounts of approximately $4.7 million.

Net sales for the nine months ended September 30, 2011 were $309.1 million, an increase of $16.5 million, or 5.6%, as compared to the nine months ended September 30, 2010, primarily due to increased sales of centerfire rifles of $7.5 million, shotgun and handgun sales of $6.8 million, sales of other firearms products of $2.1 million, and sales of rimfire rifles of $0.1 million. The increases were the result of volumes associated with our new handgun introduction and increased demand in the market place for centerfire products.

Ammunition

Net sales for the three months ended September 30, 2011 were $82.3 million, a decrease of $13.0 million, or 13.6%, as compared to the three months ended September 30, 2010, primarily due to decreased sales of premium centerfire ammunition of $4.2 million, components and other products of $4.0 million, shotshell ammunition of $3.6 million, and rimfire ammunition of $1.2 million. The decreases were primarily the result of consumers purchasing value products in lieu of premium products, as well as production timing of certain shotshell ammunition.

Net sales for the nine months ended September 30, 2011 were $229.6 million, a decrease of $20.6 million, or 8.2%, as compared to the nine months ended September 30, 2010, primarily due to decreased sales of premium centerfire ammunition of $9.7 million, sales of components and other products of $9.4 million, and sales of rimfire ammunition of $2.4 million. These decreases were partially offset by increased sales of shotshell ammunition of $0.9 million. The decreases were primarily the result of consumers purchasing value products in lieu of premium products.

All Other

Net sales were $10.1 million in all other businesses for the three months ended September 30, 2011, an increase of $2.4 million, or 31.2%, as compared to the prior year period due to higher sales volumes in our accessories and apparel businesses.

Net sales were $25.9 million in all other businesses for the nine months ended September 30, 2011, an increase of $7.7 million, or 42.3%, as compared to the prior year period due to higher sales volumes in our accessories and apparel businesses.

Cost of Goods Sold and Gross Profit

The Company's cost of goods sold includes all costs of material, labor, and overhead associated with product manufacturing, except for transfer costs from our plants to our distribution center which are included in selling, general, and administrative expense. The transfer costs totaled approximately $0.3 million and $0.8 million for the three and nine months ended September 30, 2011, respectively, and $0.3 million and $0.9 million for the three and nine months ended September 30, 2010, respectively. Accordingly, our gross margins may not be comparable to those of other companies.

The table below compares cost of goods sold and gross profit by reporting segment for each of the periods presented:

	Three Months Ended September 30,					
	2011	**Percentage of Net Sales**	**2010**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)					
Cost of Goods Sold						
Firearms	$74.8	70.8%	$74.9	71.6%	$(0.1)	(0.1)%
Ammunition	62.2	75.6	67.1	70.4	(4.9)	(7.3)
All Other	5.8	57.4	4.9	63.6	0.9	18.4
Total	$142.8	72.1%	$146.9	70.8%	$(4.1)	(2.8)%
Gross Profit						
Firearms	$30.8	29.2%	$29.7	28.4%	$1.1	3.7%
Ammunition	20.1	24.4	28.2	29.6	(8.1)	(28.7)
All Other	4.3	42.6	2.8	36.4	1.5	53.6
Total	$55.2	27.9%	$60.7	29.2%	$(5.5)	(9.1)%

	Nine Months Ended September 30,					
	2011	**Percentage of Net Sales**	**2010**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)					
Cost of Goods Sold						
Firearms	$223.7	72.4%	$204.0	69.7%	$19.7	9.7%
Ammunition	170.9	74.4	166.7	66.6	4.2	2.5
All Other	14.4	55.6	11.3	62.1	3.1	27.4
Total	$409.0	72.4%	$382.0	68.1%	$27.0	7.1%
Gross Profit						
Firearms	$85.4	27.6%	$88.6	30.3%	$(3.2)	(3.6)%
Ammunition	58.7	25.6	83.5	33.4	(24.8)	(29.7)
All Other	11.5	44.4	6.9	37.9	4.6	66.7
Total	$155.6	27.6%	$179.0	31.9%	$(23.4)	(13.1)%

Firearms

Gross profit for the three months ended September 30, 2011 was $30.8 million, an increase of $1.1 million, or 3.7%, as compared to the prior-year period. Gross margin was 29.2% for the three months ended September 30, 2011 and 28.4% for the three months ended September 30, 2010. The increase in gross profit was primarily due to lower costs associated with transitioning and restructuring than what we incurred in the three months ended September 30, 2010 of $3.0 million, as well as favorable pricing on certain product lines of $1.1 million. The increase in gross profit was partially offset by higher consumer discounts of approximately $2.8 million, and higher pension costs of $0.1 million.

Gross profit for the nine months ended September 30, 2011 was $85.4 million, a decrease of $3.2 million, or 3.6%, as compared to the prior-year period. Gross margin was 27.6% for the nine months ended September 30, 2011 and 30.3% for the nine months ended September 30, 2010. The decrease in gross profit was primarily due to approximately $6.7 million in higher material and other costs associated with transitioning and restructuring activities that did not exist in the prior year, higher consumer discounts of $0.7 million, and higher pension costs of

$0.3 million, partially offset by a favorable sales volumes $4.5 million as a result of increased sales across all product lines.

Ammunition

Gross profit for the three months ended September 30, 2011 was $20.1 million, a decrease of $8.1 million, or 28.7%, as compared to the prior-year period. Gross margin was 24.4% for the three months ended September 30, 2011 and 29.6% for the three months ended September 30, 2010. The decrease in gross profit was primarily related to an unfavorable sales mix of $5.9 million as a result of a softening in sales of certain premium ammunition products, higher material and other costs of $6.9 million, lower hedging gains of $0.9 million resulting from higher acquisition costs of contracts and higher strike prices, higher pension costs of $0.2 million, partially offset by favorable pricing of $3.2 million and lower discounts of $2.6 million.

Gross profit for the nine months ended September 30, 2011 was $58.7 million, a decrease of $24.8 million, or 29.7%, as compared to the prior-year period. Gross margin was 25.6% for the nine months ended September 30, 2011 and 33.4% for the nine months ended September 30, 2010. The decrease in gross profit was primarily related to an unfavorable sales mix of $9.5 million as a result of a softening in sales of certain premium ammunition products, higher material and other costs of $11.8 million, lower hedging gains of $6.2 million resulting from higher acquisition costs of contracts and higher strike prices, higher pension costs of $0.5 million, partially offset by favorable pricing of $0.7 million and lower discounts of $2.6 million.

All Other

Gross profit for the three months ended September 30, 2011 was $4.3 million, an increase of $1.5 million, or 53.6%, as compared to the prior-year period and was primarily related to increased sales demand in our higher margin accessories and apparel businesses.

Gross profit for the nine months ended September 30, 2011 was $14.4 million, an increase of $3.1 million, or 27.4%, as compared to the prior-year period and was primarily related to increased sales demand in our higher margin accessories and apparel businesses.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, research and development expenses and other expenses. The following tables set forth certain information regarding operating expenses for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,			
	2011	**2010**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Selling, general and administrative expenses	$30.9	$39.3	$(8.4)	(21.4)%
Research and development expenses	3.0	3.6	(0.6)	(16.7)
Impairment Charges	-	0.7	(0.7)	(100.0)
Other expenses	2.8	2.1	0.7	33.3
Total	$36.7	$45.7	$(9.0)	(19.7)%

	Nine Months Ended September 30,			
	2011	**2010**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Selling, general and administrative expenses	$104.7	$112.6	$(7.9)	(7.0)%
Research and development expenses	8.6	12.7	(4.1)	(32.3)
Impairment Charges	-	1.7	(1.7)	(100.0)
Other expenses	6.4	6.2	0.2	3.2
Total	$119.7	$133.2	$(13.5)	(10.1)%

Total operating expenses for the three months ended September 30, 2011 were $36.7 million, a decrease of $9.0 million, or 19.7%, as compared to the prior-year period. Selling, general and administrative expenses decreased $8.4 million, or 21.4%, primarily due to a decrease in salaries, benefits, incentive compensation and travel expense of $5.6 million, a decrease in marketing and selling expenses of $0.9 million, a decrease in charitable contributions expense of $0.8 million, a decrease in commissions expense of $0.5 million, and a decrease in legal expense of $0.4 million, as we continue to focus on cost saving opportunities in order to be a more efficient organization. Research and development expenses decreased $0.6 million, or 16.7%, as compared to the prior-year period, primarily due to higher expenses in the third quarter of 2010 as we prepared for more significant product offerings for defense competitions and our new commercial launches that we did not experience in the third quarter of 2011. Other expenses increased $0.7 million as compared to the prior-year period, primarily due to a $1.9 million loss on extinguishment of debt as a result of the redemption of $27.5 million of our outstanding Opco Notes in July 2011, partially offset by decreased amortization on definite-lived intangible assets of $0.5 million, as well as decreased bank fees and lower losses on the disposal of assets.

Total operating expenses for the nine months ended September 30, 2011 were $119.7 million, a decrease of $13.5 million, or 10.1%, as compared to the prior-year period. Selling, general and administrative expenses decreased $7.9 million, or 7.0%, primarily due to a decrease in salaries, benefits, incentive compensation and travel expense of $7.4 million, as we continue to focus on cost saving opportunities in order to be a more efficient organization. Research and development expenses decreased $4.1 million, or 32.3%, as compared to the prior-year period, primarily due to higher expenses in 2010 as we prepared for more significant product offerings for defense competitions and our new commercial launches that we did not experience in 2011. Other expenses increased $0.2 million as compared to the prior-year period, primarily due to a $2.5 million loss on extinguishment of debt as a result of the redemption of $27.5 million of our outstanding Opco Notes and the refinancing of the ABL Revolver, partially offset by decreased amortization on definite-lived intangible assets of $1.5 million, as well as decreased bank fees and lower losses on the disposal of assets.

Adjusted EBITDA

The following tables compare Adjusted EBITDA by reporting segment for each of the periods presented:

	Unaudited			
	Three Months Ended September 30,			
	2011	**2010**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Adjusted EBITDA				
Firearms	$ 18.4	$ 17.2	$ 1.2	7.0%
Ammunition	12.2	18.3	(6.1)	(33.3)
All Other	3.1	2.3	0.8	34.8
Other Reconciling Items	(2.0)	(5.2)	3.2	(61.5)
Total	$ 31.7	$ 32.6	$ (0.9)	(2.8)%

	Unaudited			
	Nine Months Ended September 30,			
	2011	**2010**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Adjusted EBITDA				
Firearms	$ 44.2	$ 41.7	$ 2.5	6.0%
Ammunition	37.4	54.7	(17.3)	(31.6)
All Other	6.4	3.2	3.2	100.0
Other Reconciling Items	(5.6)	(8.1)	2.5	(30.9)
Total	$ 82.4	$ 91.5	$ (9.1)	(9.9)%

Firearms

Adjusted EBITDA in our firearms segment increased $1.2 million, or 7.0%, for the three months ended September 30, 2011, primarily due to increased sales of our higher margin centerfire products and handguns.

Adjusted EBITDA in our firearms segment increased $2.5 million, or 6.0%, for the nine months ended September 30, 2011, primarily due to increased sales of our higher margin centerfire products and handguns.

Ammunition

Adjusted EBITDA in our ammunition segment decreased $6.1 million, or 33.3%, for the three months ended September 30, 2011, primarily due to an unfavorable sales mix as the result of a softening in sales of certain premium ammunition products, as well as higher material costs.

Adjusted EBITDA in our ammunition segment decreased $17.3 million, or 31.6%, for the nine months ended September 30, 2011, primarily due to an unfavorable sales mix as the result of a softening in sales of certain premium ammunition products, as well as higher material costs.

All Other

Adjusted EBITDA in all other businesses increased $0.8 million, or 34.8%, for the three months ended September 30, 2011, primarily due to higher sales volumes in our various accessories and apparel businesses.

Adjusted EBITDA in all other businesses increased $3.2 million, or 100%, for the nine months ended September 30, 2011, primarily due to higher sales volumes in our various accessories and apparel businesses.

Changes in Reconciling Items:

The following table illustrates the calculation of Adjusted EBITDA by reconciling Net Income to Adjusted EBITDA:

	Unaudited			
	Three Months Ended September 30,			
	2011	**2010**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Net Income (Loss) Attributable to Controlling Interest	$ 2.4	$ (0.3)	$ 2.7	(900.0)%
Adjustments:				
Equity in Losses of Unconsolidated JV	-	0.1	(0.1)	(100.0)
Depreciation Expense	3.9	4.2	(0.3)	(7.1)
Interest Expense	16.3	15.6	0.7	4.5
Intangibles Amortization	1.7	2.2	(0.5)	(22.7)
Product Safety Warning	-	0.4	(0.4)	(100.0)
Other Noncash Charges (A)	4.4	2.1	2.3	109.5
Impairment Charges	-	0.7	(0.7)	(100.0)
Nonrecurring Charges (B)	3.2	7.9	(4.7)	(59.5)
Income Tax (Benefit) Expense	(0.2)	(0.3)	0.1	(33.3)
Adjusted EBITDA	$ 31.7	$ 32.6	$ (0.9)	(2.8)%

(A) Other non-cash charges increased $2.3 million for the three months ended September 30, 2011, primarily due to a $1.9 million loss on extinguishment of debt as a result of the redemption of $27.5 million of our outstanding Opco Notes in July 2011, as well as $0.5 million in higher retiree benefit expenses. Other non-cash charges for the three months ended September 30, 2011, consisted of the $1.9 million loss on extinguishment of debt, $1.8 million of retiree benefit expenses, $0.2 million in stock compensation expense, $0.2 million loss on disposal of assets and $0.3 million in other non-cash addbacks.

(B) Nonrecurring charges decreased $4.7 million for the three months ended September 30, 2011, primarily due to $3.0 million in lower restructuring expenses, $0.2 million in lower purchase accounting adjustments, and $1.5 million in lower other nonrecurring addbacks. Nonrecurring charges for the three months ended September 30, 2011, consisted primarily of $1.7 million in restructuring and integration charges, $1.0 million for the military products division ramp up costs, $0.4 million in bank fees and $0.1 million in employee related expenses. Restructuring and integration charges include costs of factory and office integration, equipment transportation expenses, consulting fees, employee severance and other employee inducements.

	Unaudited			
	Nine Months Ended September 30,			
	2011	2010	Increase (Decrease)	Percentage Change
	(dollars in millions)			
Net Income (Loss) Attributable to Controlling Interest	$ (6.1)	$ 4.6	$ (10.7)	(232.6)%
Adjustments:				
Equity in Losses of Unconsolidated JV	-	0.3	(0.2)	(100.0)
Depreciation Expense	12.1	13.3	(1.2)	(9.0)
Interest Expense	47.3	38.5	8.8	22.9
Intangibles Amortization	5.1	6.6	(1.5)	(22.7)
Product Safety Warning	-	0.4	(0.4)	(100.0)
Other Noncash Charges (A)	10.0	6.5	3.5	53.8
Impairment Charges	-	1.7	(1.7)	(100.0)
Nonrecurring Charges (B)	19.1	16.9	2.2	13.0
Income Tax (Benefit) Expense	(5.1)	2.7	(7.8)	(288.9)
Adjusted EBITDA	$ 82.4	$ 91.5	$ (9.1)	(9.9)%

(A) Other non-cash charges increased $3.5 million for the nine months ended September 30, 2011, primarily due to primarily due to a $2.5 million loss on extinguishment of debt as a result of the redemption of $27.5 million of our outstanding Opco Notes and the refinancing of the ABL Revolver, as well as a $1.1 million increase in retiree benefits expense resulting from lower discount rates used to calculate benefit obligations. Other non-cash charges for the nine months ended September 30, 2011, consisted of $5.3 million of retiree benefit expenses, the $2.5 million loss on extinguishment of debt, $0.5 million in stock compensation expense, $0.5 million related to losses on disposal of assets and $1.2 million in other non-cash addbacks.

(B) Nonrecurring charges increased $2.2 million for the nine months ended September 30, 2011, primarily due to $8.2 million in higher restructuring expenses, partially offset by $1.7 million in lower purchase accounting adjustments, $0.6 million in lower employee related expenses and $3.7 million in lower other nonrecurring addbacks. Nonrecurring charges for the nine months ended September 30, 2011, consisted primarily of $15.1 million in restructuring and integration charges, $2.4 million for the military products division ramp up costs, $1.0 million in bank fees and $0.2 million in employee related expenses. Restructuring and integration charges include costs of factory and office integration, equipment transportation expenses, consulting fees, employee severance and other employee inducements.

Interest Expense

Interest expense was $16.3 million and $15.6 million for the three months ended September 30, 2011 and 2010, respectively. The $0.7 million increase in interest expense over the prior year period was primarily due to $1.5 million of higher interest expense related to the PIK Notes, partially offset by $0.5 million of lower interest related to the Opco Notes and $0.3 million of lower debt acquisition costs expense. The increase in the PIK Notes interest expense was due to an additional 200 basis points of interest accrued during the third quarter of 2011 as a result of LTM Adjusted EBITDA falling below $115.0 million at the end of the first quarter of 2011. The decrease in the Opco Notes interest expense was the result of the redemption of $27.5 million of our outstanding Opco Notes in July 2011. Interest expense on the ABL Revolver was less than $0.1 million for the three months ended September 30, 2011, relatively flat compared to the three months ended September 30, 2010.

Interest expense was $47.3 million and $38.5 million for the nine months ended September 30, 2011 and 2010, respectively. The $8.8 million increase in interest expense over the prior year period was primarily due to $9.2 million of higher interest expense related to the PIK Notes, partially offset by $0.4 million of lower interest expense related to the Opco Notes. The increase in the PIK Notes interest expense was due to nine months of interest expense in the nine months ended September 30, 2011 compared to six months of interest expense in the nine months ended September 30, 2010, as the PIK Notes were issued in April 2010, as well as the additional 200 basis points of interest accrued during the third quarter of 2011 as a result of LTM Adjusted EBITDA falling below $115.0 million at the end of the first quarter of 2011. The decrease in the Opco Notes interest expense was the result of the redemption of $27.5 million of our outstanding Opco Notes in July 2011. Interest expense on the ABL Revolver was less than $0.1 million for the nine months ended September 30, 2011, relatively flat compared to the nine months ended September 30, 2010.

Income Tax Provision

Our effective tax rate on continuing operations for the nine months ended September 30, 2011 and 2010 was 45.5% and 37.0%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of September 30, 2011 and 2010.

We are subject to ongoing audits by federal and various state tax authorities. Depending on the outcome of these audits, we may be required to pay additional taxes. However, we do not believe that any additional taxes and related interest or penalties would have a material impact on our financial position, results of operations, or cash flows.

Liquidity and Capital Resources

Cash Flows and Working Capital

Net cash used in operating activities was $6.8 million for the nine months ended September 30, 2011 compared to net cash used in operating activities of $18.5 million for the nine months ended September 30, 2010. The significant changes comprising the $11.7 million decrease in net cash used in operating activities for nine months ended September 30, 2011 compared to the prior-year period resulted primarily from:

- accounts payable increasing by $20.8 million for the nine months ended September 30, 2011 compared to an increase of $5.3 million for the nine months ended September 30, 2010, or a $15.5 million net decrease in cash used, due primarily to the Company continuing to align vendor terms across FGI;
- other liabilities increasing by $5.4 million over nine months ended September 30, 2011 compared to a decrease of $8.1 million over the nine months ended September 30, 2010, or a net decrease in cash used of $13.5 million. This was primarily due to disbursements for incentive compensation, accrued interest and accrued excise tax. Incentive compensation disbursements of $13.2 million, which were accrued at December 31, 2009, were made during the nine months ended September 30, 2010 that did not recur in the nine months ended September 30, 2011. In addition, accruals of excise tax at September 30, 2011 were $5.5 million higher than those at September 30, 2010, resulting from a change in legislation of the Internal Revenue Code permitting firearm and ammunition manufacturers to pay federal excise tax payments on a quarterly basis rather than a bi-weekly basis; offset by:

- the recognition of a net loss of $6.3 million for the nine months ended September 30, 2011 compared to net income of $4.3 million for the nine months ended September 30, 2010 or a net increase in cash used of $10.6 million; and
- other current assets decreasing by $8.0 million over nine months ended September 30, 2011 compared to a decrease of $14.3 million over the nine months ended September 30, 2010 or a net increase in cash used of $6.3 million, primarily due to lower prepaid hedging contracts.

Net cash used in investing activities of $9.4 million for the nine months ended September 30, 2011 was related to the purchase of property, plant and equipment of $8.6 million, the final payment on the Mountain Khakis Acquisition of $1.4 million, partially offset by $0.6 million in proceeds from the sale of property, plant and equipment. Net cash used in investing activities of $19.9 million for the nine months ended September 30, 2010 was related to the purchase of property, plant and equipment of $15.5 million, as well as $5.1 million paid for the Mountain Khakis Acquisition, partially offset by $0.7 million in proceeds from the sale of property, plant and equipment.

Net cash used in financing activities of $28.0 million for the nine months ended September 30, 2011 consisted of the redemption of a portion of our Opco Notes including premium of $28.3 million, repurchases of restricted stock and stock options of $3.4 million, $3.2 million in payments on certain of our outstanding indebtedness, $0.2 million in capital lease payments and $0.2 million in disbursements for debt issuance costs related to the refinancing of our ABL Revolver, partially offset by a change in our book overdraft of $4.8 million and net proceeds from our ABL revolver of $2.5 million. Net cash provided by financing activities of $58.1 million for the nine months ended September 30, 2010 was primarily related to the Company receiving $220.5 million in proceeds from the PIK Notes issuance, as well as a $1.5 million change in our book overdraft, partially offset by $150.7 million paid for the repurchase of preferred stock, a $12.6 million payment for debt issuance costs, and $0.5 million in capital lease payments.

Sources and Uses of Liquidity

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures, and debt service obligations with internally generated funds from operations, and satisfy working capital needs from time to time with borrowings under our revolving credit facility. We believe that we will be able to meet our debt service obligations and fund our short-term and long-term operating requirements in the future with cash flow from operations and borrowings under the ABL Revolver, although no assurance can be given in this regard. We continue to focus on working capital management by monitoring key metrics associated with inventory, trade receivables and accounts payable while recognizing that changes to our sales volumes and timing can impact our working capital strategies.

Rather than issue stock, we have typically used debt financing as a means of raising capital. We use the proceeds of our debt financing to meet noncurrent obligations or lower our cost of capital. In 2009, we issued $275.0 million of 10.25% Senior Secured Notes due 2015 to refinance our existing long-term debt and contributed toward our pension plan assets in order to reduce future obligations for our defined pension-benefit pension plan. In 2010, we issued the PIK Notes and used net proceeds to redeem $220.5 million of our preferred stock during 2010.

Our PIK Notes indenture requires us to accrue an additional 200 basis points of interest in the quarter following a quarter end where our last twelve months ("LTM") Adjusted EBITDA (as defined in the PIK Notes indenture) falls below $115.0 million. Based on our LTM Adjusted EBITDA of $109.3 million at March 31, 2011, we accrued this additional interest from July 1, 2011 through September 30, 2011, and paid it with our semi-annual interest payment in October 2011. We also began accruing this additional interest for the period October 1 through December 31, 2011, based on our LTM Adjusted EBITDA of $109.4 million at June 30, 2011. At September 30, 2011, our LTM Adjusted EBITDA was $108.5 million, and additional interest will be accrued January 1, 2012 through March 31, 2012. The additional interest for the quarters ending June 30, 2011 and September 30, 2011 will be paid in April 2012, along with our semi-annual interest payment.

We continually evaluate opportunities to reduce our cost of debt and cash outflows. In June 2011, we amended the ABL Revolver to reduce interest rates and fees on excessive borrowing capacity. We estimate an annual cash savings of approximately $0.7 million as a result of amending ABL Revolver. In July 2011, we redeemed $27.5 million of our outstanding Opco Notes for $29.7 million. Per the terms of the Opco Notes indenture, prior to August 1, 2012 we may redeem up to 10% of the original aggregated principal amount on an annual basis of the Opco Notes at a redemption price of 103% plus accrued and unpaid interest. As declining interest rates have driven our bond prices higher, we were able to redeem a portion of the Opco Notes at a favorable price. Since the Opco Notes redemption reduced the availability of our cash, we expect to meet our cash needs through incremental borrowings from our recently financed lower interest rate ABL Revolver. We believe the redemption of a portion of our Opco Notes will result in annual cash interest savings of $2.4 million to $2.8 million.

In addition to our cash balances, we can borrow an additional $122.4 million (including the minimum availability condition) under the ABL Revolver and have issued $6.6 million in standby letters of credit.

Based on these factors along with our recent amendments to our ABL, we believe our liquidity position is adequate to meet our financial commitments and manage our business.

At September 30, 2011, we were in compliance with all financial covenants.

As a result of our restructuring activities that are described in Note 17, we notified the Pension Benefit Guaranty Corp ("PBGC") that the closure of the manufacturing facility in North Haven, Connecticut may be considered a cessation of operations event under ERISA Section 4062(e). We are currently in the process of reviewing this matter with the PBGC to determine if additional funding, security, or collateral may be required and over what time period. The PBGC has determined that our 4062(e) unfunded liability is approximately $10.3 million, which amount is determined on a different basis of accounting than that reflected in our financial statements. Our recorded liability under generally accepted accounting principles is approximately $5.9 million at September 30, 2011. At this time, we do not know the amount, if any, or any arrangements for any payments related to this matter; however, we do not believe the impact of any settlement with the PBGC will have a material impact on our liquidity, financial position or results of operations.

Debt

As of September 30, 2011, we had outstanding indebtedness of approximately $487.8 million, which consisted of the following:

- $247.7 million of outstanding 10.25% Senior Secured Notes due 2015;
- $234.7 million of outstanding 11.25%/11.75% Senior PIK Notes due 2015;
- $2.5 million of outstanding borrowings on the ABL Revolver
- $0.3 million of unsecured, fixed interest financing for insurance premiums;
- $1.5 million of outstanding notes issued by Mountain Khakis which we assumed as part of the Mountain Khakis Acquisition; and
- $1.1 million of capital lease obligations.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer equipment. We have several operating leases, including a lease for our Memphis warehouse that expires in June 2016, our Madison annex office that expires in August 2014, and leases for several of our manufacturing facilities that expire on various dates through 2015. We also maintain contracts including, among other things, a services contract with our third party warehouse provider. We also have various pension plan obligations.

Capital Expenditures

Gross capital expenditures for the nine months ended September 30, 2011 and 2010 were $8.6 million and $15.5 million, respectively, consisting primarily of capital expenditures both for new equipment related to the manufacture of firearms and ammunition, as well as capital maintenance of existing facilities. We expect total capital expenditures for 2011 to be in the range of $15.0 million to $20.0 million, of which approximately $7.0 million is expected to be related to capital maintenance projects and the remainder related to capital expenditures for new assets and site improvements related to our restructuring activities.

Off-Balance Sheet Arrangements

Off balance sheet arrangements consist of our obligations with respect to standby letters of credit.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition, results of operations, and cash flows are based upon our unaudited interim and audited annual consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventories, supplies, trade receivables, warranties, long-lived assets, product liability, revenue recognition (inclusive of cash discounts, rebates, and sales returns), advertising and promotional costs, self-insurance, pension and post-retirement benefits, deferred tax assets, and goodwill. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As noted below, in some cases, our estimates are also based in part with the assistance of independent advisors. Actual results may differ from these estimates under different assumptions or conditions.

Management has addressed and reviewed our critical accounting policies and considers them appropriate. We believe the following critical policies utilize significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

Sales, net of an estimate for discounts, returns and allowances, and related cost of sales are recorded at which time risk of loss and title transfer to the customer. We continually evaluate our sales terms against criteria outlined in SEC Staff Accounting Bulletin 104, *Revenue Recognition*. We follow the industry practice of selling a limited amount of select firearms pursuant to a “dating” plan, allowing the customer to purchase these products commencing in December (the start of our dating plan year) and to pay for them on extended terms. Historically, use of the dating plan has had the effect of shifting some firearms sales from the second and third quarters to the first and fourth quarters. As a competitive measure, we offer extended terms on select ammunition purchases. However, use of the dating plans also results in deferral of collection of trade receivables until the latter part of the year. Customers do not have the right to return unsold product. Management uses historical trend information as well as other economic data to estimate future discounts, returns, rebates and allowances.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful receivables for estimated losses resulting from the inability of our trade customers to make required payments. We provide an allowance for specific customer accounts where collection is doubtful and also provide an allowance for customer deductions based on historical collection and write-off experience. Additional allowances would be required if the financial conditions of our customers deteriorated.

Inventories

Our inventories are valued at the lower of cost or market. We evaluate the quantities of inventory held against past and future demand and market conditions to determine excess or slow moving inventory. For those product classes of inventory identified, we estimate their market value based on current and projected selling prices. If the projected market value is less than cost, we provide an allowance to reflect the lower value of that inventory. This methodology recognizes projected inventory losses at the time such losses are evident rather than at the time goods are actually sold.

In December 2010, we changed our accounting policy to value our entire inventory under the FIFO method. Previously, a portion of our firearms inventory was valued using the LIFO method. The change was due to recent restructuring activities. All periods presented have been retroactively adjusted on a FIFO basis in accordance with FASB ASC 250 "Accounting Changes". If we had not changed our method of accounting from LIFO to FIFO, Operating Income for the three and nine months ended September 30, 2010 would have been unchanged and $0.2 million lower than reported, respectively, and Net Income Attributable to Controlling Interest for the three and nine months ended September 30, 2010 would have been unchanged and $0.1 million lower than reported, respectively. On a per share basis, basic and diluted loss per share would have been $0.30 and $0.91 lower for the three and nine months ended September 30, 2010, respectively. Inventories would have been $1.1 million higher than what was reported; Deferred Tax Assets would have been $0.4 million lower than what was reported; and Accumulated Deficit would have been $0.7 million lower than what is reported at September 30, 2010.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the individual asset by major asset class as follows:

Buildings	20 to 43 years
Building and leasehold improvements	1 to 15 years
Machinery and equipment	7 to 15 years
Furniture and fixtures	7 to 10 years
Trailers and automotive equipment	3 to 5 years
Computer equipment and software	1 to 3 years

In accordance with FASB ASC 360 "Property, Plant, and Equipment", management assesses property, plant and equipment for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. Maintenance and repairs are charged to operations; replacements and betterments are capitalized. Direct payroll and external costs incurred in the development phase of internal-use software are capitalized and amortized over the software's estimated useful life. Conversion and training costs, as well as those incurred during the research and post-implementation phase of internal-use software, are expensed as incurred. Computer hardware and software, lighting and postage equipment under capital leases are amortized over the term of the lease. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized in operations, included in the other income and expenses. Interest is capitalized in connection with the construction of major projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life.

Goodwill, Goodwill Impairment and Intangible Assets

We adopted the provisions of FASB ASC 350 "Intangibles-Goodwill and Other", for goodwill and intangible assets pursuant to FASB ASC 350. As of October 1 each year, we test for impairment of goodwill according to a two-step approach. In the first step, we estimate the fair values of our reporting units using a combination of the present value of future cash flows approach, market approach and a transactional approach, all equally weighted, subject to a comparison for reasonableness to our market capitalization at the date of valuation. In addition, goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. For other intangible assets, the impairment test consists of a comparison of the fair value of the intangible assets to their respective carrying amount.

Reserves for Product Liability

We provide for estimated defense and settlement costs related to product liabilities when it becomes probable that a liability has been incurred and reasonable estimates of such costs are available. Estimates for accruals for product liability matters are based on historical patterns of the number of occurrences, costs incurred and a range of potential outcomes. We also utilize the assistance of independent advisors to assist in analyzing the adequacy of such reserves. Due to the inherently unpredictable nature of litigation, actual results will likely differ from estimates and those differences could be material.

Employee Benefit Plans

We have defined benefit plans and post-retirement benefits plans that cover certain of our salaried and hourly paid employees. As a result of amendments to our defined benefit plans, future accrued benefits for all employees were frozen as of January 1, 2008. As a result of amendments to our post-retirement benefit plans, post-retirement benefits were discontinued for retirements effective on or after January 1, 2011. Retirees through December 31, 2010, remain eligible for the post-retirement benefits. We derive pension benefit expense from an actuarial calculation based on the defined benefit plans' provisions and management's assumptions regarding discount rate and expected long-term rate of return on assets. Management determines the expected long-term rate of return on plan assets based upon historical actual asset returns and the expectations of asset returns over the expected period to fund participant benefits based on the current investment mix of our plans. Management sets the discount rate based on the yield of high quality fixed income investments expected to be available in the future when cash flows are paid. In addition, management also consults with independent actuaries in determining these assumptions.

Reserves for Workers' Compensation Liability

We provide for estimated medical and indemnity compensation costs related to workers' compensation liabilities when it becomes probable that a liability has been incurred and reasonable estimates of such costs are available. Estimates for accruals for workers compensation liability matters are based on historical patterns of the number of occurrences, costs incurred and a range of potential outcomes. We also utilize the assistance of independent advisors to assist in analyzing the adequacy of such reserves.

Income Taxes

For interim periods, we account for income taxes in accordance with ASC 740-270, using an estimated annual effective tax rate to determine income tax expense in the quarterly financial statements. Additionally, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be recognized. We file our income taxes in a consolidated tax return. Current and deferred tax expense is allocated to the members based on an adjusted separate return methodology. Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Fair Value Measurements

We adopted FASB ASC 820 "Fair Value Measurements and Disclosures" and amendments to FASB ASC 825 "Recognition of the Fair Value Option for Financial Instruments" on January 1, 2008. FASB ASC 820 (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. FASB ASC 820 applies both to items recognized and reported at fair value in the financial statements and items disclosed at fair value in the notes to the financial statements. FASB ASC 820 does not change existing accounting rules governing what can or what must be recognized and reported at fair value in the financial statements, or disclosed at fair value in the notes to the financial statements. Additionally, FASB ASC 820 does not eliminate practicability exceptions that exist in accounting pronouncements amended by FASB ASC 820 when measuring fair value. As a result, we will not be required to recognize any new assets or liabilities at fair value.

Prior to FASB ASC 820, certain measurements of fair value were based on the price that would be paid to acquire an asset, or received to assume a liability (an entry price). FASB ASC 820 clarifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different.

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, we use valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, we may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

FASB ASC 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and our assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either level 1 or level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 — Quoted market prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than quoted prices within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs:

	Fair value measurements at September 30, 2011 using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Commodity Contract Derivatives	Not applicable	$ 3.6 million	Not applicable	$ 3.6 million

As shown above, commodity contract derivatives valued by using quoted prices are classified within Level 2 of the fair value hierarchy. The determination of where an asset or liability falls in the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter based on various factors, and it is possible that an asset or liability may be classified differently from quarter to quarter. However, we expect that changes in classifications between different levels will be rare.

Recent Accounting Pronouncements

See Note 16 under "Item 1 – Financial Statements (Unaudited)" for disclosure of recent accounting pronouncements.

Environmental Matters

Our operations are subject to a variety of federal, state and local environmental laws and regulations which govern, among other things, the discharge of hazardous materials into the air and water, handling, treatment, storage and disposal of such materials, as well as remediation of contaminated soil and groundwater. We have in place programs that monitor compliance with these requirements and believe our operations are in material compliance with them. In the normal course of our manufacturing operations, we are subject to occasional governmental proceedings and orders pertaining to waste disposal, air emissions and water discharges into the environment. We believe that we are in compliance with applicable environmental regulations in all material respects, and that the outcome of any such proceedings and orders will not have a material adverse effect on our business.

Under the terms of a legacy asset purchase agreement from 1993 ("Purchase Agreement") with E.I. DuPont Nemours & Company ("DuPont") relating to the Remington business ("Asset Purchase"), DuPont agreed to retain responsibility for certain pre-closing environmental liabilities. Remington also entered into an agreement with DuPont with respect to cooperation and responsibility for specified environmental matters. There are various pending proceedings associated with environmental liability naming us for which DuPont and its affiliates have accepted liability. Our obligations in these cases are not expected to be material.

Based on information known to us, we do not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on our results of operations, financial condition or cash flows. However, it is not possible to predict with certainty the impact of future environmental compliance requirements or of the cost of resolution of any future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under some federal environmental laws is under certain circumstances joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that environmental regulation will not become more burdensome in the future or that unknown conditions will not be discovered and that any such development would not have a material adverse effect on our business. We do not anticipate incurring any material capital expenditures for environmental control facilities for 2011.

Marlin is conducting remediation activities at a former facility in New Haven, Connecticut. Costs for remediation are not expected to be material.

Regulatory Developments

The manufacture, sale, purchase, possession and use of firearms are subject to extensive federal, state and local governmental regulations. The primary federal laws are the National Firearms Act of 1934 ("NFA"), the Gun Control Act of 1968 ("GCA"), the Arms Export Control Act of 1976 ("AECA") and the Firearms and Ammunition Excise Tax ("FAET"), which have been amended from time to time. The NFA, GCA and imports under the AECA are administered and enforced by the Bureau of Alcohol, Tobacco, Firearms and Explosives through the Department of Justice; exports under the AECA are administered and enforced by the Directorate of Defense Trade Controls through the Department of State and by the Bureau of Industry and Security through the Department of Commerce; and the FAET is administered and enforced by the Alcohol and Tobacco Tax and Trade Bureau through the Department of Treasury. We maintain valid federal licenses and registrations at our locations as required by these agencies for the Company to import, manufacture and sell firearms and ammunition. The NFA places various restrictions on certain firearms defined in that regulation including fully automatic firearms, short barreled rifles, short barreled shotguns, silencers and destructive devices. We do manufacture or import limited products regulated under the NFA primarily for official government and law enforcement end users. The GCA places certain restrictions on the interstate sale of firearms, among other things. The AECA requires approved licenses to be in place prior to the import or export of certain firearms, ammunition and explosives. The FAET imposes a federal tax on the sale of or use by the manufacturer, producer or importer of firearms and ammunition. There is no assurance that the administrative branches responsible for approving import and export licenses or transfers of NFA firearms or other firearms to our customers will do so in all cases, and failure to obtain such approvals could adversely affect our business. In addition changes in the tax laws or rates could adversely affect our business.

In September 2004, the United States Congress declined to renew the Federal Assault Weapons Ban of 1994 ("AWB") which generally prohibited the manufacture of certain firearms defined under that statute as "assault weapons" as well as the sale or possession of "assault weapons" except for those that, prior to the law's enactment, were legally in the owner's possession. Various states and local jurisdictions have adopted their own version of the AWB and some of those apply to Bushmaster, DPMS and certain Remington sporting firearms products. We cannot guarantee that an "assault weapons" ban similar to the AWB, or another version thereof, will not be re-enacted. Legislation of this type, if enacted, could have a material adverse effect on our business.

At the federal level, bills have been introduced in Congress to establish, and to consider the feasibility of establishing, a nationwide database recording so-called "ballistic images" of ammunition fired from new firearms. Should such a mandatory database be established, the cost to the Company and its customers could be significant, depending on the type of firearms and ballistic information included in the database. Other bills have been introduced in Congress in the past several years that would restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, impose a tax and import controls on bullets designed to penetrate bullet-proof vests, impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and increase the tax on handgun ammunition in certain calibers. In addition to federal requirements, state and local laws and regulations may place additional restrictions on firearms and ammunition manufacture, sale, purchase, possession and use. For example, two states have established regulations requiring “ballistic imaging” registries of ammunition fired from new handguns; one has established regulations requiring ammunition “microstamping” capabilities for all new introductions of handgun models to be transferred for sale into that state; several others ban the sale, possession and use of firearms altogether; and several others require firearms to be sold with internal or external locking mechanisms. At least four states have current bills proposing requirements for “bullet serialization” for ammunition or “microstamping” capabilities for certain firearms. Some of these bills would apply to ammunition and firearms of the kind we produce. Generally, there are numerous other bills proposed at both the state and local levels that could restrict or otherwise prohibit the manufacture, sale, purchase, possession or use of firearms and ammunition. In summary, there can be no assurance that the regulation of firearms and ammunition will not become more restrictive in the future, and more restrictive legislation could have a material adverse effect on the business of the Company.

Some states and other governmental entities have recently enacted, and others are considering, legislation restricting or prohibiting the ownership, use or sale of certain categories of firearms and/or ammunition. Although numerous jurisdictions presently have mandatory waiting periods for the sale of handguns (and some for the sale of long guns as well), there are currently few restrictive state or municipal regulations applicable to handgun ammunition. Our firearms are covered under several recently enacted state regulations requiring guns to be sold with internal or external locking mechanisms. Some states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. We believe that hunter safety issues may affect sales of firearms, ammunition and other shooting-related products. There can be no assurance that the regulation of firearms and ammunition will not become more restrictive in the future, and more restrictive legislation in this area could have a material adverse effect on the business of the Company.

We believe that existing federal and state regulation regarding firearms and ammunition has not had a material adverse effect on our sales of these products to date. However, there can be no assurance that federal, state, local or foreign regulation of firearms and/or ammunition will not become more restrictive in the future and that any such development would not have a material adverse effect on our business either directly or by placing additional burdens on those who distribute and sell our products or those consumers who purchase our products.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the normal course of our business operations due to our purchases of certain commodities and our ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies and procedures governing our management of market risks and the use of financial instruments to manage exposure to such risks.

Certain of our financial instruments are subject to interest rate risk. As of September 30, 2011 and 2010, we had long-term borrowings of $486.9 million and $498.3 million, respectively, excluding $0.9 million and $0.7 million, respectively, classified as short-term debt. As of September 30, 2011 and 2010, $2.5 million and zero, respectively, of our outstanding borrowings were issued at variable rates. However, interest on borrowings under our ABL Revolver is measured using LIBOR and Alternate Base Rate interest rates. Assuming no changes in the monthly average variable-rate debt levels of $1.2 million and $1.7 million for the twelve months ended September 30, 2011 and 2010, respectively, we estimate that a hypothetical change of 100 basis points in the LIBOR and Alternate Base Rate interest rates would impact interest expense at September 30, 2011 and 2010 by less than $0.1 million on an annualized pretax basis for both periods.

We purchase copper and lead options contracts to hedge against price fluctuations of anticipated commodity purchases. Lead and copper prices have experienced significant volatility within the past year. Prices, which initially rose throughout most of the year due to increased international demand, have declined within the past two months over concerns of slowing global manufacturing activity.

The amounts of premiums paid for commodity contracts outstanding at September 30, 2011 were $7.1 million, which was $5.0 million higher than the same date in 2010. At September 30, 2011 and 2010, the market value of our outstanding contracts relating to firm commitments and anticipated purchases up to fifteen and eight months from both of the respective dates was $3.6 million and $2.2 million, respectively, as determined with the assistance of the Company's counterparty. Assuming a hypothetical 10% increase in lead and copper commodity prices which are currently hedged at September 30, 2011 and 2010, we would experience an approximate $11.4 million and $2.1 million, respectively, increase in our cost of related inventory purchased on an annualized pretax basis, which would be partially offset by an approximate $9.2 million and $1.6 million, respectively, increase in the value of currently outstanding related hedging instruments.

We also purchase steel supplies for use in the manufacture of certain firearms, ammunition, and accessory products. Assuming a hypothetical 10% increase in steel prices at September 30, 2011 and 2010, we would experience an approximate $0.6 million and $0.9 million increase, respectively, in our cost of related inventory purchased on an annualized pre-tax basis.

We do not believe that we have a material exposure to fluctuations in foreign currencies. We do not hold or issue financial instruments for speculative purposes.

Item 4. Legal Proceedings

Under the terms of the Purchase Agreement, DuPont and its affiliates retained liability for, and are required to indemnify us against, with respect to Remington:

- liability in excess of our limited financial responsibility for environmental claims and disclosed product liability claims relating to pre-closing occurrences;
- liability for product liability litigation related to discontinued products; and
- certain tax liabilities, and employee and retiree compensation and benefit liabilities and intercompany accounts payable which do not represent trade accounts payable.

These indemnification obligations of DuPont and its affiliates are not subject to any survival period limitation. We have no current information on the extent, if any, to which DuPont and its affiliates have insured these indemnification obligations. Except for certain cases and claims relating to shotguns as described below, and except for all cases and claims relating to products discontinued prior to the Asset Purchase, we generally bear financial responsibility for the costs of product liability cases and claims relating to occurrences after the Asset Purchase and are required to indemnify DuPont and its affiliates against such cases and claims. See "—Certain Indemnities."

We currently have three intellectual property cases pending. In addition, we are voluntarily developing and submitting a stewardship plan for the Maine DEP for certain sites Bushmaster leased for firearms testing. Costs for the stewardship efforts at these sites are not expected to be material.

The main types of legal proceedings to which we are subject include:

- product liability litigation filed by individuals;
- product liability litigation filed by municipalities; and
- environmental litigation.

Product Related Litigation

We maintain insurance coverage for product liability claims subject to certain self-insured retentions on a per-occurrence basis for personal injury or property damage with respect to Remington (relating to occurrences arising after the Asset Purchase), Marlin, Bushmaster, DPMS and our other brands and products. We believe that our current product liability insurance coverage for personal injury and property damage is adequate for our needs. Our current product liability insurance policy provides for certain self-insured retention amounts per occurrence. The policy excludes from coverage any pollution-related liability. Based in part on the nature of our products, there can be no assurance that we will be able to obtain adequate product liability insurance coverage upon the expiration of the current policy. Our current product liability insurance policy expires December 1, 2011.

As a result of contractual arrangements, we manage the joint defense of product liability litigation involving Remington brand firearms and our ammunition products for both Remington and DuPont and its affiliates. As of September 30, 2011, approximately 35 individual bodily injury cases and claims were pending relating to firearms and our ammunitions products, primarily alleging defective product design, defective manufacture and/or failure to provide adequate warnings; some of these cases seek punitive as well as compensatory damages. We have previously disposed of a number of other cases involving post-Asset Purchase occurrences involving Remington brand firearms and our ammunition products by settlement. The 35 pending cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement. In addition, we have two class action cases pending relating to breach of warranty claims concerning certain of our firearms products where economic damages are being claimed.

The relief sought in individual cases includes compensatory and, sometimes, punitive damages. Certain of the claims and cases seek unspecified compensatory and/or punitive damages. In others, compensatory damages sought may range from less than $50,000 to in excess of $1 million and punitive damages sought may exceed $1 million.

Of the individual post-Asset Purchase bodily injury cases and claims pending as of September 30, 2011, plaintiffs and claimants seek either compensatory and/or punitive damages in unspecified amounts or in amounts within these general ranges. In our experience, initial demands do not generally bear a reasonable relationship to the facts and circumstances of a particular matter, and in any event, are typically reduced significantly as a case proceeds. We believe that our accruals for product liability cases and claims, as described below, are a better quantitative measure of the cost of product liability cases and claims.

At September 30, 2011, our accrual for product liability and other product related cases and claims was approximately $17.6 million. The amount of our accrual for these liability cases and claims is based upon estimates developed as follows. We establish reserves for anticipated defense and disposition costs to us of those pending cases and claims for which we are financially responsible. Based on those estimates and an actuarial analysis of actual defense and disposition costs incurred by us with respect to product liability cases and claims in recent years, we determine the estimated defense and disposition costs for unasserted product liability cases and claims. We combine the estimated defense and disposition costs for both pending and unasserted cases and claims to determine the amount of our accrual for product liability and product related cases and claims. It is reasonably possible additional experience could result in further increases or decreases in the period in which such information is made available. We believe that our accruals for losses relating to such cases and claims are adequate. Our accruals for losses relating to product liability and product related cases and claims include accruals for all probable losses the amount of which can be reasonably estimated. Based on the relevant circumstances (including, with respect to Remington-based claims, the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, our accruals for the uninsured costs of such cases and claims and DuPont’s agreement to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), we do not believe with respect to product liability and product related cases and claims that any probable loss exceeding amounts already recognized through our accruals has been incurred.

Because our assumption of financial responsibility for certain Remington product liability cases and claims involving pre-Asset Purchase occurrences was limited to an amount that has now been fully paid, with DuPont and its affiliates retaining liability in excess of that amount and indemnifying us in respect of such liabilities, and because of our accruals with respect to such cases and claims, we believe that Remington product liability cases and claims involving occurrences arising prior to the Asset Purchase are not likely to have a material adverse effect upon our financial condition, results of operations or cash flows, nor do we believe at this time that there is an estimated range of reasonably possible additional losses. Moreover, although it is difficult to forecast the outcome of litigation, we do not believe, in light of relevant circumstances (including with respect to Remington-based claims, the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, our accruals for the uninsured costs of such cases and claims and the agreement of DuPont and its affiliates to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), that the outcome of all pending product liability cases and claims will be likely to have a material adverse effect upon our financial condition, results of operations or cash flows. Nonetheless, in part because the nature and extent of liability based on the manufacture and/or sale of allegedly defective products (particularly as to firearms and ammunition) is uncertain, there can be no assurance that our resources will be adequate to cover pending and future product liability occurrences, cases or claims, in the aggregate, or that a material adverse effect upon our financial condition, results of operations or cash flows will not result therefrom. However, it is reasonably possible that a significant shift in the litigation environment or deterioration in our loss development experience could result in an additional estimated expense of up to $1.8 million, based on an actuarial analysis. Because of the nature of our products, we anticipate that we will continue to be involved in product liability and product related litigation in the future. Because of the potential nature of injuries relating to firearms and ammunition, certain public perceptions of our products, and recent efforts to expand liability of manufacturers of firearms and ammunition, product liability cases and claims, and insurance costs associated with such cases and claims, may cause us to incur material costs.

Litigation Outlook

We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental, trade mark, trade dress and employment matters, which arise in the ordinary course of business. We do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Certain Indemnities

As of the closing of the Asset Purchase in December 1993 under the Purchase Agreement, Remington assumed:

- a number of specified liabilities, including certain trade payables and contractual obligations of DuPont and its affiliates;
- limited financial responsibility for specified product liability claims relating to disclosed occurrences arising prior to the Asset Purchase;
- limited financial responsibility for environmental claims relating to the operation of the Remington business prior to the Asset Purchase; and
- liabilities for product liability claims relating to occurrences after the Asset Purchase, except for claims involving products discontinued at the time of closing.

All other liabilities relating to or arising out of the operation of the Remington business prior to the Asset Purchase from DuPont are excluded liabilities ("Excluded Liabilities"), which DuPont and its affiliates retained. DuPont and its affiliates are required to indemnify us in respect of the Excluded Liabilities, which include, among other liabilities:

- liability in excess of our limited financial responsibility for environmental claims and disclosed product liability claims relating to pre-closing occurrences;
- liability for product liability litigation related to discontinued products; and
- certain tax liabilities, and employee and retiree compensation and benefit liabilities and intercompany accounts payable which do not represent trade accounts payable.

DuPont and its affiliates' overall liability in respect of their representations, covenants and the Excluded Liabilities under the Purchase Agreement, excluding environmental liabilities and product liability matters relating to events occurring prior to the purchase but not disclosed, or relating to discontinued products, is limited to $324.8 million. With a few exceptions, DuPont and its affiliates' representations under the Purchase Agreement have expired. We made claims for indemnification involving product liability issues prior to such expiration. See "—Product Related Litigation." In addition, DuPont and its affiliates agreed in 1996 to indemnify Remington against a portion of certain product liability costs involving various shotguns manufactured prior to 1995 and arising from occurrences on or prior to November 30, 1999. These indemnification obligations of DuPont and its affiliates relating to product liability and environmental matters (subject to a limited exception) are not subject to any survival period limitation, deductible or other dollar threshold or cap. We and DuPont and its affiliates are also party to separate agreements setting forth agreed procedures for the management and disposition of environmental and product liability claims and proceedings relating to the operation or ownership of the Remington business prior to the Asset Purchase, and are currently engaged in the joint defense of certain product liability claims and proceedings. See "—Product Related Litigation."

Additionally as part of our recent acquisitions, the Company has received customary product liability, environmental, and legal indemnifications.

EXHIBIT INDEX

Form 10-Q for Quarter Ended September 30, 2011

Exhibit Number	Description of Document
10.1	Separation Agreement and Release, dated as of October 3, 2011, between Freedom Group, Inc. and Frederic E. Roth, Jr.

Exhibit 10.1

SEPARATION AGREEMENT AND RELEASE

THIS SEPARATION AGREEMENT AND RELEASE ("***Agreement***") is made and entered into by and between Fredric E. Roth, Jr. ("***Executive***") and Remington Arms Company, LLC, formerly known as Remington Arms Company, Inc. ("***Company***"; Executive and the Company are collectively referred to as the "***Parties***").

WITNESSETH

WHEREAS, the Company and the Executive are parties to an employment agreement dated May 28, 2008 ("***Employment Agreement***").

WHEREAS, the Parties agree that Executive's employment with the Company will be separated as of December 31, 2011.

WHEREAS, Executive desires to receive certain separation benefits outlined below and acknowledges that this Agreement is supported by good and valuable consideration.

NOW, **THEREFORE**, in exchange for the mutual agreements set forth herein, the Parties, intending legally to be bound, agree as follows:

1. **End of Employment**. Executive's last day of employment with the Company will be December 31, 2011 ("***Separation Date***"). Executive's regular wages and benefits from the Company will end upon the close of business on the Separation Date.

2. **Resignation**. Executive agrees that he has resigned from his positions as General Counsel and Secretary of Freedom Group, Inc., and any other officer positions he may hold with the Company or any of its affiliate and related entities, effective September 15, 2011.

3. **Separation Payments**. In exchange for Executive entering into, complying with and not revoking this Agreement, the Company shall pay Executive severance pay in an amount equal to $301,275 in equal semi-monthly installments over the twelve (12) month period following Executive's Separation Date ("***Severance Period***"). The payments shall be minus applicable tax withholdings for the payment of wages and any other withholdings required by law. In the event Executive dies before receipt of all or a portion of the severance pay described above, the remaining amounts shall be paid to Executive's beneficiary (or estate, if none designated) according to the same schedule outlined above.

4. **Other Benefits**. Except as provided herein, following the Separation Date, Executive shall be entitled to the benefits described in Paragraph 6(f)(C) of the Employment Agreement.

5. **Equity**. Vesting and re-purchase of Executive's stock options will be governed by the Receipt of Offer to Purchase Vested Stock Options Agreement which is attached as Exhibit A to this Agreement.

6. **Incentive Compensation**. Executive agrees that for the year of 2011 he has not been eligible for nor has Executive participated in the Company's annual incentive compensation plan for its executive officers and that he is not entitled to receive any incentive or bonus compensation from the Company.

7. **No Other Payments or Benefits**. Except for the payments required under this Agreement, Executive acknowledges and agrees that Executive is not entitled to any additional wages, payments, bonuses, annual incentive compensation, incentive pay, commissions, expense reimbursements, compensation, severance pay, equity awards, vacation pay, sick pay, benefits, or consideration of any kind from the Company or its affiliates. However, signing this Agreement will not: (a) affect any *vested* rights Executive may have under any Company sponsored 401(k), retirement, or similar plan; (b) affect Executive's ability to exercise any post-separation conversion rights provided to him under the Company's insurance and benefits plans, if any; or (c) affect any

general right to continue certain health and welfare benefits pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Except for three (3) weeks of vacation pay, to be paid by Company within thirty (30) days after the Separation Date, Executive represents and agrees that the Company does not owe Executive any wages or other amounts related to services performed after the Separation Date. Executive also affirms that Executive has no known work related injuries or occupational diseases as of the date Executive signs this Agreement.

8. **Ongoing Obligations Under Employment Agreement**. Executive agrees that Paragraphs 7 (Unauthorized Disclosure), 8 (Non-Competition), 9 (Non-Solicitation of Employees), 10 (Non-Solicitation of Customers), 11 (Return of Property, except as authorized by Company); 12 (Nondisparagement), 13 (Failure to Comply with Covenants), 14 (Intellectual Property), 19(a), (b), (c), (f) (Miscellaneous) in the Employment Agreement ("***Post-Separation Obligations***") remain in full force and effect and shall continue to be enforceable following the Separation Date and the execution of this Agreement. The Executive further acknowledges and agrees that Executive must fully abide by these Post Separation Obligations as set forth in the Employment Agreement.

9. **Transition Period & Post-Separation Assistance**. Through December 31, 2011, as a condition of receiving Separation Benefits, Executive agrees:

(a) to update and organize the corporate records for Freedom Group, Inc., and its corporate affiliate entities targeting completion by November 15, 2011;

(b) beginning September 15, 2011, to perform all services off Company premises and to return to Company premises only as requested by an authorized Company official;

(c) to be reasonably available by phone or email to assist the Company and answer questions related to Executive's employment with the Company or duties at the Company. Executive agrees to respond to such inquiries to the best of Executive's knowledge;

(d) not to engage in any conduct that would give the Company the right to terminate Executive for "Cause" as defined by Paragraph 6(b) of the Employment Agreement; provided, however, the Company shall have the right at its discretion to continue to pay the Separation Benefits in exchange for Executive's compliance with the Post-Separation Obligations; and

(e) to furnish such information and assistance to the Company as may reasonably be required by the Company in connection with any investigation, inquiry, claim, litigation or other proceeding which arises out of facts and circumstances known to the Executive. The Company shall promptly reimburse Executive for Executive's reasonable out-of-pocket expenses incurred in connection with the fulfillment of his obligations.

10. **Full and General Release**. Executive, for Executive, Executive's heirs, executors, legal representatives, administrators, successors and assigns, hereby fully releases and discharges, to the fullest extent permitted by applicable law, the Company and all of the Company's parent, subsidiary and affiliate companies, as well as such entities' respective officers, directors, shareholders, owners, employees, agents, predecessors, successors and assigns, of and from any and all claims, actions, lawsuits, damages, and/or demands of any kind whatsoever, whenever or wherever they arose, whether known or unknown, and including but not limited to any claims that Executive has, may have or may have had arising from Executive's employment with or separation from employment with the Company, any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, 29 U.S.C. § 621, *et seq*., the Americans With Disabilities Act, the Family & Medical Leave Act, the Employee Retirement Income Security Act, and any and all other claims, whether under tort, contract, federal, state or local law, or otherwise.

11. **Knowing and Voluntary Waiver**. The Company advises Executive to consult a lawyer concerning the terms of this Agreement and Executive's rights under the Age Discrimination in Employment Act, 29 U.S.C. § 621 *et seq*. By signing below, Executive acknowledges that Executive has carefully read this Agreement, that Executive knows and understands the contents of this Agreement, that Executive has had ample opportunity to review the terms of this Agreement, that Executive is under no pressure to execute this Agreement,

that Executive has consulted with or had the opportunity to consult with a lawyer regarding this Agreement, and that Executive executes this Agreement of Executive's own free will.

12. **Waiting Period**. After receiving this Agreement, Executive shall have twenty-one (21) days to consider this Agreement and the release of claims of discrimination arising under the Age Discrimination in Employment Act. To accept this Agreement, Executive must execute and return this Agreement to the Company (care of Melissa Cofield, Chief Human Resources Officer, P.O. Box 700, Madison, North Carolina, 27025) by the end of such 21 day period.

13. **Revocation Rights**. Executive shall have seven (7) days from the date this Agreement is signed by Executive to revoke this Agreement by advising Melissa Cofield in writing of the revocation. If the Agreement is not revoked within seven (7) days from the signing of this Agreement by Executive, this Agreement shall become effective and enforceable as to all Parties on the eighth day following the signing of this Agreement by all Parties ("***Effective Date***").

14. **Separation Date Release.** As a condition of receiving Separation Benefits under this Agreement, Executive also agrees to execute on or after Executive's Separation Date the Release attached to this Agreement as Exhibit B.

15. **Agreement Confidentiality and No Admissions**. Executive shall keep the terms of this Agreement confidential as set forth in this Paragraph. Executive agrees not at any time to talk about, write about, discuss or otherwise publicize the terms or existence of this Agreement to anyone other than Executive's legal, tax, or other financial advisors or immediate family members, except in response to a valid subpoena, court directive, or as otherwise required by law. This Agreement is not, and shall not be used or construed by any person or entity as, an admission or evidence of liability or wrongdoing on the part of any party.

16. **Code Section 409A**. The Parties intend that any payment under this Agreement shall, to the extent subject to Section 409A of the Internal Revenue Code of 1986, as amended ("***Code Section 409A***"), be paid in compliance with Code Section 409A and the Treasury Regulations thereunder such that there shall be no adverse tax consequences, interest, or penalties as a result of the payments. The Parties shall interpret the Agreement in accordance with that intent, and to the extent applicable, with Code Section 409A and the Treasury Regulations thereunder. With respect to any payment subject to Code Section 409A, the Parties agree to modify this Agreement or the timing (but not the amount) of such payment to the extent necessary to comply with Code Section 409A and avoid application of any taxes, penalties, or interest thereunder.

17. **Applicable Law/Consent to Jurisdiction**.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to otherwise applicable conflict-of-law principles.

(b) Any action to enforce any of the provisions of this Agreement, except as provided in Paragraph19(a) of the Employment Agreement, shall be brought exclusively in a court of the State of Delaware or in a Federal court located within the State of Delaware, and by execution and delivery of this Agreement, Executive and the Company irrevocably consent to the exclusive jurisdiction of those courts and Executive hereby submits to personal jurisdiction in the State of Delaware. Executive and the Company irrevocably waive any objection, including any objection based on lack of jurisdiction, improper venue or *forum non conveniens*.

18. **Miscellaneous**.

(a) No waiver of any breach of this Agreement shall operate or be construed as a waiver of any subsequent breach by any party. No waiver shall be valid unless in writing and signed by the party waiving any particular provision. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. Each provision of this Agreement is severable from the other provisions of this Agreement.

(b) The parties acknowledge and agree that any purported amendment or modification to the Employment Agreement was not effective nor approved by the Company's Board of Directors or an authorized committee thereof.

(c) This Agreement and the Post-Separation Obligations in the Employment Agreement constitute the entire agreement among the Parties pertaining to the subject matters contained herein and supersede any and all prior and contemporaneous agreements, representations, promises, inducements and understandings of the Parties, provided that it does not supersede any other written obligations Executive may have to the Company or its affiliates. This Agreement shall be construed according to a plain reading of its terms and shall not be construed against any party.

(d) Executive acknowledges and agrees that he has had a reasonable amount of time in which to review and consider this Agreement prior to signature; has in fact read the terms of this Agreement; has the full legal capacity to enter into this Agreement and has had the opportunity to consult with legal counsel before signing this Agreement; fully and completely understands the meaning, intent and legal effect of this Agreement; and has knowingly and voluntarily executed this Agreement.

* * * Signature Page to Follow * * *

IN WITNESS WHEREOF, the undersigned hereto have executed this Agreement as of the dates set forth below.

/s/ Fredric E. Roth, Jr.	October 3, 2011
__________________________	____________________
Fredric E. Roth, Jr.	Date

REMINGTON ARMS COMPANY, LLC

By: /s/ Stephen P. Jackson, Jr.

Name: Stephen P. Jackson, Jr.

Title: Chief Financial Officer

Date: October 3, 2011