QUARTERLY REPORT

For the quarterly period ended:

March 31, 2012

FREEDOM GROUP, INC.

(Exact name of company as specified in its charter)

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

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

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

FREEDOM GROUP, INC.

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INDEX

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, references to (1) the terms ‘‘we,’’ ‘‘us,’’ ‘‘our,’’ the ‘‘Company’’ and ‘‘Freedom Group’’ refer to Freedom Group, Inc. and its subsidiaries on a consolidated basis, (2) the term ‘‘FGI’’ refers to Freedom Group, Inc., (3) the term “FGI Holding” refers to FGI Holding Company, LLC, (4) the term “FGI Opco” refers to FGI Operating Company, LLC, (5) the term “FGI Finance” refers to FGI Finance Inc., (6) the term ‘‘Remington’’ refers to Remington Arms Company, LLC and its direct and indirect subsidiaries, (7) the term ‘‘EOTAC’’ refers to EOTAC, LLC, (8) the term ‘‘INTC’’ refers to INTC USA, LLC, (9) the term “Mountain Khakis” refers to Mountain Khakis, LLC, (10) the term “AAC” refers to Advanced Armament Corp., LLC, (11) the term “Barnes” refers to Barnes Bullets, LLC, (12) the term “Mountain Khakis Acquisition” refers to our joint venture of Mountain Khakis, (13) the term “Para” refers to Para USA, LLC, and (14) terms “PIK Notes,” “Opco Notes,” and “ABL Revolver” have the respective meanings given to them in the “Notes to Consolidated Financial Statements – Note 7 – Debt.”

FINANCIAL AND OTHER INFORMATION

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

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

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. The following important factors, and those important factors described elsewhere in our earlier quarterly reports 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 increases and 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 commodity option and swap 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 14% and 15% of our total sales for the three months ended March 31, 2012 and fiscal year 2011, respectively, and 9% and 14% of our accounts receivable balance as of March 31, 2012 and December 31, 2011, respectively. Wal-Mart, together with another customer, accounted for approximately 19% and 21% of our accounts receivable balance as of March 31, 2012 and December 31, 2011, respectively. Our sales to Wal-Mart are generally not governed by a written long-term contract between the parties. In the event that Wal-Mart were to significantly reduce or terminate its purchases of firearms, ammunition and/or other products from us, our financial condition or results of operations and cash flows could be adversely affected.

- We utilize numerous raw materials, including steel, zinc, lead, copper, brass, plastics and wood, as well as manufactured parts, which are purchased from one or a few suppliers. Any disruption in our relationship with these suppliers could increase our cost of operations. Such a disruption may result from or be amplified by the recent volatility of and uncertainty in the U.S. and global financial markets.

- The manufacture, sale and purchase of firearms 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 Condensed Consolidated Balance Sheets
(Dollars in Millions, Except Par Value of Stock)

	Unaudited March 31, 2012	December 31, 2011	*Unaudited* March 31, 2011
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 8.0	$ 36.8	$ 19.5
Trade Receivables, net	165.1	108.6	136.3
Inventories, net	164.9	130.9	120.5
Deferred Tax Assets	13.1	17.3	11.9
Prepaid Expenses and Miscellaneous Receivables	8.8	11.5	19.2
Other Assets	14.4	14.0	12.4
Total Current Assets	374.3	319.1	319.8
Property, Plant and Equipment, net	114.1	114.0	116.2
Goodwill	70.5	66.7	68.3
Intangible Assets, net	109.4	111.1	121.3
Other Noncurrent Assets	32.5	33.8	41.5
Total Assets	$ 700.8	$ 644.7	$ 667.1
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	$ 70.0	$ 49.3	$ 65.2
Short-Term Borrowings	1.4	2.4	2.7
Current Portion of Product Liability	5.2	4.3	4.9
Other Liabilities	67.8	71.7	61.0
Total Current Liabilities	144.4	127.7	133.8
Long-Term Debt, net	519.7	491.4	504.8
Retiree Benefits, net	65.0	66.1	50.6
Product Liability, net	12.3	12.3	11.1
Deferred Tax Liabilities	16.5	16.7	20.8
Other Noncurrent Liabilities	26.9	22.0	26.1
Total Liabilities	784.8	736.2	747.2
Commitments and Contingencies (Note 13)			
Preferred Stock, Series A, at aggregate liquidation preference	29.6	28.9	26.9
Total Mezzanine Equity	29.6	28.9	26.9
Common Stock: 166,989 shares issued	0.2	0.2	0.2
Less: Treasury Stock	(3.4)	(3.4)	(2.3)
Accumulated Other Comprehensive Loss	(57.9)	(58.9)	(48.4)
Accumulated Deficit	(52.6)	(58.4)	(57.4)
Total Parent's Deficit	(113.7)	(120.5)	(107.9)
Noncontrolling Interest Equity	0.1	0.1	0.9
Total Stockholders' Deficit	(113.6)	(120.4)	(107.0)
Total Liabilities, Mezzanine Equity and Stockholders' Deficit	$ 700.8	$ 644.7	$ 667.1

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

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

	For the three months March 31, 2012	For the three months March 31, 2011
Net Sales	$ 205.6	$ 176.1
Cost of Goods Sold	135.3	131.8
Gross Profit	70.3	44.3
Selling, General and Administrative Expenses	38.9	39.0
Research and Development Expenses	3.1	2.6
Other Expense	2.1	1.9
Operating Income	26.2	0.8
Interest Expense	16.4	15.4
Income (Loss) before Income Taxes and Noncontrolling Interests	9.8	(14.6)
Income Tax Provision (Benefit)	3.5	(5.1)
Net Income (Loss)	6.3	(9.5)
Add: Net Loss Attributable to Noncontrolling Interest	-	0.1
Net Income (Loss) Attributable to Controlling Interest	$ 6.3	$ (9.4)
Other Comprehensive Income (Loss):		
Net Derivative Gains (Losses), net of taxes $0.3 and $0.4, respectively	$ 0.5	$ (0.6)
Less: Net Derivative (Losses) Gains Reclassified as Earnings, net of taxes $0.4 and zero, respectively	(0.5)	$ 0.1
Total Other Comprehensive Income (Loss):	1.0	(0.7)
Total Comprehensive Income (Loss):	$ 7.3	$ (10.1)
Net Income (Loss) Attributable to Controlling Interest	$ 6.3	$ (9.4)
Accretion of Preferred Stock	(0.7)	(0.6)
Net Income (Loss) Applicable to Common Stock	$ 5.6	$ (10.0)
Net Income (Loss) Per Common Share, Basic	$ 34.57	$ (61.19)
Net Income (Loss) Per Common Share, Diluted	$ 33.91	$ (61.19)
Weighted Average Number of Shares Outstanding, Basic	162,586	164,292
Weighted Average Number of Shares Outstanding, Diluted	165,717	164,292

Net Sales are presented net of Federal Excise taxes of $15.7 and $13.8 for the three months ended March 31, 2012 and 2011, respectively.

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

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

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Operating Activities		
Net Income (Loss)	$ 6.3	$ (9.5)
Adjustments:		
Depreciation and Amortization	6.9	7.2
Loss on Disposal of Property, Plant, and Equipment	0.1	0.4
Deferred Income Taxes	4.0	(3.0)
Share Based Compensation Charges	0.2	0.2
Other Non-Cash Charges	(0.6)	2.0
Changes in Operating Assets and Liabilities net of effects of acquisitions:		
Trade Receivables, net	(56.4)	(34.1)
Inventories, net	(30.2)	(6.4)
Other Current Assets	3.5	6.3
Other Noncurrent Assets	0.4	0.1
Accounts Payable	18.6	12.7
Other Liabilities	(8.0)	(10.5)
Net Cash Used in Operating Activities	(55.2)	(34.6)
Investing Activities		
Purchase of Property, Plant and Equipment	(3.1)	(3.3)
Proceeds from Sale of Property, Plant and Equipment	-	0.4
Acquisition of Business, net of Cash Acquired	(4.9)	-
Net Cash Used in Investing Activities	(8.0)	(2.9)
Financing Activities		
Principal Payments on Debt	(0.7)	(1.1)
Payments on Revolving Credit Facilities	(3.0)	-
Proceeds from Revolving Credit Facilities	31.1	-
Payments on Capital Leases	(0.3)	(0.1)
Debt Issuance Costs	(0.5)	-
Change in Book Overdraft	7.8	3.5
Net Cash Provided by Financing Activities	34.4	2.3
Change in Cash and Cash Equivalents	(28.8)	(35.2)
Cash and Cash Equivalents at Beginning of Period	36.8	54.7
Cash and Cash Equivalents at End of Period	$ 8.0	$ 19.5
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 22.5	$ 21.1
Income Taxes	-	0.1
Previously Accrued Capital Expenditures	1.9	1.9

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

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

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Controlling Interest Stockholders' Deficit	Non-Controlling Interest	Total Stockholders' Deficit	Mezzanine Equity Preferred Stockholders
Freedom Group, Inc and Subsidiaries									
Balance, December 31, 2010	$ 0.2	$ (2.3)	$ -	$ (47.7)	$ (47.6)	$ (97.4)	$ 1.0	$ (96.4)	$ 26.3
Net Loss					(9.4)	(9.4)	(0.1)	(9.5)	
Other Comprehensive Loss				(0.7)		(0.7)		(0.7)	
Share-Based Compensation			0.2			0.2		0.2	
Accretion of Preferred Stock			(0.2)		(0.4)	(0.6)		(0.6)	0.6
Balance, March 31, 2011	$ 0.2	$ (2.3)	$ -	$ (48.4)	$ (57.4)	$ (107.9)	$ 0.9	$ (107.0)	$ 26.9

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Controlling Interest Stockholders' Deficit	Non-Controlling Interest	Total Stockholders' Deficit	Mezzanine Equity Preferred Stockholders
Freedom Group, Inc and Subsidiaries									
Balance, December 31, 2011	$ 0.2	$ (3.4)	$ -	$ (58.9)	$ (58.4)	$ (120.5)	$ 0.1	$ (120.4)	$ 28.9
Net Income					6.3	6.3	-	6.3	
Other Comprehensive Income				1.0		1.0		1.0	
Share-Based Compensation			0.2			0.2		0.2	
Accretion of Preferred Stock			(0.2)		(0.5)	(0.7)		(0.7)	0.7
Balance, March 31, 2012	$ 0.2	$ (3.4)	$ -	$ (57.9)	$ (52.6)	$ (113.7)	$ 0.1	$ (113.6)	$ 29.6

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

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

Note 1 -- Basis of Presentation

The accompanying unaudited interim consolidated financial statements include those of Freedom Group, Inc. ("FGI" or the "Company") and its subsidiaries. FGI owns 100% of FGI Holding Company, LLC ("FGI Holding"), which in turn owns 100% of FGI Operating Company, LLC ("FGI Opco"). FGI Opco includes the financial results of Remington Arms Company, LLC ("Remington"), Barnes Bullets, LLC ("Barnes"), E-RPC, LLC ("E-RPC"), RA Brands, L.L.C. and Outdoor Services, LLC. Remington, in turn, owns Advanced Armament Corp., LLC ("AAC"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), an 84% interest in EOTAC, LLC ("EOTAC"), and a 27.13% interest in INTC USA, LLC. E-RPC owns Para USA, LLC ("Para"). These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of FGI and its subsidiaries as of and for the year ended December 31, 2011. These unaudited interim statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. The results for the three month period may not be indicative of a full year's result. Certain amounts reported in prior periods have been reclassified to conform to the presentation at March 31, 2012.

Note 2 -- Business Combination

On January 30, 2012, the Company acquired certain assets and assumed certain liabilities of Para (the "Para Acquisition") for approximately $5.0 of cash. Para manufactures and markets handguns and the Company expects the acquisition will augment both its existing 1911R handgun product line and research and development capabilities.

The Para Acquisition is being accounted for as a business combination using the acquisition method, in accordance with FASB 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. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in accordance with FASB ASC 805. The goodwill generated in the Para Acquisition will be deductible for tax purposes. The preliminary allocation is subject to valuations which are not yet complete:

	Para USA, LLC
Cash	$ 0.1
Accounts Receivable	0.1
Inventory	3.8
Other Current Assets	0.2
Property, Plant and Equipment	1.2
Goodwill	3.8
Total Assets Acquired	$ 9.2
Accounts Payable	$ 2.0
Other Non-Current Liabilities	2.2
Total Liabilities Assumed	$ 4.2
Total Assets Acquired Less Liabilities Assumed	5.0
Estimated Acquisition Cost	$ 5.0

Pro Forma Financial Information (Unaudited)

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

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

For the Three Months Ended March 31,	2012	2011
Net Sales	$206.0	$178.6
Operating Income	25.8	(0.2)
Net Income (Loss)	6.0	(10.0)

Note 3 -- Fair Value Measurements

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

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

Recurring Fair Value Measurements

The following table presents assets measured at fair value on a recurring basis as of March 31, 2012, December 31, 2011, and March 31, 2011:

	Level 1	Level 2	Level 3	Total
March 31, 2012:				
Assets				
Commodity Derivatives [1]	N/A	$ 2.4	N/A	$ 2.4
December 31, 2011:				
Assets				
Commodity Derivatives [1]	N/A	$ 2.5	N/A	$ 2.5
March 31, 2011:				
Assets				
Commodity Contract Derivatives [1]	N/A	$ 3.1	N/A	$ 3.1
Life Insurance Policies [2]	N/A	$ 0.1	N/A	$ 0.1

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

[2] Life insurance policies are valued by using cash surrender values, net of related policy loans, and are classified within Level 2 of the fair value hierarchy. The life insurance policies were cancelled during the 2011 fiscal year, and the Company collected $0.1.

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

Other Fair Value Measurements and Concentrations of Credit Risk

Due to their liquid nature, the carrying values of cash and cash equivalents, trade receivables, accounts payable, book overdrafts, income taxes payable and receivable, and other noncurrent accrued liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of $540.8, $503.2, and $518.5 as of March 31, 2012, December 31, 2011, and March 31, 2011, respectively, and a carrying value of $521.1, $493.8, and $507.5 as of March 31, 2012, December 31, 2011, and March 31, 2011, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at March 31, 2012, December 31, 2011, and March 31, 2011, which is considered a Level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 13.8% and 11.9% of total net sales for the three months ended March 31, 2012 and 2011, respectively, consisted of sales made to one customer from all reportable business segments.

Note 4 -- Inventories, Net

Inventories consist of the following at:

	March 31, 2012	December 31, 2011	March 31, 2011
Raw Materials	$ 62.5	$ 53.5	$ 44.8
Semi-Finished Products	36.0	36.3	34.6
Finished Products	66.4	41.1	41.1
Total	$164.9	$130.9	$120.5

Note 5 -- Goodwill and Other Intangible Assets

The change in the carrying amount of goodwill for the three and twelve months ended March 31, 2012 by segment is as follows:

Goodwill	March 31, 2012	Net Adjustments	December 31, 2011	Net Adjustments	March 31, 2011
Firearms:					
gross value [1, 2]	$ 83.2	$ 4.1	$ 79.1	$ -	$ 79.1
aggregate impairment	(36.8)	-	(36.8)	-	(36.8)
Net Carrying Value	46.4	4.1	42.3	-	42.3
Ammunition:					
gross value	28.7	-	28.7	-	28.7
aggregate impairment	(4.8)	-	(4.8)	-	(4.8)
Net Carrying Value	23.9	-	23.9	-	23.9
All Other and Reconciling Items:					
gross value [2, 3]	11.2	(0.3)	11.5	(0.2)	11.7
aggregate impairment [3]	(11.0)	-	(11.0)	(1.4)	(9.6)
Net Carrying Value	0.2	(0.3)	0.5	(1.6)	2.1
Total	$ 70.5	$ 3.8	$ 66.7	$ (1.6)	$ 68.3

[1] As a result of the Para Acquisition, $3.8 of goodwill was initially recognized in January 2012.

[2] A separate adjustment of $0.3 was made to the Firearms segment's goodwill related to a business combination that occurred in a previous period. The $0.3 adjustment was reclassified from All Other and Reconciling Items.

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

[3] In May 2011, Mountain Khakis' goodwill was reduced by $0.2 and reclassified as definite-lived intangible assets after the fair value allocation of Mountain Khakis' assets and liabilities was completed. In October 2011, Mountain Khakis' goodwill was reduced to zero and a $1.4 impairment charge was recognized stemming from the Company's annual impairment testing.

The gross carrying amount and accumulated amortization of the Company's identifiable intangible assets at March 31, 2012, December 31, 2011 and March 31, 2011 are comprised of the following:

	March 31, 2012 Gross Balance	Accumulated Amortization	March 31, 2012 Net Balance	Amortization Period [1]
Goodwill	$ 70.5	N/A	$ 70.5	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 67.9	N/A	$ 67.9	Indefinite
Customer Relationships/Lists	47.8	$ (14.8)	33.0	14.5 Years
License Agreements	8.5	(5.9)	2.6	7.0 Years
Unpatented Technology	13.2	(8.4)	4.8	7.3 Years
Other	4.1	(3.0)	1.1	4.2 Years
Total Intangible Assets	141.5	(32.1)	109.4	11.8 Years
Total Goodwill and Intangibles	$ 212.0	$ (32.1)	$ 179.9	

	December 31, 2011 Gross Balance	Accumulated Amortization	December 31, 2011 Net Balance	Amortization Period [1]
Goodwill	$ 66.7	N/A	$ 66.7	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 67.9	N/A	$ 67.9	Indefinite
Customer Relationships/Lists	47.8	$ (14.2)	33.6	14.5 Years
License Agreements	8.5	(5.5)	3.0	7.0 Years
Unpatented Technology	13.2	(7.9)	5.3	7.3 Years
Other	4.1	(2.8)	1.3	4.2 Years
Total Intangible Assets	141.5	(30.4)	111.1	11.8 Years
Total Goodwill and Intangibles	$ 208.2	$ (30.4)	$ 177.8	

	March 31, 2011 Gross Balance	Accumulated Amortization	March 31, 2011 Net Balance	Amortization Period [1]
Goodwill	$ 68.3	N/A	$ 68.3	Indefinite
Identifiable Intangible Assets				
Tradenames/Trademarks	$ 73.9	N/A	$ 73.9	Indefinite
Customer Relationships/Lists	46.9	$ (11.7)	35.2	14.6 Years
License Agreements	8.5	(4.7)	3.8	7.0 Years
Unpatented Technology	13.2	(6.4)	6.8	7.3 Years
Other	4.1	(2.5)	1.6	4.2 Years
Total Intangible Assets	146.6	(25.3)	121.3	11.8 Years
Total Goodwill and Intangibles	$ 214.9	$ (25.3)	$ 189.6	

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

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Amortization of intangible assets for the three months ended March 31, 2012 and 2011 was $1.7 for each period. Estimated annual amortization for identifiable intangible assets over the next five calendar years is as follows:

Year	Amount
2012 (remainder of fiscal year)	$ 5.0
2013	6.4
2014	4.3
2015	3.6
2016	2.9
Thereafter	19.3
Total	$ 41.5

Note 6 -- Other Accrued Liabilities

Other Accrued Liabilities consisted of the following at:

	March 31, 2012	December 31, 2011	March 31, 2011
Marketing	$ 9.3	$ 18.0	$ 7.9
Excise Tax	15.6	18.2	13.5
Interest	4.2	15.4	4.7
Book Overdraft	7.8	-	3.5
Other	30.9	20.1	31.4
Total	$ 67.8	$ 71.7	$ 61.0

Note 7 -- Debt

Long-term debt consisted of the following at:

	March 31, 2012	December 31, 2011	March 31, 2011
FGI 10.25% Senior Secured Notes due 2015 (Opco Notes)	$ 247.6	$ 247.6	$ 275.2
FGI Credit Facility (ABL Revolver)	28.1	-	-
FGI 11.25%/11.75% Pay-In-Kind Notes due 2015 (PIK Notes)	242.0	241.8	227.5
Mountain Khakis Notes	1.3	1.5	1.5
Short-Term Debt	1.2	1.9	2.4
Capital Lease Obligations	0.9	1.0	0.9
Subtotal	521.1	493.8	507.5
Less: Current Portion	(1.4)	(2.4)	(2.7)
Total	$ 519.7	$ 491.4	$ 504.8

The PIK Notes indenture requires the Company to accrue an additional 200 basis points of interest in the quarter following a quarter end where the Company's last twelve months ("LTM") Adjusted EBITDA (as defined in the PIK Notes indenture) falls below $115.0. Based on the Company's LTM Adjusted EBITDA of $109.4 at June 30, 2011, the Company accrued this additional interest from October 1 through December 31, 2011. At September 30, 2011, the Company's LTM Adjusted EBITDA was $108.5, and additional interest was accrued from January 1, 2012 through March 31, 2012. The $2.5 of additional interest incurred for the quarters ending June 30, 2011 and September 30, 2011 was disbursed on March 31, 2012 along with the semi-annual interest payment. In October 2011, the Company elected to pay half of its semi-annual interest payable on its PIK Notes in cash and increase the PIK Notes principal by the remaining half of the interest payable. Approximately $7.2 is included in Other Long-Term Liabilities and was added to the PIK Note principal on April 1, 2012.

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As of March 31, 2012, the weighted average interest rate on the ABL Revolver was 3.9% and approximately $114.1 in additional borrowings, including the minimum availability requirement of $30.0, was available. Outstanding standby letters of credit were $7.6 and the Company was in compliance with its debt covenants as of March 31, 2012.

Subsequent Event – Debt Refinancing

On April 19, 2012 (the "Issue Date"), the Company's wholly-owned subsidiaries, FGI Opco and FGI Finance Inc. ("FGI Finance" and together with FGI Opco, the "Issuers") issued $250.0 in aggregate principal amount of 7.875% Senior Secured Notes due 2020 (the "2020 Notes"). FGI Finance was formed in April 2012 and is a wholly-owned subsidiary of FGI Opco. FGI Finance exists solely to act as a co-issuer on the 2020 Notes. FGI Opco also contemporaneously entered into a seven year $330.0 senior secured Term Loan B Facility (the "Term Loan B") and a five year $150.0 Asset-Based Revolving Credit Facility (the "New ABL", together with the Term Loan B, the "Credit Facilities") with Bank of America, N.A. serving as the Administrative Agent on the Credit Facilities. The issuance of the 2020 Notes, the borrowings under the Credit Facilities and the related repayments of outstanding indebtedness are referred to collectively as the "2012 Refinancings". The Company used the proceeds of the 2020 Notes, the Term Loan B and borrowings under the New ABL to repay amounts outstanding under its old ABL and to repurchase the Opco Notes and the PIK Notes tendered in the tender offers for such notes and to call for redemption any such notes that were not tendered in the tender offers.

7.875% Senior Secured Notes due 2020

The 2020 Notes are guaranteed by FGI, FGI Holding and each of FGI Opco's wholly-owned domestic restricted subsidiaries that are borrowers or guarantors under the New ABL and the Term Loan B (collectively, the "Guarantors"). Interest is payable on the 2020 Notes semi-annually on May 1 and November 1, commencing on November 1, 2012.

The Issuers may redeem some or all of the 2020 Notes at any time prior to May 1, 2015 at a price equal to 100% of the principal amount thereof plus the make-whole premium. The make-whole premium is the greater of 1) 1.0% of the then outstanding principal amount of the 2020 Notes or 2) the excess of the present value of the redemption price of the 2020 Notes on May 1, 2015 plus all required interest payments due on the 2020 Notes through May 1, 2015 (excluding accrued but unpaid interest), computed using the discount rate as of such redemption date plus 50 basis points over the then outstanding principal amount of the 2020 Notes. Thereafter, the 2020 Notes will be redeemable in whole or in part at the redemption prices set forth below beginning on May 1 of each of the noted years:

Period	**Redemption Price**
2015	105.906%
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

The Issuers may also redeem up to 35% of the outstanding 2020 Notes on or prior to May 1, 2015 with the proceeds of certain equity offerings at the redemption price of 107.875%.

The 2020 Notes and guarantees, with the exception of FGI's guarantee which is unsecured, are secured by a third-priority lien on substantially all existing and future assets of FGI Holding, the Issuers and the subsidiary guarantors that secure the New ABL and the Term Loan B, other than real property which is only secured by the Term Loan B. The collateral consists of substantially all of the Guarantors' (other than FGI's) tangible and intangible assets, other than real property and certain other exceptions.

The indenture governing the 2020 Notes contains covenants which include, among others, limitations on restricted payments; incurrence of indebtedness; issuance of disqualified stock and preferred stock; merger, consolidation or sale of all or substantially all assets; transactions with affiliates; and dividend and other payments.

Term Loan B

The Term Loan B is held by FGI Opco (the "Borrower") and is guaranteed by FGI Holding and each of the existing wholly-owned direct and indirect domestic subsidiaries of the Borrower and future wholly-owned direct and indirect domestic subsidiaries of the Borrower. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not guarantors. The Term Loan B has a first priority lien on all tangible and intangible assets of the Borrower and Guarantors, including 100% of the capital stock of direct subsidiaries and 65% of any foreign subsidiaries, but excluding accounts receivable, inventory and certain general intangibles, including intellectual property (the "ABL Priority Collateral"). The Term Loan B will have a second priority lien on all ABL Priority Collateral.

Borrowings under the Term Loan B bear interest at an annual rate of either (a) the LIBOR rate plus a spread (with a floor of 1.25%) or (b) the base rate plus a spread (with a floor of 2.25%). The Term Loan B will have annual amortization payments due each year in an amount equal to 1% of the original principal balance thereof, with the balance due at maturity. The Borrower may at any time after the first anniversary of the Issue Date, without premium or penalty, voluntarily prepay the Term Loan in whole or in part, and prior to the first anniversary of the Issue Date, voluntarily prepay the Term Loan B in whole or in part subject, in certain circumstances to a payment of a 1% premium of the amount prepaid, in each case, with appropriate notice as outlined in the agreement.

New ABL

The New ABL is a five year $150.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans. Subject to certain terms and conditions, the borrowing limit under the New ABL may be increased to $255.0. FGI Holding and FGI Opco's existing wholly-owned direct and indirect domestic subsidiaries other than Outdoor Services, LLC are either a borrower or a guarantor under the New ABL. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not borrowers or guarantors. The New ABL has a first lien claim on the ABL Collateral, in addition to a second lien claim on the Term Loan B collateral other than real property.

Borrowings under the New ABL bear interest at an annual rate of either (a) the LIBOR rate plus a spread or (b) the base rate plus a spread. The LIBOR and base rate spreads fluctuate based on the amount of available borrowing capacity under the New ABL as provided in the New ABL. The New ABL includes an unused line fee of 0.375% that will be charged at an annual rate to be paid monthly in arrears. FGI Opco will pay a fee on letters of credit equal to the applicable LIBOR margin and a fronting fee equal to 0.125% per annum, in each case to be paid monthly in arrears.

The Credit Facilities contain customary covenants applicable to FGI Opco and its subsidiaries, other than certain unrestricted subsidiaries. The Credit Facilities contain certain covenants, as well as restrictions on, among other things, the ability of FGI Opco and its subsidiaries to: incur debt; incur liens; declare or make distributions to stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; engage in asset sales; amend or modify governing documents; engage in businesses other than business as currently conducted; and enter into transactions with affiliates. The Credit Facilities include customary events of default, including cross-defaults to the 2020 Notes and other indebtedness.

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

Note 8 -- Stock Compensation

Restricted Stock/Restricted Units

The following table summarizes restricted common unit/share activity for the three months ended March 31, 2012:

	Restricted Common Units/Shares Outstanding	Weighted Average Grant Date Fair Value	Units/Shares Vested
Balance January 1, 2012	1,990	$ 623.61	1,278
Granted	-	-	
Forfeited	475	1,164.00	
Balance March 31, 2012	1,515	$ 445.38	1,515

Compensation expense was approximately $0.1 for the three months ended March 31, 2012. With the forfeiture of the 475 non-vested shares during the period, all shares of restricted stock are vested and the Company will not recognize any additional compensation costs until future awards are granted.

Stock Options

On May 14, 2008, the board of directors of FGI (the "FGI Board") adopted the American Heritage Arms, Inc. 2008 Stock Incentive Plan (the "Plan"). The Plan is designed to provide a means by which certain current employees, officers, non-employee directors and other individual service providers may be given an opportunity to benefit from increases in the value of FGI common stock (the "Common Stock"), through the grant of awards. FGI, by means of the Plan, seeks to retain the services of such eligible persons and to provide incentives for such persons to exert maximum efforts for the success of FGI and its subsidiaries.

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

Also on May 14, 2008, the FGI Board adopted the form of Nonqualified Stock Option Award Agreement (the "Form Award Agreement"). The Form Award Agreement outlines terms relating to stock option awards, including (i) the exercise price per share of each option granted, which shall be the fair market value of a share of the Common Stock on the date of grant (as defined in the Plan), (ii) the vesting schedule of the options granted, and (iii) acceleration provisions upon the occurrence of a change in control, termination of employment without cause or termination of employment for good reason.

The vesting of the options occurs at various times through March 2013. For the three months ended March 31, 2012, the Company recognized approximately $0.1 in expense related to these options. In addition, the Company expects to recognize approximately $0.1 in remaining compensation cost for the non-vested stock options through 2013.

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

A summary of the stock option activity for the Plan for the three months ended March 31, 2012 is as follows:

	Number of Awards	Weighted Average Exercise Price
Awards outstanding, January 1, 2012	5,664	$419.08
Granted	-	-
Forfeited	219	1,164.00
Awards outstanding, March 31, 2012	5,445	$389.05
Awards vested, March 31, 2012	4,836	$353.12
Shares available for grant, March 31, 2012	13,047	

Note 9 -- Mezzanine and Stockholders' Equity

The Company is authorized to issue 200,000 shares of $0.01 par value preferred stock as approved by the FGI Board. As of March 31, 2012, there were 190,000 shares of preferred stock approved for issuance as Series A with no other approved classes of preferred stock issued or outstanding. The Company is also authorized to issue 200,000 shares of $0.01 par value common stock. Activity in the Series A preferred stock and common stock is summarized below:

	Issued	Held in Treasury	Outstanding
Shares of Preferred Stock at March 31, 2011	186,977	(168,327)	18,650
Shares of Preferred Stock at December 31, 2011	186,977	(168,327)	18,650
Shares of Preferred Stock at March 31, 2012	186,977	(168,327)	18,650
Shares of Common Stock at March 31, 2011	166,989	(1,743)	165,246
Purchases and Stock Option Exercises	-	(2,009)	(2,009)
Shares of Common Stock at December 31, 2011	166,989	(3,752)	163,237
Forfeitures of Restricted Common Stock	-	(475)	(475)
Shares of Common Stock at March 31, 2012	166,989	(4,227)	162,762

Note 10 – Net Income (Loss) Per Share

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

	Three Months Ended March 31,	
	2012	2011
Numerator:		
Net income (loss) Attributable to Controlling Interest	$ 6.3	$ (9.4)
Accretion of Preferred Stock	(0.7)	(0.6)
Net Income (Loss) Applicable to Common Stock	$ 5.6	$ (10.0)
Denominator:		
Weighted Average Common Shares Outstanding (Basic)	162,586	164,292
Weighted Average Common Shares Outstanding (Diluted)	165,717	164,292
Net Income (Loss) per Common Share:		
Basic	$ 34.57	$ (61.19)
Diluted	$ 33.91	$ (61.19)

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

	Three Months Ended March 31,	
	2012	2011
Common Share Equivalents of Potentially Dilutive Securities:		
Restricted Stock	-	949
Stock Options	-	8,474
Total	-	9,423

Note 11 -- Income Taxes

The effective tax rate on continuing operations for the three months ended March 31, 2012 and 2011 was 35.7% and 34.9%, 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 March 31, 2012 and 2011.

Note 12 -- Retiree Benefits

Defined Benefit Pension Plans:

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

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

The following tables summarize the components of net periodic pension cost for the Plans for the three months ended March 31:

	2012	2011
Service Cost	$—	$0.1
Interest Cost	2.8	3.1
Expected Return on Assets	(4.3)	(4.4)
Amortization of Loss	0.7	2.9
Total (Benefit) Cost	$(0.8)	$1.7

Anticipated Contributions

The Company expects to make aggregate cash contributions totaling approximately $4.2 to the Plans during the year ending December 31, 2012 and has contributed approximately $0.3 to the Plans as of March 31, 2012.

The following tables summarize the components of net periodic post-retirement cost for the three months ended March 31:

	2012	2011
Service Cost	$0.1	$0.1
Interest Cost	—	—
Amortization of Prior Service Cost	—	—
Recognized Net Loss	—	—
Total Cost	$0.1	$0.1

Change in Assumptions for 2012:

The Company has initiated several restructuring activities in the past two years. Although the manufacturing integration is complete, the Company continues to streamline functions. Having similar assumptions for all of the defined benefit pension and post retirement plans is another step toward congruous policies. Due to these factors, the Company changed its policy to amortize actuarial gains and losses that exceed 10% of either the projected benefit obligation or the market-related value of plan assets, whichever is greater as of the beginning of the year, over the participants' average remaining life expectancy for all of its defined benefit pension and post retirement plans. The change in assumptions resulted in a change in estimate affected by a change in accounting principle and was made on a prospective basis effective December 31, 2011.

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 four 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 March 31, 2012, the Company had five class action cases pending relating to breach of warranty claims concerning certain of its firearms products where economic damages were being claimed.

The Company's accruals for losses relating to product liability cases and claims include accruals for all probable losses for which the amount can be reasonably estimated. Based on the relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company), the Company does not believe with respect to product liability and product related cases and claims that any reasonably possible loss exceeding amounts already recognized through the Company's accruals has been incurred. At March, 31, 2012, December 31, 2011, and March 31, 2011, the Company's accrual for product liability cases and claims was $17.5, $16.6, and $16.0, respectively.

Marlin is 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 engages in copper and lead hedging contracts to hedge against price fluctuations of anticipated commodity purchases. Historically, the Company has purchased copper and lead options contracts for its hedging activities. In 2011, however, other hedging vehicles were used when copper and lead prices began to decline toward the end of 2011. The Company began entering into commodity swap contracts, whereby future copper and lead are purchased at a fixed price without immediate contract premium payments at the contract's commencement date. During the fourth quarter of 2011, the Company sold some of its lead and copper options contracts as it began entering into the commodity swap contracts. Although its hedging vehicles have changed, the

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

Company's hedging strategy to limit the unfavorable effect that cost increases will have on its metal purchases remains the same. The volatility in commodity costs has affected the Company's results of operations for the periods ending March 31, 2012 and 2011. Continued significant changes in commodity costs could have a future material impact on the consolidated financial position, results of operations and cash flows of the Company.

Under current accounting guidelines, both commodity options and swap contracts are designated as cash flow hedges. The fair value of these financial instruments are recorded in prepaid expenses and other current assets and changes in the outstanding contracts' fair value are realized in accumulated other comprehensive income. Net gains/losses are then reclassified to cost of sales based upon inventory turnover, indicating consumption and sale of the underlying commodity in the Company's products. Cash flows associated with the purchase and exercise of commodity contracts are classified as cash flows from operating activities on the Consolidated Statements of Cash Flows.

At March 31, 2012, the fair value of the Company's outstanding options contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 9.1 million pounds of copper and lead) up to nine months from such date was $1.8. The Company disbursed approximately $2.5 in premiums for those options contracts still outstanding as of March 31, 2012, resulting in a $0.7 unrecognized loss. At December 31, 2011, the fair value of the Company's outstanding options contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 17.7 million pounds of copper and lead) up to the year ended from such date was $2.3. At March 31, 2011, the fair value of the Company's outstanding derivative contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 22.2 million pounds of copper and lead) up to nine months from such date was $3.1.

At March 31, 2012, the fair value of the Company's outstanding swap contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 13.0 million pounds of copper and lead) up to nine months from such date resulted in an unrecognized gain of $0.3. At December 31, 2011, the fair value of the Company's outstanding swap contracts relating to firm commitments and anticipated consumption (aggregate notional amount of 13.5 million pounds of copper and lead) up to nine months from such date resulted in an unrecognized gain of $0.2.

As previously stated, the Company sold some of its outstanding options contracts prior to their expiration date. The sale of these options has resulted in a loss which is currently recognized in accumulated other comprehensive income and will be recognized in earnings three months beyond their original settlement dates when the previously hedged notional volume is expected to be recognized as cost of sales. Approximately $2.7 of this realized loss is recognized in accumulated comprehensive income and is expected to be recognized in earnings by March 2013.

Based on current market prices, approximately $1.2 (net of income taxes) of the total loss included in accumulated other comprehensive income is expected to be recognized in earnings within the next twelve months. All hedged contracts are expected to be settled by December 2012.

	Fair Values of Derivatives Instruments as of					
	March 31, 2012		**December 31, 2011**		**March 31, 2011**	
Derivatives designated as hedging instruments	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
Commodity Options	Prepaid Expenses and Misc. Rec.	$ 2.2	Prepaid Expenses and Misc. Rec.	$ 2.3	Prepaid Expenses and Misc. Rec.	$ 3.1
Commodity Swaps	Prepaid Expenses and Misc. Rec.	$ 0.2	Prepaid Expenses and Misc. Rec.	$ 0.2	Prepaid Expenses and Misc. Rec.	N/A

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

The following table presents the changes in fair value derivatives designated as hedging instruments had on earnings and AOCI for the periods ending March 31:

Derivatives in FASB ASC 815 Net Investment Hedging Relationships	Gain (Loss) (net of tax) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) (net of tax) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2012:					
Commodity Options	($0.2)	Cost of Sales	($0.5)	N/A	N/A
Commodity Swaps	$0.7	Cost of Sales	-	N/A	N/A
2011:					
Commodity Options	($0.1)	Cost of Sales	$0.6	N/A	N/A

Note 15 -- Segment Information

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

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

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

For the Three Months Ended March 31,	**2012**	**2011**
Net Sales:		
Firearms	$ 127.4	$ 94.9
Ammunition	69.2	73.5
All Other	9.0	7.7
Consolidated Net Sales	$205.6	$176.1

For the Three Months Ended March 31,	**2012**	**2011**
Adjusted EBITDA:		
Firearms	$ 25.4	$ 7.4
Ammunition	11.3	14.2
All Other	28.6	1.5
Other Reconciling Items	(29.5)	(1.7)
Adjusted EBITDA	$ 35.8	$ 21.4

As of:	**March 31, 2012**	**December 31, 2011**	**March 31, 2011**
Assets:			
Firearms	$425.0	$408.9	$334.8
Ammunition	219.4	191.1	201.9
All Other	86.1	52.0	49.9
Other Reconciling Items	(29.7)	(7.3)	80.5
Consolidated Assets	$700.8	$644.7	$667.1

The following table illustrates the calculation of Adjusted EBITDA, by reconciling Net Income (Loss) Attributable to Controlling Interest to Adjusted EBITDA:

For the Three Months Ended March 31,	**2012**	**2011**
Net Income (Loss) Attributable to Controlling Interest	$ 6.3	$ (9.4)
Depreciation	3.8	4.1
Interest [1]	16.4	15.4
Intangibles Amortization	1.7	1.7
Other Non-cash Charges [2]	(0.4)	2.8
Nonrecurring Charges [3]	4.5	11.9
Income Tax Expense(Benefit)	3.5	(5.1)
Adjusted EBITDA	$35.8	$21.4

[1] Interest expense includes amortization expense of deferred financing costs and amortization associated with the premiums and discounts recorded on the Opco Notes. Amortization expense of deferred financing costs was $1.4 for both the three months ended March 31, 2012and 2011. Amortization expense associated with the PIK Notes' discounts and Opco Notes' discounts and premiums was $0.2 and $0.1 for the three months ended March 31, 2012 and 2011, respectively.

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

[2] Other Non-cash Charges consist of the following:

Other Non-cash Charges (Benefits) :	**2012**	**2011**
Retiree Benefits	$(0.7)	$1.8
Stock Compensation Expense	0.2	0.2
Loss on Disposal of Assets	0.1	0.4
Other	—	0.4
Total Non-cash Charge Items	$(0.4)	$2.8

[3] Nonrecurring items are comprised of the items listed in the table below:

Nonrecurring Items:	**2012**	**2011**
Restructuring and Integration Expenses	$0.6	$11.2
Employee Related Costs	0.3	—
Other Fees and Transaction Costs	3.6	0.7
Total Nonrecurring Items	$4.5	$11.9

Note 16 -- **Recent Accounting Pronouncements**

The Company adopted the following accounting pronouncements on January 1, 2012:

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The new update clarifies the concepts of *highest and best use* and *valuation premise* and eliminates their applicability to financial assets. Use of premiums and discounts in fair value measurements are also clarified in the new update. Additionally, the new guidance allows an option to measure financial instruments with offsetting positions on a net basis if certain criteria are met. The new fair value disclosures will include quantitative and qualitative information for Level 3 inputs, descriptions of the valuation processes utilizing Level 3 inputs and the level of fair value hierarchy for assets and liabilities that are not measured at fair value but whose fair value are required to be disclosed. FASB ASU 2011-04 became effective for interim and annual periods beginning after December 15, 2011. Since the new guidance offers interpretation on current guidance and requires additional disclosures, adoption did not impact the Company's results of operations, financial condition, or equity.

FASB ASU 2011-05 "Presentation of Comprehensive Income." The new standard eliminates the option to present other comprehensive income and its components in the statement of changes in equity. Presentation of net income, other comprehensive income, and their components may be made in one continuous statement or in two separate, but consecutive, statements. The items constituting net income and other comprehensive income, the computation of earnings per share and determination of when an item of other comprehensive income should be reclassified to net income will not change as a result of the new guidance. FASB ASU 2011-05 also requires reclassification of items coming out of accumulated comprehensive income to be shown on the face of the financial statements. In December 2011, the FASB issued FASB ASU 2011-12 which deferred this reclassification requirement. Both standards became effective for interim and annual periods beginning after December 15, 2011 and were applied retrospectively to all periods presented in the interim report. Adoption of the new standards affected the presentation of comprehensive income and did not impact the Company's results of operations, financial condition or equity.

No new accounting standards have been released since the beginning of the year.

Note 17 -- **Restructuring Initiatives**

During the first quarter of 2011, the Company realigned its corporate organizational structure to expand its focus on product quality and delivery. Costs for the realignment were primarily for severance and employee benefits and estimated to be $3.2, which were incurred during 2011. Disbursements of $1.0 were made during the three months ended March 31, 2012 to complete the realignment, and no additional disbursements are expected to be made in future periods.

In order to utilize excess production capacity and reduce shared expenses, the Company initiated several strategic restructuring decisions in 2010 that resulted in the closures of its manufacturing facilities in North Haven, Connecticut and Windham, Maine. Operations at both facilities ceased and were transferred to existing firearms manufacturing facilities by March 31, 2011. No costs or disbursements were incurred or made related to the restructuring activities during the three months ended March 31, 2012. The Company expects to make nominal expenditures for related healthcare benefits over the next several periods and has established a $0.3 reserve for such claims. However, the amounts and timing for those benefits are expected to be insignificant and may not be realized during the current year.

Note 18 -- Subsequent Events

On April 19, 2012, FGI Finance and FGI Opco issued $250.0 in aggregrate principal amount of 7.875% Senior Secured Notes due 2020. FGI Opco also contemporaneously entered into a seven year $330.0 senior secured Term Loan B Facility and a five year $150.0 Asset-Based Revolving Credit Facility. Refer to “Note 7 – Debt – Subsequent Event – Debt Refinancing” for further disclosures related to the Debt Refinancing.

On April 20, 2012, the Board appointed George Kollitides II to serve as the Chief Executive Officer, effective immediately. Mr. Kollitides had been serving as the Acting Chief Executive Officer since March 9, 2012. Also on that date, the Board elected James P. Campbell to serve as Lead Director on the Board, effective immediately.

Subsequent events have been evaluated through May 16, 2012, which is the date the financial statements were available to be issued.

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

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

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

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

Company Overview

We are one of the leading firearms, ammunition and related products companies in the world. We have the #1 commercial market position across all of our major firearms categories in the United States and the #2 commercial market position for ammunition in the United States, the largest firearms and ammunition market in the world. 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 provides a significant competitive advantage and supports our market leadership position. This leadership position across all of our major product categories is evidenced by our #1 U.S. commercial market shares in shotguns and rifles and our #2 U.S. commercial market share in ammunition.

We employ a customer-focused sales and marketing organization, successfully creating a single customer facing platform, and we continue to focus on flexible manufacturing capability across our end-markets that allows us to quickly respond to changes in customer preferences and demands. Our 9 manufacturing facilities and approximately 3,000 employees represent the largest domestic manufacturing presence in the industry. This scale enables us to deliver our products throughout the United States and internationally to approximately 66 countries.

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 improve the production, sales and inventory process, the margin optimization process, and throughput increase at plants 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 strategic add-on acquisitions or investments that expand and enhance our brand, product and intellectual property portfolio. We seek to acquire highly complementary products, brands or external capabilities to fill gaps in our portfolio or extend our brands and channel relationships.

One of our core strategies is to consistently introduce new and innovative products. These efforts resulted in the introduction of the Marlin XT Pro-Fire Trigger, the Remington patented Versa-max Semi Automatic Shotgun, the 1911 R1 pistol, the Bushmaster Adaptive Combat Rifle, the Remington version Adaptive Combat Rifle for the military, and a variety of new ammunition products and accessories including the patented HyperSonic Steel for Waterfowlers, the Barnes VOR-TX and the 300 AAC Blackout cartridge. In addition, in early 2012, we introduced the Model 700 SPS Tactical 300 Blackout rifle. We are also engaged in selective efforts to promote certain products through marketing and promotional activities.

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

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

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

Recent Industry Developments

We believe demand for firearms, especially modern sporting rifles and handguns and ammunition, has continued an upward trend in the industry. We believe the adoption of the modern sporting rifle has led to increased long-term growth in the long gun market while adding a younger generation of shooters. We anticipate a renewed interest in the outdoors driving increased participation in hunting and target shooting.

We believe the continued economic uncertainty and the 2012 presidential election is likely to continue to spur handgun and certain rifle sales. Additionally, returning military are likely to purchase firearms for recreational use and to maintain training. We believe the industry is experiencing trends toward increased recreational and shooting sports and home defense, in addition to the traditional hunting market. At present, we are experiencing growing participation by non-traditional customers due to increased social acceptance of guns driving new buyer interest and increasing interest in gun clubs.

We anticipate some shifts in the industry created by changes in the overall economic environment. Competition is more intense and innovative in all core product categories. Our brands remain strong at retail with consumers; however, product choices are increasing and retailers are diversifying their merchandising mix. We are effectively managing through these shifts and are adjusting our infrastructure to ensure that we maintain appropriate profitability levels.

Recent Company Developments

Debt Refinancing

On April 19, 2012 (the "Issue Date"), our wholly-owned subsidiaries, FGI Opco and FGI Finance Inc. ("FGI Finance" and together with FGI Opco, the "Issuers") issued $250.0 million in aggregrate principal amount of 7.875% Senior Secured Notes due 2020 (the "2020 Notes"). FGI Finance was formed on April 4, 2012 as a wholly-owned subsidiary of FGI Opco and exists solely to act as a co-issuer on the 2020 Notes. FGI Opco also contemporaneously entered into a seven year $330.0 million senior secured Term Loan B Facility (the "Term Loan B") and a five year $150.0 million Asset-Based Revolving Credit Facility (the "New ABL", together with the Term Loan B, the "Credit Facilities") with Bank of America, N.A. serving as the Administrative Agent on the Credit

Facilities. The issuance of the 2020 Notes, the borrowings under the Credit Facilities and the related repayments of outstanding indebtedness are referred to collectively as the "2012 Refinancings". We used the proceeds of the 2020 Notes, the Term Loan B and borrowings under the New ABL to repay amounts outstanding under our old ABL and to repurchase the Opco Notes and the PIK Notes tendered in the tender offers for such notes and to call for redemption any such notes that were not tendered in the tender offers.

7.875% Senior Secured Notes due 2020

The 2020 Notes are guaranteed by FGI, FGI Holding and each of FGI Opco's wholly-owned domestic restricted subsidiaries that are borrowers or guarantors under the New ABL and the Term Loan B (collectively, the "Guarantors"). Interest is payable on the 2020 Notes semi-annually on May 1 and November 1, commencing on November 1, 2012.

The Issuers may redeem some or all of the 2020 Notes at any time prior to May 1, 2015 at a price equal to 100% of the principal amount thereof plus the make-whole premium. The make-whole premium is the greater of 1) 1.0% of the then outstanding principal amount of the 2020 Notes or 2) the excess of the present value of the redemption price of the 2020 Notes on May 1, 2015 plus all required interest payments due on the 2020 Notes through May 1, 2015 (excluding accrued but unpaid interest), computed using the discount rate as of such redemption date plus 50 basis points over the then outstanding principal amount of the 2020 Notes. Thereafter, the 2020 Notes will be redeemable in whole or in part at the redemption prices set forth below beginning on May 1 of each of the noted years:

Period	Redemption Price
2015	105.906%
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

The Issuers may also redeem up to 35% of the outstanding 2020 Notes on or prior to May 1, 2015 with the proceeds of certain equity offerings at the redemption price of 107.875%.

The 2020 Notes and guarantees, with the exception of FGI's guarantee which is unsecured, are secured by a third-priority lien on substantially all existing and future assets of FGI Holding, the Issuers and the subsidiary guarantors that secure the New ABL and the Term Loan B, other than real property which is only secured by the Term Loan B. The collateral consists of substantially all of the Guarantors' (other than FGI's) tangible and intangible assets, other than real property and certain other exceptions.

The indenture governing the 2020 Notes contains covenants which include, among others, limitations on restricted payments; incurrence of indebtedness; issuance of disqualified stock and preferred stock; merger, consolidation or sale of all or substantially all assets; transactions with affiliates; and dividend and other payments.

Term Loan B

The Term Loan B is held by FGI Opco (the "Borrower") and is guaranteed by FGI Holding and each of the existing wholly-owned direct and indirect domestic subsidiaries of the Borrower and future wholly-owned direct and indirect domestic subsidiaries of the Borrower. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not guarantors. The Term Loan B has a first priority lien on all tangible and intangible assets of the Borrower and Guarantors, including 100% of the capital stock of direct subsidiaries and 65% of any foreign subsidiaries, but excluding accounts receivable, inventory and certain general intangibles, including intellectual property (the "ABL Priority Collateral"). The Term Loan B will have a second priority lien on all ABL Priority Collateral.

Borrowings under the Term Loan B bear interest at an annual rate of either (a) the LIBOR rate plus a spread (with a floor of 1.25%) or (b) the base rate plus a spread (with a floor of 2.25%). The Term Loan B will have annual amortization payments due each year in an amount equal to 1% of the original principal balance thereof, with the balance due at maturity. The Borrower may at any time after the first anniversary of the Issue Date, without premium or penalty, voluntarily prepay the Term Loan in whole or in part, and prior to the first anniversary of the Issue Date, voluntarily prepay the Term Loan B in whole or in part, subject in certain circumstances to a payment of a 1% premium of the amount prepaid, in each case, with appropriate notice as outlined in the agreement.

New ABL

The New ABL is a five year $150.0 million Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans. Subject to certain terms and conditions, the borrowing limit under the New ABL may be increased to $255.0 million. FGI Holding and FGI Opco's existing wholly-owned direct and indirect domestic subsidiaries other than Outdoor Services, LLC are either a borrower or a guarantor under the New ABL. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not borrowers or guarantors. The New ABL has a first lien claim on the ABL Collateral, in addition to a second lien claim on the Term Loan B collateral other than real property.

Borrowings under the New ABL bear interest at an annual rate of either (a) the LIBOR rate plus a spread or (b) the base rate plus a spread. The LIBOR and base rate spreads fluctuate based on the amount of available borrowing capacity under the New ABL as provided in the New ABL. The New ABL includes an unused line fee of 0.375% that will be charged at an annual rate to be paid monthly in arrears. FGI Opco will pay a fee on letters of credit equal to the applicable LIBOR margin and a fronting fee equal to 0.125% per annum, in each case to be paid monthly in arrears.

The Credit Facilities contain customary covenants applicable to FGI Opco and its subsidiaries, other than certain unrestricted subsidiaries. The Credit Facilities contain certain covenants, as well as restrictions on, among other things, the ability of FGI Opco and its subsidiaries to: incur debt; incur liens; declare or make distributions to stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; engage in asset sales; amend or modify governing documents; engage in businesses other than our business as currently conducted; and enter into transactions with affiliates. The Credit Facilities include customary events of default, including cross-defaults to the 2020 Notes and other indebtedness.

In addition, if the capacity under the New ABL is less than a specified amount for a certain period of time, funds deposited into any of FGI Opco's or certain of its subsidiaries' deposit accounts used for collections will be transferred on a daily basis into a blocked account with the administrative agent and applied to prepay loans under the New ABL and to cash collateralize letters of credit issued under the New ABL.

Para USA, Inc. Acquisition

On January 30, 2012, we acquired certain assets and assumed certain liabilities of Para USA, Inc. for approximately $5.0 million (the "Para Acquisition"), including cash, fees, debt repayments and escrow payments. Founded in 1985, Para has a reputation for innovation in 1911 style handguns. Para's high capacity frame and light double action (LDA™) trigger systems are part of the innovation that Para has brought to the well-known 1911 design. We believe the Para Acquisition is another step toward strengthening our competitive position, enhancing our research and development capabilities and growing our business.

Appointment of New Officers

On January 4, 2012, the Board appointed Robert Nardelli to serve as our Chief Executive Officer and on January 5, 2012, Stephen P. Jackson, Jr. was named Chief Strategy and Acquisition Integration Officer. Prior to this appointment, Mr. Jackson was our Chief Financial Officer and, upon appointment, Ronald Kolka was named Acting Chief Financial Officer.

On March 9, 2012, the Board received the resignations of Robert Nardelli from his position as Chief Executive Officer and John Blystone from his position as Chairman of the Board, both effective immediately. Also on March 9, 2012, the Board appointed George Kollitides II to serve as Chairman of the Board and Acting Chief Executive Officer, effective immediately. On April 20, 2012, the Board appointed George Kollitides II to serve as the Chief Executive Officer, effective immediately. Also, on April 20, 2012, effective immediately, the Board elected James P. Campbell to serve as Lead Director on the Board.

Completion of Recent Restructuring and Realignment Activities

In 2011, we realigned our corporate structure to enhance our focus on product quality and delivery. We estimated that we would incur $3.2 million of expense to complete the realignment. We did not incur any additional expense in the three months ended March 31, 2012; however, we disbursed approximately $1.0 million for severance and benefits during the period. We do not anticipate incurring any additional costs for the realignment.

In 2010, we began consolidating our firearms manufacturing facilities, which resulted in the closure of our facilities in North Haven, Connecticut and Windham, Maine. These restructuring activities of our firearms manufacturing facilities were completed by March 2011; however, we still maintain a $0.3 million reserve for previously covered healthcare benefits on former employees affected by the restructure. We haven't incurred any additional costs during the three months ended March 31, 2012, but have made nominal healthcare payments during this period. Based on the benefits offered, we believe some claims may be remitted in subsequent periods; however, we do not expect to make any significant future disbursements.

EBITDA Measurements

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

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

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

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

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

We compensate for these limitations by providing disclosure of the differences between our EBITDA calculations and GAAP results, including providing a reconciliation of GAAP results to Adjusted EBITDA, to enable investors to perform their own analysis of our operating results. See "–Results of Operations–Adjusted EBITDA" for a reconciliation of Net Income (Loss) Attributable to Controlling Interest to Adjusted EBITDA.

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

Results of Operations

Three Month Period Ended March 31, 2012 as Compared to the Three Month Period Ended March 31, 2011

Net Sales

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

	Three Months Ended March 31,					
	2012	Percentage of Total	2011	Percentage of Total	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Firearms	$127.4	62.0%	$94.9	53.9%	$32.5	34.2%
Ammunition	69.2	33.6	73.5	41.7	(4.3)	(5.9)
All Other	9.0	4.4	7.7	4.4	1.3	16.9
Total	$205.6	100.0%	$176.1	100.0%	$29.5	16.8%

Firearms

Net sales for the three months ended March 31, 2012 were $127.4 million, an increase of $32.5 million, or 34.2%, as compared to the three months ended March 31, 2011. Centerfire rifle sales increased $24.4 million, while handgun sales increased $1.9 million. In addition, rimfire rifle sales increased $3.1 million and shotgun sales increased $1.2 million, while sales of other firearms and firearm products increased $1.9 million. These increases were primarily the result of increased demand in the market place for modern sporting products, as well as volumes associated with our handgun introduction and new shotgun product offerings.

Ammunition

Net sales for the three months ended March 31, 2012 were $69.2 million, a decrease of $4.3 million, or 5.9%, as compared to the three months ended March 31, 2011. Sales of shotshell ammunition decreased $3.8 million, sales of centerfire ammunition decreased $0.4 million, and sales of components and other ammunition products decreased $1.0 million, as the Company initiated a program to rationalize unprofitable SKUs. These decreases were partially offset by increased sales of rimfire ammunition of $0.9 million.

All Other

Net sales were $9.0 million in all other businesses for the three months ended March 31, 2012, an increase of $1.3 million as compared to the prior year period due to higher sales volumes in our various accessories and apparel businesses.

Cost of Goods Sold and Gross Profit

The Company’s cost of goods sold includes all costs of material, labor and overhead associated with product manufacturing, except for transfer costs from our plants to our distribution center which are included in selling, general and administrative expense. The transfer costs totaled $0.2 million for both the three months ended March 31, 2012 and 2011. 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 March 31,					
	2012	Percentage of Net Sales	2011	Percentage of Net Sales	Increase (Decrease)	Percentage Change
	(dollars in millions)					
Cost of Goods Sold						
Firearms	$85.4	67.0%	$73.4	77.3%	$12.0	16.3%
Ammunition	48.2	69.7	54.2	73.7	(6.0)	(11.1)
All Other	1.7	18.9	4.2	54.5	(2.5)	(59.5)
Total	$135.3	65.8%	$131.8	74.8%	$3.5	2.7%
Gross Profit						
Firearms	$42.0	33.0%	$21.5	22.7%	$20.5	95.3%
Ammunition	21.0	30.3	19.3	26.3	1.7	8.8
All Other	7.3	81.1	3.5	45.5	3.8	108.6
Total	$70.3	34.2%	$44.3	25.2%	$26.0	58.7%

Firearms

Gross profit for the three months ended March 31, 2012 was $42.0 million, an increase of $20.5 million, or 95.3%, as compared to the prior-year period. Gross margin was 33.0% for the three months ended March 31, 2012 and 22.7% for the three months ended March 31, 2011. The increase in gross profit was primarily due to higher sales volumes of $10.2 million, favorable sales mix in certain product lines of $4.5 million, favorable pricing of $2.5 million, lower other costs of $2.6 million, primarily resulting from costs associated with transitioning and restructuring that existed in the prior year but did not recur in the current year, and lower consumer discounts of $0.7 million.

Ammunition

Gross profit for the three months ended March 31, 2012 was $21.0 million, an increase of $1.7 million, or 8.8%, as compared to the prior-year period. Gross margin was 30.3% for the three months ended March 31, 2012 and 26.3% for the three months ended March 31, 2011. The increase in gross profit was primarily related to favorable pricing of $4.0 million, lower consumer discounts of $0.9 million, lower other costs of $0.6 million, and favorable mix in certain products lines of $0.5 million. These increases were partially offset by lower sales volumes in certain product lines of $3.1 million and lower hedging gains of $1.2 million resulting from higher acquisition costs of contracts and higher strike prices.

All Other

Gross profit for the three months ended March 31, 2012 was $7.3 million, an increase of $3.8 million, or 108.6%, as compared to the prior-year period and was primarily due to increased sales demand in our higher margin accessories and apparel businesses.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, research and development expenses and other expenses. The following table sets forth certain information regarding operating expenses for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,			
	2012	2011	Increase (Decrease)	Percentage Change
	(dollars in millions)			
Selling, general and administrative expenses	$38.9	$39.0	$(0.1)	(0.3)%
Research and development expenses	3.1	2.6	0.5	19.2
Other expenses	2.1	1.9	0.2	10.5
Total	$44.1	$43.5	$0.6	1.4%

Total operating expenses for the three months ended March 31, 2012 were $44.1 million, an increase of $0.6 million, or 1.4%, as compared to the prior-year period. Selling, general and administrative expenses decreased $0.1 million, or 0.3%, primarily due to a decrease in salaries and benefits expense of $3.2 million, partially offset by increased incentive compensation expense of $2.1 million and increased legal expense of $1.0 million. Research and development expenses increased $0.5 million, or 19.2%, as compared to the prior-year period, primarily due to increased prototype work. Other expenses increased $0.2 million as compared to the prior-year period, primarily due to decreased licensing income.

Adjusted EBITDA

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

	Unaudited			
	Three Months Ended March 31,			
	2012	2011	Increase (Decrease)	Percentage Change
	(dollars in millions)			
Adjusted EBITDA				
Firearms	$ 25.4	$ 7.4	$ 18.0	243.2%
Ammunition	11.3	14.2	(2.9)	(20.4)
All Other	28.6	1.5	27.1	1806.7
Other Reconciling Items	(29.5)	(1.7)	(27.8)	1635.3
Total	$ 35.8	$ 21.4	$ 14.4	67.3%

Firearms

Adjusted EBITDA in our firearms segment increased $18.0 million, or 243.2%, for the three months ended March 31, 2012, primarily due to the favorable gross profit impact associated with higher sales volumes, an improved sales mix and favorable pricing on certain product lines. These increases were partially offset by lower nonrecurring addbacks in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to lower restructuring and integration charges.

Ammunition

Adjusted EBITDA in our ammunition segment decreased $2.9 million, or 20.4%, for the three months ended March 31, 2012. Although gross profit improved, Adjusted EBITDA decreased primarily due to lower nonrecurring addbacks in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to lower restructuring and integration charges.

All Other

Adjusted EBITDA in all other businesses increased $27.1 million for the three months ended March 31, 2012, primarily due to the favorable gross profit impact due to higher sales volumes in our various accessories and apparel businesses. These increases were partially offset by lower nonrecurring addbacks in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to lower restructuring and integration charges.

Changes in Reconciling Items:

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

	Unaudited			
	Three Months Ended 31,			
	2012	**2011**	**Increase (Decrease)**	**Percentage Change**
	(dollars in millions)			
Net Income (Loss) Attributable to Controlling Interest	$ 6.3	$ (9.4)	$ 15.7	167.0%
Adjustments:				
Depreciation	3.8	4.1	(0.3)	(7.3)
Interest	16.4	15.4	1.0	6.5
Income tax expense	3.5	(5.1)	8.6	168.6
Amortization of Intangibles	1.7	1.7	-	-
Other non-cash charges	(0.4)	2.8	(3.2)	(114.3)
Nonrecurring charges	4.5	11.9	(7.4)	(62.2)
Adjusted EBITDA	$ 35.8	$ 21.4	$ 14.4	67.3%

Other non-cash charges decreased $3.2 million for the three months ended March 31, 2012, primarily due to $2.5 million in lower retiree benefit expenses, $0.3 million in lower losses on disposal of assets and $0.4 million in lower other non-cash charges. Other non-cash charges for the three months ended March 31, 2012 consisted of $(0.7) million of retiree benefit expenses, $0.2 million in stock compensation expense and $0.1 million related to losses on disposal of assets.

Nonrecurring charges decreased $7.4 million for the three months ended March 31, 2012, primarily due to $10.6 million in lower restructuring expenses, partially offset by $0.3 million in higher employee related expenses and $2.9 million in higher other nonrecurring addbacks. Nonrecurring charges for the three months ended March 31, 2012 consisted primarily of $0.6 million in restructuring and integration charges, $0.3 million of employee related expenses and $3.6 million of other fees and transaction costs. The $3.6 million in other fees and transaction costs consisted primarily of $1.1 million in project fees, $0.9 million in legal fees related to a broadcast response, $0.5 million for the military products division ramp up costs, $0.2 million in bank fees, $0.2 million in relocation fees and $0.7 million in various other nonrecurring addbacks. Restructuring and integration charges include costs of factory and office integration, equipment transportation expenses, consulting fees, employee severance and other employee inducements.

Interest Expense

Interest expense was $16.4 million and $15.4 million for the three months ended March 31, 2012 and 2011, respectively. The $1.0 million increase in interest expense over the prior year period was primarily due to $1.6 million of increased interest expense related to the PIK Notes, as a result of the Company electing to pay half of its semi-annual interest payable in cash and increasing the PIK Notes principal by the remaining half of the interest payable in 2011. The PIK Notes debt was approximately $13.8 million higher as of March 31, 2012 compared to the prior year period. The increase in interest expense was partially offset by approximately $0.6 million in lower interest expense related to the Opco Notes due to the redemption of $27.5 million of the Opco Notes in July 2011.

Income Tax Provision

Our effective tax rate on continuing operations for the three months ended March 31, 2012 and 2011 was 35.7% and 34.9%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35.0% is principally due to state income taxes, permanent differences and utilization of available tax credits as of March 31, 2012 and 2011.

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 $55.2 million for the three months ended March 31, 2012 compared to net cash used in operating activities of $34.6 million for the three months ended March 31, 2011. The significant changes comprising the $20.6 million increase in net cash used in operating activities for three months ended March 31, 2012 compared to the prior-year period resulted primarily from:

- accounts receivable increasing $56.4 million over the three months ended March 31, 2012 compared to an increase of $34.1 million over the three months ended March 31, 2011, a net increase in cash used of $22.3 million due primarily to increased sales and the Company selectively increasing certain sales terms, thereby increasing our accounts receivable balance;
- inventory increasing by $30.2 million over the three months ended March 31, 2012 compared to an increase of $6.4 million over the three months ended March 31, 2011, a net increase in cash used of $23.8 million due to increases in safety stock and anticipated brisk demand for firearms; offset by
- the recognition of net income of $6.3 million for the three months ended March 31, 2012 compared to a net loss of $9.5 million for the three months ended March 31, 2011, a net decrease in cash used of $15.8 million; and
- accounts payable increasing $18.6 million for the three months ended March 31, 2012 compared to an increase of $12.7 million for the three months ended March 31, 2011, a net decrease in cash used of $5.9 million due primarily to the Company continuing to align vendor terms across FGI.

Net cash used in investing activities was $8.0 million for the three months ended March 31, 2012 and consisted of a $4.9 million payment, net of cash acquired, for the Para Acquisition and $3.1 million related to the purchase of property, plant and equipment. Net cash used in investing activities of $2.9 million for the three months ended March 31, 2011 was related to the purchase of property, plant and equipment of $3.3 million, offset by $0.4 million in proceeds from the sale of property, plant and equipment.

Net cash provided by financing activities was $34.4 million for the three months ended March 31, 2012 and consisted of $28.1 million of net proceeds from our revolving credit facilities, a $7.8 million book overdraft, partially offset by $1.0 million in payments on certain of our outstanding indebtedness and capital lease payments and $0.5 million in payments of debt issuance costs. Net cash provided by financing activities of $2.3 million for the three months ended March 31, 2011 was related to an increase in the book overdraft of $3.5 million, partially offset by $1.2 million in payments on certain of our outstanding indebtedness and capital leases.

Sources and Uses of Liquidity

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures and debt service obligations with internally generated funds from operations, and to satisfy working capital needs from time to time with borrowings under our revolving credit facility. We believe that we will be able to meet our debt service obligations and fund our short-term and long-term operating requirements in the future with cash flow from operations and borrowings under the ABL Revolver, although no assurance can be given in this regard.

We continue to focus on managing our working capital by monitoring inventory, accounts receivable and accounts payable key performance indicators while recognizing that changes to our sales volumes and timing can impact our working capital strategies. Rather than issue stock, we have typically used debt financing as a means of raising capital and we use our debt financing to either meet noncurrent obligations or to lower our cost of capital.

In April 2012, we refinanced our existing debt with the issuance of the 2020 Notes, the Term Loan B, and the New ABL, as discussed under “Recent Developments”. We believe the 2012 Refinancings will serve to materially improve our cost of capital and interest expense profile, which was originally put in place in July 2009 and consisted of the 10.25% Senior Secured Notes and the 11.25%/11.75% Senior PIK Notes. We believe the Term Loan B will provide us with an avenue to efficiently pay down debt and delever over time. Our historical all-bond structure limited our ability to cost effectively pay down debt.

In addition to the 2012 Refinancings, we believe the cash we generate internally from our operating activities provides us with an adequate financial pool that allows us to meet our short-term and strategic goals. Based on these factors, we believe our liquidity position is adequate to meet our financial commitments and manage our business.

Historical Debt

As of March 31, 2012, we had outstanding indebtedness of approximately $521.1 million, which consisted of the following:

- $247.6 million of outstanding 10.25% Senior Secured Notes due 2015;
- $242.0 million of outstanding 11.25%/11.75% Senior PIK Notes due 2015;
- $28.1 million of outstanding borrowings on the ABL Revolver;
- $1.2 million of unsecured, fixed interest financing for insurance premiums;
- $1.3 million of outstanding notes issued by Mountain Khakis that we assumed as part of the Mountain Khakis Acquisition; and
- $0.9 million of capital lease obligations.

At March 31, 2012, we were in compliance with all financial covenants.

In connection with the 2012 Refinancings, we have subsequently repaid all of the amounts outstanding under the Senior Secured Notes, the Senior PIK Notes and the ABL Revolver. See “–Recent Company Developments–Debt Refinancing” for more information on the 2012 Refinancings.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer and mailroom equipment. We have several operating leases, including a lease for our Memphis warehouse that expires in June 2016, our Madison annex office that expires in August 2014, and leases for several of our manufacturing facilities that expire on various dates through 2015. We maintain various 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.

As a result of our restructuring activities, we notified the Pension Benefit Guaranty Corporation (“PBGC”) that the closure of the manufacturing facility in North Haven, Connecticut may be considered a cessation of operations event under ERISA Section 4062(e). We are currently in the process of reviewing this matter with the PBGC to determine if additional funding, security or collateral may be required and over what time period. The PBGC has determined that our 4062(e) unfunded liability is approximately $10.1 million, which amount is determined on a different basis of accounting than that reflected in our financial statements. Our recorded liability under generally accepted accounting principles was approximately $8.7 million at March 31, 2012. At this time, we do not know the amount, if any, or any arrangements for any payments related to this matter; however, we do not believe the impact of any settlement with the PBGC will have a material impact on our liquidity, financial position or results of operations.

Capital Expenditures

Gross capital expenditures for the three months ended March 31, 2012 and 2011 were $3.1 million and $3.3 million, respectively, consisting primarily of capital expenditures both for new equipment related to the manufacture of firearms and ammunition and capital maintenance of existing facilities. We expect total capital expenditures for 2012 to be in the range of $20.0 million to $25.0 million, of which approximately $9.0 million is expected to be related to capital maintenance projects with the remainder related to capital expenditures for new assets and site improvements for our restructuring activities.

Off-Balance Sheet Arrangements

Off balance sheet arrangements consist of our obligations with respect to standby letters of credit of $7.6 million.

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 calculated 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 when risk of loss and title transfer to the customer. We continually evaluate our sales terms against criteria outlined in SEC Staff Accounting Bulletin 104, *Revenue Recognition*. We follow the industry practice of selling a limited amount of select firearms pursuant to a “dating” plan, allowing the customer to purchase these products commencing in December (the start of our dating plan year) and to pay for them on extended terms. Historically, use of the dating plan has had the effect of shifting some firearms sales from the second and third quarters to the first and fourth quarters. As a competitive measure, we offer extended terms on select ammunition purchases. However, use of the dating plans also results in deferral of collection of accounts receivable until the latter part of the year. Customers do not have the right to return unsold product. Management uses historical trend information and 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.

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 life 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. On October 1 of each year, we test for impairment of goodwill by reporting unit. Beginning in 2011, we performed a qualitative assessment on some of our reporting units to determine whether it was more likely than not that their fair values were less than their carrying values. If their fair value was determined to be less than their carrying value, we proceeded to use a two-step approach, which was also used to test goodwill impairment for those reporting units where a qualitative assessment was not performed. In the first step of the two-step approach, 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 in analyzing the adequacy of such reserves. Due to the inherently unpredictable nature of litigation, actual results will likely differ from estimates and those differences could be material.

Employee Benefit Plans

We have defined benefit plans and post-retirement benefit plans that cover certain of our salaried and hourly paid employees. As a result of amendments to our defined benefit plans, future accrued benefits for all employees were frozen as of January 1, 2008. As of January 1, 2011, future accrued benefits for eligible participants in our other postemployment benefit ("OPEB") plans were also frozen.

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. The discount rate is based on the yield of high quality fixed income investments expected to be available in the future when cash flows are paid. In addition, management also consults with independent actuaries in determining these assumptions. Our OPEB plans are unfunded but their discount rates are computed in a similar manner as those for our pension plans. The Marlin pension plan amortizes actuarial gains and losses that exceed 10% of either the projected benefit obligation or the market-related value of plan assets, whichever is greater as of the beginning of the year (the "corridor approach"), over the plan participants' average remaining life expectancy. The Marlin OPEB plan amortizes gains and losses over the plan participants' average remaining life expectancy and utilizes the corridor approach. Gains and losses in the Remington pension, Remington supplemental retirement and Remington OPEB plans are amortized over five years without using the corridor approach.

As discussed in our "Recent Company Developments", we initiated several restructuring activities during the past two years. Although the manufacturing integration is complete, we continue to streamline and move toward uniform functions and processes. Having similar assumptions for our two defined benefit pension and two post retirement plans is another step toward providing congruent policies. Due to these factors, we changed our policy to amortize actuarial gains and losses over the participants' average remaining life expectancy and employ the corridor approach for all of our retirement plans. We believe that implementing the corridor approach and amortizing actuarial gains and losses over the participants' average remaining life expectancy is preferable to our current practice because recognition of gains and losses will occur over the same period that the average benefit obligations are satisfied, gains and losses will be treated similarly as other components of pension costs and our assumptions will be uniform as all of our retirement plans have similar participant populations and attributes. The change in assumptions resulted in a change in estimate affected by a change in accounting principle and was made on a prospective basis as of January 1, 2012.

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 in analyzing the adequacy of such reserves.

Income Taxes

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

Fair Value Measurements

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

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

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

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

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

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

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

	Fair value measurements at March 31, 2012 using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Commodity Derivatives	Not applicable	$ 2.4 million	Not applicable	$ 2.4 million

Our commodity contract derivatives are valued by using either quoted prices or mathematical models that use observable market inputs such as spot prices and future commodity prices and are classified as Level 2 inputs on the fair value hierarchy.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter based on various factors, and it is possible that an asset or liability may be classified differently from quarter to quarter. However, we expect that changes in classifications between different levels will be rare.

Recent Accounting Pronouncements

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

Environmental Matters

Our operations are subject to a variety of federal, state and local environmental laws and regulations which govern, among other things, the discharge of hazardous materials into the air and water, handling, treatment, storage and disposal of such materials and remediation of contaminated soil and groundwater. We have programs in place that monitor compliance with these requirements and we 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. See "Item 4 – Legal Proceedings" and "Item 4 – Legal Proceedings—Certain Indemnities." To date, Remington has honored its responsibilities under the Purchase Agreement, but no assurance can be given that they will continue to do so in the future.

There are various pending proceedings associated with environmental liability for which DuPont and its affiliates have accepted liability. Our obligations in these cases are not expected to be material.

Marlin has also conducted other remediation activities at its former facilities. Costs for remediation 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 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 2012.

Regulatory Developments

The manufacture, sale, purchase, possession, import, export 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 Internal Revenue Code provisions applicable to the Firearms and Ammunition Excise Tax ("FAET"), which have been amended from time to time. The NFA, GCA, and permanent imports under these laws and the AECA, are administered and enforced by the Bureau of Alcohol, Tobacco, Firearms and Explosives through the Department of Justice; permanent and temporary 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, export, manufacture and sell firearms and ammunition. The NFA places various additional restrictions on certain firearms defined in that law and its regulations 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 or other authorizations to be in place prior to the import or export of certain defense articles, 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, authorizations 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 Assault Weapons Ban ("AWB"), which generally prohibited the manufacture of certain firearms defined under that statute as "assault weapons" and the sale or possession of "assault weapons" except for those that were manufactured prior to the law's enactment. 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. California passed handgun microstamping legislation that it intended to go into effect on January 1, 2010; however, implementation of that law is still on hold. Several other states ban the sale, possession and use of firearms altogether, and several others require firearms to be sold with internal or external locking mechanisms. Within the past few years, at least four states introduced, or currently have, 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 enacting 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 on 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 March 31, 2012 and 2011, we had long-term borrowings of $519.7 million and $504.8 million, respectively, excluding $1.4 million and $2.7 million for the three months ended March 31, 2012 and 2011, respectively, classified as short-term debt and the current portion of long-term debt. We had $28.1 million and zero of outstanding borrowings for the three months ended March 31, 2012 and 2011, respectively, which were issued at variable rates. However, interest on borrowings under our ABL Revolver is measured using LIBOR and Alternate Base Rate interest rates. Assuming no changes in the monthly average variable-rate debt levels of $2.7 million and $1.2 million for the twelve months ended March 31, 2012 and 2011, 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 March 31, 2012 and 2011 by less than $0.1 million for both periods on an annualized pretax basis.

We purchase copper and lead option and swap contracts to hedge against price fluctuations of anticipated commodity purchases. Lead and copper prices have experienced significant volatility in the current year as recent heightened demand in commodities from China began to dampen during the latter part of 2011. Lead and copper prices also had steep declines in September as default concerns in certain European debt markets led to speculation of a weakening global economy.

The amounts of premiums paid for commodity option contracts outstanding at March 31, 2012 were $2.5 million, which was $0.3 million lower than the same date in 2011. At March 31, 2012 and 2011, the market value of our outstanding swap and option contracts relating to firm commitments and anticipated purchases up to nine and eight months, respectively, was $2.4 million and $3.1 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 March 31, 2012 and 2011, we would experience an approximate $6.4 million and $3.6 million, respectively, increase in our cost of related inventory purchased on an annualized pretax basis, which would be partially offset by an approximate $3.9 million and $3.4 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 March 31, 2012 and 2011, we would experience an approximate $0.2 million increase in both periods for 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."

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, 2012.

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 March 31, 2012, approximately 47 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 regarding post-Asset Purchase occurrences involving *Remington* brand firearms and our ammunition products by settlement. The 47 pending cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement. In addition, we have 5 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 March 31, 2012, 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 March 31, 2012, our accrual for product liability and other product related cases and claims was approximately $17.5 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 cases and threatened, but unasserted, 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 that 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 that any probable loss exceeding amounts already recognized through our accruals has been incurred with respect to product liability and product related cases and claims.

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. Because of the nature of our products, we anticipate that we will continue to be involved in product liability and product related litigation in the future. Because of the potential nature of injuries relating to firearms and ammunition, certain public perceptions of our products and recent efforts to expand liability of manufacturers of firearms and ammunition, product liability cases and claims, and insurance costs associated with such cases and claims, may cause us to incur material costs.

Litigation Outlook

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

Certain Indemnities

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

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

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

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

DuPont and its affiliates' overall liability in respect of their representations, covenants and the Excluded Liabilities under the Purchase Agreement, excluding environmental liabilities and product liability matters relating to events occurring prior to the purchase but not disclosed, or relating to discontinued products, is limited to $324.8 million. With a few exceptions, DuPont and its affiliates' representations under the Purchase Agreement have expired. We made claims for indemnification involving product liability issues prior to such expiration. See "—Product Related Litigation."

In addition, DuPont and its affiliates agreed in 1996 to indemnify Remington against a portion of certain product liability costs involving various shotguns manufactured prior to 1995 and arising from occurrences on or prior to November 30, 1999. These indemnification obligations of DuPont and its affiliates relating to product liability and environmental matters (subject to a limited exception) are not subject to any survival period limitation, deductible or other dollar threshold or cap. We and DuPont and its affiliates are also party to separate agreements setting forth agreed procedures for the management and disposition of environmental and product liability claims and proceedings relating to the operation or ownership of the Remington business prior to the Asset Purchase, and are currently engaged in the joint defense of certain product liability claims and proceedings. See "—Product Related Litigation."

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