QUARTERLY REPORT

For the period ended:

October 1, 2017

Est. 1816

REMINGTON OUTDOOR COMPANY, INC.

(Exact name of company as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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)

REMINGTON OUTDOOR COMPANY, INC.

Quarterly Report

October 1, 2017

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References in this report to (1) the terms ''we,'' ''us,'' ''our,'' the ''Company," "Remington Outdoor Company'' and ''Remington Outdoor'' refer to Remington Outdoor Company, Inc. and its subsidiaries on a consolidated basis, (2) the term "FGI Holding" refers to FGI Holding Company, LLC, (3) the term "FGI Opco" refers to FGI Operating Company, LLC, (4) the term "FGI Finance" refers to FGI Finance, Inc., (5) the term ''Remington'' refers to Remington Arms Company, LLC and its direct and indirect subsidiaries, (6) the term "Outdoor Services" refers to Outdoor Services, LLC and *(7) the terms "2020 Notes," "Term Loan B," "ABL," "ABL Revolver" and "Promissory Note" have the respective meanings given to them in the "Notes to Consolidated Financial Statements – note 6 – 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

This quarterly report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations, financial results, businesses and the products of Remington Outdoor Company, Inc. 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 this quarterly report and the other reports we have made available on our website, including the matters set forth under the section entitled "Risk Factors," 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.

- Risks related to our indebtedness structure, including our ability to make scheduled payments of principal and interest on, or to refinance our obligations with respect to our indebtedness, our ability to comply with the covenants and restrictions contained in the instruments governing such indebtedness and the effect our high amount of indebtedness has on our operations and ability to implement our strategy.

- The seasonality of our business and our dependence on the fall hunting season.

- The development of rural property in many locations which could curtail or eliminate access to private and public lands previously available for hunting.

- Risks related to sales to the US and other governments including the use of indefinite delivery, indefinite quantity ("IDIQ") contracts.

- Disruption in our relationships with suppliers of raw materials.
- Volatility of commodity prices, including those for lead, copper, steel, brass, zinc, oil and natural gas.
- Risks related to the competitive environment in which we operate, including the significant competition we face from domestic and international competitors.
- Risks related to governmental regulation, including the additional costs that could be imposed on us or our customers or the risk that regulation could affect our sales.
- Potential liability under regulations relating to anti-corruption, trade controls, economic sanctions and similar laws.
- Product recalls, class action and product liability litigation, as well as unfavorable publicity or public perception of the firearms industry generally.
- Failure to maintain the strength of our brands, which may affect our market position and thus our financial condition.
- Potential exposure to claw-back provisions for a failure to meet certain targets related to construction, development and renovation incentives at our Arkansas and Alabama facilities.
- A diversion in management's focus due to our realignment activities.
- The impact of presidential, congressional and state electoral outcomes on the demand for our products.
- Our reliance on sales made to Wal-Mart, which accounted for 9%, 9%, 13% and 9% of our total sales for the ninth-month period ended October 1, 2017 and the years ended December 31, 2016, 2015 and 2014, respectively.

Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, 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.

Remington Outdoor Company, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(Dollars in Millions, Except for Number of Stock Shares)

	October 1, 2017 *Unaudited*	December 31, 2016	September 25, 2016 *Unaudited*
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 116.1	$ 116.2	$ 116.4
Trade Receivables, net of	129.4	99.6	159.5
$3.1, $2.1, and $1.0 allowance for bad debts, respectively			
Inventories	300.6	255.1	262.6
Prepaid Expenses and Miscellaneous Receivables	18.3	21.3	11.9
Assets Held for Sale	-	1.1	2.2
Total Current Assets	564.4	493.3	552.6
Property, Plant and Equipment, net of accumulated depreciation	235.8	237.9	238.3
Goodwill	51.3	79.9	79.9
Intangible Assets, net of accumulated amortization	82.5	89.9	92.0
Noncurrent Deferred Tax Assets	-	-	0.1
Other Assets	20.3	19.8	18.1
Total Assets	$ 954.3	$ 920.8	$ 981.0
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	$ 63.4	$ 78.6	$ 87.3
Short-Term Borrowings	6.5	7.9	6.0
Current Portion of Product Liability	11.0	8.2	10.1
Accrued Income Tax Provision	2.1	-	2.9
Accrued Expenses	105.3	117.1	134.0
Total Current Liabilities	188.3	211.8	240.3
Long-Term Debt, net of current portion	948.0	817.2	856.2
Retiree Benefits, net of current portion	73.9	81.6	77.7
Product Liability, net of current portion	19.6	19.6	17.2
Deferred Tax Liabilities	25.2	36.4	35.1
Other Long-Term Liabilities	51.2	51.4	50.6
Total Liabilities	1,306.2	1,218.0	1,277.1
Commitments and Contingencies (Note 13)			
Common Stock, Issued 351,472, 351,472 and 351,623 shares, respectively	0.2	0.2	0.2
Less: Treasury Stock	(0.2)	(0.2)	(0.2)
Paid-in Capital	13.0	12.3	12.1
Accumulated Other Comprehensive Loss	(76.0)	(81.1)	(80.0)
Accumulated Deficit	(288.9)	(228.4)	(228.2)
Total Stockholders' Deficit	(351.9)	(297.2)	(296.1)
Total Liabilities and Stockholders' Equity (Deficit)	$ 954.3	$ 920.8	$ 981.0

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

Remington Outdoor Company, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in Millions, Except for Number of Stock Shares)

	For the three months ended		For the nine months ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
Net Sales	$ 154.1	$ 221.7	$ 466.7	$ 644.0
Cost of Goods Sold	129.1	161.1	377.0	470.0
Gross Profit	25.0	60.6	89.7	174.0
Selling, General and Administrative Expenses	22.2	31.0	72.3	88.1
Research and Development Expenses	2.9	3.6	9.2	10.6
Impairment Charges	-	2.3	33.2	2.3
Other Expense	0.4	1.1	2.6	3.4
Operating Income (Loss)	(0.5)	22.6	(27.6)	69.6
Interest Expense	15.5	14.6	45.6	45.6
Income (Loss) Before Income Taxes and Noncontrolling Interests	(16.0)	8.0	(73.2)	24.0
Income Tax Expense (Benefit)	-	(1.5)	(12.7)	4.7
Net Income (Loss)	(16.0)	9.5	(60.5)	19.3
Add: Net (Income) Loss Attributable to Noncontrolling Interest	-	-	-	(0.2)
Net Income (Loss) Attributable to Controlling Interest	$ (16.0)	$ 9.5	$ (60.5)	$ 19.1
Net Income (Loss) Applicable to Common Stock	$ (16.0)	$ 9.5	$ (60.5)	$ 19.1
Net Income (Loss) Per Common Share, Basic	$ (45.93)	$ 27.35	$ (173.32)	$ 55.06
Net Income (Loss) Per Common Share, Diluted	$ (45.93)	$ 27.35	$ (173.32)	$ 55.06
Weighted Average Number of Shares Outstanding, Basic	349,783	347,675	349,272	347,130
Weighted Average Number of Shares Outstanding, Diluted	349,783	347,675	349,272	347,130

Net Sales are presented net of Federal Excise taxes of $14.2 and $20.7 for the three months ended October 1, 2017 and September 25, 2016, respectively, and $39.9 and $56.2 for the nine months ended October 1, 2017 and September 25, 2016, respectively.

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in Millions)

	For the three months ended		For the nine months ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
Net Income (Loss)	$ (16.0)	$ 9.5	$ (60.5)	$ 19.3
Other Comprehensive Income (Loss):				
Net Foreign Currency Translation Adjustments	-	0.1	-	(0.3)
Net Derivative Gains (Losses), net	1.4	5.8	5.1	12.1
Total Other Comprehensive Income (Loss)	1.4	5.9	5.1	11.8
Comprehensive Income (Loss)	(14.6)	15.4	(55.4)	31.1
Add: Comprehensive Loss Attributable to Noncontrolling Interests	-	-	-	(0.2)
Total Comprehensive Income (Loss) Attributable to Controlling Interests	$ (14.6)	$ 15.4	$ (55.4)	$ 30.9

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in Millions)

	For the nine months ended October 1, 2017	For the nine months ended September 25, 2016
Operating Activities		
Net Income (Loss)	$ (60.5)	$ 19.3
Adjustments:		
Impairment Charges	33.2	2.3
Depreciation	15.6	17.5
Amortization	2.9	3.4
Retirement Plans' Expense (Income)	0.5	0.3
Deferred Income Taxes	(14.4)	1.1
Share Based Compensation Charges	0.7	1.3
Other Non-Cash Charges	3.7	5.5
Changes in Operating Assets and Liabilities:		
Trade Receivables	(29.9)	(60.4)
Inventories, net	(40.6)	(44.6)
Prepaid Expenses and Other Assets	6.9	3.3
Accounts Payable	(13.6)	1.6
Accrued Income Tax Provision	1.7	3.1
Contributions to Retirement Plans	(8.3)	(0.4)
Other Liabilities	(5.3)	26.8
Net Cash Used in Operating Activities	(107.4)	(19.9)
Investing Activities		
Purchase of Property, Plant and Equipment	(18.3)	(21.2)
Proceeds from Sale of Subsidiary, net	-	0.8
Proceeds from Sale of Property, Plant and Equipment	1.7	1.5
Net Cash Used in Investing Activities	(16.6)	(18.9)
Financing Activities		
Proceeds from Revolving Credit Facilities	283.4	261.5
Payments on Revolving Credit Facilities	(152.5)	(219.8)
Principal Payments on Debt	(7.0)	(4.3)
Payment of Stock Dividends	(0.2)	(0.2)
Proceeds from State and Local Incentives	2.7	2.2
Book Overdraft	(2.5)	(2.2)
Net Cash Provided by Financing Activities	123.9	37.2
Effect of Exchange Rate Changes on Cash	-	(0.4)
Change in Cash and Cash Equivalents	(0.1)	(2.0)
Cash and Cash Equivalents at Beginning of Period	116.2	118.4
Cash and Cash Equivalents at End of Period	$ 116.1	$ 116.4
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 36.7	$ 35.6
Income Taxes, Net of Refunds	(0.4)	(0.2)
Noncash Financing and Investing Activities:		
Accrued Capital Expenditures	1.5	3.4
Capital Lease Obligations Incurred	-	-

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Deficit) and Accumulated Comprehensive Income (Loss) (Unaudited)
(Dollars in Millions)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Controlling Interest Stockholders' Equity (Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
Balance, January 1, 2017	$ 0.2	$ (0.2)	$ 12.3	$ (81.1)	$ (228.4)	$ (297.2)	$ -	$ (297.2)
Net Income					(60.5)	(60.5)	-	(60.5)
Other Comprehensive Income				5.1		5.1		5.1
Share-Based Compensation			0.7			0.7		0.7
Balance, October 1, 2017	$ 0.2	$ (0.2)	$ 13.0	$ (76.0)	$ (288.9)	$ (351.9)	$ -	$ (351.9)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Controlling Interest Stockholders' Equity (Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
Balance, January 1, 2016	$ 0.2	$ (0.2)	$ 10.7	$ (91.8)	$ (247.1)	$ (328.2)	$ (0.4)	$ (328.6)
Net Income					19.1	19.1	0.2	19.3
Other Comprehensive Income				11.8		11.8		11.8
Share-Based Compensation			1.3			1.3		1.3
Dissolution of of Noncontrolling Interest					(0.2)	(0.2)	0.2	-
Stock Subscription		-	0.1		-	0.1		0.1
Balance, September 25, 2016	$ 0.2	$ (0.2)	$ 12.1	$ (80.0)	$ (228.2)	$ (296.1)	$ -	$ (296.1)

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

1. Basis of Presentation

The accompanying unaudited interim condensed and consolidated financial statements include those of Remington Outdoor Company, Inc. (“Remington Outdoor Company,” “Remington Outdoor,” or the “Company”) and its subsidiaries. Remington Outdoor 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”) and RA Brands, L.L.C. FGI Opco also owns 100% of FGI Finance, Inc. (“FGI Finance”). On October 14, 2016, the Company sold substantially all of the assets of its interest in Remington Outdoor (UK) Ltd. (“Remington UK”). The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, including Remington UK through the date of its sale. All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited interim condensed and consolidated financial statements have been prepared (i) in accordance with GAAP applicable to interim financial statements and (ii) consistent with the rules and regulations of the SEC for reporting interim financial information. Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The unaudited interim condensed and consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2016. 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 and six month periods may not be indicative of a full year’s result.

The Company uses a calendar year/5-4-4 based fiscal month reporting period. Under this fiscal cycle, each reporting quarter contains approximately 13 weeks of operations and ends on the last Sunday of the quarter, except for the last quarter which ends on December 31.

2. Fair Value Measurements

ASB 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.

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

Recurring Fair Value Measurements

The following table presents assets and liabilities that are measured at fair value on a recurring basis and the effects of master netting agreements:

As of October 1, 2017	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Commodity Derivative Contracts	$ -	$ 8.9	$ -	$ -	$ 8.9
Interest Rate Derivative Contracts	-	1.0	-	(0.7)	$ 0.3
Total Assets	$ -	$ 9.9	$ -	$ (0.7)	$ 9.2
Liabilities:					
Commodity Derivative Contracts	$ -	$ -	$ -	$ -	$ -
Interest Rate Derivative Contracts	-	0.7	-	(0.7)	-
Total Liabilities	$ -	$ 0.7	$ -	$ (0.7)	$ -
As of December 31, 2016:	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustments**	**Net Fair Value**
Assets:					
Commodity Derivative Contracts	$ -	$ 5.7	$ -	$ (0.2)	$ 5.5
Interest Rate Derivative Contracts	-	1.5	-	(1.4)	$ 0.1
Total Assets	$ -	$ 7.2	$ -	$ (1.6)	$ 5.6
Liabilities:					
Commodity Derivative Contracts	$ -	$ 0.2	$ -	$ (0.2)	$ -
Interest Rate Derivative Contracts	-	1.4	-	(1.4)	-
Total Liabilities	$ -	$ 1.6	$ -	$ (1.6)	$ -
As of September 25, 2016	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustments**	**Net Fair Value**
Assets:					
Commodity Derivative Contracts	$ -	$ 0.3	$ -	$ (0.2)	$ 0.1
Interest Rate Derivative Contracts	-	0.9	-	(0.9)	-
Total Assets	$ -	$ 1.2	$ -	$ (1.1)	$ 0.1
Liabilities:					
Commodity Derivative Contracts	$ -	$ 0.2	$ -	$ (0.2)	$ -
Interest Rate Derivative Contracts	-	1.5	-	(0.9)	0.6
Total Liabilities	$ -	$ 1.7	$ -	$ (1.1)	$ 0.6

The fair values of the Company's derivative contracts are determined using standard valuation models and observable market inputs which are classified as Level 2 inputs. Inputs used in the valuation models include spot and future prices, interest rates, forward rates, and discount rates that are based on London Inter Bank Offered Rate ("LIBOR") and U.S. Treasury rates. Refer to note 14.

All of the Company's derivative instruments are currently subject to master netting agreements which allow gain and loss positions with the same counterparty to be netted when settled. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet.

Nonrecurring Fair Value Measurements

The following table presents assets that were measured at fair value on a nonrecurring basis for the year ended December 31, 2016 and for the nine months ended October 1, 2017:

	Fair Value as of December 31, 2016	Fair Value as of October 1, 2017	Impairment Charge
Goodwill[1]	$ 43.2	$ 14.6	$ 28.6
Intangible Assets[1]	15.5	11.0	4.5
Property, Plant and Equipment[2]	0.1	-	0.1
Total	$ 57.9	$ 24.7	$ 33.2

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

[1] The Company recognized impairment charges of $33.1 on intangible assets in its Firearms segment, consisting of $28.6 of goodwill impairment and $4.5 of intangible assets impairment. The charge was determined by comparing the fair value of the assets to their carrying value. The fair value was calculated using the discounted cash flow method based on Level 3 inputs and the market approach based on Level 2 inputs. Refer to note 4.

[2] In 2017, the Company recognized impairment charges of $0.1 on the write off of equipment related to the consolidation of the Kennesaw, Georgia facility into the Huntsville, Alabama facility.

Other Fair Value Measurements

Due to their liquid nature, the carrying values of cash and cash equivalents, trade receivables, accounts payable and other accrued liabilities are considered representative of their fair values. The fair value of the Company's fixed rate notes was measured using the quoted trading price of its notes at October 1, 2017, December 31, 2016, and September 25, 2016, which is considered a Level 2 input. The following table describes the estimated fair value of the Company's debt for the periods indicated:

	October 1, 2017	December 31, 2016	September 25, 2016
Fair Value	$ 735.1	$ 768.6	$ 792.4
Carrying Value	$ 964.5	$ 838.8	$ 877.0

Concentrations of Credit Risk

Sales to one customer represented 13.5% and 9.1% of sales for the three and nine months ended October 1, 2017. Sales to the same customer represented 16.6% and 10.6% of sales for the three and nine months ended September 25, 2016.

3. Inventories, net

	October 1, 2017	December 31, 2016	September 25, 2016
Raw Materials	$ 63.0	$ 65.5	$ 64.1
Semi-Finished Products	47.0	45.1	44.5
Finished Products	190.6	144.5	154.0
Total	$ 300.6	$ 255.1	$ 262.6

4. Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the periods ended October 1, 2017, December 31, 2016, and September 25, 2016 by reporting segment are as follows:

Goodwill by Segment:	October 1, 2017	December 31, 2016	September 25, 2016
Firearms[1]	$ 14.6	$ 43.2	$ 43.2
Ammunition	23.9	23.9	23.9
Consumer	12.8	12.8	12.8
Total Goodwill	$ 51.3	$ 79.9	$ 79.9

[1] The Company recognized a $28.6 impairment charge related to goodwill in its Firearms segment as a result of the goodwill impairment testing completed during the three months ended April 2, 2017.

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

Intangible Assets Other Than Goodwill

The following table summarizes the carrying amounts of intangible assets other than goodwill for the periods ended October 1, 2017, December 31, 2016, and September 25, 2016:

	October 1, 2017	December 31, 2016	September 25, 2016
Indefinite-Lived Intangible Assets:			
Trademarks[1]	$ 62.6	$ 67.1	$ 67.7
Definite-Lived Intangible Assets:			
Customer Relationships	18.9	21.2	22.5
Developed Technology	0.9	1.3	1.5
Other	0.1	0.3	0.3
Total Intangible Assets Other than Goodwill	$ 82.5	$ 89.9	$ 92.0

[1] The Company recognized a $4.5 impairment charge related to trademarks in its Firearms segment as a result of the trademark impairment testing completed during the three months ended April 2, 2017.

The following table summarizes changes related to the carrying amounts of the Company's definite-lived intangible assets for the nine months ended October 1, 2017:

Definite-Lived Intangible Assets:	December 31, 2016	Changes [1]	October 1, 2017
Customer Relationships, net	$ 21.2	$ (2.3)	$ 18.9
Developed Technology, net	1.3	(0.4)	0.9
Other, net [2]	0.3	(0.2)	0.1
Total Definite-Lived Intangible Assets, net	$ 22.8	$ (2.9)	$ 19.9

[1] Amortization expense of intangible assets was $1.0 and $1.0 for the three months ended October 1, 2017 and September 25, 2016, respectively, and $2.9 and $3.4 for the nine months ended October 1, 2017 and September 25, 2016, respectively.
[2] Represents patents, in-process technology and non-compete agreements.

5. Accrued Liabilities

Accrued Liabilities consisted of the following at:

	October 1, 2017	December 31, 2016	September 25, 2016
Product Safety Reserve	$ 9.4	$ 10.2	$ 10.4
Settlement Reserve	22.1	23.5	24.2
Excise Tax	14.4	17.5	19.6
Marketing	11.3	21.2	18.0
Other	48.1	44.7	61.8
Total	$ 105.3	$ 117.1	$ 134.0

6. Debt

The Company's long-term debt consisted of the following as of October 1, 2017, December 31, 2016 and September 25, 2016:

October 1, 2017	Total Debt	Debt Issuance Costs	Net Debt
7.875% Senior Secured Notes due 2020 (the "2020 Notes")	$ 250.0	$ (3.9)	$ 246.1
Seven Year Term Loan B (the "Term Loan B")	550.7	(4.8)	545.9
Credit Facility (the "ABL Revolver" or "ABL")	150.6	(1.3)	149.3
Promissory Note	12.5	-	12.5
Other Debt[1]	0.7	-	0.7
Subtotal	$ 964.5	$ (10.0)	$ 954.5
Less: Current Portion	(6.5)	-	(6.5)
Total	$ 958.0	$ (10.0)	$ 948.0

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

December 31, 2016	Total Debt	Debt Issuance Costs	Net Debt
2020 Notes	$ 250.0	$ (4.9)	$ 245.1
Term Loan B	554.5	(6.9)	547.6
ABL Revolver	19.7	(1.9)	17.8
Promissory Note	12.5	-	12.5
Other Debt[1]	2.1	-	2.1
Subtotal	$ 838.8	$ (13.7)	$ 825.1
Less: Current Portion	(7.9)	-	(7.9)
Total	$ 830.9	$ (13.7)	$ 817.2
September 25, 2016	**Total Debt**	**Debt Issuance Costs**	**Net Debt**
2020 Notes	$ 250.0	$ (5.2)	$ 244.8
Term Loan B	557.2	(7.6)	549.6
ABL Revolver	57.1	(2.0)	55.1
Promissory Note	12.5	-	12.5
Other Debt[1]	0.2	-	0.5
Subtotal	$ 877.0	$ (14.8)	$ 862.2
Less: Current Portion	(6.0)	-	(6.0)
Total	$ 871.0	$ (14.8)	$ 856.2

[1] Other Debt consists of borrowings under short-term financings for insurance premiums and capital lease obligations.

2020 Notes

The 2020 Notes, co-issued by FGI Opco and FGI Finance (the "Issuers") are guaranteed by Remington Outdoor, FGI Holding and each of FGI Opco's wholly-owned restricted subsidiaries that are borrowers or guarantors under the ABL and Term Loan B (collectively, the "Guarantors"). Interest is payable on the 2020 Notes semi-annually on May 1 and November 1 of each year. The Issuers may redeem some or all of the 2020 Notes in whole or in part including accrued and unpaid interest at the prices set forth in the indenture governing the 2020 Notes.

Term Loan B

The Term Loan B agreement was entered into by FGI Opco, as the borrower, and is guaranteed by FGI Holding and each of FGI Opco's wholly-owned direct and indirect domestic subsidiaries, excluding Outdoor Services. Borrowings under the Term Loan B bear interest at an annual rate of either (a) the LIBOR rate (with a floor of 1.25%) plus a spread or (b) the base rate (with a floor of 2.25%) plus a spread. The Term Loan B has annual amortization payments due each year in an amount equal to 1% of the original principal balance thereof, with the balance due at the April 2019 maturity date. FGI Opco may voluntarily prepay the Term Loan B in whole or in part without premium or penalty. The Term Loan B also had an accordion feature that has been exercised on two occasions.

At October 1, 2017, the weighted average interest rate on the Term Loan B was 5.5%.

ABL Revolver

The ABL Revolver is a $225.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans, which has a June 2019 maturity. Borrowings under the ABL Revolver 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 ABL Revolver as provided in the ABL Revolver. The ABL Revolver includes an unused line fee of 0.375% that is charged at an annual rate and 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.

On April 25, 2017, the Company entered into an Incremental Amendment No. 2 to the ABL Revolver. The amendment utilizes existing provisions within the ABL Revolver to temporarily increase total borrowing availability under the existing ABL Revolver from $225.0 to $264.7 until December 4, 2017. During this period, the minimum availability condition was increased to $39.7 (the "Excess Availability").

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

As of October 1, 2017, the Company had $150.6 of outstanding borrowings under the ABL Revolver with a 3.48% weighted average interest rate. At October 1, 2017, the Company had the ability to borrow an additional $62.8. If the Excess Availability falls below $39.7, the Company will be required to comply with certain restrictive covenants including covenants related to permitted investments, repurchase of capital stock, incurrence of indebtedness, sales of assets and dividend distributions. In addition, if the Excess Availability falls below $26.5, lenders have the right to enforce collections and amounts owed to FGI Opco on certain accounts and collateral.

Outstanding standby letters of credit at October 1, 2017 were approximately $8.2.

Promissory Note

In February 2014, the Company entered into a Promissory Note (the "Promissory Note") with the city of Huntsville, Alabama for $12.5. Borrowings under the Promissory Note bear interest at an annual rate of 5.0% per annum. The Promissory Note has an eleven-year term with annual amortization payments due each year beginning on the second anniversary of the issuance equal to 10% of the original principal balance. If the Company meets certain employment goals for the year preceding the principal and interest payment dates, the annual principal and related interest for that payment period will be forgiven. As of December 31, 2016, the Company had met the criteria for the year preceding and no principal and interest payments are due in 2017.

Other Debt

Other Debt consists of unsecured, fixed interest agreements for financing premiums on the Company's insurance policies. The interest rates under these annual agreements range from 3.25% to 3.44%, which mature within the next year.

The Company was in compliance with its debt covenants at October 1, 2017. For a further description of the Company's other indebtedness, see "7. Debt—Other Debt" on its form 10-K for the year ended December 31, 2016 available on its website.

7. Stock Compensation

Restricted Stock/Restricted Units

There were no changes in the restricted common unit/shares for the nine months ended October 1, 2017 as compared to the year ended December 31, 2016:

	Restricted Common Units/Shares Outstanding	Weighted-Average Grant Date Fair Value	Units/Shares Vested
Balance at December 31, 2016	9,318	$ 2,006.47	8,320
Balance at October 1, 2017	9,318	$ 2,006.47	9,064

Compensation expense related to restricted share incentive awards was approximately $0.1 and $0.4 for the three and nine months ended October 1, 2017, respectively. Compensation expense related to restricted share incentive awards was approximately $0.3 and $0.7 for the three and nine months ended September 25, 2016, respectively. The compensation expense is included in Other Expense on the consolidated statement of operations. The Company expects to recognize an additional $0.2 in compensation expense through 2017 for the non-vested restricted shares.

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

Stock Options

On May 14, 2008, the Company's Board of Directors (the "Board") adopted the Remington Outdoor Company, Inc. 2008 Stock Incentive Plan (formerly the American Heritage Arms, Inc. 2008 Stock Incentive Plan, as amended and restated through December 31, 2013) (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 Remington Outdoor common stock (the "Common Stock"), through the grant of awards. Remington Outdoor, 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 Remington Outdoor and its subsidiaries. In the first quarter of 2016, the Board amended the Plan to increase the maximum number of Common Stock awards that may be granted under the Plan from 48,500 to 56,000. No other changes were made to the Plan.

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 56,000 shares, including 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 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 issued under the Plan, 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 Company recognized approximately $0.1 and $0.3 of compensation expense for the three and nine months ended October 1, 2017, respectively. The Company recognized $0.1 and $0.6 of compensation expense for the three and nine months ended September 25, 2016, respectively. The Company expects to recognize $0.5 in additional compensation expense through 2020 related to the outstanding options.

A summary of the stock option activity for the Plan for the nine months ended October 1, 2017 is as follows:

	Number of Awards	Weighted-Average Exercise Price
Awards outstanding at December 31, 2016	33,186	$ 65.71
Awards Forfeited	6,239	$ 94.34
Awards outstanding at October 1, 2017	26,947	$ 59.08
Awards vested at October 1, 2017	15,973	$ 60.52
Awards available for grant at October 1, 2017	11,858	

8. Stockholders' Equity

The Company is authorized to issue 200,000 shares of $0.01 par value preferred stock as approved by the Board. As of October 1, 2017, there were 190,000 shares of preferred stock approved for issuance as Series A preferred stock, with no other approved classes of preferred stock issued or outstanding. There were 186,977 shares issued and zero shares outstanding of the Company's Series a preferred stock for all periods presented. All issued preferred shares are held in treasury.

The Company is also authorized to issue 400,000 shares of $0.01 par value common stock. There were no changes in the Company's common stock for the nine months ended October 1, 2017:

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

Common Stock	**Issued**	**Held in Treasury**	**Outstanding**
Shares of Common Stock at December 31, 2016	351,472	(685)	350,787
Shares of Common Stock at October 1, 2017	351,472	(685)	350,787

9. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) ("OCI") and their related tax effects for the three months ended October 1, 2017 and September 25, 2016 are as follows:

Three Months Ended October 1, 2017	**Before Taxes**	**Taxes**	**After Taxes**
Foreign currency translation adjustments [1,2]	$ -	$ -	$ -
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	4.9	(1.8)	3.1
Net (gains) losses reclassified into earnings	(2.6)	0.9	(1.7)
Net derivative gains (losses) [2]	$ 2.3	$ (0.9)	$ 1.4
Other Comprehensive Income (Loss) [2]	$ 2.3	$ (0.9)	$ 1.4
Three Months Ended September 25, 2016			
Foreign currency translation adjustments [1,2]	$ 0.1	$ -	$ 0.1
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	4.1	-	4.1
Net (gains) losses reclassified into earnings	1.7	-	1.7
Net derivative gains (losses) [2]	$ 5.8	$ -	$ 5.8
Other Comprehensive Income (Loss) [2]	$ 5.9	$ -	$ 5.9

The components of OCI and their related tax effects for the nine months ended October 1, 2017 and September 25, 2016 are as follows:

Nine Months Ended October 1, 2017	**Before Taxes**	**Taxes**	**After Taxes**
Foreign currency translation adjustments [1,2]	$ -	$ -	$ -
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	11.3	(4.3)	7.0
Net (gains) losses reclassified into earnings	(3.0)	1.1	(1.9)
Net derivative gains (losses) [2]	$ 8.3	$ (3.2)	$ 5.1
Other Comprehensive Income (Loss) [2]	$ 8.3	$ (3.2)	$ 5.1
Nine Months Ended September 25, 2016			
Foreign currency translation adjustments [1,2]	$ (0.3)	$ -	$ (0.3)
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	2.5	-	2.5
Net (gains) losses reclassified into earnings	9.6	-	9.6
Net derivative gains (losses) [2]	$ 12.1	$ -	$ 12.1
Other Comprehensive Income (Loss) [2]	$ 11.8	$ -	$ 11.8

[1] U.S. income taxes are not accrued on foreign currency translation adjustments.

[2] Amounts net of tax appear on the condensed consolidated statements of comprehensive income (loss).

[3] Net derivative gains and losses that are reclassified out of Accumulated Other Comprehensive Income ("AOCI") are recognized in their entirety in Cost of Sales on the Company's condensed consolidated statement of operations in the same reporting period during which they were realized. For additional information on the Company's derivative instruments that are designated as cash flow hedges, refer to note 14.

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		Nine Months Ended	
	October 1, 2017	**September 25, 2016**	**October 1, 2017**	**September 25, 2016**
Numerator:				
Net income (loss) applicable to common shareholders	$ (16.0)	$ 9.5	$ (60.5)	$ 19.1
Denominator:				
Weighted average common shares outstanding (basic)	349,783	347,675	349,272	347,130
Weighted average common shares outstanding (diluted)	349,783	347,675	349,272	347,130
Loss per Common Share:				
Basic	$ (45.93)	$ 27.35	$ (173.32)	$ 55.06
Diluted	$ (45.93)	$ 27.35	$ (173.32)	$ 55.06

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		Nine Months Ended	
	October 1, 2017	**September 25, 2016**	**October 1, 2017**	**September 25, 2016**
Restricted Stock	525	3,262	525	3,262
Stock Options	26,947	35,109	26,947	35,109
Total	27,472	38,371	27,472	38,371

11. Income Taxes

The effective tax rate on continuing operations for the nine months ended October 1, 2017 and September 25, 2016 was 17.3% and 19.6%, respectively.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the nine months ended October 1, 2017 was principally due to the impairment of goodwill and trademarks as well as an income tax benefit recorded in continuing operations as a result of the income tax expense recorded in OCI due to the ASC 740 intraperiod allocation rules.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the nine months ended September 25, 2016 was principally due to an increase in deferred tax liabilities associated with indefinite lived intangible assets.

As of October 1, 2017, a valuation allowance of $109.8 was recorded against deferred tax assets in accordance with the provisions of ASC 740. Realization of deferred tax assets is largely dependent upon future profitable operations and the reversals of existing temporary differences. Although there can be no assurance that such events will occur, the valuation allowance may be reversed in future periods to the extent that related deferred income tax assets no longer require a valuation allowance under the provisions of ASC 740.

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 table summarizes the components of net periodic pension cost for the periods indicated:

	Three Months Ended		Nine Months Ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
Service cost	$ -	$ 0.1	$ 0.1	$ 0.2
Interest Cost	2.5	2.6	7.5	7.8
Expected Return on Assets	(3.4)	(3.6)	(10.4)	(10.7)
Recognized Net Actuarial Losses	1.0	0.9	3.2	2.8
Net Periodic Pension (Benefit)/Cost	$ 0.1	$ -	$ 0.4	$ 0.1

The Company made approximately $8.2 of contributions to its Plans in the nine months ended October 1, 2017. The Company expects to make additional cash contributions totaling approximately $1.3 to the Plans during the remainder of the current fiscal year.

Other Postretirement Benefit Plans

The following table summarizes the components of net periodic post-retirement cost for the periods indicated:

	Three Months Ended		Nine Months Ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
Interest Cost	$ -	$ -	$ 0.1	$ 0.2
Amortization of Prior Service Cost	-	(0.1)	-	(0.1)
Net Periodic Post-Retirement(Benefit) Cost	$ -	$ (0.1)	$ 0.1	$ 0.1

13. Commitments and Contingencies

Purchase Commitments

The Company has various purchase commitments for services incidental to the ordinary course 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.

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 specified costs. The Company's assumption of financial responsibility was largely limited to a fixed amount that has now been fully paid, and due to a reduction in expected litigation due to factors including, among others, increased prevalence of insurance and passage of time, 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. 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. 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 involving post-Asset Purchase occurrences, 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 specified 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 exists.

At October 1, 2017, December 31, 2016, and September 25, 2016, the Company's accrual for product liability cases and claims was $30.6, $27.8, and $27.3, respectively.

As of October 1, 2017, the Company had two class action cases pending relating to breach of warranty claims concerning certain of its firearms products where economic damages were being claimed. The Company and the plaintiffs entered into a settlement agreement in late 2014. A final approval hearing was held on February 14, 2017. On March 14, 2017, the Court entered a final order granting the parties' joint motion for final settlement approval, certifying classes for settlement purposes, approving the plaintiffs' supplemental fee application, and dismissing the matter with prejudice. Objectors to the settlement filed a notice of appeal on April 13, 2017. The parties have filed their respective briefs. Oral argument has not yet been set by the court.

14. Derivatives

The Company's activities are exposed to several market risks which could have an adverse effect on its earnings and financial performance. As part of the Company's risk management program, these market risks are regularly monitored and managed and the Company utilizes derivative instruments to mitigate the effects of those market risks.

All of the Company's current derivative instruments are subject to master netting agreements and payments for the derivative contracts are allowed to be netted. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet. Refer to note 2 for the net fair value presentation of the Company's derivative instruments as presented on the condensed consolidated balance sheet.

Cash Flow Hedges

The Company periodically enters into copper and lead commodity swap or option contracts to mitigate price fluctuations on future commodity purchases. Both commodity option and swap contracts qualify for and have been designated as cash flow hedges and changes in the fair values of these contracts are recorded in AOCI until sales of ammunition that included previously hedged purchases of copper and lead have been recognized. Approximately $3.0 of the net commodity contracts' loss (net of deferred taxes) included in AOCI is expected to be reclassified into earnings within the next twelve months.

At October 1, 2017, the fair values of the Company's outstanding swap contracts were $8.9 and hedged firm commitments of an aggregate notional amount of 38.5 million pounds of copper and lead. The commodity swap contracts outstanding at October 1, 2017 will settle at various times over the next 15 months. At December 31, 2016, the fair values of the Company's outstanding swap contracts were $5.5 and hedged firm commitments of an aggregate notional amount of 49.9 million pounds of copper and lead and were expected to settle over 18 months. At September 25, 2016, the fair values of the Company's outstanding swap contracts were $0.1 and hedged firm commitments of an aggregate notional amount of 39.5 million pounds of copper and lead. The commodity swap contracts outstanding at September 25, 2016 were expected to settle over 15 months.

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

The following table presents the fair value of the Company's derivative instruments that were designated as cash flow hedges on a gross basis without the effect of master netting agreements at the following dates:

Derivatives Designated as Cash Flow Hedges	Balance Sheet Location	October 1, 2017	December 31, 2016	September 25, 2016
Assets				
Commodity Contracts	Prepaid Expenses and Misc. Receivables	$ 8.1	$ 5.5	$ -
Commodity Contracts	Other Assets	0.8	-	0.3
Total Assets [1]		$ 8.9	$ 5.5	$ 0.3
Liabilities				
Commodity Contracts	Accounts Payable	$ -	$ -	$ -
Commodity Contracts	Accrued Expenses	-	-	0.2
Commodity Contracts	Other Long-Term Liabilities	-	-	-
Total Liabilities [1]		$ -	$ -	$ 0.2

[1] For information on the effect master netting agreements have on the Company's derivative instruments qualifying as cash flow hedges and their estimated fair values, refer to note 2.

The following tables present the impact changes in fair values of derivatives designated as cash flow hedges had on earnings and AOCI, net of taxes, for the three and nine months ended October 1, 2017 and September 25, 2016:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain (Loss) Recognized in Earnings (Ineffective Portion and Amounts Excluded from Effectiveness Testing)
Three Months Ended October 1, 2017				
Commodity Contracts	$ 3.1	Cost of Sales	$ 1.7	$ -
Total [1]	$ 3.1		$ 1.7	$ -
Three Months Ended September 25, 2016				
Commodity Contracts	$ 4.1	Cost of Sales	$ (1.7)	$ -
Total [1]	$ 4.1		$ (1.7)	$ -

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain (Loss) Recognized in Earnings (Ineffective Portion and Amounts Excluded from Effectiveness Testing)
Nine Months Ended October 1, 2017				
Commodity Contracts	$ 7.0	Cost of Sales	$ 1.9	$ -
Total [1]	$ 7.0		$ 1.9	$ -
Nine Months Ended September 25, 2016				
Commodity Contracts	$ 2.5	Cost of Sales	$ (9.6)	$ -
Total [1]	$ 2.5		$ (9.6)	$ -

[1] For information on the tax effects and pre-tax net gains and losses on derivative instruments reflected in OCI, refer to note 9.

Economic Hedges

The Company uses interest rate swaps to manage volatility in LIBOR benchmark interest rates by swapping a portion of its variable-rate debt with fixed-rate debt. These interest rate swaps effectively allow the Company to pay a fixed rate of interest. Changes in the fair value of the interest rate swap are immediately recognized in earnings as the derivative did not qualify for hedge accounting.

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

The interest rate swaps settle on the 19th day of each month concluding with the April 19, 2018 settlement. The notional amount of the interest rate swaps was $150.0 at October 1, 2017 and will remain at that amount until the settlement date.

The following table presents the fair value of the Company's derivative instruments that were not designated as hedging instruments on a gross basis without the effect of master netting agreements at the following dates:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	October 1, 2017	December 31, 2016	September 25, 2016
Assets				
Interest Rate Swaps	Other Assets	$ 1.0	$ 1.5	$ 0.9
Total Assets [1]		$ 1.0	$ 1.5	$ 0.9
Liabilities				
Interest Rate Swaps	Accrued Expenses	$ 0.7	$ 1.4	$ 1.5
Total Liabilities [1]		$ 0.7	$ 1.4	$ 1.5

[1] For information on the effect master netting agreements have on the Company's economic hedges and their estimated fair values, refer to note 2.

The following tables present the pre-tax effect that changes in the fair values of derivatives not designated as hedging instruments had on earnings for the three and nine months ended October 1, 2017 and September 25, 2016:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Gain Recognized in Earnings
Three Months Ended October 1, 2017		
Interest Rate Swaps	Interest Income (Expense)	$ -
Three Months Ended September 25, 2016		
Interest Rate Swaps	Interest Income (Expense)	$ 0.4

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Nine Months Ended October 1, 2017		
Interest Rate Swaps	Interest Income (Expense)	$ 0.2
Nine Months Ended September 25, 2016		
Interest Rate Swaps	Interest Income (Expense)	$ (1.4)

15. Segment Information

The Company's business is classified into two reportable segments: Firearms, which designs, manufactures, imports and markets primarily sporting shotguns, rifles, handguns and modular firearms; and Ammunition, which designs, manufactures and markets sporting ammunition and ammunition reloading components. The remaining operating segments, which include accessories, silencers, other gun-related products and licensed products, are aggregated into the Consumer category.

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

Results for the Company's reporting segments for the three months ended October 1, 2017 and September 25, 2016 are as follows:

Three Months Ended	**October 1, 2017**	**September 25, 2016**
Net Sales from External Customers:		
Firearms	$ 64.1	$ 110.2
Ammunition	80.8	93.2
Consumer	9.2	18.3
Total Net Sales from External Customers	$ 154.1	$ 221.7
Adjusted Gross profit:		
Firearms	$ 5.4	$ 24.5
Ammunition	20.5	33.8
Consumer	3.3	7.8
Segment Adjusted Gross Profit	$ 29.2	$ 66.1
Less Adjusted EBITDA Adjustments[1]	4.3	5.5
Consolidated Gross Profit	$ 25.0	$ 60.6
Adjusted Operating expenses	$ 21.8	$ 32.1
Add Adjusted EBITDA Adjustments[1]	3.7	5.9
Consolidated Operating Expenses	$ 25.5	$ 38.0
Interest Expense[1]	$ 15.5	$ 14.6
Income Before Income Taxes and Noncontrolling Interest[1]	$ (16.0)	$ 8.0

[1] Adjusted EBITDA was $7.4 and $34.0 for the three months ended October 1, 2017 and September 25, 2016, respectively.

Results for the Company's reporting segments for the nine months ended October 1, 2017 and September 25, 2016 are as follows:

Nine Months Ended	**October 1, 2017**	**September 25, 2016**
Net Sales from External Customers:		
Firearms	$ 213.3	$ 320.3
Ammunition	223.8	272.3
Consumer	29.6	51.4
Total Net Sales from External Customers	$ 466.7	$ 644.0
Adjusted Gross profit:		
Firearms	$ 31.1	$ 78.2
Ammunition	61.4	91.4
Consumer	10.7	19.3
Segment Adjusted Gross Profit	$ 103.2	$ 188.9
Less EBITDA Adjustments[1]	13.5	14.9
Consolidated Gross Profit	$ 89.7	$ 174.0
Adjusted Operating expenses	$ 71.6	$ 91.3
Add EBITDA Adjustments[1]	45.7	13.1
Consolidated Operating Expenses	$ 117.3	$ 104.4
Interest Expense[1]	$ 45.6	$ 45.6
Income Before Income Taxes and Noncontrolling Interest[1]	$ (73.2)	$ 24.0

[1] Adjusted EBITDA was $31.6 and $97.6 for the nine months ended October 1, 2017 and September 25, 2016, respectively.

16. Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, "—Business Combinations (Topic 805): Clarifying the Definition of a Business". This ASU contains amendments to clarify the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The guidance is effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. For all other companies and organizations, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted under certain circumstances. The amendments should be applied prospectively as of the beginning of the period of adoption. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In January 2017, the FASB issued ASU 2017-03, "—Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings". This ASU adds and amends SEC paragraphs pursuant to the SEC Staff Announcements at the September 22, 2016 and November 17, 2016 Emerging Issues Task Force (EITF) meetings. The September announcement pertains to the Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of a Registrant When Such Standards are Adopted in a Future Period. The November announcement made amendments to conform the SEC Observer Comment on Accounting for Tax Benefits Resulting from Investments in Qualified Affordable Housing Projects to the guidance issued in ASU 2014-01, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In January 2017, the FASB issued ASU 2017-04, "—Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". This ASU eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for public business entities that are SEC filers for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The guidance is effective for public business entities that are not SEC filers for its annual or interim impairment tests beginning after December 15, 2020. All other entities should adopt the guidance for their annual or interim goodwill impairments tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company early adopted the provisions of ASU 2017-04 as of January 1, 2017 in order to simplify the measurement of goodwill.

In February 2017, the FASB issued ASU 2017-05, "—Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets". This amendment clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendment also defines the term in substance nonfinancial asset and clarifies that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. The effective date and transition is the same as the effective date and transition requirements under ASU 2015-14. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In February 2017, the FASB issued ASU 2017-06, "Plan Accounting: Defined Benefit Pension Plans (Topic 960); Defined Contribution Pension Plans (Topic 962); Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting". The amendments require a plan's interest in that master trust and any change in that interest to be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively. The amendments also remove the requirement to disclose the percentage interest in the master trust for plans with divided interests and require that all plans disclose the dollar amount of their interest in each of those general types of investments. The amendments require all plans to disclose: (a) their master trust's other asset and liability balances; and (b) the dollar amount of the plan's interest in each of those balances. Lastly, the amendments eliminate redundant investment disclosures. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The amendments apply to all entities that offer employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, Compensation — Retirement Benefits. The amendments require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. This ASU is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. For other entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In May 2017, the FASB issued ASU 2017-09 "—Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting". This amendment provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The effective date for all entities is for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. The new guidelines will be applied prospectively to awards modified on or after the adoption date. Early adoption is permitted for public business entities for reporting periods for which financial statements have not yet been issued and for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In July 2017, the FASB issued ASU 2017-11 "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception". These amendments simplify the accounting for certain financial instruments with down round features. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier adoption is permitted for all entities as of the beginning of an interim period for which financial statements (interim or annual) have not been issued or have not been made available for issuance. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". These amendments refine and expand hedge accounting for both financial (e.g., interest rate) and commodity risks. Its provisions create more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. It also makes certain targeted improvements to simplify the application of hedge accounting guidance. This guidance is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early adoption, including adoption in an interim period, is permitted. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period (i.e., the initial application date). The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

17. Subsequent Events

On October 18, 2017, the Company announced reduced plant schedules as part of its inventory management initiative across many product lines.

On November 14, 2017, the Company entered into an Incremental Amendment No. 3 to the ABL Revolver. The amendment utilizes existing provisions within the ABL Revolver to temporarily increase total borrowing availability under the existing ABL Revolver from $225.0 to approximately $259.0 from December 4, 2017 to April 2, 2018.

Subsequent events have been evaluated through November 14, 2017, 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 Remington Outdoor Company, Inc. ("Remington Outdoor Company," "Remington Outdoor," or the "Company") and its subsidiaries. Remington Outdoor 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") and RA Brands, L.L.C. FGI Opco also owns 100% of FGI Finance, Inc. ("FGI Finance"). Remington, in turn, owned Remington Outdoor (UK) Ltd. ("Remington UK") (through date sold of October 14, 2016).

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

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

Company Overview

We are a leading global manufacturer of firearms, ammunition and related products for commercial, military and law enforcement markets with a diverse portfolio of category-defining brands, including *Remington, Marlin, Bushmaster, Barnes Bullets, Advanced Armament Corp.,* and *DPMS*, among others. We are America's oldest manufacturer of firearms and ammunition with our *Remington* brand dating back to 1816. *Remington* represents an iconic brand born from a passion for precision and a pride in craftsmanship dating back to Eliphalet Remington. From the beginning, Remington built its reputation on these two core principles.

We are one of the largest major U.S. manufacturers of both firearms and ammunition**,** which provides a significant competitive advantage and supports our market leadership position. Our nearly 3,000 employees represent one of the largest domestic manufacturing presence in the firearms and related industries. This scale enables us to deliver our products throughout the United States and internationally to approximately 50 countries.

Current Market Conditions

Our firearms, ammunition and related accessory products are experiencing a continued reduction in demand which started in the middle of our first quarter of the 2017 fiscal year.

We believe the slow-down is being driven by increased competitive pressures from:

- Reduced consumer demand and excess inventories,
- Retail softness resulting from changes in consumer buying behaviors,
- Increased firearms and ammunition manufacturing capacity,
- Low barriers to entry in the modern sporting rifle ("MSR") segment, particularly for existing firearms manufacturers,
- Lack of differentiation and true value in the segment, and
- An increase in import products.

We believe our customers are adjusting their inventories to current market tendencies with lower purchasing volumes, and utilizing advertising and promotional activities to improve sell through rates. Competitive promotions are contributing to lower levels of product profitability.

Recent Company Developments

Departure of Certain Officers and Directors, Appointment and Elevation of Certain Officers and Directors

On October 25, 2017, we announced the appointment of Anthony Acitelli, age 52, as our Chief Executive Officer and election to the Board. Mr. Acitelli served as President and Chief Executive Officer of Taurus Holdings from July 2014 to October 2017. Mr. Acitelli previously held leadership positions at Colt Defense from October 2013 to July 2014 and ATK Security – Sporting Group from prior to 2011 to 2013.

Effective August 2, 2017, James Campbell resigned his position as Board Member of the Company, as he accepted a Chief Executive Officer role at a medical distributor. Mr. Campbell also served on the Compensation Committee. On August 15, 2017, James Marcotuli announced his resignation as interim Chairman of the Board and Chief Executive Officer for personal reasons. On August 21, 2017, the Board elevated James Geisler to serve as the Executive Chairman of the Board and appointed Stephen P. Jackson, Jr., the Company's Chief Financial Officer, to serve as a Board Member.

Incremental ABL Amendment

In April 2017, we entered into an Incremental Amendment No. 2 to our ABL Revolver. The amendment utilizes existing provisions within the ABL Revolver to temporarily increase borrowing availability under the existing ABL Revolver from $225.0 million to $264.7 million until December 4, 2017. The amendment also increased the minimum availability condition to $39.7 million until December 4, 2017. We entered into the Incremental Amendment in order to provide additional flexibility during our seasonal period while adjusting factory production rates and inventory levels to a softening market.

On November 14, 2017, the Company entered into an Incremental Amendment No. 3 to the ABL Revolver. The amendment utilizes existing provisions within the ABL Revolver to temporarily increase total borrowing availability under the existing ABL Revolver from $225.0 million to approximately $259.0 million from December 4, 2017 to April 2, 2018.

Impairments

In the first quarter of 2017, we recognized impairment charges of $28.6 million related to goodwill and $4.5 million related to trademarks in our Firearms segment. The charges were the result of our determination that a triggering event occurred in the first quarter of 2017 which indicated that it was more likely than not that the fair value of our MSR reporting unit was less than its carrying amount, including goodwill. We believe the triggering event was caused primarily by a significant reduction in our MSR financial performance combined with a reduced financial outlook because of the softness being experienced in the MSR market.

Plant Reduced Schedules

In October 2017, we announced temporary reduced plant schedules in order to align inventory levels across many product lines with current market demand.

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 2020 Notes.

We believe that Adjusted EBITDA is useful to investors in evaluating our performance because similar measures are commonly used 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. 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. There are, however, limitations to using non-GAAP measures such as:

(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.

Because of these limitations, Adjusted EBITDA calculations should not be considered in isolation or 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.

We provide a reconciliation of Adjusted EBITDA to our GAAP results 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) to Adjusted EBITDA.

Results of Operations

Three and Nine Month Periods Ended October 1, 2017 as Compared to the Three and Nine Month Periods Ended September 25, 2016

Net Sales

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

Three Months Ended	October 1, 2017	Percentage of Total	September 25, 2016	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	$ 64.1	41.6%	$ 110.2	49.7%	$ (46.1)	(41.8)%
Ammunition	80.8	52.4	93.2	42.0	(12.4)	(13.3)
Consumer	9.2	6.0	18.3	8.3	(9.1)	(49.7)
Total	$ 154.1	100.0%	$ 221.7	100.0%	$ (67.6)	(30.5)%

Nine Months Ended	October 1, 2017	Percentage of Total	September 25, 2016	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	$ 213.3	45.7%	$ 320.3	49.7%	$ (107.0)	(33.4)%
Ammunition	223.8	48.0	272.3	42.3	(48.5)	(17.8)
Consumer	29.6	6.3	51.4	8.0	(21.8)	(42.5)
Total	$ 466.7	100.0%	$ 644.0	100.0%	$ (177.4)	(27.5)%

Firearms

Net sales for the three months ended October 1, 2017 were $64.1 million, a decrease of $46.1 million, or 41.8%, as compared to the three months ended September 25, 2016. Sales of rifles, including MSRs, centerfire and rimfire rifles, decreased $32.4 million, while other product sales decreased $13.7 million.

Net sales for the nine months ended October 1, 2017 were $213.3 million, a decrease of $107.0 million, or 33.4%, as compared to the nine months ended September 25, 2016. Sales of rifles, including MSRs, centerfire and rimfire rifles, decreased $89.5 million, while other product sales decreased $17.5 million.

Ammunition

Net sales for the three months ended October 1, 2017 were $80.8 million, a decrease of $12.4 million, or 13.3%, as compared to the three months ended September 25, 2016. Sales decreases were caused primarily by market softness.

Net sales for the nine months ended October 1, 2017 were $223.8 million, a decrease of $48.5 million, or 17.8%, as compared to the nine months ended September 25, 2016. Sales decreases were caused primarily by market softness.

Consumer

Net sales for the three months ended October 1, 2017 were $9.2 million, a decrease of $9.1 million, or 49.7%, as compared to the three months ended September 25, 2016. The decrease was primarily due to lower sales of parts and accessories.

Net sales for the nine months ended October 1, 2017 were $29.6 million, a decrease of $21.8 million, or 42.5%, as compared to the nine months ended September 25, 2016. The decrease was primarily due to lower sales of parts and accessories.

Cost of Goods Sold and Gross Profit

Our 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 table below compares Cost of Goods Sold and Gross Profit by reporting segment for each of the periods presented:

Three Months Ended	**October 1, 2017**	**Percentage of Net Sales**	**September 25, 2016**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 58.7	91.6%	$ 85.7	77.8%	$ (27.0)	(31.5)%
Ammunition	60.3	74.6	59.4	63.7	0.9	1.5
Consumer	5.9	63.8	10.5	57.4	(4.6)	(43.8)
EBITDA Adjustments	4.2	*	5.5	*	(1.3)	(23.6)
Total	$ 129.1	83.9%	$ 161.1	72.7%	$ (32.0)	(19.8)%
Gross Profit						
Firearms	$ 5.4	8.4%	$ 24.5	22.2%	$ (19.1)	(78.0)%
Ammunition	20.5	25.4	33.8	36.3	(13.3)	(39.3)
Consumer	3.3	36.2	7.8	42.6	(4.5)	(57.7)
EBITDA Adjustments	(4.2)	*	(5.5)	*	1.3	*
Total	$ 25.0	16.1%	$ 60.6	27.3%	$ (35.6)	58.7%

Nine Months Ended	October 1, 2017	Percentage of Net Sales	September 25, 2016	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 182.2	85.4%	$ 242.1	75.6%	$ (59.9)	(24.7)%
Ammunition	162.4	72.6	180.9	66.4	(18.5)	(10.2)
Consumer	18.9	63.7	32.1	62.5	(13.2)	(41.1)
EBITDA Adjustments	13.5	*	14.9	*	(1.4)	*
Total	$ 377.0	80.8%	$ 470.0	73.0%	$ (93.0)	(19.8)%

Nine Months Ended	October 1, 2017	Percentage of Net Sales	September 25, 2016	Percentage of Net Sales	Increase (Decrease)	Percentage Change
Gross Profit						
Firearms	$ 31.1	14.6%	$ 78.2	24.4%	$ (47.1)	(60.2)%
Ammunition	61.4	27.4	91.4	33.6	(30.0)	(32.8)
Consumer	10.7	36.3	19.3	37.5	(8.6)	(44.6)
EBITDA Adjustments	(13.5)	*	(14.9)	*	1.4	*
Total	$ 89.7	19.2%	$ 174.0	27.0%	$ (84.3)	(48.4)%

*Not applicable

Firearms

Gross profit for the three months ended October 1, 2017 was $5.4 million, a decrease of $19.1 million, or 78.0%, as compared to the three months ended September 25, 2016. Gross margin was 8.4% for the three months ended October 1, 2017 and 22.2% for the three months ended September 25, 2016. The decrease in gross profit was primarily due to lower sales volumes of $13.9 million, unfavorable pricing of $4.5 million and higher manufacturing costs of $1.0 million. These decreases were partially offset by a favorable sales mix of $0.3 million. The margin deterioration was primarily due to pricing and lost absorption from lower volumes in the factories.

Gross profit for the nine months ended October 1, 2017 was $31.1 million, a decrease of $47.1 million, or 60.2%, as compared to the nine months ended September 25, 2016. Gross margin was 14.6% for the nine months ended October 1, 2017 and 24.4% for the nine months ended September 25, 2016. The decrease in gross profit was primarily due to lower sales volumes of $33.1 million, unfavorable pricing of $8.4 million and an unfavorable sales mix of $5.7 million. These decreases were partially offset by lower manufacturing costs of $0.1 million.

Ammunition

Gross profit for the three months ended October 1, 2017 was $20.5 million, a decrease of $13.3 million, or 39.3%, as compared to the three months ended September 25, 2016. Gross margin was 25.4% for the three months ended October 1, 2017 and 36.3% for the three months ended September 25, 2016. The decrease in gross profit was primarily due to an unfavorable sales mix of $5.6 million, unfavorable pricing of $4.6 million, lower sales volumes of $2.6 million and higher manufacturing costs of $0.5 million. The margin deterioration was primarily due to pricing, overall product mix and lost absorption from lower volumes in the factories.

Gross profit for the nine months ended October 1, 2017 was $61.4 million, a decrease of $30.0 million, or 32.8%, as compared to the nine months ended September 25, 2016. Gross margin was 27.4% for the nine months ended October 1, 2017 and 33.6% for the nine months ended September 25, 2016. The decrease in gross profit was primarily due to lower sales volumes of $13.8 million, an unfavorable sales mix of $10.1 million and unfavorable pricing of $7.5 million. These decreases were partially offset by lower manufacturing costs of $1.4 million.

Consumer

Gross profit for the three months ended October 1, 2017 was $3.3 million, a decrease of $4.5 million, or 57.7%, as compared to the three months ended September 25, 2016. Gross margin was 36.2% for the three months ended October 1, 2017 and 42.6% for the three months ended September 25, 2016. The decrease in gross profit was primarily due to lower sales volumes.

Gross profit for the nine months ended October 1, 2017 was $10.7 million, a decrease of $8.6 million, or 44.6%, as compared to the nine months ended September 25, 2016. Gross margin was 36.3% for the nine months ended October 1, 2017 and 37.5% for the nine months ended September 25, 2016. The decrease in gross profit was primarily due to lower sales volumes.

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 and nine months ended October 1, 2017 and September 25, 2016:

Three Months Ended	**October 1, 2017**	**Percentage of Net Sales**	**September 25, 2016**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	$ 22.2	14.4%	$ 31.0	14.0%	$ (8.8)	(28.4)%
Research and Development Expenses	2.9	1.9	3.6	1.6	(0.7)	(19.4)
Impairment Expense	-	-	2.3	1.0	(2.3)	(100.0)
Other Expense	0.4	0.2	1.1	0.5	(0.7)	(63.6)
Total	$ 25.5	16.5%	$ 38.0	17.1%	$ (12.5)	(32.9)%

Total operating expenses for the three months ended October 1, 2017 were $25.5 million, a decrease of $12.5 million, or 32.9%, as compared to the three months ended September 25, 2016.

Selling, general and administrative expenses decreased $8.8 million, or 28.4%, as compared to the three months ended September 25, 2016. The primary components of this decrease were lower salaries, benefits and travel of $5.0 million and lower distribution expenses of $1.6 million, as well as lower marketing, sales and legal expenses.

Nine Months Ended	**October 1, 2017**	**Percentage of Net Sales**	**September 25, 2016**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	$ 72.3	15.5%	$ 88.1	13.7%	$ (15.8)	(17.9)%
Research and Development Expenses	9.2	2.0	10.6	1.6	(1.4)	(13.2)
Impairment Expense	33.2	7.1	2.3	0.4	30.9	1343.5
Other Expense	2.6	0.5	3.4	0.5	(0.8)	(23.5)
Total	$ 117.3	25.1%	$ 104.4	16.2%	$ 12.9	12.4%

Excluding the impact of the $33.2 million impairment expense, total operating expenses for the nine months ended October 1, 2017 were $84.1 million, a decrease of $20.3 million, or 19.4%, as compared to the nine months ended September 25, 2016.

Selling, general and administrative expenses decreased $15.8 million, or 17.9%, as compared to the nine months ended September 25, 2016. The primary components of this decrease were lower salaries, benefits and travel of $10.8 million, lower distribution expenses of $1.7 million and lower marketing and sales, legal expense and depreciation expense.

Adjusted EBITDA

The following tables illustrate the calculation of Adjusted EBITDA by reconciling Net Income (Loss) to Adjusted EBITDA:

Three Months Ended	**October 1, 2017**	**September 25, 2016**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)				
Net Income (Loss)	$ (16.0)	$ 9.5	$ (25.5)	(268.4)%
Adjustments:				
Depreciation	4.9	5.8	(0.9)	(15.5)
Interest	15.5	14.6	0.9	6.2
Income Tax Benefit	-	(1.5)	1.5	100.00
Amortization of Intangibles	1.0	1.0	-	-
Impairment Expense	-	2.3	(2.3)	(100.0)
Other Non-cash Charges	0.3	0.7	(0.4)	(57.1)
Nonrecurring Charges[1]	1.7	1.6	0.1	6.3
Total Adjusted EBITDA	$ 7.4	$ 34.0	$ (26.6)	(78.3)%

[1] As defined in our Indenture.

Other non-cash charges of $0.3 million for the three months ended October 1, 2017 consisted primarily of $0.2 million of stock compensation expense and $0.2 million of retiree benefit expense.

Other non-cash charges of $0.7 million for the three months ended September 25, 2016 consisted of $0.4 million of stock compensation expense, a $0.2 million loss on disposal of assets and $0.1 million of retiree benefit expense.

Nonrecurring charges of $1.7 million for the three months ended October 1, 2017 consisted of $0.2 million in restructuring costs, $0.5 million in employee related expenses, $0.2 million in bank fees and $0.8 million in project and other fees.

Nonrecurring charges of $1.6 million for the three months ended September 25, 2016 consisted of $1.2 million in restructuring costs, $0.3 million in employee related expenses and $0.2 million in bank fees, partially offset by $0.1 million in other nonrecurring income.

Nine Months Ended	**October 1, 2017**	**September 25, 2016**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)				
Net Income (Loss)	$ (60.5)	$ 19.3	$ (79.8)	(413.5)%
Adjustments:				
Depreciation	15.6	17.5	(1.9)	(10.9)
Interest	45.6	45.6	-	-
Income Tax Expense (Benefit)	(12.7)	4.7	(17.4)	(368.1)
Amortization of Intangibles	2.9	3.4	(0.5)	(14.7)
Impairment Expense	33.2	2.3	30.9	1343.5
Other Non-cash Charges	1.0	2.5	(1.5)	(60.0)
Nonrecurring Charges[1]	6.5	2.3	4.2	182.6
Total Adjusted EBITDA	$ 31.6	$ 97.6	$ (66.0)	(67.6) %

[1] As defined in our Indenture.

Other non-cash charges of $1.0 million for the nine months ended October 1, 2017 consisted primarily of $0.7 million of stock compensation expense, $0.5 million of retiree benefit expense, partially offset by a $0.2 million gain on disposal of assets.

Other non-cash charges of $2.5 million for the nine months ended September 25, 2016 consisted primarily of $1.3 million of stock compensation expense, a $0.8 million loss on disposal of assets, $0.3 million of retiree benefit expense and $0.1 million of other non-cash charges.

Nonrecurring charges of $6.5 million for the nine months ended October 1, 2017 consisted of $0.5 million in restructuring costs, $1.5 million in employee related expenses, $0.9 million in bank fees, $1.3 million in bad debt expense and $2.3 million in project and other fees.

Nonrecurring charges of $2.3 million for the nine months ended September 25, 2016 consisted of $1.7 million in restructuring costs, $0.8 million in employee related expenses, $0.6 million in bank fees and $0.4 million in consulting fees, partially offset by a $0.8 million gain on the sale of a subsidiary and $0.4 million in other nonrecurring income

Interest Expense

Interest expense was $15.5 million for the three months ended October 1, 2017, compared to $14.6 million for the three months ended September 25, 2016. The $0.9 million increase in interest expense over the three months ended September 25, 2016 was primarily due to $0.6 million of higher interest expense related to our ABL Revolver due to higher average borrowings and higher interest expense on our interest rate swap.

Interest expense was $45.6 million for both the nine months ended October 1, 2017and September 25, 2016. Although interest expense remained flat over the nine months ended September 25, 2016, the primary changes consisted of higher interest expense on our ABL Revolver, offset by lower interest expense on our interest rate swap.

Income Tax Provision

The effective tax rate on continuing operations for the nine months ended October 1, 2017 and September 25, 2016 was 17.3% and 19.6%, respectively.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the nine months ended October 1, 2017 was principally due to the impairment of goodwill and trademarks as well as an income tax benefit recorded in continuing operations as a result of income tax expense recorded in other comprehensive income due to the ASC 740 intraperiod allocation rules.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the nine months ended September 25, 2016 was principally due to an increase in deferred tax liabilities associated with indefinite lived intangible assets.

At October 1, 2017, a valuation allowance of $109.8 million was recorded against deferred tax assets in accordance with the provisions of ASC 740. Realization of deferred tax assets is largely dependent upon future profitable operations and the reversals of existing temporary differences. Although there can be no assurance that such events will occur, the valuation allowance may be reversed in future periods to the extent that related deferred income tax assets no longer require a valuation allowance under the provisions of ASC 740.

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.

Our continuing practice is to recognize interest and/or penalties related to income tax matters within income tax expense.

Liquidity and Capital Resources

Cash Flows and Working Capital

Net cash used in operating activities was $107.4 million for the nine months ended October 1, 2017 compared to net cash used in operating activities of $19.9 million for the nine months ended September 25, 2016. The significant changes comprising the $87.5 million increase in net cash used in operating activities for the nine months ended October 1, 2017 compared to the nine months ended September 25, 2016 resulted primarily from:

- a net loss of $60.5 million for the nine months ended October 1, 2017 compared to net income of $19.3 million for the nine months ended September 25, 2016, due primarily to non-cash goodwill and trademark impairment charges of $33.2 million and operating losses;
- deferred taxes increasing by $14.4 million over the nine months ended October 1, 2017 compared to a decrease of $1.1 million over the nine months ended September 25, 2016, a net increase in cash used of $15.5 million, due to the goodwill and trademark impairments;
- accounts payable decreasing by $13.6 million over the nine months ended October 1, 2017 compared to an increase of $1.6 million over the nine months ended September 25, 2016, a net increase in cash used of $15.2 million, due primarily to lower volumes;
- other liabilities decreasing by $5.3 million over the nine months ended October 1, 2017 compared to an increase of $26.8 million over the nine months ended September 25, 2016, a net increase in cash used of $32.1 million, due primarily to lower marketing, excise tax and payroll related accruals, due to lower sales; partially offset by
- $33.2 million of non-cash goodwill and trademark impairment charges; and
- trade receivables increasing by $29.9 million over the nine months ended October 1, 2017 compared to trade receivables increasing by $60.4 million over the nine months ended September 25, 2016, a net decrease in cash used of $30.5 million, due primarily to lower sales volumes.

Net cash used in investing activities was $16.6 million for the nine months ended October 1, 2017 and consisted of $18.3 million related to the purchase of property, plant and equipment, partially offset by $1.7 million in proceeds received from the sale of property, plant and equipment.

Net cash used in investing activities was $18.9 million for the nine months ended September 25, 2016 and consisted of $21.2 million related to the purchase of property, plant and equipment, partially offset by $1.5 million in proceeds received from the sale of property, plant and equipment and $0.8 million of proceeds received from the sale of a subsidiary.

Net cash provided by financing activities was $123.9 million for the nine months ended October 1, 2017 and consisted primarily of $130.9 million in net borrowings under the ABL Revolver and the receipt of $2.7 million of various state and local incentives. These receipts were partially offset by a $2.5 million increase in our book overdraft, $7.0 million for principal payments on our debt and a $0.2 million payment of stock dividends.

Net cash provided by financing activities was $37.2 million for the nine months ended September 25, 2016 and consisted primarily of $41.7 million in net borrowings under the ABL Revolver and the receipt of $2.2 million of various state and local incentives. These receipts were partially offset by a $2.2 million increase in our book overdraft, $4.3 million for principal payments on our debt and capital lease obligations and a $0.2 million payment of stock dividends.

Sources and Uses of Liquidity

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

We continue to focus on our working capital by actively managing our factory production schedules and monitoring inventory, accounts receivable and accounts payable key performance indicators while recognizing that changes in market demand, seasonal needs and timing can impact our working capital strategies.

We were in compliance with our debt covenants at October 1, 2017 and had access to $62.8 million in available borrowings under our ABL Revolver including minimum availability requirements of $39.7 million, and had $8.2 million in outstanding letters of credit.

Debt

As of October 1, 2017, we had outstanding indebtedness of approximately $964.5 million, which consisted of the following:

- $250.0 million of outstanding 2020 Notes;
- $550.7 million outstanding under our Term Loan B;
- $150.6 million outstanding under the ABL Revolver;
- $12.5 million outstanding under the Promissory Note; and
- $0.7 million of other debt.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer equipment. We have several operating leases, including a new distribution center lease that expires in 2026 and leases for several facilities that expire on various dates through 2023. We also maintain contracts including, among other things, a services contract with our third party warehouse provider. We also have various pension plan obligations.

Capital Expenditures

Gross capital expenditures for the nine months ended October 1, 2017 and September 25, 2016 were $18.3 million and $21.2 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 2017 to be in the range of $20.0 million to $30.0 million, of which approximately $8.0 million to $12.0 million is expected to be related to capital maintenance projects and the remainder related to capital expenditures for new assets in order to improve production and produce new products.

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. 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.

Our significant accounting policies are described in note 2 of the consolidated financial statements and supplementary data included in our Annual Report on Form 10-K for the year ended December 31, 2016. Our critical accounting estimates are described in Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2016.

Environmental Matters

Our operations are subject to extensive and frequently changing federal, state and local environmental laws and regulations, including those related to the discharge and release of hazardous materials into the environment, the handling, treatment, storage, disposal and remediation of, and exposure to, such materials. Failure to comply with environmental laws and regulations could result in severe fines and penalties. Certain environmental laws can impose joint and several liability without regard to fault on responsible parties, including past and present owners and operators of sites, related to the investigation and cleanup of contaminated properties.

Under the terms of the 1993 Purchase Agreement with DuPont, 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 certain specified environmental matters. See "Item 4.—Legal Proceedings" and "Item 4. —Legal Proceedings—Certain Indemnities." To date, DuPont has honored its responsibilities under the Purchase Agreement and our obligations are not expected to be material. However, no assurance can be given that this will continue to be true in the future.

While we believe that we are in compliance with applicable environmental laws in all material respects and are not subject to any environmental proceedings or claims that would have a material adverse effect on our business, we cannot assure you that future events, such as new or more stringent environmental laws and regulations, the discovery of currently unknown environmental conditions, any related claims, or more vigorous enforcement or a new interpretation of existing environmental laws and regulations would not have a material adverse effect on our business. We do not anticipate incurring any material capital expenditures for environmental control facilities for 2017.

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. These regulations are administered and enforced by government agencies including the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Department of Justice, the Directorate of Defense Trade Controls, the Department of State, the Bureau of Industry and Security, the Department of Commerce, the Alcohol and Tobacco Tax and Trade Bureau, and the Department of Treasury.

We maintain valid federal licenses and registrations at our locations as required by these agencies for us 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 manufacture or import a limited number of products that are regulated under the NFA primarily for official government and law enforcement end users. Regulations regarding silencers, which we manufacture, may be subject to reforms under the proposed Silencers Helping Us Save Hearing ("SHUSH") Act which aims to exempt silencers from NFA requirements and also classify them as accessories that can be sold over the counter. 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 or services. The FAET imposes a federal excise 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, as well as 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 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" as well as 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.

In January 2016, in light of recurring high-profile crimes by individuals involving firearms, President Obama announced executive actions that serve to, among other things, enhance background checks and broaden the definition of a "dealer" under current gun laws. Other objectives of the executive actions are to reduce sales of guns for which the seller is not required to conduct a background check, to increase reporting by dealers of unauthorized attempts to acquire guns, to provide greater access to information for sellers about prospective buyers of guns, to include mental health treatment and reporting as part to the firearm background check system, and to fund research in gun safety technology. The 2016 executive actions follow a previous attempt by President Obama to act through executive action in 2013, when he announced 23 executive actions intended to reduce violent acts by individuals, of which substantially all were overridden by Congress. No assurance can be given as to whether some or all of these actions will be adopted, and if they are adopted, the effect they may have on our business, results of operations and financial condition.

At the federal level, bills have, in the past, been introduced in Congress in connection with increasing regulation of firearms, including with respect to the establishment of a nationwide database recording so-called "ballistic images" of ammunition fired from new firearms to restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, to impose a tax and import controls on bullets designed to penetrate bullet-proof vests, to impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and to increase the tax on handgun ammunition in certain calibers. Should these or any other such regulatory bills become law in the future, the cost to the Company and its customers could be significant.

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, some of which would apply to ammunition and firearms of the kind that we produce. Since the beginning of 2013, more than a dozen states and Washington, D.C. have enacted new laws aimed at strengthening restrictions against guns, which have included proposals in respect of the establishment of "ballistic imaging" registries of ammunition fired from new handguns or requirements for "bullet serialization" for ammunition or "microstamping" capabilities for certain firearms. California passed semi-automatic pistol microstamping legislation that went into effect in May 2013, and has resulted in some large manufacturers refusing to submit new firearms capable of microstamping, thereby resulting in the new weapons produced by those manufactures not being sold in California.

Federal regulations ban, and certain states (including California, Utah and Arizona) either partially ban or encourage voluntary reductions in, the use of lead based ammunition for certain types of hunting, and environmental groups have been pushing for further restrictions on its use through litigation or proposing legislation. Additionally, numerous jurisdictions presently have mandatory waiting periods for the sale of handguns (and some for the sale of long guns as well), although there are currently few restrictive state or municipal regulations applicable to handgun ammunition. Our firearms are covered under several state regulations requiring guns to be sold with internal or external locking mechanisms, and some states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. Further restrictions on lead-based ammunition or handgun ammunition or design could have an adverse effect on certain of our products or our costs associated with producing such products. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial condition.

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, the "The Protection of Lawful Commerce in Arms Act" ("PLCAA") was signed into law in 2005. However, the applicability of the law to various types of governmental and private lawsuits has been challenged. Any court decision restricting the applicability of the law could adversely impact the business of the Company.

We believe that existing federal and state regulation regarding firearms and ammunition has not had a material adverse effect on our sales of these products to date. However, there can be no assurance that federal, state, local or foreign regulation of firearms and/or ammunition will not become more restrictive in the future and that any such development would not have a material adverse effect on our business either directly or by placing additional burdens on those who distribute and sell our products or those consumers who purchase our products. In addition, future incidents of violence by individuals involving firearms could increase pressure to adopt some or all of the proposed regulations described above or spur additional regulatory proposals at the state and federal levels and call for the adoption of such proposals. Any such development might have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risks our financial instruments are exposed to are fluctuations in commodity prices and interest rates. These risks are monitored as part of our risk management control system, and we have established policies and procedures governing our management of market risks. Negotiating favorable prices of raw materials, matching raw material purchases with our short and long-term forecasts and engaging in hedge activities with derivative instruments are some of the strategies we use to manage these market risks. Our activity with derivative instruments is used exclusively as a risk management tool.

Commodity Price Risk

We negotiate with our suppliers to obtain the most favorable prices for our raw materials. We also enter into derivative financial instruments for those commodities that experience greater price volatility. We typically enter into commodity swap contracts for our anticipated purchases of copper and lead. At October 1, 2017, our commodity derivative instruments had a notional amount of 38.5 million pounds and will settle over the next 15 months. The fair values of the open commodity contracts resulted in a $8.9 million asset. Assuming a hypothetical 10% increase in copper and lead commodity prices which are currently hedged at October 1, 2017, our cost for those related purchases would result in a $6.3 million loss. Due to the increase in the related hedging instruments' fair values, the hypothetical cost would be offset by $6.1 million.

Interest Rate Risk

Our Term Loan B and ABL Revolver bear interest at variable rates using LIBOR and Alternate Base Rate interest rates and are susceptible to interest rate fluctuations. We occasionally enter into interest rate swap agreements to manage this risk. Approximately $701.3 million of our total outstanding debt at October 1, 2017 bears interest at variable rates. Assuming no changes in the monthly average variable-rate debt levels of $656.5 million for the last 12 months ended October 1, 2017, we estimate that a hypothetical change of 100 basis points in the LIBOR and Alternate Base Rate interest rates would have increased interest expense by $1.0 million for the last 12 months ended October 1, 2017.

Item 4. Legal Proceedings

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 (i) certain trade payables and contractual obligations of DuPont and its affiliates; (ii) limited financial responsibility for specified product liability claims and environmental claims relating to the operation of the Remington business prior to the Asset Purchase; and (iii) liabilities for product liability claims relating to certain occurrences after the Asset Purchase. 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.

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 1996, DuPont and its affiliates agreed to indemnify Remington in the future (without any survival period limitation or liability cap) in respect of certain product liability and environmental claims. 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.

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 (for 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, which expires on December 1, 2017, is adequate for our needs. 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.

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 October 1, 2017, we had a number of individual bodily injury cases and pre-litigation claims in various stages pending relating to firearms and our ammunitions products, primarily alleging defective product design, defective manufacture and/or failure to provide adequate warnings. The pending individual cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement.

The relief sought in individual product liability cases includes compensatory and, in some cases, punitive damages. Certain of the claims and cases seek unspecified compensatory and/or punitive damages. In others, including most recent post-Asset Purchase claims, compensatory damages sought may range from less than $50,000 to in excess of $1 million and punitive damages sought may exceed $1 million, although initial demands have often been reduced as a case proceeds based on a review of the facts and circumstances of a particular matter. 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.

The Company is involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. From late 2012 through 2013, five class actions alleging economic harm were filed in four states (Florida, Missouri (two filings), Washington and Montana), all of which alleged claims of economic harm to gun owners due to an alleged defect. In order to avoid the uncertainties and expense of protracted litigation, following mediation, Remington and the plaintiffs entered into a proposed class settlement. In late 2014, the parties requested preliminary approval of the proposed settlement, which was granted in April of 2015. Prior to the final approval hearing, the court required the parties to develop a supplemental notice plan. Three of the cases have been voluntarily dismissed without prejudice pending the outcome of the potential settlement and the remaining two class actions are still pending. In August, 2016, the Court adopted the parties' plan and scheduled a final approval hearing on February 14, 2017. On March 14, 2017, the Court entered a final order granting the parties' joint motion for final settlement approval, certifying classes for settlement purposes, approving the plaintiffs' supplemental fee application, and dismissing the matter with prejudice. Objectors to the settlement filed a notice of appeal on April 13, 2017. The parties have filed their respective briefs. Oral argument has not yet been set by the court.

At October 1, 2017, our accrual for product liability cases and claims was approximately $30.6 million, which we believe is adequate. The amount of our accrual for these liability cases and claims is based upon estimates for all claims that can be reasonably estimated. We establish reserves for anticipated defense and disposition costs for 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. Based on the relevant circumstances (including, with respect to Remington-based claims, the current availability of insurance involving post-Asset Purchase occurrences, our accruals for the uninsured costs of such cases and claims and DuPont's agreement to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), we do not believe with respect to product liability and product related cases and claims that any probable loss exceeding amounts already recognized through our accruals has been incurred.

The Company's assumption of financial responsibility was largely limited to a fixed amount that has now been fully paid, and due to a reduction in expected litigation due to factors including, among others, increased prevalence of insurance and passage of time, 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. 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.

Other Litigation

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. In December 2014, we were named as a defendant in a wrongful death litigation case related to the use of one of our *Bushmaster* firearms in the 2012 shooting in Newtown, Connecticut. Because our products are currently protected under the PLCAA, which prohibits "causes of action against manufacturers, distributors, dealers, and importers of firearms or ammunition products, and their trade associations, for the harm solely caused by the criminal or unlawful misuse of firearm products or ammunition products by others when the product functioned as designed and intended," we filed a motion to dismiss the suit, which motion was ultimately granted. The plaintiffs appealed the order striking their complaint, and the case is presently pending before the Connecticut Supreme Court. We do not expect that the ultimate costs to resolve this or any other matters will have a material adverse effect on our financial position, results of operations or cash flows.

Item 5. Risk Factors

There have been no other material changes to our Risk Factors from those disclosed in Item 1A of our 2016 Annual Report.

Item 6. Exhibits

(d) Exhibits. Attached as Exhibit 1 is the Note Purchase Agreement, dated as of May 11, 2017

Exhibit 1

NOTE PURCHASE AGREEMENT

This Note Purchase Agreement (the "**Agreement**") is made as of May 11, 2017, by and among FGI Operating Company, LLC, a Delaware limited liability company (the "**Company**") and Remington Outdoor Company, Inc., a Delaware corporation (the "**Purchaser**").

AGREEMENT

The parties hereby agree as follows:

1. **Purchase and Sale of Notes**.

1.1 **Notes**. At each Closing (as defined below), subject to the terms and conditions of this Agreement, the Purchaser agrees to purchase, and the Company agrees to issue and sell to the Purchaser, a note in substantially the form attached hereto as Exhibit A. The notes issued and sold to the Purchaser pursuant to this Agreement (including notes issued at the Initial Closing (as defined below) and any notes issued at any Additional Closings (as defined below)) shall be hereinafter referred to individually as a "**Note**" and collectively as the "**Notes**." Capitalized terms used herein shall have the respective meanings ascribed thereto in the Notes unless otherwise defined herein.

1.2 **Closings; Delivery**.

(a) The initial purchase and sale of the Notes shall take place remotely on the date hereof, or at such other time and date as the Company and the Purchaser mutually agree upon, orally or in writing (which time and date are designated as the "**Initial Closing**"). In the event there is more than one closing, the term "**Closing**" shall apply to each such closing unless otherwise specified.

(b) At any time on or before July 18, 2019, the Company may issue and sell, on the same terms and conditions as those contained in this Agreement, additional Notes to the Purchaser in one or more additional Closings (each, an "**Additional Closing**"); provided further that the aggregate principal amount of Notes sold and issued by the Company and outstanding at such time in connection with this Agreement shall not exceed $100,000,000. Each Note issued at an Additional Closing shall be in an aggregate amount of at least $5,000,000 and in integral multiples of $1,000,000 in excess thereof.

(c) Company shall give written notice in the form of Exhibit B attached hereto, or telephonic notice (followed by written confirmation thereof also in the form of Exhibit B within one (1) Business Day of the telephonic notice) to Purchaser of each proposed Closing not later than 12:00 noon New York time at least three (3) Business Days prior to the proposed date of such Closing (each, a "**Closing Notice**"). Each such Closing Notice shall be effective upon receipt by the Purchaser and shall specify the date of the proposed Closing, the Account Information (as defined below) and the principal amount of the Note to be issued and such other information as the Company and Purchaser may mutually agree from time-to-time. Each Closing shall be on a Business Day.

(d) At each Closing, the Company shall deliver to the Purchaser a Note against payment by the Purchaser of the principal amount of such Note by wire transfer to a bank account designated by the Company in the Closing Notice (the "**Account Information**"). The purchase price for each Note shall be 100% of the principal amount thereof. The certificates for each Note may only be registered in the name of the Purchaser.

1.3 **<u>Conditions to all Notes Issuances</u>.** On each Closing, the obligation of the Purchaser to purchase the Notes hereunder is subject to the satisfaction of each of the following conditions precedent: (a) the representations and warranties of the Company set forth in the Transaction Documents are true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects (without duplication of any materiality qualifiers) as of such earlier date), or (b) no Event of Default or event that, if it continues uncured, will, with the lapse of time or the giving of notice or both, constitute an Event of Default, has then occurred and is continuing. Each Closing Notice shall be deemed to constitute a representation and warranty by the Company that the applicable conditions precedent set forth in this Section 1.3 will be satisfied at the time of the issuance of such Note and giving effect thereto. Upon satisfaction of the conditions precedent set forth in this Section 1.3 and the Company's compliance with Sections 1.2, the Purchaser shall pay the Company the principal amount of the applicable Note by wire transfer to a bank account designated by the Company.

2. **<u>Representations, Warranties and Covenants of the Company</u>.** The Company hereby represents, warrants and covenants to the Purchaser, which representations and warranties are made as of each Closing, that:

2.1 **<u>Organization, Good Standing and Qualification</u>.** The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as presently conducted. The Company is in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have material adverse effect on the business, properties, results of operations or financial condition of the Company (a "**Material Adverse Effect**").

2.2 **<u>Authorization</u>.** The execution, delivery and performance of the Transaction Documents and the transactions contemplated hereunder and thereunder (a) are all within the Company's limited liability company powers, (b) have been duly authorized, (c) are not in contravention of applicable law or the terms of the Company's certificate of formation, operating agreement or other organizational documentation and (d) will not result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Company is a party or by which the Company or its properties may be bound or affected in the case of clauses (c) and (d) herein if such failure would result in a Material Adverse Effect. The Transaction Documents constitute legal, valid and binding obligations of the Company enforceable in accordance with their respective terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

2.3 **<u>Governmental Consents</u>.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement other than those, the failure of which to obtain, would not result in a Material Adverse Effect.

2.4 **Binding Effect.** This Agreement and each other Transaction Document has been duly executed and delivered by the Company. This Agreement and each other Transaction Document constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy insolvency, reorganization, receivership, moratorium or other laws affecting creditors' rights generally and by general principles of equity.

2.5 **Compliance with Laws.** The Company is in compliance in all respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

2.6 **Private Offering; No Integration of General Solicitation.**

(a) Subject to compliance by the Purchaser with the representations and warranties set forth in Section 3, it is not necessary in connection with the offer and sale of the Notes to be sold on the Initial Closing, or any other applicable Closing, to the Purchaser in the manner contemplated by this Agreement, to register the Notes under the Securities Act of 1933, as amended (the "**Securities Act**") or to qualify this Agreement or the Notes under the Trust Indenture Act of 1939.

(b) None of the Company, its Affiliates or any Person acting on behalf of any of the foregoing (other than the Purchaser and its Affiliates, as to whom the Company makes no representation or warranty) directly or indirectly, has offered, sold or solicited any offer to buy and will not, directly or indirectly, offer, sell or solicit any offer to buy, any security of a type or in a manner which would be integrated with the sale of the Notes or any subsequent sale of Notes, as applicable, and require the Notes to be registered under the Securities Act. None of Company or its Affiliates or any Person acting on behalf of any of the foregoing (other than the Purchaser and their assignees, as to whom the Issuer makes no representation or warranty) has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with the offering of the Initial Notes or any Subsequent Notes, as applicable. For purposes of this Section 2.6, "**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, a Person shall be deemed to "Control" or be "Controlled by" a Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(c) The Company has not issued any securities similar to the Notes within the six month period immediately prior to the first Closing.

3. **Representations and Warranties of the Purchaser**

3.1 **Securities Representations.** The Purchaser represents and warrants to, and agrees with the Company as of the first Closing and each subsequent Closing that:

(a) It is an "Accredited Investor" as defined in Rule 501 of Regulation D under the Securitas Act and was not formed for the specific purpose of investing in the Notes;

(b) It is acquiring the Notes for its own account, for investment purposes only and not with a view to any distribution thereof that would not otherwise comply with the Securities Act;

(c) It (i) is knowledgeable, sophisticated and experienced in business and financial matters; (ii) is able to bear the economic risk of its investment in the Notes, and is currently able to afford the complete loss of such investment; (iii) understands there is no market for the Notes and one will not develop; and (iv) has had access to all information that it believes is necessary, sufficient or appropriate in connection with its purchase of the Notes, has made an independent decision to purchase the Notes based on the information concerning the business and financial condition of the Company and its Subsidiaries;

(d) It (i) understands that the Notes have not been registered under the Securities Act and the Notes are being issued by the Issuer in transactions exempt from the registration requirements of the Securities Act and (ii) agrees that all or any part of the Notes may not be offered or sold except pursuant to effective registration statements under the Securities Act or pursuant to applicable exemptions from registration under the Securities Act and in compliance with applicable state laws;

4. **Miscellaneous**.

4.1 **Transfer; Successors and Assigns**. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Neither party hereto may assign its rights or obligations hereunder without the written consent of the other party hereto.

4.2 **Governing Law; Jurisdiction; Venue.** This Agreement and all matters arising directly and indirectly herefrom ("**Covered Matters**") shall be governed in all respects by the laws of the State of New York as such laws are applied to agreements between parties in New York. Each of the parties hereto irrevocably submits to the personal jurisdiction of the courts of the State of New York and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of the Covered Matters. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

4.3 **Counterparts; Telecopy Signatures.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as a facsimile, telecopy or other reproduction hereto.

4.4 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

4.5 **Notices.** All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the following:

If to Purchaser:

Remington Outdoor Company, Inc.
Attention: General Counsel
870 Remington Drive
Post Office Box 700
Madison, North Carolina 27025

with a copy, which shall not constitute notice, to:

Lowenstein Sandler LLP
1251 Avenue of the Americas
17th Floor
New York, New York 10020
Attn: Robert G. Minion, Esq.
Facsimile Number: 973-597-2425
Email: rminion@lowenstein.com

If to Company:

Remington Arms Company, LLC
Legal Department

1816 Remington Circle SW
Huntsvill, AL 35824
Attn: Emile Buzaid
Telephone No.: (265) 327-2413
Email: emile.buzaid@remington.com

4.6 **Fees and Expenses**. Each party hereto shall be responsible for the fees and disbursements of attorneys, accountants, consultants and any other representative or agent retained by such party in regard to this Agreement.

4.7 **Attorney's Fees**. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of the Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

4.8 **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and the Purchaser.

4.9 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

4.10 **Delays or Omissions.** No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

4.11 **Entire Agreement.** This Agreement, and the documents referred to herein constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and thereof, and any and all other written or oral agreements relating to the subject matter hereof and thereof existing between the parties hereto are expressly canceled.

4.12 **Confidentiality.** The Purchaser hereto agrees that, except with the prior written permission of the Company, it shall at all times hold in confidence and trust and not use or disclose any confidential information of the Company provided to or learned by the Purchaser in connection with the Purchaser's rights under the Agreement. Notwithstanding the foregoing, the Purchaser may disclose any confidential information of the Company provided to or learned by the

Purchaser in connection with such rights to the minimum extent necessary (i) to evaluate or monitor the Purchaser's investment in the Company; (ii) as required by any court or other governmental body, provided that the Purchaser provides the Company with prompt notice of such court order or requirement to the Company to enable the Company to seek a protective order or otherwise to prevent or restrict such disclosure; (iii) to legal counsel of the Purchaser; (iv) in connection with the enforcement of this Agreement or rights under this Agreement; (v) to comply with applicable law; or (vi) to comply with any existing reporting obligation under the 2020 Notes Indenture, the ABL Agreement or the Term Loan Agreement.

4.13 **No Personal Obligations.** Notwithstanding anything to the contrary contained herein or in any Notes Document, it is expressly understood and the Purchaser expressly agrees that nothing contained herein or in the Notes or in any other document contemplated hereby or thereby (whether from a covenant, representation, warranty or other provision herein or therein) shall create, or be construed as creating, any personal liability of any stockholder, director, officer or employee of the Company in such Person's capacity as such, with respect to (a) any payment obligation of the Company, (b) any obligation of the Company to perform any covenant, undertaking, indemnification or agreement, either express or implied, contained herein or in the Notes or in any other document contemplated hereby or thereby , (c) any representation or warranty contained herein or in the Notes or in any other document contemplated hereby or thereby, (d) any other claim or liability to the Purchasers under or arising under this Agreement or in the Notes or in any other document contemplated hereby or thereby, or (e) any credit extended or loan made; provided that nothing herein shall be deemed to be a waiver of claims arising from fraud.

[Signature Pages Follow]

The parties have executed this Agreement as of the date first written above.

COMPANY:

FGI OPERATING COMPANY, LLC

By: /s/ Jason Lindell
Name: Jason Lindell
Title: Treasurer

The undersigned party has executed this Agreement as of the date set forth below.

PURCHASER:

REMINGTON OUTDOOR COMPANY, INC.

By: /s/ Stephen P. Jackson, Jr.
Name: Stephen Jackson
Title: Executive V.P. and C.F.O.

<u>EXHIBIT A</u>
FORM OF NOTE

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

FGI Operating Company, LLC
SENIOR UNSECURED NOTE
DUE JULY 19, 2019

No. [ ]
US $[__________] [_________], 2017

FOR VALUE RECEIVED, FGI Operating Company, LLC, a Delaware limited liability company (the "**Company**"), hereby unconditionally promises to pay to the order of Remington Outdoor Company, Inc., a Delaware corporation (the "**Holder**"), or its assigns, the aggregate principal sum of [_____________ ($_____)], together with interest on the unpaid principal balance of this Note (this "**Note**") at a rate equal to LIBOR Rate *plus* four and one quarter percent (4.25%) (computed on the basis of the actual number of days elapsed in a 360-day year) per annum (the "**Interest Rate**"). Interest shall accrue from the date hereof and shall continue to accrue on the outstanding principal balance of this Note until paid in full. Except as expressly provided herein, all payments by the Company under the Note shall be made in United States dollars in immediately available funds to an account specified by the Holder.

In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

This Note is one of a series of Notes (the "**Notes**") of like tenor which shall not exceed an aggregate principal amount outstanding at any time of One Hundred Million Dollars and 00/100 ($100,000,000) issued by the Company to the Holder pursuant to the terms of the Purchase Agreement (as defined below).

1. Definitions. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Purchase Agreement unless otherwise defined herein. Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated:

"**2020 Notes Indenture**" means that certain Indenture dated as of April 19, 2012 by and among the Company and FGI Finance Inc. as issuers, the guarantors party thereto from time to time and Wilmington Trust, National Association, as trustee and collateral agent, as the same may be amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time.

"**ABL Agreement**" means that certain Loan and Security Agreement, dated April 19, 2012, by and among the Company, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., a national banking association, in its capacity as agent for the Lenders, as the same may be amended, restated, amended and restated, supplemented, replaces, refinanced or otherwise modified from time to time.

"**Affiliate**" means with respect to any person or entity, any person or entity, which directly or indirectly, controls, is controlled by, or is under common control with such person or entity, as the case may be.

"**Business Day**" shall mean any day other than Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of, or are in fact closed in, New York, New York.

"**Bankruptcy Law**" shall mean Title 11, United States Code, or any similar Federal or state law for the relief of debtors.

"**Capital Stock**" shall mean, (i) in the case of a corporation, corporate stock; (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"**Change of Control**" shall mean the occurrence of any of the following events: (i) the Sponsors shall cease to own directly (or through an entity wholly-owned by the Sponsor), of record and beneficially, in the aggregate, shares of Voting Stock having more than fifty percent (50%) of the total voting power of all outstanding shares of Voting Stock of the Company; or (ii) "change of control" under and as defined in the Term Loan Agreement shall occur.

"**Custodian**" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"**Holdings**" means FGI Holding Company, LLC.

“**LIBOR Rate**” means the daily British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or such other commercially available source providing quotations of BBA LIBOR as may be designated by the Holder from time to time) for Dollar deposits with a term of one-month; provided, that LIBOR Rate shall not be less than 1.25% per annum.

“**Maturity Date**” means July 19, 2019.

“**Outstanding Balance**” means all outstanding principal under this Note (including any PIK Amount, as defined herein) and any accrued and unpaid interest due thereon.

“**Person**” means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

“**Purchase Agreement**” means the Note Purchase Agreement, dated as of May 11, 2017, by and among the Company and the Holder, pursuant to which the Company issues and sells Notes (including this Note) to the Holder, as the same may be amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time.

“**Significant Subsidiary**” means any Subsidiary that would be a “Significant Subsidiary” of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

“**Sponsor**” means (1) Cerberus Capital Management L.P., a Delaware Limited partnership (“**Cerberus**”) and (2) one or more investment funds advised, managed or controlled by Cerberus and, in each case (whether individually or as a group) their Affiliates (not including, however, any of their portfolio companies).

“**Subsidiary**” means, with respect to any Person, (1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, (2) any partnership, joint venture or limited liability company of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or Subsidiary of such Person is a controlling general partner or otherwise controls such entity and (3) any Person that is consolidated in the consolidated financial statements of the specified Person in accordance with GAAP.

“**Term Loan Agreement**” means that certain Term Loan Agreement, dated April 19, 2012, by and among the Company, as borrower, Holdings, the guarantors party thereto from time to time, the lenders party thereto from time to time and Bank of America, N.A., a national banking association, in its capacity as agent for the Lenders, as the same has been and may be further amended, restated, amended and restated, supplemented, replaces, refinanced or otherwise modified from time to time.

"**Transaction Documents**" means, collectively, the Notes and the Purchase Agreement.

"**Voting Stock**" shall mean with respect to any Person, (a) one (1) or more classes of Capital Stock of such Person having general voting powers to elect at least a majority of the board of directors, managers or trustees of such Person, irrespective of whether at the time Capital Stock of any other class or classes have or might have voting power by reason of the happening of any contingency, and (b) any Capital Stock of such Person convertible or exchangeable without restriction at the option of the holder thereof into Capital Stock of such Person described in clause (a) of this definition.

2. Purchase Agreement; Transfer. This Note is subject to the terms and conditions of, and entitled to the benefit of, the provisions of the Purchase Agreement. This Note is only transferable and assignable by the Holder with the consent of the Company. Upon such approval, the Company agrees to issue from time to time a replacement Note in the form hereof to facilitate such transfers and assignments only upon receipt by the Company of the Note to be transferred or exchanged, except as provided in the following sentence. In addition, after delivery of an indemnity in form and substance reasonably satisfactory to the Company, the Company also agrees to promptly issue a replacement Note if this Note is lost, stolen, mutilated or destroyed and, in the case of a mutilated note, the applicable Note.

3. Payment of Principal and Interest; Prepayment.

3.1 Interest on this Note shall accrue from the date hereof and be payable in arrears on the last business day of each quarter commencing on [●], 2017 (each such date being referred to herein as an "**Interest Payment Date**"). All accrued but unpaid interest payable hereunder shall be capitalized and added as of each Interest Payment Date to the principal amount of the Note (the "**PIK Amount**"). Such PIK Amount shall bear interest from the applicable Interest Payment Date at the same rate per annum and be payable in the same manner as in the case of the original principal amount of this Note and shall otherwise be treated as principal of this Note for all purposes. From and after each Interest Payment Date, the principal amount of this Note shall, without further action on the part of the Company or the Holder, be deemed to be increased by the PIK Amount so capitalized and added to principal in accordance with the provisions hereof.

3.2 The Outstanding Balance shall, subject to Section 3.3 and Section 4, be payable on the Maturity Date.

3.3 The Company may prepay or redeem the Notes, together with accrued interest thereon, in whole or in part, at any time without premium or penalty.

4. Event of Default. The occurrence of any of following events shall constitute an "**Event of Default**" hereunder:

4.1 (i) The failure of the Company to pay any principal amount of the Note when due or (ii) the failure to pay within 5 Business Days after the same becomes due, any interest or other amount (other than principal) due under the Notes or any of the other Transaction Documents;

4.2 Any representation, warranty or statement of fact made by the Company to the Holder in any Transaction Document or any other written agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

4.3 Any event of default (after giving effect to any applicable cure or grace periods) shall occur under the 2020 Notes Indenture and such event of default shall result in the acceleration of the maturity of the indebtedness thereunder or permit the holder or holders thereof, or any or agent for such holder or holders, to cause the indebtedness thereunder to become due and payable prior to its expressed maturity;

4.4 Any event of default (after giving effect to any applicable cure or grace periods) shall occur under the Term Loan Agreement or the ABL Agreement and such event of default shall result in the acceleration of the maturity of the indebtedness thereunder;

4.5 The Company or any Significant Subsidiary of the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors or takes any comparable action under any foreign laws relating to insolvency,

4.6 A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any Significant Subsidiary of the Company in an involuntary case;

(ii) appoints a Custodian of the Company or any Significant Subsidiary of the Company; or

(iii) orders the winding up or liquidation of the Company or any Significant Subsidiary of the Company;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 90 days.

4.7 Any material provision hereof or of any of the other Transaction Document shall for any reason cease to be valid, binding and enforceable on the Company in accordance with its terms, or the Company shall challenge the enforceability hereof or thereof, or shall assert in writing, or take any action based on the assertion that any provision hereof or of any of the other Transaction Documents has ceased to be or is otherwise not valid, binding or enforceable in accordance with its terms; or

4.8 Any Change of Control;

Upon the occurrence of any Event of Default, Holder may, at its option, upon notice to the Company, accelarate the payment of the Outstanding Balance under this Note and demand immediate payment therefo to Holder; provided that, upon the coccurence of any Event of Default described in Sections 4.5 or 4.6, the Outstanding Balance shall automatically become immediately due and payable. Upon the occurrence of any Event of Default, the Holder may, in addition to declaring all amounts due hereunder to be immediately due and payable, pursue any available remedy, whether at law or in equity.

5. No Waiver. No delay or omission on the part of the Holder in exercising any right under this Note shall operate as a waiver of such right or of any other right of the Holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion.

6. Amendments in Writing. Any term of this Note may be amended, modified or waived upon the written consent of the Company and the Holder; provided however, that, any such amendment or waiver must apply to all outstanding Notes. No such waiver or consent in any one instance shall be construed to be a continuing waiver or a waiver in any other instance unless it expressly so provides.

7. Equal Ranking. The Notes shall rank equally without preference or priority of any kind over one another, and all payments on account of principal and interest with respect to any of the Notes shall be applied ratably and proportionately on all outstanding Notes on the basis of the original principal amount of outstanding Notes. The Notes shall rank equally with the Company's obligations under the 2020 Notes Indenture, ABL Agreement and Term Loan Agreement but shall be unsecured.

8. Waivers. The Company hereby forever waives presentment, demand, presentment for payment, protest, notice of protest, notice of dishonor of this Note and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

9. Governing Law; Jurisdiction; Venue. This Note, and all matters arising directly and indirectly herefrom (the "**Covered Matters**"), shall be governed in all respects by the laws of the state of New York as such laws are applied to agreements between parties in New York. The Company irrevocably submits to the personal jurisdiction of the courts of the state of New York and the United States District Court for the Southern District of New York for the purpose

of any suit, action, proceeding or judgment relating to or arising out of the Covered Matters. Service of process on the Company in connection with any such suit, action or proceeding may be served on the Company anywhere in the world by the same methods as are specified for the giving of notices under this Note. The Company irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

9.1 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the following:

If to Holder:

Remington Outdoor Company, Inc.
Attention: General Counsel
870 Remington Drive
Post Office Box 700
Madison, North Carolina 27025

with a copy, which shall not constitute notice, to:

Lowenstein Sandler LLP
1251 Avenue of the Americas
17th Floor
New York, New York 10020
Attn: Robert G. Minion, Esq.
Facsimile Number: 973-597-2425
Email: rminion@lowenstein.com

If to Company:

Remington Arms Company, LLC
Legal Department
1816 Remington Circle SW
Huntsvill, AL 35824
Attn: Emile Buzaid
Telephone No.: (265) 327-2413
Email: emile.buzaid@remington.com

10. Successors and Assigns. This Note and the rights, obligations and duties hereunder shall not be assignable or otherwise transferable by the Company, and any such assignment or transfer shall be null and void. The Note shall be binding upon the successors of the Company and shall inure to the benefit of the successors and assigns of the Holder.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name effective as of the date first above written.

FGI OPERATING COMPANY, LLC

By:____________________________
Name:
Title:

EXHIBIT B

FORM OF CLOSING NOTICE

Date: ___________, _____

To: Remington Outdoor Company, Inc. as Purchaser

Ladies and Gentlemen:

Reference is made to that certain Note Purchase Agreement, dated as of May 11, 2017 (as amended, restated, amended and restated, supplemented or otherwise modified in writing from time to time, the "**Note Purchase Agreement**;" the terms defined therein being used herein as therein defined), by FGI Operating Company, LLC, a Delaware limited liability company (the "**Issuer**"), and Remington Outdoor Company, Inc., a Delaware corporation, as Purchaser.

The undersigned hereby requests that the Purchaser purchase a Note from the Issuer:

1. On__________________________________(a Business Day).[1]

2. In the amount of $_____________________[2]

3. To the following Account: ______________________________

____

____[3]

[1] Each Closing Notice must be received by the Administrative Agent not later than 12:00 p.m. on the third Business Day prior to the date of the requested Note purchase or within one Business Day following the provision of telephonic notice.

[2] The aggregate amount of each Note must be in an amount not less than $5,000,000 or in integral multiples of $1,000,000 in excess thereof.

[3] The bank account designated by the Company for purposes of receiving the proceeds of the sale of the Notes.

The Borrowers hereby represent and warrant that the conditions specified in <u>Section 1.3</u> of the Loan Agreement shall be satisfied on and as of the date of the Borrowing.

FGI OPERATING COMPANY, LLC

By:____________________________
Name:
Title: