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Remington Looking At Breakup After Ch. 11 Auction

By **Rick Archer**

Law360 (September 28, 2020, 3:43 PM EDT) -- Remington Outdoor Co. will be asking an Alabama bankruptcy court to allow it to split its firearms and ammunition business between seven different buyers after receiving \$159.2 million in offers for different parts of its assets in a multiday Chapter 11 auction.

According to the bid notice Remington filed Sunday, the proposed sale would see a rifle-making subsidiary go to gunmaker Sturm Ruger & Co., two of its firearm factories go to another company and its ammunition business split between another two buyers, while three more bidders would pick up an assortment of firearms and accessories brands.

Remington filed for Chapter 11 protection in the bankruptcy court in July for the second time since 2018 over cash restraints even though gun sales have surged during the COVID-19 pandemic. Its filings put its secured debt at about \$253.7 million, plus \$30 million in trade debt.

The company is also **facing a lawsuit** by the families of victims of the 2012 mass shooting at Sandy Hook Elementary School in Newtown, Connecticut. A Remington-made Bushmaster AR-15 rifle was used in the attack.

According to Sunday's filing, the auction ran from Sept. 17-24, and California-based outdoor sports and shooting equipment maker Vista Outdoor submitted the \$81.4 million winning bid for Remington's Lonoke, Arkansas, ammunition plant. Missouri-based Sierra Bullets submitted a \$30.5 million bid for its Utah-based Barnes Bullets subsidiary, which specializes in all-copper bullets.

Connecticut-based gunmaker Sturm Ruger submitted a \$30 million winning bid for Remington's rifle-making Marlin Firearms subsidiary, according to the filing, while Virginia property investment and venture capital firm Roundhill Group bid \$13 million for the company's New York and Tennessee firearm factories.

The filing said Franklin Armory Holdings had submitted the winning bid for Remington's semiautomatic Bushmaster brand, Sportsman's Warehouse the winning bid for its Tapco firearms accessories brand, and JJE Capital Holdings the top bid for its DPMS, H&R, Stormlake, AAC and Parker brands. The sale agreements for those bids were not filed, but in a separate filing the company put the total bids at \$159.2 million

In an announcement Monday, Vista said that based on Remington's \$200 million in ammunition sales in 2019, it expects to break even on the deal next year if the sale is approved.

"With our deep expertise and resources, we can transform Remington's ammunition and accessories businesses to create a more efficient, profitable and sustainable operation," Vista CEO Chris Metz said in the announcement.

In its own announcement Monday, Sierra called Barnes an industry leader in lead-free bullets with "untapped go-to-market potential."

"The Barnes acquisition caps off our strategy to build a leader in specialty premium bullets and ammunition," Sierra Executive Chairman Warren Kanders said.

In a phone interview Monday, Roundhill counsel James C. Bastian Jr. of Shulman Bastian Friedman & Bui LLP said while the firm has not yet determined what will happen with the Tennessee plant — saying it had only come to the sale process a week before the auction began — the sales agreement commits it to keep the New York plant in operation, and that it has begun talks with the union there.

"They want to carry it forward and save some jobs," he said.

Representatives of Remington and the remaining bidders did not immediately respond to requests for comment Monday.

A sale hearing is scheduled for Tuesday, but Philadelphia-based Vuong Holdings filed for a continuance last week, saying it had not become aware of the auction until Sept. 20 and needed until Oct. 13 to secure proof of funds for its own \$150 million bid for the company.

Remington argued in its reply that Vuong has no standing to ask for a continuance, saying it was not a debtor and that its nonbinding offer — which was smaller than the combined winning bids — was submitted three days into the auction and did not follow the procedures laid out to be a qualified bid.

In text messages Monday, Vuong Executive Chairman Vinh Vuong said his company had expressed a willingness to go as high as \$200 million.

"We had only 12-18 hours to return a LOI with strategy and info about our firm and we did," he said.

Remington is represented by Derek F. Meek and Hanna Lahr of Burr & Forman LLP and Stephen H. Warren, Karen Rinehart, Nancy Mitchell, Gary Svirsky and Jennifer Taylor of O'Melveny & Myers LLP.

Sturm Ruger is represented by Jonathan E. Raulston and Charles R. Johanson III of Engel Hairston and Johanson PC.

Roundhill is represented by James C. Bastian Jr. of Shulman Bastian Friedman & Bui LLP.

JJC is represented by Henry C. Shelton III of Adams and Reese LLP.

Vuong is represented by David H. Arkoosh.

Counsel information for Franklin Armory and Sportsman's Warehouse was not immediately available Monday.

The case is In re: Remington Outdoor Co. Inc. et al., case number 20-81688, in the U.S. Bankruptcy Court for the Northern District of Alabama.

--Editing by Orlando Lorenzo.