

Nonrecurring charges increased \$14.4 million for the year ended December 31, 2010, primarily due to \$17.4 million in ~~gross~~ restructuring expenses and \$2.4 million in purchase accounting adjustments, offset by \$6.4 million in lower ~~employee~~ related costs. The impact of a change in accounting principle from LIFO to FIFO is reflected in the 2009 figures.

Nonrecurring charges for the year ended December 31, 2010, consisted primarily of \$19.5 million in restructuring and integration charges, \$2.4 million related to purchase accounting, \$0.8 million in employee related expenses, and \$11.9 million in other fees and transaction costs. The \$11.9 million in other fees and transaction costs consisted primarily of \$3.5 million for the military products division ~~setup~~ up costs, a \$2.4 million charge for the write-off of IPO costs, \$2.2 million in legal fees associated with a CNBC broadcast response, \$2.0 million associated with contributions to the Remington Outdoor Foundation, and \$1.7 million in bank fees.

Interest Expense

Interest expense was \$53.0 million and \$29.8 million for the years ended December 31, 2010 and 2009, respectively. The \$23.2 million increase in interest expense over the prior year period was primarily related to \$19.6 million of interest expense related to the PIK Notes issued in April 2010, \$18.1 million related to the Opco Notes, and \$2.3 million in debt acquisition costs and amortization expense related to the Opco Notes, the ABL Revolver and the PIK Notes borrowings, offset by \$16.8 million of interest expense incurred in 2009 related to the debt paid off as a result of the Opco Notes and ABL Revolver borrowings that did not recur in 2010.

Income Tax Provision

Our effective tax rate on continuing operations for the years ended December 31, 2010, 2009, and 2008 was 35.6%, 34.1%, and 42.2% respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of December 31, 2010, 2009, and 2008. Of the 2010 percentage related to state income taxes, 5.5% is applicable to unrecognized state tax benefits. Additionally, the difference between the statutory rate and the actual effective tax rate for the year ended December 31, 2008, was primarily related to a permanent difference associated with the impairment of goodwill. Excluding the impact of the goodwill impairment, the effective tax rate would have been 31.5% for this period. The valuation allowance decreased \$0.1 million from December 31, 2009 to December 31, 2010 to reduce the deferred tax asset related to certain state tax credits which have expired.

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.

Years Ended December 31, 2009 and 2008

Net Sales

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

	Year Ended December 31,					
	2009	Percentage of Total	2008	Percentage of Total	Increase (Decrease)	Percentage Change
			(dollars in millions)			
Firearms	\$508.1	59.9%	\$426.6	59.0%	\$81.5	19.1%
Ammunition	321.6	37.9	285.3	38.4	36.3	12.6
All Other	19.0	2.2	20.0	2.8	(1.0)	(5.0)
Total	\$848.7	100.0%	\$731.9	100.0%	\$116.8	15.9%

ANNUAL REPORT

For the fiscal year ended:

December 31, 2010

FREEDOM GROUP

FAMILY OF COMPANIES

FREEDOM GROUP, INC.

(Exact name of company as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

26-817401

(I.R.S. Employer Identification No.)

870 Remington Drive

P.O. Box 1776

Madison, North Carolina 27025-1776

(Address of principal executive office) (Zip Code)

(336) 545-5700

(Company's telephone number, including area code)