QUARTERLY REPORT

For the quarterly period ended:

June 30, 2010

FREEDOM GROUP, INC.

(Exact name of company as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

26-0174491
(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.

Quarterly Report

June 30, 2010

INDEX

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, references to (1) the terms “we,” “us,” “our,” the “Company” and the “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 “Remington” refers to Remington Arms Company, Inc. and its direct and indirect subsidiaries, (4) the terms “Bushmaster” and “BFI” refer to Bushmaster Firearms International, LLC and its direct and indirect subsidiaries, (5) the term “Marlin” refers to the Marlin Firearms Company, (6) the term “DPMS” refers to DPMS Firearms LLC, (7) the term “EOTAC” refers to EOTAC, LLC, (8) the term “H&R” refers to H&R 1871, LLC, (9) the term “Dakota” refers to Dakota Arms, LLC, (10) the term “S&K” refers to S&K Industries, Inc., (11) the term “AAC” refers to Advanced Armament Corp., LLC, (12) the term “Barnes” refers to Barnes Bullets, Inc., (13) the term “E-RPC” refers to E-RPC, LLC and (14) the term “Mountain Khakis” refers to Mountain Khakis, LLC.

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 in our Registration Statement on Form S-1 dated October 20, 2009, as subsequently amended, 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 our 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 9% and 10% of our total sales for the six months ended June 30, 2010 and fiscal 2009, respectively, and 6% and 12% of our

accounts receivable balance as of June 30, 2010 and December 31, 2009, respectively. Wal-Mart, together with another customer, accounted for approximately 10% and 18% of our accounts receivable balance as of June 30, 2010 and December 31, 2009, 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 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 and ammunition 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
Consolidated Balance Sheets
(Dollars in Millions, Except Per Share Data)

	Unaudited June 30, 2010	December 31, 2009	*Unaudited* June 30, 2009
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 76.3	$ 60.2	$ 111.0
Accounts Receivable Trade - net	110.2	92.5	134.2
Inventories - net	151.6	108.8	129.2
Supplies Inventory - net	6.6	6.5	5.7
Prepaid Expenses and Other Current Assets	15.2	35.2	20.6
Assets Held for Sale	2.5	1.9	1.9
Deferred Tax Assets	12.1	12.9	12.3
Total Current Assets	374.5	318.0	414.9
Property, Plant and Equipment - net	118.0	121.2	117.1
Goodwill	83.3	97.2	66.4
Intangible Assets - net	127.7	114.2	115.5
Debt Issuance Costs - net	29.4	19.4	3.8
Other Noncurrent Assets	16.7	16.9	16.3
Total Assets	$ 749.6	$ 686.9	$ 734.0
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities			
Accounts Payable	52.9	52.2	61.9
Book Overdraft	1.2	-	-
Short-Term Debt	-	-	1.0
Current Portion of Long-Term Debt	0.8	0.7	0.7
Current Portion of Product Liability	3.1	2.8	3.5
Income Taxes Payable	-	-	11.3
Other Accrued Liabilities	72.5	87.5	64.9
Total Current Liabilities	130.5	143.2	143.3
Long-Term Debt, net of Current Portion	498.4	276.0	322.6
Retiree Benefits, net of Current Portion	49.3	46.8	84.3
Product Liability, net of Current Portion	10.4	10.4	11.0
Deferred Tax Liabilities	28.2	31.2	11.8
Other Long-Term Liabilities	17.0	12.4	13.9
Total Liabilities	733.8	520.0	586.9
Commitments and Contingencies (Note 13)			
Preferred Stock, $0.01 par value, 20,000,000 shares authorized, of which 19,000,000 shares are designated as Series A preferred, aggregate liquidation preference of $96.5, $238.2, and $227.4, as of June 30, 2010, December 31, 2009, and June 30, 2009, respectively	96.5	238.2	227.4
Total Mezzanine Equity	96.5	238.2	227.4
Common Stock, $.01 par value, 20,000,000 shares authorized, of which 16,673,920 were issued and 16,439,186 outstanding at June 30, 2010 and December 31, 2009; and 16,673,920 issued and 16,522,522 outstanding at June 30, 2009	0.2	0.2	0.2
Less: Treasury Stock	(0.6)	(0.6)	(0.2)
Paid-in Capital	-	-	-
Accumulated Other Comprehensive Loss	(45.7)	(38.3)	(37.0)
Accumulated Equity (Deficit)	(36.3)	(32.3)	(43.1)
Total Parent's Equity (Deficit)	(82.4)	(71.0)	(80.1)
Noncontrolling Interest Equity	1.7	(0.3)	(0.2)
Total Stockholders' Equity (Deficit)	(80.7)	(71.3)	(80.3)
Total Liabilities, Mezzanine Equity and Stockholders' Equity	$ 749.6	$ 686.9	$ 734.0

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

Freedom Group, Inc. and Subsidiaries

Consolidated Statements of Operations

(Dollars in Millions)

(Unaudited)

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	For the six months ended June 30, 2010	For the six months ended June 30, 2009
Net Sales	$ 179.2	$ 235.1	$ 353.4	$ 427.3
Cost of Goods Sold	120.0	149.7	235.3	282.4
Gross Profit	59.2	85.4	118.1	144.9
Selling, General and Administrative Expenses	37.5	43.3	73.3	75.2
Research and Development Expenses	5.3	3.1	9.1	5.4
Impairment Charges	0.6	-	1.0	-
Other Expense (Income)	1.8	0.1	4.1	(1.9)
Operating Income	14.0	38.9	30.6	66.2
Interest Expense	14.9	7.5	22.9	14.6
Income (loss) from Continuing Operations before Taxes, Equity in Losses from Unconsolidated Joint Venture and Noncontrolling Interest in Consolidated Subsidiary	(0.9)	31.4	7.7	51.6
Income Tax Provision (Benefit)	(0.1)	11.6	2.9	18.7
Equity in Losses from Unconsolidated Joint Venture	0.1	0.1	0.2	0.1
Net Income (Loss)	(0.9)	19.7	4.6	32.8
Add: Net Loss Attributable to Noncontrolling Interest	0.1	0.1	0.2	0.2
Net Income (Loss) Attributable to Controlling Interest	$ (0.8)	$ 19.8	$ 4.8	$ 33.0
Net Income (Loss) Attributable to Controlling Interest	$ (0.8)	$ 19.8	$ 4.8	$ 33.0
Accretion of Preferred Stock	(2.8)	(4.6)	(8.8)	(10.0)
Net Income (Loss) Applicable to Common Stock	$ (3.6)	$ 15.2	$ (4.0)	$ 23.0
Net Income (Loss) Per Common Share, Basic	$ (0.22)	$ 0.93	$ (0.24)	$ 1.41
Net Income (Loss) Per Common Share, Diluted	$ (0.22)	$ 0.91	$ (0.24)	$ 1.39
Weighted Average Number of Shares Outstanding, Basic	16,404,114	16,326,839	16,375,929	16,332,431
Weighted Average Number of Shares Outstanding, Diluted	17,206,992	16,624,837	16,814,406	16,588,416

Net Sales are presented net of Federal Excise taxes of $14.6 and $19.4 for the three months ended June 30, 2010 and 2009, respectively. Net sales are presented net of Federal Excise taxes of $27.6 and $34.9 for the six months ended June 30, 2010 and 2009, respectively.

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

Freedom Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Millions)

(Unaudited)

	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009
Operating Activities		
Net Income	$ 4.6	32.8
Adjustments to reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Impairment Charges	1.0	-
Depreciation and Amortization	16.1	12.2
Equity in Losses from Unconsolidated Joint Venture	0.2	0.1
Loss on Disposal of Property, Plant, and Equipment	0.4	0.3
Contributions to Pension Plans	(1.1)	(3.5)
Pension Plan Expense	2.9	2.5
Provision for Deferred Income Taxes - net	(2.2)	(1.0)
Share Based Compensation Charges	0.3	0.2
Other Non-Cash Charges	(0.3)	(0.4)
Changes in Operating Assets and Liabilities net of effects of acquisitions:		
Accounts Receivable Trade - net	(16.7)	(22.6)
Inventories - net	(40.0)	(4.8)
Prepaid Expenses and Other Current and Long-Term Assets	20.7	3.6
Other Noncurrent Assets	-	(0.5)
Accounts Payable	2.5	14.3
Income Taxes Payable	(0.2)	11.7
Other Accrued and Long-Term Liabilities	(16.5)	8.4
Net Cash (used in) provided by Operating Activities	(28.3)	53.3
Investing Activities		
Purchase of Property, Plant and Equipment	(10.1)	(5.4)
Proceeds from Sale of Property, Plant and Equipment	0.4	-
Purchase of Shares from Noncontrolling Interest	(0.1)	-
Cash contribution to Membership Interest	-	(0.7)
Acquisition of Businesses, net of Cash Acquired	(4.3)	(1.8)
Net Cash used in Investing Activities	(14.1)	(7.9)
Financing Activities		
Proceeds from Revolving Credit Facilities	2.6	-
Payments on Revolving Credit Facilities	(2.6)	-
Payments on Capital Leases	(0.2)	-
Issuance of Notes	220.5	-
Principal Payments on Long-Term Debt	-	(10.9)
Repurchase of Preferred and Common Stock	(150.5)	(1.1)
Debt Issuance Costs	(12.5)	(0.2)
Change in Book Overdraft	1.2	-
Net Cash provided by (used in) Financing Activities	58.5	(12.2)
Change in Cash and Cash Equivalents	16.1	33.2
Cash and Cash Equivalents at Beginning of Period	60.2	77.8
Cash and Cash Equivalents at End of Period	$ 76.3	$ 111.0
Supplemental Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ 14.4	$ 12.6
Income Taxes	6.3	9.9
Previously accrued Capital Expenditures	3.4	1.2
Noncash Financing and Investing Activities:		
Financing of insurance policies	-	2.2
Capital Lease Obligations Incurred	0.5	0.9

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

Note 1 -- Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Freedom Group, Inc. ("FGI" or the "Company"), which owns 100% of FGI Holding Company, Inc. ("FGI Holding"), which in turn owns 100% of FGI Operating Company, Inc. ("FGI Opco"), and includes the financial results of Remington Arms Company, Inc. ("Remington"), Bushmaster Firearms International, LLC ("BFI" or "Bushmaster"), Barnes Bullets, LLC ("Barnes") and E-RPC, LLC ("E-RPC"). Remington, in turn, owns The Marlin Firearms Company ("Marlin") and its subsidiary, H&R 1871, LLC ("H&R"), Advanced Armament, LLC ("AAC"), and a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), and BFI owns DPMS Firearms, LLC ("DPMS"). All significant intercompany accounts and transactions have been eliminated.

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, 2009. 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.

Note 2 -- Business Combinations and Formations

As discussed below, the Company made various acquisitions and formed a joint venture during 2009 and the six months ended June 30, 2010. These acquisitions and the joint venture are being accounted for as business combinations using the purchase method of accounting, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" 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.

Mountain Khakis, LLC Joint Venture

On May 28, 2010, the Company, through its Remington subsidiary, formed a new venture with Mountain Khakis. The Company has a 75% ownership interest in Mountain Khakis, LLC ("Mountain Khakis Venture") and Mountain Khakis owns the remaining 25%. Remington's initial investment was $3.3, with an additional $1.0 invested in June, 2010, and expected subsequent cash contributions of $1.7 over the next 12 months. The Mountain Khakis Venture 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 availability of durable, comfortable, high-quality apparel to consumers.

Barnes Bullets, Inc.

On December 31, 2009, the Company acquired certain assets and liabilities of Barnes, a supplier of copper bullets, including copper-tin composite core bullets, for approximately $25.6 (the "Barnes Acquisition"). The Barnes Acquisition was funded with operating cash. The Company believes the Barnes Acquisition will demonstrate its commitment to the ammunition business by offering shooters and hunters a premium line of high performance bullets. The preliminary allocation is subject to valuations which are not yet complete and may affect or change the values of some or all acquired assets and liabilities.

Advanced Armament Corp.

On October 2, 2009, the Company, through Remington, completed the acquisition of certain assets and liabilities of AAC for approximately $11.1 and an additional amount of approximately $8.0 due in 2015 upon achievement of certain employment and financial conditions (the "AAC Acquisition"). The AAC Acquisition was funded with cash from operations. AAC manufactures and markets a full line of firearm accessory products used in certain military (including current use by the Department of Defense), law enforcement and commercial markets.

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

The preliminary allocation is subject to valuations which are not yet complete and may affect or change the values of some or all acquired assets and liabilities.

S&K Industries, Inc.

On September 22, 2009, the Company, through Remington, acquired certain assets and liabilities from S&K Industries, Inc. ("S&K"), a supplier of the Company's wood stocks for certain of its firearms operations, for approximately $3.8 (the "S&K Acquisition") which was funded with operating cash. The assets acquired were primarily inventory, machinery and equipment. The Company believes the S&K Acquisition will improve efficiencies in its firearms manufacturing processes as well as reduce certain costs of acquiring the wood stocks. The preliminary allocation is subject to valuations which are not yet complete and may affect or change the values of some or all acquired assets and liabilities.

Dakota Arms, LLC

On June 5, 2009, the Company, through Remington, completed its acquisition of certain assets and liabilities, primarily consisting of inventory, equipment and brand names of Dakota Arms, LLC (the "Dakota Acquisition"). Dakota Arms, LLC is a producer of high-end rifles, shotguns and ammunition. The total acquisition cost of the Dakota Acquisition was approximately $1.8, and was funded from the operating cash of the Company. The Company completed the Dakota Acquisition in an effort to position the Company in the largely customized, high precision, large caliber and safari segments of the market, with premium aspirational firearm and ammunition brands including *Dakota Arms, Miller Arms* and *Nesika*, as well as *Dan Walter* premium gun cases.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in accordance with FASB ASC 805 "Business Combinations":

	Dakota	**S&K**	**AAC**	**Barnes**	**Mountain Khakis**
Accounts Receivable	$—	$—	$0.2	$1.2	$2.6
Inventory	1.4	1.9	1.2	4.8	1.1
Property, Plant and Equipment	0.9	2.6	0.8	0.5	0.3
Other Non-Current Assets	—	—	—	—	0.2
Goodwill	—	0.8	2.1	8.5	5.6
Identifiable Intangible Assets	1.7	—	7.3	10.7	—
Total Assets Acquired	$4.0	$5.3	$11.6	$25.7	$9.8
Current Liabilities	$0.6	$1.5	$0.5	$0.1	$0.3
Other Non-Current Liabilities	0.9	—	—	—	1.5
Total Liabilities Assumed	$1.5	$1.5	$0.5	$0.1	$1.8
Total Assets Acquired Less Liabilities Assumed	$2.5	$3.8	$11.1	$25.6	$8.0
Gain on Bargain Purchase	(0.7)	—	—	—	—
Noncontrolling Interest	—	—	—	—	(2.0)
Estimated Acquisition Cost	$1.8	$3.8	$11.1	$25.6	$6.0

Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the Dakota Acquisition, S&K Acquisition, AAC Acquisition, Barnes Acquisition, and Mountain Khakis Venture occurred on January 1 of each of the respective periods. The results have been adjusted for the impact of certain items related to the Dakota

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

Acquisition, S&K Acquisition, AAC Acquisition, Barnes Acquisition, and Mountain Khakis Venture such as additional amortization expense of identified intangible assets, recognition of write-up in cost of sales as inventory is sold and the related income tax effects. Income taxes are provided at the estimated effective rate of 40%. This unaudited pro forma information should not be relied upon as necessarily being indicative of historical results, nor indicative of the results that may be obtained in the future.

	Three Months Ended June 30, (Pro Forma)		Six Months Ended June 30, (Pro Forma)	
	2010	2009	2010	2009
Net Sales	$ 179.8	$ 241.7	$ 355.1	$ 440.2
Operating Income	14.0	38.2	30.2	65.5
Net Income	(0.9)	19.4	4.4	32.6

Note 3 -- Fair Value Measurements

The following table presents information about assets and liabilities measured at fair value on a recurring basis:

	Fair value measurements at June 30, 2010 using:			
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Assets:				
Commodity Contract Derivatives	N/A	$ 0.7	N/A	$ 0.7
Life Insurance Policies	N/A	$ 0.2	N/A	$ 0.2

	Fair value measurements at December 31, 2009:			
	Level 1	Level 2	Level 3	Total
Assets:				
Commodity Contract Derivatives	N/A	$ 11.1	N/A	$ 11.1
Life Insurance Policies	N/A	$ 0.2	N/A	$ 0.2

	Fair value measurements at June 30, 2009:			
	Level 1	Level 2	Level 3	Total
Assets:				
Commodity Contract Derivatives	N/A	$ 6.3	N/A	$ 6.3
Life Insurance Policies	N/A	0.1	N/A	0.1
Liabilities:				
Interest Rate Swaps	N/A	$ 0.2	N/A	$ 0.2

As shown above, commodity contract derivatives valued based on fair values provided by the Company's commodity brokers 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. Life insurance policies valued by using cash surrender values, net of related policy loans, are classified within level 2 of the fair value hierarchy. Interest rate swaps were valued using the Income Approach valuation technique which converts future amounts to a single present value.

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

The Company has not elected to account for any eligible financial assets and liabilities under the fair value option within the scope of FASB ASC 825 "Financial Instruments". Due to their liquid nature, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, income taxes payable, and other noncurrent accrued liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of $507.5 and $292.9, as of June 30, 2010 and December 31, 2009, respectively, and a carrying value of $499.2 and $276.7 as of June 30, 2010 and December 31, 2009, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at June 30, 2010 and December 31, 2009, which is considered a level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 7% of total net sales for the three months ended June 30, 2010 and 2009, and 9% of total net sales for the six months ended June 30, 2010 and 2009, consisted of sales made to one customer from all reportable business segments.

Note 4 -- Inventories

Inventories consist of the following at:

	June 30, 2010	December 31, 2009	June 30, 2009
Raw Materials	$ 33.7	$ 26.5	$ 33.0
Semi-Finished Products	31.4	24.6	32.7
Finished Products	85.4	56.4	62.3
Subtotal	150.5	107.5	128.0
LIFO Adjustment	1.1	1.3	1.2
Total	$ 151.6	$ 108.8	$ 129.2

The Company's inventories are stated at the lower of cost or market. The majority of the Company's inventories are determined by the First-In, First-Out ("FIFO") method. Inventory costs associated with Semi-Finished Products and Finished Products include material, labor, and overhead while costs associated with Raw Materials include primarily material. The Company provides inventory allowances based on excess and obsolete inventories.

Following the Marlin Acquisition the Company accounts for a portion of its inventory using the Last-In First-Out ("LIFO") method. As of June 30, 2010, December 31, 2009, and June 30, 2009, approximately 7.1%, 6.9% and 8.5%, respectively, of the Company's total inventory excluding the LIFO adjustment was accounted for under the LIFO method. Under a FIFO assumption, inventories would have been lower by $1.1, $1.3, and $1.2 at June 30, 2010, December 31, 2009, and June 30, 2009, respectively.

Note 5 -- Goodwill and Other Intangible Assets

No goodwill impairment provisions were recorded during the three or six months ended June 30, 2010.

The change in the carrying amount of goodwill for the six months ended June 30, 2010 and 2009, and the twelve months ended December 31, 2009 by segment is as follows:

	June 30, 2010	Net Adjustments	December 31, 2009	Net Adjustments	June 30, 2009
Goodwill					
Firearms:					
gross carrying value	$ 79.5	$(0.4)	$ 79.9	$1.1	$ 78.8
aggregate impairment	(36.7)	-	(36.7)	-	(36.7)
net	42.8	(0.4)	43.2	1.1	42.1

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

Ammunition:					
gross carrying value	32.6	(11.9)	44.5	20.5	24.0
aggregate impairment	-	-	-	-	-
net	32.6	(11.9)	44.5	20.5	24.0
All Other and Reconciling Items:					
gross carrying value	15.5	(1.6)	17.1	9.2	7.9
aggregate impairment	(7.6)	-	(7.6)	-	(7.6)
net	7.9	(1.6)	9.5	9.2	0.3
Total	$ 83.3	$ (13.9)	$ 97.2	$ 30.8	$ 66.4

On May 28, 2010, the Company acquired Mountain Khakis, resulting in $5.6 of capitalized goodwill within the All Other reporting segment. As part of the application of purchase accounting as a result of the S&K Acquisition, AAC Acquisition, and Barnes Acquisition, the Company recorded initial estimates associated with goodwill of $30.9. Subsequent to December 31, 2009, net adjustments of $19.5 were made to the initial estimates of goodwill to decrease the adjusted opening balance to $11.5. The adjustments resulted in $1.6 being allocated to beginning inventory balances, of which $1.4 has been recognized in Cost of Goods Sold as of June 30, 2010, and $18.1 being allocated to identifiable intangible assets, resulting in the recognition of $1.6 of amortization expense for the six months ended June 30, 2010. The remaining ($0.2) related to adjustments to other working capital accounts.

The following tables summarize the amounts of goodwill and identifiable intangible assets, along with the accumulated amortization and amortization period:

	June 30, 2010 Gross Balance	**Accumulated Amortization**	**June 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	$ (9.1)	29.8	16.6 Years*
License Agreements	8.4	(3.7)	4.7	7.0 Years*
Unpatented Technology	12.0	(4.9)	7.1	7.0 Years
Other	21.2	(3.7)	17.5	5.1 Years*
Total Intangible Assets	149.1	(21.4)	127.7	11.6 Years*
Total Goodwill and Intangibles	$ 232.4	$ (21.4)	$ 211.0	

* Represents weighted average amortization period for the capitalized balance of the intangible asset.

During the three months ended June 30, 2010, the Company recorded tradename impairment charges of $0.2 related to the discontinued use of the L.C. Smith and New England Firearms brand names on its firearms. Pardner Pump and Excell Auto Shotguns are the only firearms sold which had the New England Firearms and H&R brand names on the shotguns. Beginning in June 2010, these shotguns will only carry the H&R brand. Parts for L.C. Smith and New England Firearms products will continue to use the brand names. The impairment testing was conducted internally based on external market participants' judgment of the tradename's fair value resulting in a $0.2 reduction in its carrying value. The impaired tradename asset is classified under the Firearms reporting segment and the related charge is aggregated with charges in the Impairment Charges caption of the Statement of Operations.

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

	December 31, 2009 Gross Balance	Accumulated Amortization	December 31, 2009 Net Balance	Amortization Period
Goodwill	$ 97.2	N/A	$ 97.2	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 68.8	N/A	$ 68.8	Indefinite
Customer Relationships/Lists	38.9	$ (7.9)	31.0	16.6 Years*
License Agreements	8.4	(3.1)	5.3	7.0 Years*
Unpatented Technology	12.0	(4.0)	8.0	7.0 Years
Other	3.1	(2.0)	1.1	4.7 Years*
Total Intangible Assets	131.2	(17.0)	114.2	12.9 Years*
Total Goodwill and Intangibles	$ 228.4	$ (17.0)	$ 211.4	

	June 30, 2009 Gross Balance	Accumulated Amortization	June 30, 2009 Net Balance	Amortization Period
Goodwill	$ 66.4	N/A	$ 66.4	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 67.7	N/A	$ 67.7	Indefinite
Customer Relationships/Lists	38.2	$ (6.5)	31.7	17.1 Years*
License Agreements	8.5	(2.6)	5.9	7.0 Years*
Unpatented Technology	11.9	(3.0)	8.9	6.0 Years
Other	3.1	(1.8)	1.3	4.7 Years*
Total Intangible Assets	129.4	(13.9)	115.5	11.7 Years*
Total Goodwill and Intangibles	$ 195.8	$ (13.9)	$ 181.9	

Amortization expense related to identifiable intangible assets for the six and three months ended June 30, 2010 was $4.4 and $2.1, respectively, and $3.1 and $1.5 for the six and three months ended June 30, 2009, respectively.

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

Year	Amount
2010 (remainder of fiscal year)	$4.3
2011	8.7
2012	8.6
2013	8.3
2014	6.3
Thereafter	22.8

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

Note 6 -- Other Accrued Liabilities

Other Accrued Liabilities consisted of the following at:

	June 30, 2010	December 31, 2009	June 30, 2009
Marketing	$11.7	$15.1	$10.6
Incentive Compensation	3.9	15.8	8.4
Excise Tax	4.0	3.3	4.3
Payroll & Related Payroll Taxes	8.4	9.0	7.2
Interest	14.7	12.0	2.0
Escrow	3.2	2.2	4.9
Other	26.6	30.1	27.5
Total	$ 72.5	$ 87.5	$ 64.9

Note 7 -- Debt

Long-term debt consisted of the following at:

	June 30, 2010	December 31, 2009	June 30, 2009
FGI 10.25% Senior Secured Notes due 2015	$ 275.3	$ 275.3	$ -
FGI Credit Facility (ABL Revolver)	-	-	-
FGI 11.25%/11.75% Pay-In-Kind Notes due 2015	220.7	-	-
Remington 10.5% Senior Notes due 2011	-	-	201.6
BFI Subordinated Notes	-	-	21.4
Remington Term Loan	-	-	17.7
BFI Term Loans	-	-	29.1
Remington Credit Facility	-	-	51.8
BFI Credit Facility	-	-	-
Mountain Khakis Notes	1.6	-	-
Capital Lease Obligations	1.6	1.4	1.7
Subtotal	499.2	276.7	323.3
Less: Current Portion	(0.8)	(0.7)	(0.7)
Total	$ 498.4	$ 276.0	$ 322.6

Debt Refinancing

On July 29, 2009, the Company issued $200.0 in aggregate principal amount of 10.25% Senior Secured Notes due 2015 (the "Initial Opco Notes"). Contemporaneously with the issuance of the Initial Opco Notes, the Company entered into a $180.0 senior secured asset-based revolving credit facility (the "ABL Revolver") and borrowed $51.9 thereunder. The issuance of the Initial Opco Notes, the borrowing under the ABL Revolver and the related repayments of outstanding indebtedness (including the termination of any commitments thereunder) described here are referred to collectively as the "Refinancings." As part of the Refinancings, the Company capitalized $18.1 of financing costs.

On November 3, 2009, the Company issued an additional $75.0 in aggregate principal amount of the 10.25% Senior Secured Notes due 2015 (the "Additional Opco Notes" and, together with the Initial Opco Notes, the "Opco Notes"). As part of the issuance of the Additional Opco Notes, the Company capitalized an additional $3.1 of financing costs. The Additional Opco Notes were issued pursuant to the same indenture under which the Initial Opco Notes were issued.

On April 7, 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. FGI Holding used the net proceeds of the PIK Notes issuance to pay a dividend in the amount of the $220.5 million net proceeds of the PIK Notes issuance to FGI, which FGI used to repurchase $150.5 million of its preferred stock on April 16, 2010.

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.

10.25% Senior Secured Notes due 2015

The Opco Notes are guaranteed by each of FGI Opco's existing wholly-owned domestic subsidiaries that are borrowers or guarantors under the ABL Revolver (the "Guarantors"). Interest is payable on the Opco Notes semi-annually on February 1 and August 1, commencing on February 1, 2010.

FGI Opco may redeem some or all of the Opco Notes at any time prior to August 1, 2012 at a price equal to 100% of the principal amount thereof plus the make-whole premium described in the Opco Notes. Thereafter, FGI Opco may redeem some or all of the Opco Notes at the redemption prices set forth in Opco Notes. FGI Opco may also redeem up to 35% of the outstanding Opco Notes on or prior to August 1, 2012 with the proceeds of certain equity offerings and capital contributions, subject to limitations, at the redemption price of 110.25%. In addition, on or prior to August 1, 2012, FGI Opco may also redeem up to 10% of the original aggregate principal amount of the Opco Notes at a price equal to 103% of the principal amount of the Opco Notes, no more than once in any twelve-month period.

The Opco Notes and guarantees are secured by (i) a first-priority lien on substantially all existing and future personal property of FGI Opco and the Guarantors (other than assets securing the ABL Revolver with a first-priority lien), including 100% of the equity interests in the Guarantors, (ii) a first-priority lien on certain owned real property of FGI Opco and the Guarantors and (iii) a second-priority lien on intellectual property and working capital of FGI Opco and the Guarantors, such as receivables, inventory, related general intangibles, and other assets and proceeds thereof that secure the ABL Revolver on a first-priority basis.

The indenture governing the Opco Notes contains covenants which include, among others, limitations on the ability of FGI Opco and some of its subsidiaries to: incur or guarantee additional debt or issue disqualified or preferred stock; pay dividends, repurchase equity or prepay subordinated debt; 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 Guarantors to pay dividends or make other payments to FGI Opco; and incur liens on assets.

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

The PIK Notes are not guaranteed by FGI Holding's subsidiaries. The Company guaranteed the PIK Notes on the issue date, but is not obligated to continue such guarantee. Interest is payable on the PIK Notes semi-annually in arrears on April 1 and October 1, commencing 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.

FGI Holding will be required to redeem the PIK Notes at 106% plus accrued interest of the principal amount of the PIK Notes with the proceeds of certain qualified equity issuances if a qualified equity issuance occurs prior to October 1, 2011. If a qualified equity issuance occurs on or subsequent to October 1, 2011, April 1, 2013, or October 1, 2014, the PIK Notes are mandatorily redeemable at 105%, 102.5%, and 100%, respectively, of the principal amount of the PIK Notes including accrued interest. FGI Holding may also redeem the PIK Notes at its option, in whole or in part. If voluntary redemption occurs prior to October 1, 2011, the PIK Notes are redeemable at 100% of the principal amount of the PIK Notes plus the applicable premium and accrued interest. If a voluntary redemption occurs on or subsequent to October 1, 2011, April 1, 2013, or October 1, 2014, the PIK Notes are redeemable at 105%, 102.5%, and 100%, respectively, of the principal amount of the PIK Notes including accrued interest. In the event of a change in control, the PIK Notes are redeemable in whole or in part at FGI Holding's option at 106% of the principal amount of the PIK Notes plus accrued interest.

The PIK Notes rank equally in right of payment with all of FGI Holding's senior debt and senior in right of payment to all of FGI Holding's subordinated debt. The PIK Notes will be effectively junior to any secured debt of FGI Holding to the extent of the collateral securing such debt. Since the PIK Notes are not guaranteed by any of FGI Holding's subsidiaries, the PIK Notes will be structurally subordinated to all indebtedness and other liabilities for FGI Holding's subsidiaries, including FGI Opco.

The indenture governing the PIK Notes contains covenants which include, among others, limitations on the ability of FGI Holding 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 indenture also requires FGI Holding to own 100% of FGI Opco's capital stock at all times.

ABL Revolver

The ABL Revolver is a four-year, $180.0 asset-based revolving credit facility, including sub-limits for letters of credit and swingline loans. With the exception of Barnes and AAC, each of FGI Opco's wholly-owned subsidiaries is either a borrower or guarantor under the ABL Revolver. Subject to certain conditions, the ABL Revolver may be increased with lender consent at the request of FGI Opco by an aggregate of $75.0 during its term up to a $255.0 maximum limit. The ABL Revolver is secured by (i) a first-priority lien on FGI Opco's present and future accounts receivable, inventory, and certain general intangible assets, including intellectual property, certain other assets and proceeds relating thereto, and (ii) a second-priority lien on collateral secured by the Opco Notes other than real property owned by FGI Opco.

Borrowings under the ABL Revolver 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 paid monthly in arrears at a rate equal to 0.75% (or in certain circumstances 0.5%) per annum. 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 June 30, 2010, the weighted average interest rate on the ABL Revolver was 5.75%.

The ABL Revolver contains customary covenants applicable to FGI Opco and its subsidiaries, other than unrestricted subsidiaries. The ABL Revolver contains certain financial covenants, as well as restrictions on, among other things, our ability to: incur debt; incur liens; declare or make distributions to our stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; engage in asset sales;

amend or modify our governing documents; engage in businesses other than our business as currently conducted; and enter into transactions with affiliates.

FGI entered into the Joinder Agreement and Second Amendment to Loan and Security Agreement and Amendment to Other Financing Agreements (the "Joinder Agreement") on March 30, 2010, by and among FGI, Remington, Marlin, H&R, Bushmaster, DPMS, E-RPC, RA BRANDS, L.L.C., ("RA Brands"), and FGI Opco, Wells Fargo Bank, National Association, a national banking association and successor by merger to Wachovia Bank, National Association, in its capacity as agent (in such capacity, "Agent") for various financial institutions (the "Lenders"), and such Lenders, which became effective as of April 7, 2010. Pursuant to the Joinder Agreement, FGI Opco became a borrower under the Opco Notes with the same force and effect as if originally named as a borrower and assumed, and agreed to perform and observe, each of the terms and provisions of the Opco Notes. FGI Opco became directly and primarily liable as a borrower for all of the Opco Notes obligations and granted the Agent a security interest in all its personal property. The parties to the Joinder Agreement also agreed that after giving effect to the formation of FGI Holding and FGI Opco, FGI would be released and discharged from all liability under the Opco Notes. In addition, certain provisions of the Loan Agreement were amended to reflect the corporate structure after completion of the formation of FGI Opco.

As of June 30, 2010, approximately $114.7 in additional borrowings, including the minimum availability requirement of $30.0, was available under the ABL Revolver. Standby letters of credit outstanding as of June 30, 2010 were $6.8.

Mountain Khakis Notes

In conjunction with the Mountain Khakis Venture, the Company assumed $1.6 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%.

Remington 10.5% Senior Notes due 2011

Remington had 10.5% Senior Notes due 2011 (the "2011 Notes"), which were redeemable at the option of the Company through Remington, in whole or in part, at any time at a redemption price of 100% of the principal amount. The 2011 Notes plus accrued interest were repaid with proceeds from the Refinancings, as well as cash on hand.

BFI 15.5% Subordinated Notes due 2012

BFI had subordinated notes (the "BFI Subordinated Notes") comprising ten subordinated notes payable to various entities totaling $20.0 plus any pay-in-kind (PIK) interest due on April 13, 2012. Interest on the unpaid balance was 15.0% per annum, payable quarterly, commencing on September 15, 2006, and continuing until the principal was paid in full. The BFI Subordinated Notes plus accrued interest were repaid with proceeds from the Refinancings, as well as cash on hand.

Remington Term Loan

The Company, through its Remington subsidiary, added the $25.0 Term Loan on November 13, 2007 ("Remington Term Loan"), at an interest rate of LIBOR plus 200 basis points with monthly principal payments of $0.5, plus interest, due to begin May 1, 2008 and cease on September 30, 2010. The Remington Term Loan plus accrued interest, was repaid with proceeds from the Refinancings, as well as cash on hand.

BFI Term Loans

The Company, through its BFI subsidiary, had term loans payable with fixed monthly principal payments that adjust every year as outlined in the applicable loan agreements, plus interest calculated at 30-day LIBOR plus

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

2.4% ("Term Loan A") and 2.6% ("Term Loan B"). The term loans were collateralized by a blanket lien on all business assets of BFI. The BFI Term Loans plus accrued interest were repaid with proceeds from the Refinancings, as well as cash on hand.

Prior to the Refinancings, the Company maintained revolving credit facilities through its subsidiaries:

Remington Credit Facility. The Company, through Remington, had a Revolving Credit Facility (the "Remington Credit Facility"), which was governed by an amended and restated credit agreement. The weighted average interest rate under the Remington Credit Facility was 5.3% for the six months ended June 30, 2009. As of June 30, 2009, approximately $41.9 in additional borrowings, including the minimum availability requirement of $27.5, was available. The outstanding borrowings of $59.1 under the Remington Credit Facility were repaid with proceeds from the Refinancings, as well as cash on hand. The Remington Credit Facility was terminated on July 31, 2009.

BFI Credit Facility. The Company, through its BFI subsidiary, maintained a line of credit agreement (the "BFI Credit Facility") which was collateralized by a first security interest in all assets of BFI. Interest was paid monthly and calculated at LIBOR plus 2.1%. The all-in-rate was 2.02% as of June 30, 2009. Borrowing availability and outstanding standby letters of credit were $10.7 and $0.3, respectively as of June 30, 2009. The BFI Credit Facility was terminated on July 31, 2009.

At June 30, 2010, December 31, 2009 and June 30, 2009, the Company was in compliance with all financial covenants.

Note 8 -- Stock Compensation

Restricted Stock/Restricted Shares

The following table summarizes restricted common share activity for the six months ended June 30, 2010:

	Restricted Common Shares Outstanding	Weighted Average Grant Date Fair Value	Shares Vested
Balance January 1, 2010	314,840	$1.61	219,674
Granted	-	-	-
Forfeited	-	-	-
Balance June 30, 2010	314,840	$1.61	282,456

The vesting of the restricted stock occurs at various times through 2011. Compensation expense was less than $0.1 for the three and six months ended June 30, 2010. The remaining compensation cost of approximately $0.1 will be recognized through 2011.

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 ("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 effort for the success of FGI and its subsidiaries.

(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 2,424,703 shares, including approximately 123,416 shares which are restricted shares and not stock options, subject to certain adjustments as set forth in the Plan.

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.

For the three and six months ended June 30, 2010, the Company recognized approximately $0.1 and $0.3, respectively, in expense related to the options outstanding under the Plan. In addition, the Company expects to recognize approximately $0.8 in total remaining stock compensation expense in relation to these options through 2013.

A summary of the stock option activity for the Plan for the six months ended June 30, 2010 follows:

	Number of Awards	Weighted Average Exercise Price
Awards outstanding, January 1, 2010	1,292,613	$2.65
Granted	-	-
Forfeited	(30,094)	2.55
Awards outstanding, June 30, 2010	1,262,519	$2.65
Awards vested, June 30, 2010	590,620	$2.58
Shares available for grant, June 30, 2010	1,038,768	

The fair value of granted options for the Plan was estimated at the grant date using the Black-Scholes pricing model with the following assumptions and results:

Expected dividend yield	-
Expected volatility	59%
Weighted average risk-free interest rate	2.12%
Expected holding period (in years)	5.53
Weighted average fair value of awards	$2.04

Note 9 -- Mezzanine and Stockholders' Equity

The Company is authorized to issue 20,000,000 shares of $0.01 par value preferred stock as approved by the Board of Directors. As of June 30, 2010, there were 19,000,000 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 20,000,000 shares of $0.01 par value common stock. The Company's treasury shares are recorded at cost.

The changes in the number of shares of preferred and common stock issued, held in treasury, and outstanding are summarized below:

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

	Issued	Held in Treasury	Outstanding
Shares of Preferred Stock at December 31, 2009	18,697,464	(70,000)	18,627,464
Issuances / Forfeitures	-	-	-
Purchases	-	(11,456,324)	(11,456,324)
Shares of Preferred Stock at June 30, 2010	18,697,464	(11,526,324)	7,171,140
Shares of Common Stock at December 31, 2009	16,673,920	(234,734)	16,439,186
Issuances / Forfeitures	-	-	-
Purchases	-	-	-
Shares of Common Stock at June 30, 2010	16,673,920	(234,734)	16,439,186

On April 16, 2010, the Company used $150.5 million of the proceeds received from the PIK Notes to acquire 11,456,324 shares of its outstanding Series A Preferred Stock.

Forfeitures of common stock represent unvested shares issued to participants covered by the Plan who failed to meet the Plan's vesting requirements. Under the Plan, unvested shares of common stock are remitted back to the Company and may be included in future awards.

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 nonvested stock options (using the treasury stock method) and restricted shares that are nonvested.

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

The following table sets forth the computation of basic and diluted net income/loss per share for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Numerator:				
Net income (loss) attributable to controllable interest	$ (0.8)	$ 19.8	$ 4.8	$ 33.0
Accretion of Preferred Stock	2.8	4.6	8.8	10.0
Net Income (Loss) Applicable to Common Stock	$ (3.6)	$ 15.2	$ (4.0)	$ 23.0
Denominator:				
Weighted average common shares outstanding (basic)	16,404,114	16,326,839	16,375,929	16,332,431
Weighted average common shares outstanding (diluted)	17,206,992	16,624,837	16,814,406	16,588,416
Income (loss) per common share:				
Basic	$ (0.22)	$ 0.93	$ (0.24)	$ 1.41
Diluted	$ (0.22)	$ 0.92	$ (0.24)	$ 1.39

The Company's issued and outstanding Series A preferred stock has a redemption feature that is considered outside the control of the Company. Upon liquidation of the Company, the holders of the preferred stock are entitled to receive an amount equal to the sum of $10.53 per outstanding share plus 10% of the liquidation value, compounded annually, pro-rated from the later of the original issue date of the Series A preferred stock or the most recent anniversary of the issue date. The difference between the redemption and recorded value of the Series A preferred stock is accreted periodically to the earliest possible redemption date and excluded in arriving at net income applicable to common stock.

The following table shows the common equivalent shares related to nonvested 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Common Share Equivalents of Potentially Dilutive Securities:				
Restricted stock	199,518	-	199,518	-
Stock options	1,262,519	170,777	1,277,566	170,777
Total	1,462,037	170,777	1,462,037	170,777

Note 11 -- Income Taxes

The effective tax rate on continuing operations for the six months ended June 30, 2010 and 2009 was 37.3% and 36.1%, 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 June 30, 2010 and 2009. The increase in the effective tax rate for the six months ended June 30, 2010 over the effective tax rate for the six months ended June 30, 2009 includes the impact of the expiration of the federal income tax research and development credit as of December 31, 2009.

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

Note 12 -- Retiree Benefits

Defined Benefit Pension Plans:

The Company, through Remington, 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, 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 June 30,	
	2010	**2009**
Service Cost	$ -	$ -
Interest Cost	3.1	3.2
Expected Return on Assets	(4.2)	(3.4)
Amortization of Prior Service Cost	-	-
Recognized Net Actuarial Loss	2.2	1.5
Net Periodic Pension Cost	$ 1.1	$ 1.3

	Six Months Ended June 30,	
	2010	**2009**
Service Cost	$ -	$ -
Interest Cost	6.2	6.4
Expected Return on Assets	(8.4)	(6.8)
Amortization of Prior Service Cost	-	-
Recognized Net Actuarial Loss	4.3	2.9
Net Periodic Pension Cost	$ 2.1	$ 2.5

Anticipated Contributions

The Company expects to make aggregate cash contributions of approximately $0.6 to the Plans during the year ending December 31, 2010. As of June 30, 2010, total contributions of $0.4 have been made. The Company anticipates additional contributions of approximately $0.2 to the Plans during the remainder of 2010.

The following tables summarize the components of net periodic postretirement cost for the Company's postretirement plans for the periods indicated:

	Three Months Ended June 30,	
	2010	**2009**
Service Cost	$ 0.2	$ 0.1
Interest Cost	0.3	0.3
Net Amortization and Deferral	(0.1)	(0.1)
Net Periodic Postretirement Cost	$ 0.4	$ 0.3

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

	Six Months Ended June 30,	
	2010	**2009**
Service Cost	$ 0.3	$ 0.2
Interest Cost	0.6	0.6
Net Amortization and Deferral	(0.1)	(0.1)
Net Periodic Postretirement Cost	$ 0.8	$ 0.7

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 seven 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 June 30, 2010, the Company had three 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.

The Marlin Acquisition triggered the Connecticut Transfer Act (the "Act") with respect to the facility located in North Haven, Connecticut. The Act is designed to identify properties contaminated with hazardous wastes and to ensure that such properties are cleaned up to the satisfaction of the Connecticut Department of Environmental Protection ("DEP"). Under the Act, Marlin is required to investigate areas of environmental concern at the North Haven facility and to clean up contamination exceeding state standards to the satisfaction of DEP. The investigation of the North Haven facility is ongoing. Remediation costs may be incurred, but such costs at this time are not expected to be material to operations or cash flows.

Marlin is also conducting remediation of oil-related contamination at a former Marlin facility in New Haven, Connecticut. Costs for the New Haven 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 prepaid expenses and 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. Fair values of the Company's outstanding derivative contracts are determined with the assistance of the Company's commodity counterparty.

At June 30, 2010, the fair value of the Company's outstanding derivative contracts (aggregate notional amount of 18.2 million pounds of copper and lead) up to eight months from such date was $0.7. At December 31, 2009, the fair value of the Company's outstanding derivative contracts (aggregate notional amount of 25.6 million pounds of copper and lead) up to twelve months from such date was $11.1. At June 30, 2009, the fair value of the Company's outstanding derivative contracts (aggregate notional amount of 24.6 million pounds of copper and lead) up to fifteen months from such date was $6.3 as determined with the assistance of the Company's commodity counterparties.

At June 30, 2009, the Company was entered into interest rate swap arrangements, the purpose of which was to hedge against the risk of interest rate increases on the related variable rate debt and not to hold the instrument for trading purposes. The interest rate swap agreement, which governed the interest rate swaps and was a derivative financial instrument, was classified as a cash flow hedge. The Company accounted for this derivative financial instrument in accordance with FASB ASC 815. Accordingly, the derivative financial instrument was reflected on the balance sheet at its fair market value. The change in fair value of the interest rate swaps of $0.6 for the six months ended June 30, 2009 had been recorded as interest expense as the interest rate swaps did not meet specific hedge accounting criteria to be considered a cash flow hedge.

At June 30, 2009, the fair value of the interest rate swaps was a liability of $0.2, of which $0.1 was included in short-term liabilities and $0.1 included in long-term liabilities.

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

Derivatives designated as hedging instruments under FASB ASC 815	Fair Values of Derivatives Instruments as of: June 30, 2010 Balance Sheet	June 30, 2010 Fair Value	December 31, 2009 Balance Sheet	December 31, 2009 Fair Value	June 30, 2009 Balance Sheet	June 30, 2009 Fair Value
Commodity Contracts	Prepaid and Other Current Assets	$ 0.7	Prepaid and Other Current Assets	$ 11.1	Prepaid and Other Current Assets	$ 6.3
	Other Noncurrent Assets	-	Other Noncurrent Assets	-	Other Noncurrent Assets	-
Interest Rate Swaps	N/A	N/A	Other Accrued Liabilities	N/A	Other Accrued Liabilities	$ 0.1
	N/A	N/A	Other Long-Term Liabilities	N/A	Other Long-Term Liabilities	$ 0.1

Derivatives in FASB ASC 815 Net Investment Hedging Relationships	Amt of Gain (Loss) (net of tax) Recognized in OCI on Derivative (Effective Portion) and recorded in Prepaid Expenses and Other Current Assets at Fair Value for the three months ended		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) for the three months ended		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (net of tax) or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the three months ended	
	June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009
Commodity Contracts	($2.0)	$ 1.6	Cost of Sales	$1.9	($1.1)	N/A	N/A	N/A
Interest Rate Swaps	N/A	N/A	N/A	N/A	N/A	Interest Expense	N/A	$ 0.4

Derivatives in FASB ASC 815 Net Investment Hedging Relationships	Amt of Gain (Loss) (net of tax) Recognized in OCI on Derivative (Effective Portion) and recorded in Prepaid Expenses and Other Current Assets at Fair Value for the six months ended		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) for the six months ended		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (net of tax) or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the six months ended	
	June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009
Commodity Contracts	($3.4)	$ 2.3	Cost of Sales	$4.0	($2.3)	N/A	N/A	N/A
Interest Rate Swaps	N/A	N/A	N/A	N/A	N/A	Interest Expense	N/A	$ 0.6

Based on current market prices, approximately $1.4 (net of income taxes) of the loss included in the balance of accumulated other comprehensive income is expected to transfer into earnings within the next twelve months. Hedging contracts are expected to mature by February 2011.

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

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 clay targets and powder metal products, licensed products, technology products and apparel are combined into our All Other reporting segment. Other reconciling items include corporate, other assets not allocated to the individual segments and discontinued operations. 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 "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 June 30,		**Six Months Ended June 30,**	
	2010	**2009**	**2010**	**2009**
Net Sales:				
Firearms	$ 93.3	$ 149.3	$ 188.0	$ 270.3
Ammunition	80.0	81.3	154.9	147.8
All Other	5.9	4.5	10.5	9.2
Consolidated Net Sales	$ 179.2	$ 235.1	$ 353.4	$ 427.3

	June 30, 2010	**December 31, 2009**	**June 30, 2009**
Assets:			
Firearms	$ 312.0	$ 277.0	$ 294.6
Ammunition	210.6	186.5	181.9
All Other	39.2	38.5	26.3
Other Reconciling Items	187.8	184.9	231.2
Consolidated Assets	$ 749.6	$ 686.9	$ 734.0

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

	Unaudited			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Adjusted EBITDA:				
Firearms	$ 11.4	$ 35.2	$ 24.5	$ 56.4
Ammunition	18.0	27.2	36.4	43.0
All Other	1.3	0.4	0.9	1.0
Other Reconciling Items	(1.5)	(3.0)	(2.9)	(4.1)
Consolidated Adjusted EBITDA	$ 29.2	$ 59.8	$ 58.9	$ 96.3

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

	Unaudited			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net Income Attributable to Controllable Interest	$ (0.8)	$ 19.8	$ 4.8	$ 33.0
Adjustments:				
Equity in Losses of Unconsolidated JV	0.1	0.1	0.2	0.1
Depreciation Expense	4.4	4.2	9.1	8.3
Interest Expense (A)	14.9	7.5	22.9	14.6
Intangibles Amortization	2.1	1.8	4.4	3.6
Other Noncash Charges (B)	2.3	4.6	4.8	7.5
Nonrecurring Charges (C)	6.3	10.3	9.8	10.5
Income Tax (Benefit) Expense	(0.1)	11.5	2.9	18.7
Management EBITDA	$ 29.2	$ 59.8	$ 58.9	$ 96.3

(A) Interest Expense for the three and six months ended June 30, 2010 includes amortization expense of deferred financing costs of $1.6 and $2.6, respectively. Interest Expense for the three and six months ended June 30, 2009 includes amortization expense of deferred financing costs of $0.4 and $0.8, respectively, offset by $0.2 and $0.5, respectively, associated with amortization of the premium recorded on the 2011 Notes.

(B) The following table illustrates the significant components of Other Noncash Charges for the periods indicated:

	Unaudited			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Other Noncash Charges:				
Retiree Benefits	$ 1.5	$ 1.6	$ 2.9	$ 3.4
Stock Compensation Expense	0.1	0.2	0.3	0.3
Disposal of Assets	0.3	0.1	0.4	0.3
Other	0.4	2.7	1.2	3.5
Total Noncash Charges	$ 2.3	$ 4.6	$ 4.8	$ 7.5

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

(C) The following table illustrates the significant components of Nonrecurring Charges for the periods indicated:

	Unaudited			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Nonrecurring Charges:				
Restructuring and Integration Expenses	$ 2.0	$ 0.4	$ 2.2	$ 1.1
Purchase Accounting	0.6	-	1.5	-
Employee Related Costs	0.6	1.0	0.7	1.4
Product Safety Notice	-	6.6	-	6.6
Other Fees and Transaction Costs	3.1	2.3	5.4	1.4
Total Nonrecurring Charges	$ 6.3	$ 10.3	$ 9.8	$ 10.5

Note 16 – Recent Accounting Pronouncements

In December 2009, the FASB issued FASB Accounting Standards Update ("ASU") 2010-06 "Improving Disclosures about Fair Value Measurements". The ASU requires the disclosure of transfers in and out of Level 1 and 2 fair value measurements. Purchases, sales, issuances, and settlements on the reconciliation of Level 3 inputs should also be disclosed on a gross basis. Fair value measurement disclosures are also required for each class of assets and liabilities on the statement of financial position, and additional disclosures regarding the inputs and valuation techniques of Level 2 and 3 measurements. The clarification of existing disclosures was effective for interim and annual periods beginning after December 15, 2009, except for the disclosures of the rollforward of Level 3 inputs, which is effective for interim and annual periods beginning after December 15, 2010. The adoption of FASB ASU 2010-06 did not have a significant impact on the Company's results of operations, financial condition, or equity.

Note 17 – Restructuring and Impairment Charges

In October 2009, the Company sold its targets business and ceased its manufacturing operations at its facilities in Ada, Oklahoma and Findlay, Ohio. During the three months ended March 31, 2010, the Company concluded that the assets were no longer in use and classified the fair value of those remaining assets in the Assets Held for Sale category on the consolidated balance sheet. The original carrying value of the assets was approximately $1.0 and consisted of property, plant, and equipment. The Company recognized a $0.4 non-cash charge to earnings related to the impairment of its targets business' assets. The impairment charge for the targets business' property, plant, and equipment is listed on a separate caption on the Company's consolidated statement of operations. In April 2010, the Company sold its Findley, Ohio facility for approximately $0.4. The remaining assets held for sale for the targets business are still classified in the All Other reportable segment.

On March 25, 2010, the Company announced a strategic rationalization decision that will result in the closure of its manufacturing facility in North Haven, Connecticut (the "Rationalization Decision"). The closure is expected to be completed by the end of June 2011 and is expected to improve efficiencies that are expected to result in lower costs to customers. During the three and six months ended June 30, 2010, the Company disbursed $0.5 and recorded restructuring charges of $1.5 related to employee severance and equipment transfer costs. These charges are within the Selling, General, and Administrative Expenses caption on the Company's Statement of Operations.

The Company's current estimate of cash payments for each major type of cost associated with the Rationalization Decision is as follows:

Severance and other employee benefits	$ 3.0
Transfer of equipment, planning, site preparation and site carrying costs	1.4
Capital expenditures	1.9
Other operating costs	1.1
Total	$ 7.4

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

The following table represents a reconciliation of the Company's restructuring activities for the periods indicated:

	Severance and Employee Costs	Equipment Transfer and Site Preparation Costs	Total
Balance as of December 31, 2009	-	-	-
Restructuring charges	$ 1.1	$ 0.4	$ 1.5
Cash payments	(0.1)	(0.4)	(0.5)
Balance as of June 30, 2010	$ 1.0	$ -	$ 1.0

During the three months ended June 30, 2010, the Company recognized a $0.4 non-cash charge to earnings related to the sale of idle, impaired equipment within its Ammunition reportable segment. The original carrying value of the equipment was $0.7 and the fair value of the equipment was based upon a purchase offer from an external party.

Note 18 – Changes in Noncontrolling Interests

The following table illustrates changes in the Company's ownership for both of its less-than-wholly-owned, consolidated subsidiaries:

	Unaudited			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income attributable to controlling interest:	$ (0.8)	$ 19.8	$ 4.8	$ 33.0
Decrease in FGI's equity for purchase of 222,250 EOTAC's common units	(0.2)	-	(0.2)	-
Formation of Mountain Khakis, LLC and issuance of Mountain Khakis, LLC common units	2.0	-	2.0	-
Change in net income attributable to controlling interest and transfers to and from noncontrolling interests	$ 1.0	$ 19.8	$ 6.6	$ 33.0

Note 19 – Subsequent Events

On August 11, 2010 the Board of Directors (the "Board") formed an Office of the Chairman and named John B. Blystone as its new Chairman of the Board. Mr. Blystone is joined in that office by Walter McLallen, now Vice Chairman, and by Theodore H. Torbeck, Chief Executive Officer. The creation of the office was unanimously approved by the Board.

Subsequent events have been evaluated through August 16, 2010, 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, Inc. ("FGI Holding"), which in turn owns 100% of FGI Operating Company, Inc. ("FGI Opco"). FGI Opco includes the financial results of Remington Arms Company, Inc. ("Remington"), Bushmaster Firearms International, LLC ("BFI" or "Bushmaster") and its subsidiary, DPMS Firearms, LLC ("DPMS"), Barnes Bullets, Inc. ("Barnes") and E-RPC, LLC ("E-RPC"). Remington, in turn, owns The Marlin Firearms Company ("Marlin") and its subsidiary, H&R 1871, LLC ("H&R"), Advanced Armament, LLC ("AAC"), and a 75% interest in Mountain Khakis, LLC ("Mountain Khakis").

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

- Company Overview
- Current Sales Demand
- Recent Developments
- 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, 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 with the ability to leverage our flexible manufacturing capability across our end-markets to quickly respond to changes in customer preferences and demands. Our 11 manufacturing facilities and approximately 2,900 employees represent the largest domestic manufacturing presence in the industry, enabling us to deliver our products throughout the United States and internationally to approximately 80 countries. In addition, our product leadership and innovation is supported by our freestanding 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 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 or planned launch of the Remington *1911R1* pistol, Bushmaster *Commercial ACR Adaptive Combat Rifle*, Remington *M887 Nitro Remington Mag* shotgun, the *.30 R-15, R-15, R-25,* Remington verison *Adaptive*

Combat Rifle for the Military, Marlin 338 MXLR/MX, Remington *M597 VTR*, and *.308 DPMS* firearms, and a variety of new ammunition products including the patented Hypersonic Steel for Waterfowlers. We are also engaged in selective efforts to promote certain of our products through marketing and promotional activities, including ammunition and firearms customer and end-user rebates.

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. Finally, we continue to pursue growth initiatives in our government, military, and law enforcement divisions along with broadening our brand awareness with selective licensing arrangements.

Current Sales Demand

In late 2008, our industry began experiencing an increase in demand for certain ammunition and firearms. We believe a number of consumers have been concerned about increased firearms and ammunition regulations as a result of the new administration in connection with the 2008 Presidential election. We view this increase in demand as having significant long-term benefits, including 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. During the three month period ending June 30, 2010, sales in our ammunition and firearms segments have softened from the levels experienced since late 2008 but still remain at higher than historical levels.

Recent Developments

New Director Appointments

On August 11, 2010, the board of directors (the "Board") of Freedom Group appointed John B. Blystone to the Board. In connection with the appointment, Mr. Blystone is expected to enter into a Director Agreement with Freedom Group, effective as of August 11, 2010, pursuant to which he will serve as Chairman of the Board. Mr. Blystone served as Chairman, President and CEO of SPX Corporation in Charlotte, NC from 1995 to 2004. From 1978 to 1988 and again from 1992 to 1995, he served in various positions at General Electric Corporation in Fairfield, Connecticut. From 1988 to 1992, he served in various positions at J.J. Case Company in Racine, Wisconsin.

Additionally, on August 11, 2010, the Board appointed Walter McLallen, the current Chairman of the Board, to serve as Vice-Chairman of the Board. In connection with the appointment, Mr. McLallen is expected to enter into a Director Agreement with Freedom Group, effective as of August 11, 2010. Mr. McLallen has served as a director of the Board since May 31, 2007 and has served as Chairman of the Board since September 3, 2009.

Business Formation

On May 28, 2010, we created a joint venture, Mountain Khakis, LLC ("Mountain Khakis Venture"), with Mountain Khakis, which designs and markets specialty outdoor apparel. We purchased a 75% interest in the venture for a total of approximately $6.0 million, the final $1.7 million of which is to be paid within the next 12 months. We believe the investment allows us to augment our existing apparel products and increase the availability of durable, comfortable, high-quality apparel to outdoorsmen.

Rationalization Decision

On March 25, 2010, we announced a strategic rationalization decision that will result in the closure of our manufacturing facility in North Haven, Connecticut (the "Rationalization Decision"). The Rationalization Decision is expected to provide efficiencies and ultimately result in lower costs to customers and end users. We expect the closure to be completed by the end of June 2011. We will be relocating the production of the North Haven products to Ilion, New York, Mayfield, Kentucky, and Lexington, Missouri. We estimate that the total cost associated with the closure will be approximately $7.4 million.

2010 Financing

On April 7, 2010, FGI's direct subsidiary, FGI Holding, issued $225.0 million aggregate principal amount of 11.25%/11.75% Senior Pay-in-Kind Notes (the "PIK Notes") due 2015. The PIK Notes were priced at 98.0% of their face amount. FGI Holding used the net proceeds of the PIK Notes issuance to pay a dividend in the amount of the $220.5 million net proceeds to FGI, which FGI will use to repurchase a significant portion of preferred stock. On April 16, 2010, FGI repurchased preferred stock for an approximate amount of $150.5 million. See Note 7 under "Item 1 – Financial Statements (Unaudited)."

Results of Operations

Three and Six Month Periods Ended June 30, 2010 as Compared to the Three and Six Month Periods Ended June 30, 2009

Net Sales

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

	Three Months Ended June 30,					
	2010	Percentage of Total	2009	Percentage of Total	Increase (Decrease)	Percentage Change
	(dollars in millions)					
Firearms	$ 93.3	52.1%	$ 149.3	63.5%	$ (56.0)	(37.5)%
Ammunition	80.0	44.6	81.3	34.6	(1.3)	(1.6)
All Other	5.9	3.3	4.5	1.9	1.4	31.1
Total	$ 179.2	100.0%	$ 235.1	100.0%	$ (55.9)	(23.8)%

	Six Months Ended June 30,					
	2010	Percentage of Total	2009	Percentage of Total	Increase (Decrease)	Percentage Change
	(dollars in millions)					
Firearms	$ 188.0	53.2%	$ 270.3	63.2%	$ (82.3)	(30.4)%
Ammunition	154.9	43.8	147.8	34.6	7.1	4.8
All Other	10.5	3.0	9.2	2.2	1.3	14.1
Total	$ 353.4	100.0%	$ 427.3	100.0%	$ (73.9)	(17.3)%

Firearms

Net sales for the three months ended June 30, 2010 were $93.3 million, a decrease of $56.0 million, or 37.5%, as compared to the three months ended June 30, 2009. Centerfire rifle sales decreased by $48.4 million, or 44.6%, as compared to the prior-year period, primarily due to reduced sales demand for modern sporting products. Shotgun sales decreased by $7.2 million, or 24.0%, as compared to the prior-year period. Rimfire rifle sales decreased by $1.5 million, or 18.2%, as compared to the prior-year period.

Net sales for the six months ended June 30, 2010 were $188.0 million, a decrease of $82.3 million, or 30.4%, as compared to the six months ended June 30, 2009. Centerfire rifle sales decreased by $72.6 million, or 37.1%, as compared to the prior-year period, primarily due to reduced sales demand for modern sporting products. Shotgun sales decreased by $8.4 million, or 15.5%, as compared to the prior-year period. Rimfire rifle sales decreased by $2.5 million, or 16.5%, as compared to the prior-year period.

Ammunition

Net sales for the three months ended June 30, 2010 were $80.0 million, a decrease of $1.3 million, or 1.6%, as compared to the three months ended June 30, 2009, primarily due to decreased shotshell ammunition sales of $5.8 million, or 28.6%, offset in part due to the impact of the acquired Barnes operations as well as increased centerfire ammunition sales of $2.3 million, or 4.9%, as compared to the prior-year period. The increase in centerfire sales is attributable mainly to strong market demand for certain handgun ammunition. Rimfire ammunition sales increased by $0.3 million, or 3.8%, as compared to the prior-year period, primarily due to increased sales demand within these product categories.

Net sales for the six months ended June 30, 2010 were $154.9 million, an increase of $7.1 million, or 4.8%, as compared to the six months ended June 30, 2009, due in part to the acquired Barnes operations. Excluding the impact of the acquired Barnes operations, centerfire ammunition sales increased by $7.4 million, or 8.7%, as compared to the prior-year period. The increase in sales is attributable mainly to strong market demand for certain handgun ammunition combined with volume growth across most other product categories. Rimfire ammunition sales increased by $1.0 million, or 8.3%, as compared to the prior-year period, primarily due to increased sales demand within these product categories. Shotshell ammunition sales decreased by $6.3 million, or 17.3%, as compared to the prior-year period.

All Other

Net sales were $5.9 million in all other businesses for the three months ended June 30, 2010, an increase of $1.4 million as compared to the prior-year period. Primary changes within the all other businesses consisted of an increase of $2.6 million in our various accessories businesses, offset by a decrease of $0.9 million in the powdered metal product business and a decrease of $0.3 million in the targets business, which we ceased operations in and sold in 2009.

Net sales were $10.5 million in all other businesses for the six months ended June 30, 2010, an increase of $1.3 million as compared to the prior-year period. Primary changes within the all other businesses consisted of an increase of $3.4 million in our various accessories businesses, offset by a decrease of $1.7 million in the powdered metal product business and a decrease of $0.4 million in the targets business, which we ceased operations in and sold in 2009.

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 $0.3 million and $0.6 million for the three and six months ended June 30, 2010, respectively, and $0.3 million and $0.5 million for the three and six months ended June 30, 2009, respectively. Accordingly, our gross margins may not be comparable to those of other entities. The table below compares cost of goods sold and gross profit by reporting segment for each of the periods presented:

	Three Months Ended June 30,					
	2010	Percentage of Net Sales	2009	Percentage of Net Sales	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Cost of Goods Sold						
Firearms	$ 65.2	69.9%	$ 101.5	68.0%	$ (36.3)	(35.8)%
Ammunition	51.5	64.4	45.4	55.8	6.1	13.4
All Other	3.3	55.9	2.8	62.2	0.5	17.9
Total	$ 120.0	67.0%	$ 149.7	63.7%	$ (29.7)	(19.8)%
Gross Profit						
Firearms	$ 28.1	30.1%	$ 47.8	32.0%	$ (19.7)	(41.2)%
Ammunition	28.5	35.6	35.9	44.2	(7.4)	(20.6)
All Other	2.6	44.1	1.7	37.8	0.9	52.9
Total	$ 59.2	33.0%	$ 85.4	36.3%	$ (26.2)	(30.7)%

	Six Months Ended June 30,					
	2010	Percentage of Net Sales	2009	Percentage of Net Sales	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Cost of Goods Sold						
Firearms	$ 129.3	68.8%	$ 188.9	69.9%	$ (59.6)	(31.6)%
Ammunition	99.6	64.3	87.5	59.2	12.1	13.8
All Other	6.4	61.0	6.0	65.2	0.4	6.7
Total	$ 235.3	66.6%	$ 282.4	66.1%	$ (47.1)	(16.7)%
Gross Profit						
Firearms	$ 58.7	31.2%	$ 81.4	30.1%	$ (22.7)	(27.9)%
Ammunition	55.3	35.7	60.3	40.8	(5.0)	(8.3)
All Other	4.1	39.0	3.2	34.8	0.9	28.1
Total	$ 118.1	33.4%	$ 144.9	33.9%	$ (26.8)	(18.5)%

Firearms

Gross profit for the three months ended June 30, 2010 was $28.1 million, a decrease of $19.7 million, or 41.2%, as compared to the prior-year period, primarily due to lower sales volumes. Gross margin was 30.1% for the three months ended June 30, 2010 and 32.0% for the three months ended June 30, 2009.

Gross profit for the six months ended June 30, 2010 was $58.7 million, a decrease of $22.7 million, or 27.9%, as compared to the prior-year period. Gross margin was 31.2% for the six months ended June 30, 2010 and 30.1% for the six months ended June 30, 2009. Although gross profit decreased by $22.7 million due to lower sales volumes, gross margin, as a percentage showed an improvement mainly due to continued factory improvements through the implementation of lean manufacturing principles, six sigma and other initiatives.

Ammunition

Gross profit for the three months ended June 30, 2010 was $28.5 million, a decrease of $7.4 million, or 20.6%, as compared to the prior-year period. Gross margin was 35.6% for the three months ended June 30, 2010, and 44.2% for the three months ended June 30, 2009. The decrease in gross profit was primarily related to unfavorable pricing of $2.5 million; unfavorable variances, as well as higher material and other costs, net of favorable hedging gains, of $4.4 million; and the impact of purchase accounting related to the Barnes Acquisition of $0.5 million.

Gross profit for the six months ended June 30, 2010 was $55.3 million, a decrease of $5.0 million, or 8.3%, as compared to the prior-year period. Gross margin was 35.7% for the six months ended June 30, 2010, and 40.8% for the six months ended June 30, 2009. The decrease in gross profit was primarily related to unfavorable pricing of $3.7 million; higher material and other costs, net of favorable hedging gains, of $4.8 million; as well as the impact of purchase accounting related to the Barnes Acquisition of $1.2 million; offset by favorable sales mix and higher sales volumes of $4.7 million.

All Other

Gross profit for the three months ended June 30, 2010 was $2.6 million, an increase of $0.9 million, or 52.9%, as compared to the prior-year period and was primarily related to increased sales volumes in our various accessories businesses, offset by reduced sales volumes in our powdered metal product and targets businesses.

Gross profit for the six months ended June 30, 2010 was $4.1 million, an increase of $0.9 million, or 28.1%, as compared to the prior-year period and was primarily related to increased sales volumes in our various accessories businesses, offset by reduced sales volumes in our powdered metal product and targets businesses.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, research and development expenses and other (income) expenses. The following table sets forth certain information regarding operating expenses for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,			
	2010	**2009**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Selling, general and administrative expenses	$ 37.5	$ 43.3	$ (5.8)	(13.4)%
Research and development expenses	5.3	3.1	2.2	71.0
Other (income) expense	2.4	0.1	2.3	*
Total	$ 45.2	$ 46.5	$ (1.3)	(2.8)%

	Six Months Ended June 30,			
	2010	**2009**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Selling, general and administrative expenses	$ 73.3	$ 75.2	$ (1.9)	(2.5)%
Research and development expenses	9.1	5.4	3.7	68.5
Other (income) expense	5.1	(1.9)	7.0	*
Total	$ 87.5	$ 78.7	$ 8.8	11.2%

_

*Not Meaningful

Total operating expenses for the three months ended June 30, 2010 were $45.2 million, a decrease of $1.3 million, or 2.8%, as compared to the prior-year period. Selling, general and administrative expenses decreased $5.8 million, or 13.4%, primarily due to a $6.6 million nonrecurring charge to reflect the estimated cost of the 17HMR ammunition and rifle replacement safety notice that occurred in the three months ended June 30, 2009, as well as a $1.3 million decrease in commission expense, offset by increases in legal, professional and management expenses of $2.4 million. Research and development expenses increased $2.2 million, or 71.0%, as compared to the prior-year period, reflecting development costs associated with current initiatives to compete for opportunities primarily within the defense markets and to a lesser extent to implement continuous improvement processes. Other expense increased by $2.3 million, as compared to the prior-year period, primarily due to additional amortization on definite-lived intangible assets and impairment charges of $0.6 million related to valuing assets held for sale and the retirement of certain trademarks.

Total operating expenses for the six months ended June 30, 2010 were $87.5 million, an increase of $8.8 million, or 11.2%, as compared to the prior-year period. Selling, general and administrative expenses decreased $1.9 million, or 2.5%, primarily due to a $6.6 million nonrecurring charge to reflect the estimated cost of the 17HMR ammunition and rifle replacement safety notice that occurred in the six months ended June 30, 2009, as well as a $0.7 million decrease in commission expense, offset by increases in selling and marketing expenses of $2.2 million as a result of a continued focus on sales and marketing development, increased legal and professional fees of $1.9 million, increased management fees of $0.6 million and increased contributions of $0.9 million. Research and development expenses increased $3.7 million, or 68.5%, as compared to the prior-year period, reflecting development costs associated with current initiatives to compete for opportunities primarily within the defense markets and to a lesser extent to implement continuous improvement processes. Other expense increased by $7.0 million, as compared to the prior-year period, primarily the result of additional amortization on definite-lived intangible assets and impairment charges of $1.0 million related to valuing assets held for sale and the retirement of certain trademarks. Additionally, in the six months ended June 30, 2009, the Company reduced an estimated liability associated with a federal excise tax audit by $2.0 million which did not recur in the six months ended June 30, 2010.

Adjusted EBITDA

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

	Unaudited			
	Three Months Ended June 30,			
	2010	**2009**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Adjusted EBITDA				
Firearms	$ 11.4	$ 35.2	$ (23.8)	(67.6)%
Ammunition	18.0	27.2	(9.2)	(33.8)
All Other	1.3	0.4	0.9	225.0
Other Reconciling Items	(1.5)	(3.0)	1.5	(50.0)
Total	$ 29.2	$ 59.8	$ (30.6)	(51.2)%

	Unaudited			
	Six Months Ended June 30,			
	2010	**2009**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Adjusted EBITDA				
Firearms	$ 24.5	$ 56.4	$ (31.9)	(56.6)%
Ammunition	36.4	43.0	(6.6)	(15.3)
All Other	0.9	1.0	(0.1)	(10.0)
Other Reconciling Items	(2.9)	(4.1)	1.2	(29.3)
Total	$ 58.9	$ 96.3	$ (37.4)	(38.8)%

Firearms

Adjusted EBITDA in our firearms segment decreased $23.8 million, or 67.6%, for the three months ended June 30, 2010, primarily due to the unfavorable gross profit impact of $19.7 million. Adjusted EBITDA in our firearms segment decreased $31.9 million, or 56.6%, for the six months ended June 30, 2010, primarily due to the unfavorable gross profit impact of $22.7 million.

Ammunition

Adjusted EBITDA in our ammunition segment decreased $9.2 million, or 33.8%, for the three months ended June 30, 2010, primarily due to the unfavorable gross profit impact of $7.4 million. Adjusted EBITDA in our ammunition segment decreased $6.6 million, or 15.3%, for the six months ended June 30, 2010, primarily due to the unfavorable gross profit impact of $5.0 million.

All Other

Adjusted EBITDA in all other businesses increased $0.9 million for the three months ended June 30, 2010, primarily due to the favorable gross profit impact of $0.9 million. Adjusted EBITDA in all other businesses decreased $0.1 million for the six months ended June 30, 2010, primarily due to impairment charges relating to valuing of assets held for sale in the targets business.

Changes in Reconciling Items:

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

	Unaudited			
	Three Months Ended June 30,			
	2010	2009	Increase (Decrease)	Percentage Change
Net Income Attributable to Controllable Interest	$ (0.8)	$ 19.8	$ (20.6)	(104.0)%
Adjustments:				
Equity in Loss of Unconsolidated JV	0.1	0.1	0.1	-
Depreciation	4.4	4.2	0.2	4.8
Interest	14.9	7.5	7.4	98.7
Income tax (benefit) expense	(0.1)	11.5	(11.6)	(100.9)
Amortization of Intangibles	2.1	1.8	0.3	16.6
Other non-cash charges	2.3	4.6	(2.3)	(50.0)
Nonrecurring charges	6.3	10.3	(4.0)	(38.8)
Adjusted EBITDA	$ 29.2	$ 59.8	$ (30.6)	(51.2)%

	Unaudited			
	Six Months Ended June 30,			
	2010	2009	Increase (Decrease)	Percentage Change
Net Income Attributable to Controllable Interest	$ 4.8	$ 33.0	$ (28.2)	(85.5)%
Adjustments:				
Equity in Loss of Unconsolidated JV	0.2	0.1	0.1	100.0
Depreciation	9.1	8.3	0.8	9.6
Interest	22.9	14.6	8.3	56.8
Income tax expense	2.9	18.7	(15.8)	(84.5)
Amortization of Intangibles	4.4	3.6	0.8	22.2
Other non-cash charges	4.8	7.5	(2.7)	(36.0)
Nonrecurring charges	9.8	10.5	(0.7)	(6.7)
Adjusted EBITDA	$ 58.9	$ 96.3	$ (37.4)	(38.8)%

Other non-cash charges decreased $2.3 million for the three months ended June 30, 2010, primarily due to a write off of inventory that occurred in the three months ended June 30, 2009, but did not recur in the three months ended June 30, 2010.

Other non-cash charges decreased $2.7 million for the six months ended June 30, 2010, primarily due to a write off of inventory that occurred in the six months ended June 30, 2009, but did not recur in the six months ended June 30, 2010, as well as lower retiree benefits expense.

Nonrecurring charges decreased $4.0 million for the three months ended June 30, 2010, primarily due to the impact of a $6.6 million adjustment for the 17 HMR product safety notice that occurred in the three months ended June 30, 2009 that did not recur in the three months ended June 30, 2010, offset by $1.6 million in greater restructuring expenses and $0.6 million of purchasing accounting adjustments, and an increase of $0.8 million in Other Fees and Transaction Costs in the three months ended June 30, 2010. The increase in Other Fees and

Transaction Costs is primarily due to higher bank fees and higher Department of Defense ramp up fees in the three months ended June 30, 2010 compared to the three months ended June 30, 2009.

Nonrecurring charges decreased $0.7 million for the six months ended June 30, 2010, primarily due to the impact of a $6.6 million adjustment for the 17 HMR product safety notice that occurred in the six months ended June 30, 2009 that did not recur in the six months ended June 30, 2010, as well as reduced employee related costs of $0.7 million, offset by $1.1 million in greater restructuring expenses and $1.5 million of purchasing accounting adjustments, and an increase of $4.0 million in Other Fees and Transaction Costs in the six months ended June 30, 2010. The increase in Other Fees and Transaction Costs is due primarily to a $2.0 million gain recorded in the six months ended June 30, 2009 related to an excise tax audit which did not recur in the six months ended June 30, 2010, as well as higher bank fees and higher Department of Defense ramp up fees.

Interest Expense

Interest expense was $14.9 million and $7.5 million for the three months ended June 30, 2010 and June 30, 2009, respectively. The $7.4 million increase in interest expense over the prior-year period was primarily due to $6.1 million of interest expense related to the PIK Notes, $7.0 million of interest expense related to the Opco Notes, and $1.8 million in debt acquisition costs and amortization expense related to the Refinancings, offset by $7.5 million of interest expense in the three months ended June 30, 2009 related to the debt paid off as a result of the Refinancings that did not recur in the three months ended June 30, 2010.

Interest expense was $22.9 million and $14.6 million for the six months ended June 30, 2010 and June 30, 2009, respectively. The $8.3 million increase in interest expense over the prior-year period was primarily due to $6.1 million of interest expense related to the PIK Notes, $14.0 million of interest expense related to the Opco Notes, and $2.8 million in debt acquisition costs and amortization expense related to the Refinancings, offset by $14.6 million of interest expense in the six months ended June 30, 2009 related to the debt paid off as a result of the Refinancings that did not recur in the six months ended June 30, 2010.

Income Tax Provision

Our effective tax rate on continuing operations for the six months ended June 30, 2010 and 2009 was 37.3% and 36.1%, 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 June 30, 2010 and 2009. The increase in the effective tax rate for the six months ended June 30, 2010 over the effective tax rate for the six months ended June 30, 2009 includes the impact of the expiration of the federal income tax research and development credit as of December 31, 2009.

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 $28.3 million for the six months ended June 30, 2010 compared to net cash provided by operating activities of $53.3 million for the six months ended June 30, 2009. The $81.6 million decrease in cash provided by operating activities for the six months ended June 30, 2010 compared to the prior-year period resulted primarily from:

- the recognition of net income of $4.6 million for the six months ended June 30, 2010 compared to $32.8 million for the six months ended June 30, 2009, a reduction of $28.2 million year over year;
- inventory increasing by $40.0 million over the six months ended June 30, 2010 compared to an increase of $4.8 million over the six months ended June 30, 2009, primarily due to various acquisitions during the past year, as well as higher sales volumes in the first six months of 2009 over concerns of increased firearms and ammunition regulation resulting from the 2008 presidential election, which resulted in lower levels of

inventory in June 2009. Inventory levels at December 31, 2009 were also at historic lows due to ongoing efforts to improve operating efficiencies and inventory management;

- other liabilities decreasing by $16.5 million over the six months ended June 30, 2010 compared to an increase of $8.4 million over the six months ended June 30, 2009, primarily due to disbursements for interest on the Opco Notes and incentive compensation. Interest of $14.4 million was paid over the six months ended June 30, 2010 compared to $12.6 million in the six months ended June 30, 2009 and there were $13.6 million of incentive compensation disbursements in the six months ended June 30, 2010 compared to $6.2 million over the six months ended June 30, 2009.

Net cash used in investing activities of $14.1 million for the six months ended June 30, 2010 was primarily related to the purchase of property, plant and equipment of $10.1 million, as well as $4.3 million paid for the Mountain Khakis Venture. Net cash used in investing activities was $7.9 million for the six months ended June 30, 2009 and was primarily related to the purchase of property, plant and equipment.

Net cash provided by financing activities for the six months ended June 30, 2010 was $58.5 million compared to net cash used in by financing activities of $12.2 million during the six months ended June 30, 2009. During the six months ended June 30, 2010, the Company received $220.5 million in proceeds from the PIK Notes issuance, paid $150.5 million for the repurchase of preferred stock and paid $12.5 million in debt issuance costs. During the six months ended June 30, 2009, the Company paid $10.9 million more on its outstanding indebtedness than during the six months ended June 30, 2010.

Sources and Uses of Liquidity

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures, debt service obligations and dividend payments with internally generated funds from operations, and satisfy working capital needs from time to time with borrowings under the ABL Revolver. We believe that we will be able to meet our debt service obligations, fund our short-term and long-term operating requirements, and make permissible dividend payments in compliance with our various debt instruments 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, accounts receivable and accounts payable.

Debt

As of June 30, 2010, we had outstanding indebtedness of approximately $499.2, which consisted of the following:

- $275.3 million of outstanding 10.25% Senior Notes due 2015
- $220.7 million of outstanding 11.25%/11.75% Senior PIK Notes due 2015;
- $1.6 million of outstanding Mountain Khakis Notes; and
- $1.6 million of capital lease obligations and other debt.

As of June 30, 2010, there was no indebtedness outstanding under the ABL Revolver and approximately $114.7 million in borrowings were available including the $30.0 million minimum availability condition. Standby letters of credit outstanding as of June 30, 2010 were $6.8 million.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer and mail room 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, leases for several of our BFI manufacturing facilities that expire on various dates between 2010 and 2012, a lease for our Barnes manufacturing facility that expires in December 2014, a lease for our AAC manufacturing facility that expires in December 2010, a lease for our Lexington, Missouri manufacturing facility that expires in September 2014, and a lease for our Dakota Arms, LLC manufacturing facility that expires in June 2011. We also maintain contracts including, among other things, a services contract with our third party warehouse provider. We also have various pension plan obligations, although we do not expect substantial future contributions at this time.

Capital Expenditures

Gross capital expenditures for the six months ended June 30, 2010 and 2009 were $10.1 million and $5.4 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 2010 to be in the range of $22.0 million to $27.0 million, of which approximately $9.0 million to $10.0 million is expected to be related to capital maintenance projects and the remainder related to capital expenditures for new assets.

Off-Balance Sheet Arrangements

Off balance sheet arrangements consist of our obligations in respect of 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, accounts receivable, 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.* While we follow the industry practice of selling 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, we have now commenced to shorten the duration of these 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 accounts receivable 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.

As part of the Marlin Acquisition, we now account for a portion of our inventory, the North Haven manufactured firearms, under the Last-In First-Out ("LIFO") method using the double extension method. As of June 30, 2010 and 2009, approximately 7.1% and 8.5%, respectively, of our total inventory excluding the LIFO adjustment was accounted for under the LIFO method. Under the First-In First-Out method, inventories would have been lower by $1.1 million and $1.2 million at June 30, 2010 and 2009, respectively.

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	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. 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 that cover a significant portion 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. 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. The rate of increase in compensation levels is established based on management's expectations of current and foreseeable future increases in compensation. 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, the Company accounts 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.

The Company files its income taxes in a consolidated tax return. Current and deferred tax expense is allocated to the members based on an adjusted separate return methodology.

The Company's 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 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 — Inputs other than level 1 inputs that are either directly or indirectly observable; and

Level 3 — Unobservable inputs developed using our estimates and assumptions, which reflect those that market participants would use. The following table presents information about assets and liabilities measured at fair value on a recurring basis:

Fair value measurements at June 30, 2010 using:

	Quoted prices in active markets for identical assets	**Significant other observable inputs**	**Significant unobservable inputs**	
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Commodity Contract Derivatives	Not applicable	$0.7 million	Not applicable	$0.7 million
Life Insurance Policies	Not applicable	$0.2 million	Not applicable	$0.2 million

As shown above, commodity contract derivatives valued by using quoted prices are classified within level 2 of the fair value hierarchy; life insurance policies valued by using cash surrender values, net of related policy loans, are classified within level 2 of the fair value hierarchy. We value the interest rate swap using the Income Approach valuation technique. This method uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts.

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.

Most derivative contracts are not listed on an exchange and require the use of valuation models. Consistent with FASB ASC 820 “Fair Value Measurements and Disclosures”, we attempt to maximize the use of observable market inputs in our models. When observable inputs are not available, we default to unobservable inputs. Derivatives valued based on models with significant unobservable inputs and that are not actively traded, or trade activity is one way, are classified within level 3 of the fair value hierarchy.

In February 2007, the FASB issued an amendment to FASB ASC 825, which provides the option to elect fair value as the initial and subsequent measurement attribute for most financial assets and liabilities and certain other items. The fair value option election is applied on an instrument-by-instrument basis (with some exceptions), is irrevocable, and is applied to an entire instrument. The election may be made as of the date of initial adoption for existing eligible items. Subsequent to initial adoption, we may elect the fair value option at initial recognition of eligible items, on entering into an eligible firm commitment, or when certain specified reconsideration events occur. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings.

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 2010.

The Marlin Firearms Acquisition triggered the Connecticut Transfer Act (the "CTA") with respect to the facility located in North Haven, Connecticut. The CTA is designed to identify properties contaminated with hazardous wastes and to ensure that such properties are cleaned up to the satisfaction of the Connecticut Department of Environmental Protection ("DEP"). Under the CTA, Marlin is required to investigate areas of environmental concern at the North Haven facility and to clean up contamination exceeding state standards to the satisfaction of the DEP. The investigation of the North Haven facility is ongoing. Remediation costs may be incurred, but such costs at this time are not expected to be material to operations or cash flows.

Marlin has also conducted other remediation activities at its idled Gardner, Massachusetts facility and a former facility in New Haven, Connecticut. Costs for remediation at both of these locations 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 are no longer a defendant in any lawsuits brought by municipalities against participants in the firearms industry. In addition, legislation has been enacted in approximately 34 states precluding such actions. Similar federal legislation, entitled "The Protection of Lawful Commerce in Arms Act" was signed into law by President Bush on October 26, 2005, after being passed by the U.S. Senate in August 2005 and by the House of Representatives in October 2005. However, the applicability of the law to various types of governmental and private lawsuits has been challenged. Any court decision restricting the applicability of the law could adversely impact 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 June 30, 2010 and 2009, we had long-term borrowings of $498.4 million and $322.6 million, respectively, excluding $0.8 million and $0.7 million, respectively, classified as the current portion of long-term debt, of which zero and $98.6 million, respectively, was issued at variable rates. Assuming no changes in the monthly average variable-rate debt levels of $6.7 million and $117.6 million for the twelve months ended June 30, 2010 and 2009, 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 June 30, 2010 and 2009 by $0.1 million and $1.3 million, respectively, on an annualized pretax basis.

Prior to the Refinancing noted in Note 7 under "Item 1—Financial Statements (Unaudited)", we were party to several interest rate swap agreements with respect to our outstanding variable rate indebtedness at BFI as of June 30, 2009. The purpose of entering into these interest rate swap arrangements was to hedge against the risk of interest rate increases on the related variable rate indebtedness and not to hold the instrument for trading purposes. The interest rate swap agreements, which were derivative financial instruments, were classified as a cash flow hedge. We were required to enter into these interest rate swaps in accordance with certain BFI debt instruments. We accounted for these as derivative financial instruments in accordance with FASB ASC 815 "Derivatives and Hedging". Accordingly, the derivative financial instruments were reflected on the balance sheet at their fair market value. However, as the interest rate swaps did not meet specific hedge accounting criteria, the change in fair value over the period covered was reflected in interest expense. These interest rate swap agreements were terminated on July 28, 2009.

We purchase copper and lead options contracts to hedge against price fluctuations of anticipated commodity purchases. Lead and copper prices have experienced significant volatility over the past five years and have increased during the past year primarily due to increased demand (including increased demand from India and China).

The amounts of premiums paid for commodity contracts outstanding at June 30, 2010 were $3.1 million, which was $0.5 million lower than the same date in 2009, as fewer contracts were entered into in the last twelve months. At June 30, 2010 and 2009, the market value of our outstanding contracts relating to firm commitments and anticipated purchases up to eight months from the respective date was $0.7 million and $6.3 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 June 30, 2010 and 2009, we would experience an approximate $1.8 million and $3.0 million, respectively, increase in our cost of related inventory purchased on an annualized pre-tax basis, which would be partially offset by an approximate $0.5 million and $2.0 million, respectively, increase in the value of 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 June 30, 2010 and 2009, we would experience an approximate $0.5 and $0.4 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."

There are no current DPMS or Bushmaster legal proceedings; however, 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, 2010.

As of June 30, 2010, Bushmaster and DPMS did not have any bodily injury cases or claims pending relating to their firearms.

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 June 30, 2010, approximately 24 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 24 pending cases involve pre and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement. In addition, we have three 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 June 30, 2010, 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 June 30, 2010, our accrual for product liability and other product related cases and claims was approximately $13.5 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 $4.4 million. 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.

Municipal Litigation

In addition to these individual cases, as a manufacturer of shotguns and rifles, we have been named previously in several actions brought by various municipalities, primarily against manufacturers, distributors and sellers of handguns. However, we are not a defendant in any pending municipal litigation, nor have we been a defendant in such a matter in the last several years.

A majority of states have enacted some limitation on the ability of local governments to file such lawsuits against firearms manufacturers. However, the applicability of the laws to various types of governmental and private lawsuits has been challenged in both state and federal courts. Any court decision restricting the applicability of these laws could adversely impact our business.

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.

Item 5. Exhibits

10.1 Letter agreement, dated as of July 12, 2010, between Bushmaster Firearms International, LLC and John A. DeSantis.*

* Denotes a management contract or compensation plan or arrangement in which directors or executive officers are eligible to participate.

EXHIBIT INDEX

10.1 Letter agreement, dated as of July 12, 2010, between Bushmaster Firearms International, LLC and John A. DeSantis.*

* Denotes a management contract or compensation plan or arrangement in which directors or executive officers are eligible to participate.

Exhibit 10.1

July 12, 2010
VIA Fed Ex Delivery

John A. DeSantis
39 Leisure Point Road
Standish, Maine 04084

Re: Notice of Termination

Dear John:

The purpose of this letter is to confirm our agreements and understandings in connection with your termination from Bushmaster Firearms International, LLC ("Company"). Although your employment responsibilities end shortly; as a gesture of good will, we have agreed as follows:

1. Subject to the provisions of this letter, you have agreed to remain with the Company until July 31, 2010 to assist the Company to identify, recruit and retain your replacement. July 31, 2010 will be your effective date of termination ("Termination Date") for purposes of your Employment Agreement ("Employment Agreement"). Notwithstanding the scheduled July 31st Termination Date, you agree that the Company shall have the option of extending the Termination Date for up to three (3) separate additional fifteen (15) business day periods to facilitate the effective identification, recruitment and transition of your responsibilities to your replacement. If the Company desires to exercise its option to extend your Termination Date it shall do so in writing (letter or by e-mail) to you at least two (2) business days before the then effective Termination Date. On your Termination Date we will provide you a General Release and Waiver of Claims ("Release"). The Release will be in substantially in the form as attached as "Attachment 1" and made a part hereof by this reference.

2. Subject to Paragraph 1, above, by your signature below, whether or not you sign the Release, effective your Termination Date you resign from all Board and Officer positions with the Company and any of its parents, subsidiaries and affiliated companies.

3. You have informed us that you intend to retire; however, for purposes of your Employment Agreement this event will be treated as a termination "without cause" by the Company under Section 2.2(a)(iii) of your Employment Agreement. Your Termination Date will be deemed to be the date of termination for purposes of your Employment Agreement.

4. In the event of your death before severance payments pursuant to Section 2.2 (b) of your Employment Agreement have been completed, any remaining payments shall be payable to your wife.

5. Except as otherwise specifically provided in this letter and the Release, the terms and conditions of your Employment Agreement apply and will continue in full

force and effect. You acknowledge and agree that for purposes of Base Salary calculations under the Employment Agreement; your current Base Salary is $325,500.00.

6. There will be no offset or reduction of severance payments on account of any payments received pursuant to the Consulting Services Agreement referred to under Paragraph 11, below.

7. As a gesture of good will the Company agrees that you will be paid a prorated share of your incentive compensation for the 2010 calendar year of one hundred forty one thousand fifty dollars and no cents ($141,050.00). This amount will be paid to you in accordance with Company practices.

8. Pursuant to your Employment Agreement, you will receive payment for any accrued but unused vacation days and reimbursed unpaid travel expenses and you represent that you are not owed any other amounts whatsoever by the Company, its parent company, affiliates or subsidiaries except as identified in the Release.

9. Any equity grants or stock options plans for which you participate will be governed by the applicable plan documents.

10. You acknowledge that the payments and benefits provided for in this letter and your Employment Agreement are conditioned upon your executing the Release. You hereby acknowledge receipt of the Release, a copy of which is attached to this letter as “Attachment 1.”

11. Additionally, the Company desires to retain your experience and expertise to assist the Company from time to time. Therefore, the Company has prepared a Consulting Services Agreement (“CSA”) for your consideration and execution. A copy of the CSA is attached hereto as “Attachment 11” and made a part hereof by this reference. The CSA is for a one year term beginning on your Termination Date. On your Termination Date you will be provided a copy of the CSA for execution as provided above.

12. You acknowledge that you have carefully read and reviewed this letter, your Employment Agreement and the Release and have been advised to seek the advice of an attorney or other counsel with respect to the terms and provisions of these documents. You hereby confirm that you understand and are satisfied with the terms and conditions of these documents.

On behalf of the Company, please accept our sincere thanks for your service to the Company.

Please sign the duplicate originals of this letter and return them to me. On your Termination Date you will be provided a copy of the Release and the CSA for execution as provided above.

On Behalf of Bushmaster Firearms International, LLC
Very truly yours,

AGREED:

By: /s/ Theodore H. Torbeck

Theodore H. Torbeck

/s/ John A. DeSantis

John A. DeSantis

Date: July 12, 2010

“Attachment 1”

BUSHMASTER FIREARMS INTERNATIONAL, LLC
GENERAL RELEASE AND WAIVER OF CLAIMS

In consideration of the payment by Bushmaster Firearms International, LLC (“Bushmaster”) of the severance and other benefits to me pursuant to that certain Employment Agreement dated November 1, 2008 (“Agreement”), I, John A. DeSantis, agree to and do finally and completely release and forever discharge Bushmaster, its parent and/or parent companies, its/their subsidiaries and its/their affiliates, and any one or more of its/their employees, shareholders, officers, directors or agents (“Releasees”) from any and all liabilities, claims, obligations, demands, and causes of action of any and every kind or nature whatsoever, in law, equity or otherwise, known or unknown, suspected or unsuspected, disclosed and undisclosed, which I now have, own or hold, or claim to have, own or hold, or which I may have, own, or hold, or claim to have, own or hold, against each or any of the Releasees arising from or relating to my employment with Bushmaster and termination of that employment.

This General Release and Waiver of Claims (“Release), includes without limiting the generality of the foregoing, claims arising under any provision of federal, state, federal or local law, any state or local anti-discrimination statute, ordinance or regulation, the Age Discrimination in Employment Act of 1967 (“ADEA”), the Americans with Disabilities Act, Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991, or the Employee Retirement Income Security Act of 1974, all as amended, or any similar federal, state, or local statutes, ordinances or regulations, or claims in the nature of a breach of contract, claims for wrongful discharge, emotional distress, defamation, fraud or breach of the covenant of good faith and fair dealing, tort and wage or benefit claims (other than the payments to which I am entitled under the Agreement); provided, however, that this Release does not include actions brought by me (or my personal representative) to enforce the terms of the Agreement or to secure benefits under any other employee benefit plan or program of Bushmaster of which I am a participant, or to seek indemnification under the Bushmaster’s bylaws or other corporate governance documents, or to seek worker’s compensation or unemployment compensation benefits, and this Release does not apply to any rights or claims that I might have which arise as a result of any conduct that occurs after the date this Release is signed by me. If I violate the terms of this Release, I agree to pay the Releasees’ costs and reasonable attorneys’ fees.

I acknowledge that, among other rights subject to this Release, I am hereby waiving and releasing any rights I may have under the ADEA, that this Release is knowing and voluntary, and that the consideration given for this Release is in addition to anything of value to which I was already entitled as an employee of Bushmaster.

As provided by law, I have been advised by Bushmaster to carefully consider the matters outlined in this Release and to consult with such professional advisors as I deem appropriate, including a lawyer of my own choice (although I may choose voluntarily not to do so). I acknowledge that I have had at least twenty-one (21) days from receipt of this Release to consider the terms and conditions set forth herein, and I understand that I have a period of seven (7) days following my execution of this Release to revoke my signature, in which event this Release shall not be effective or binding on the parties and I will not receive any of the payments or benefits described in the Agreement. I further understand fully and acknowledge the terms and consequences of this Release and I voluntarily accept them.

ACKNOWLEDGED AND AGREED TO,
INTENDING TO BE LEGALLY BOUND HEREBY:

Not For Execution *Not For Execution* *Not For Execution* *Not For Execution*

Dated: ______________, 2010 ____________________________________

John A. DeSantis

"Attachment 11"
CONSULTING SERVICES AGREEMENT

THIS AGREEMENT ("CSA") is made this ___ day of _________, 2010 by and between BUSHMASTER FIREARMS INTERNATIONAL, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware with offices located at 999 Roosevelt Trail Windham, ME 04062 ("BFI") and JOHN A. DESANTIS an individual with an address located at 39 Leisure Point Road, Standish, Maine 04084 ("DeSantis"). Collectively, BFI and DeSantis are referred to as "Party" or "Parties" as the sense of the text requires.

W I T N E S S E T H :

WHEREAS, BFI is desirous of engaging DeSantis to assist in providing Services as more fully set forth and defined in this CSA; and,

WHEREAS, DeSantis is desirous of assisting BFI in providing Services as further defined herein.

NOW, THEREFORE, in consideration of the above-stated premises and the mutual promises and convenants hereinafter contained, it is agreed as follows:

1. TERM:

This CSA shall become effective as of the day and year first above written and will continue for a period of twelve (12) months thereafter unless terminated sooner by mutual agreement of the Parties, or in a manner hereinafter set forth. The term of this CSA may be extended only by mutual agreement of the Parties duly reflected in a subsequent written document.

2. RESPONSIBILITIES:

During the term of this CSA, DeSantis shall render the following Services ("Services") as an independent contractor:

A. assist BFI management by providing advice and recommendations concerning the interim management of BFI; and,
B. provide technical and manufacturing advice and recommendations concerning BFI products and process and procedures; and,
C. provide marketing, sales and customer assistance; and,
D. such other support as the Parties may agree from time to time.

3. HOURS AND LOCATION:

The performance of Services will be within DeSantis' discretion and control. DeSantis shall devote his best efforts and diligence to the performance of Services and the discharge of his obligations under this CSA consistent with BFI's requirements.

4. **REPORTS:**

DeSantis shall furnish oral and/or written reports from time-to-time sufficient in his and/or BFI's judgment to apprise BFI concerning Services rendered.

5. **FEES:**

A. During the term of this CSA, BFI agrees to pay DeSantis the sum of one hundred seventy thousand dollars and no cents ($170,000.00) payable in twelve (12) monthly installments of fourteen thousand one hundred sixty seven dollars and no cents ($14,167.00) each month. The first fourteen thousand one hundred sixty seven dollars and no cents ($14,167.00) payment shall be due on the first of the month after the date first above written.

B. BFI shall reimburse DeSantis for reasonable and necessary out-of-pocket travel and living expenses that are actually incurred in performance of Services under this CSA. DeSantis shall account for all such expenses, and shall submit sufficient documentation to support the expenses. All travel, transportation and living expenses must be authorized by BFI in advance, in order to be subject to reimbursement hereunder.

6. **PAYMENT OF FEES:**

DeSantis shall submit an invoice for fees earned hereunder on a monthly basis. BFI shall pay each invoice within thirty (30) working days after the date of receipt of the DeSantis properly submitted invoice. All payments to DeSantis from BFI shall be to DeSantis' address identified in Section 21, below.

7. **COMPLIANCE WITH LAWS:**

DeSantis warrants that he will not directly or indirectly, or through third parties, make or offer to make any payment, gift or promise of anything of value to any person in the service of any government or to any political party or candidate for political office in connection with the solicitation, receipt, negotiation or implementation of orders for the sale or distribution of BFI's products or in the performance of Services hereunder. The term "government" shall mean the government of any country or any subdivision, agency or instrumentality thereof, including the military. In addition to other legal remedies BFI may have, in the event of a violation of this covenant, BFI shall have the right to immediately terminate this CSA and any others with respect to which such violation occurred, without any liability to BFI.

8. **CONFIDENTIALITY:**

It is understood that information developed by or communicated to DeSantis in the performance of Services under this CSA is of a highly confidential and competition sensitive nature. DeSantis agrees that, except with the prior written approval of BFI, he will make no oral or written disclosure of such information either during or after the term of this CSA to any third parties.

9. **RECORDS PROPERTY OF BFI:**

DeSantis agrees that, upon the expiration or termination of this CSA for any reason whatsoever, all drawings, designs, specifications, notebooks, tracings, photographs, negatives, reports, findings, recommendations, data and memoranda of every description, arising out of and relating to Services rendered under this CSA, are to become the property of BFI or its assigns, and BFI shall have the exclusive right to copyright or publish such materials. The use of these materials in any manner by BFI or its assigns shall result in no additional claim for compensation or fees by DeSantis.

10. **PERSONAL NATURE OF SERVICES**

It is understood that the Services contemplated by this CSA shall be performed personally by DeSantis and that no other person or firm shall be retained by DeSantis to perform Services except upon advance written approval of BFI.

11. **CONFLICT OF INTEREST**

Subject to the requirements and restrictions on DeSantis in the Employment Agreement, if, at any time during the term of this CSA, DeSantis proposes to perform services for others which may conceivably either directly or indirectly conflict with the interests of BFI, DeSantis agrees to request in advance and in writing the approval of BFI to perform such services. By entering into this CSA with BFI, it is understood that DeSantis presently has no such conflicting interests, agreements or obligations with any other party. Subject to the requirements and restrictions on DeSantis in the Employment Agreement, nothing herein contained shall restrict DeSantis from providing non-conflicting consulting services to others during the term of this CSA, consistent with the duties, responsibilities and demands of BFI on the time of DeSantis.

12. **ASSIGNABILITY**

DeSantis agrees that this CSA is not assignable by DeSantis without the advance written consent of BFI. BFI shall have the right to assign this CSA to a parent(s), subsidiary or affiliate of or successor to BFI (including, but not limited to, any entity or entities succeeding to the businesses, assets and/or operations of BFI in any manner relating to the subject matter hereof, whether by merger, purchase, sale, consolidation, reorganization or other restructuring and whether or not BFI is the surviving entity), without the prior written consent of DeSantis.

13. **RELEASE AND INDEMNIFICATION**

DeSantis agrees to and does hereby release BFI from any and all liability for damage to property, property loss, personal injury or death that may be sustained by DeSantis which in any way arises from or is connected with performance of Services under this CSA, except when such injuries, damage, or death are caused solely by the negligence of BFI.

14. **NATURE OF RELATIONSHIP**

It is understood that in the performance of Services under this CSA, DeSantis is acting solely as an independent contractor and not as an employee of BFI. Further, nothing in this CSA shall be construed or implied to create a relationship of partners, agency, joint venturers or of employer and employee. Since DeSantis is an independent contractor, it is understood that BFI has no obligation under foreign or domestic laws regarding employee liability and BFI's total commitment and liability in regard to this CSA is payment of DeSantis' fee and expenses expressly limited as described herein.

15. <u>TAXES</u>

All taxes applicable to any amounts paid by BFI to DeSantis under this CSA shall be DeSantis' sole liability and responsibility. Upon request by BFI, DeSantis agrees to provide evidence of compliance with the applicable tax laws in regard to all amounts received under this CSA.

16. <u>INTELLECTUAL PROPERTY:</u>

A. DeSantis hereby acknowledges that the intellectual property of BFI including, but not limited to, its trademarks, service marks, tradenames and patents ("Intellectual Property") and any and all ancillary rights thereto are either the property of BFI or the subject of a license authorizing BFI to use and sublicense the Intellectual Property and DeSantis agrees not to take any action concerning the use or ownership of Intellectual Property without the express written permission of BFI. DeSantis does not hereby acquire, and shall not endeavor to acquire, nor assist or encourage third parties to acquire, any right, license or interest to or in the Intellectual Property, including, but not limited to, acquisition through registration, application for registration or use, other than as expressly provided in this CSA.

B. DeSantis agrees to promptly notify BFI of any infringements, unfair competition claim, or unauthorized use of the Intellectual Property that comes to its attention. BFI shall have the sole right to determine what action, if any, shall be taken with respect to such infringement, claim or unauthorized use.

17. <u>DISCLOSURE OF INVENTIONS AND DISCOVERIES</u>

DeSantis agrees to make prompt and complete disclosure to BFI of all inventions and discoveries made or conceived by him, while this CSA is in effect, or within a reasonable time thereafter, which arise out of or relate to the Services rendered pursuant to this CSA. DeSantis also agrees to keep necessary records, including notes, sketches, drawings, models and data supporting all such inventions and discoveries made by him, during the course of performing Services pursuant to this CSA, and DeSantis agrees to furnish to BFI, upon request, all such records.

18. <u>ASSIGNMENT OF INVENTIONS AND DISCOVERIES</u>

DeSantis also agrees that he will assign to BFI all inventions and discoveries made by him which arise out of and pertain to the Services rendered pursuant to this CSA, together with patents as may be obtained on these inventions and discoveries. DeSantis further agrees that, upon request of BFI, he will execute all necessary papers and cooperate in the fullest degree with BFI in securing, maintaining, and enforcing any such patents which arise out of his Services under this CSA. It is understood, however, that these obligations undertaken by DeSantis will be at no expense to him.

19. <u>LIMITATION OF AUTHORITY</u>

DeSantis shall have only such authority as is from time-to-time granted or delegated in writing by BFI. It is expressly acknowledged by DeSantis that DeSantis may not sign or execute contracts, purchase orders or other binding agreements on behalf of BFI.

20. TERMINATION

This CSA may be immediately terminated upon the happening of any of the following events:

A. Breach of a material obligation by DeSantis;
B. Breach of law or regulation;
C. Willful or serious misconduct; or,
D Inability or refusal by DeSantis to provide Services.

It is understood and agreed between the Parties that nothing herein shall modify the Employment Agreement. Upon termination, all further obligations described in this CSA shall cease except as specifically described elsewhere herein. BFI's total obligation to DeSantis shall be to pay for Services rendered to BFI through the date of termination that have not previously been paid. Under no circumstances shall BFI be liable to DeSantis for any other amounts whatsoever.

21. NOTICES

All notices and other communications required or permitted to be given pursuant to this CSA shall be in writing and shall be sent by E-mail or facsimile and confirmed by a subsequent letter sent by overnight courier to the addresses shown below, or such other address as either Party may furnish the other in writing from time-to-time, in accordance with this Section. Any such notices or changes of address shall be effective on the business day next following the delivery of the confirming notice by overnight courier.

If to BFI:

Bushmaster Firearms International, LLC
C/O: Remington Arms Company, Inc.
870 Remington Drive
Madison, NC 27025
Attention: Ted Torbeck
Telephone: (336) 548-8875
Facsimile: (336) 548-8810

If to DeSantis:

John A. DeSantis
39 Leisure Point Road
Standish, Maine 04084
Attention: John DeSantis
Telephone: (207) 893-1561

22. LAW

This CSA shall be governed, construed and interpreted under and pursuant to the substantive laws of the State of New York, excluding its choice of law rules.

23. GENERAL PROVISIONS

A. The failure of either Party, at any time, to require performance of the other Party of any provision hereof, shall in no way affect the full right to require such performance at any time therafter, nor shall the waiver by either Party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

B. In the event that this CSA, or any of its sections, terms and/or provisions, is declared invalid or unenforceable by a court, agency, commission or other entity having jurisdiction thereof, neither Party shall have any cause of action or claim against the other Party by reason of such declaration of invalidity or unenforceability. The Parties agree that each and every section, term and/or provision of this CSA shall be considered severable and that in the event a court of competent jurisdiction finds any section, term and/or provision of this CSA to be invalid or unenforceable, the validity and enforceability of the remaining sections, terms and/or provisions shall not be affected and this CSA shall be construed in all respects as if the invalid or unenforceable matter had been omitted. The Parties agree that in such an event they will negotiate in good faith a replacement section, term and/or provision for that section, term and/or provision declared invalid or unenforceable.

C. The headings of the sections of this CSA are included for convenience only and shall not in any way affect the meaning or interpretation of this CSA.

D. This CSA may be executed in counterparts, each of which shall be deemed an original.

E. Notwithstanding anything to the contrary contained herein, Sections 8, 9, 13, 15, 16, 17, 18 and 22 shall survive the termination or expiration of this CSA.

IN WITNESS WHEREOF, this CSA has been duly executed on the day and year first above written.

Bushmaster Firearms International, LLC	**John A. DeSantis**
Not For Execution *Not For Execution*	*Not For Execution* *Not For Execution*
By: ______________________________	**By:** ______________________________
Title: ______________________________	**Print Name:** _______________________
Print Name: _______________________	**DeSantisAgr**