IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF INDIANA
FORT WAYNE DIVISION

IN RE:	)	
MOSSBERG INDUSTRIES, INC.	)	Case No. 03-12993
	)	Chapter 11
DEBTOR.	)	

SETTLEMENT AGREEMENT

WHEREAS, on June 30, 2003, Mossberg Industries, Inc. (the "Debtor") filed a petition for reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, et seq., in the United States Bankruptcy Court for the Northern District of Indiana, Fort Wayne Division;

WHEREAS, on December 23, 2003, the United States, on behalf of the Environmental Protection Agency ("EPA"), filed a Proof of Claim against Debtor (the "Claim");

WHEREAS, the Claim alleges (a) that the Debtor is liable to the United States under Section 107 of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9607, for response costs incurred and to be incurred relating to the Second Operable Unit at the Peterson/Puritan, Inc. Superfund Site located in the towns of Cumberland and Lincoln, Rhode Island ("Peterson/Puritan OU2"),

(b) that the Debtor is liable for all unreimbursed costs incurred by EPA at Peterson/Puritan OU2, which were in the amount of approximately $1,577,163 through September, 2003, and (c) that the Debtor is also liable for all future costs expected to be incurred by EPA at Peterson/Puritan OU2, which were estimated to be approximately $80 million;

WHEREAS, the Claim was asserted as a general unsecured claim;

WHEREAS, on or about April 28, 2005, Debtor filed an Amended Plan of Reorganization ("Plan");

WHEREAS, the parties hereto, without admission of liability by any party, desire to settle, compromise and resolve the Claim in accordance with the terms of this Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration receipt of which is hereby acknowledged;

IT IS HEREBY STIPULATED and agreed to by and between the parties hereto, subject to approval by the Bankruptcy Court, as follows:

1. The Claim shall be allowed as a general unsecured claim in the amount of $768,000 (the "Allowed Claim") and shall be treated as a Class 10 claim pursuant to the Plan (or

comparable provision of any further amendments of the Plan). In no event shall the Allowed Claim be subordinated to any other general unsecured claim pursuant to any provision of the Bankruptcy Code or other applicable law that authorizes or provides for subordination of allowed claims including, without limitation, Sections 105, 510 and 726(a)(4) of the Bankruptcy Code.

2. Payment of distributions with respect to the Allowed Claim shall be made by FedWire Electronic Funds Transfer ("EFT") to the U.S. Department of Justice account in accordance with current EFT procedures, referencing USAO File Number 2005V00242, EPA Site/Spill ID Number 01-40, and DOJ Case Number 90-11-3-1233/4. Prior to making payment, Debtor shall obtain payment instructions from the Financial Litigation Unit of the United States Attorney's Office for the Northern District of Indiana. Any payments received by the Department of Justice after 4:00 p.m. (Eastern Time) will be credited the next business day. A notice of all payments shall be sent to the persons listed below with a reference to this bankruptcy proceeding (In re Mossberg Industries, Inc., No. 03-12993 (N.D. Ind.)), to the Peterson/Puritan Superfund Site (OU2), and to DOJ File Number 90-11-3-1233/4.

Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044
Ref: DOJ File No. 90-11-3-1233/4

Michelle Lauterback
Enforcement Counsel
Office of Environmental Stewardship
U.S. Environmental Protection Agency
Region 1
One Congress Street, Suite 1100 (SES)
Boston, MA 02114

Wayne Ault
Assistant United States Attorney
United States Attorney's Office
Northern District of Indiana
5400 Federal Plaza
Suite 1500
Hammond, Indiana 46320

3. Distributions received by the Department of Justice will either be: (a) deposited in the Peterson/Puritan, Inc. Superfund Site Special Account within the EPA Hazardous Substance Superfund to be retained or used to conduct or finance response actions at or in connection with the Peterson/Puritan, Inc. Superfund Site including, but not limited to, Operable Units One, Two, and potential Operable Unit Three, or be transferred by EPA to the EPA Hazardous Substance Superfund; or (b) deposited into the EPA Hazardous Substance Superfund.

4. Only the amount of cash actually received by EPA under this Settlement Agreement on account of the Allowed Claim, and not the total amount of that claim, shall reduce the liability of non-settling potentially responsible parties to EPA in connection with the Peterson/Puritan, Inc. Superfund Site pursuant to Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2).

5. In consideration of the payments or distributions that will be made on account of the Allowed Claim, and except as provided in Paragraph 6, the United States, on behalf of EPA, covenants not to bring a civil action or take administrative action against the Debtor pursuant to Sections 106 and 107 of CERCLA, 42 U.S.C. §§ 9606 and 9607, relating to Peterson/Puritan OU2. This covenant not to sue is conditioned upon the complete performance by the Debtor of its obligations under this Settlement Agreement. This covenant not to sue extends only to the Debtor and does not extend to any other person.

6. The United States reserves, and this Settlement Agreement is without prejudice to, all rights against Debtor with respect to all matters not expressly included in Paragraph 5 including, but not limited to: claims based on a failure of the Debtor to meet a requirement of this Settlement Agreement, claims based on liability in connection with any site other than

Peterson/Puritan OU2, claims based on liability for the disposal of hazardous substances at Peterson/Puritan OU2 by the Debtor after the execution of this Settlement Agreement, and claims based on any criminal liability.

7. This Settlement Agreement is intended to be and, upon approval of the Bankruptcy Court, shall be a judicially approved settlement within the meaning of Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2). With regard to claims for contribution against the Debtor for matters addressed in this Settlement Agreement, the Debtor is entitled to such protection from contribution actions or claims as is provided by Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2). The "matters addressed" in this Settlement Agreement are all response actions taken or to be taken and all response costs incurred and to be incurred, at or in connection with Peterson/Puritan OU2, by the United States or any other person. The "matters addressed" in this Settlement Agreement do not include those response costs or response actions as to which the United States has reserved its rights under this Settlement Agreement in the event that the United States asserts rights against Debtor coming within the scope of such reservations.

8. The Debtor covenants not to sue and agrees not to assert any claims or causes of action against the United States with respect to Peterson/Puritan OU2 including, but not limited to: any direct or indirect claim for reimbursement from the Hazardous Substance Superfund, any claims for contribution against the United States, its departments, agencies or instrumentalities, and any claims arising out of response activities at Peterson/Puritan OU2. Nothing in this Settlement Agreement shall be construed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611 or 40 C.F.R. § 300.700(d).

9. To the extent that any time after June 30, 2003, Debtor recovers insurance proceeds in connection with Peterson/Puritan OU2 in excess of the Debtor's cost of pursuing such insurance proceeds, the Debtor may retain 20% of such excess insurance proceeds and the Debtor shall pay 80% of such excess insurance proceeds to the United States. The payments required to be made under this Paragraph shall be in addition to the payments required to be made under Paragraph 1 and the Plan (or any further amendments to the Plan). However, under no circumstances may the payments required to be made under this Paragraph, when combined with the consideration received under

Paragraph 1 and the Plan (or any further amendments to the Plan), exceed $768,000. In the event that the insurance proceeds sharing requirements of this Paragraph would result in such an exceedance, the Debtor shall retain the amount of insurance proceeds necessary to avoid such an exceedance. Payments under this Paragraph shall be made in accordance with the provisions of Paragraph 2.

10. Nothing in this Settlement Agreement shall be construed to create any rights in, or grant any cause of action to, any person not a party to this Settlement Agreement.

11. This Settlement Agreement shall be subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. This Settlement Agreement shall be lodged with the Bankruptcy Court and will be subject to a 30-day public comment period following notice of the Settlement Agreement in the Federal Register. The United States reserves the right to withdraw or withhold its consent if the public comments regarding the Settlement Agreement disclose facts or considerations which indicate that the Settlement Agreement is inappropriate, or improper, or inadequate.

12. If this Settlement Agreement is not authorized and approved by the Bankruptcy Court, this Settlement Agreement

shall be of no force and effect, whereupon nothing herein shall be deemed an admission of any fact or waiver of any right of either party with respect to the matters contained herein.

13. This Settlement Agreement represents the complete agreement of the parties hereto on the matters referred to herein and supersedes all prior agreements, understandings, promises and representations made by the parties hereto concerning the subject matter hereof. This Settlement Agreement may not be amended, modified or supplemented, in whole or in part, without the prior written consent of the parties hereto and the approval of the Bankruptcy Court.

The undersigned party hereby enters into the Settlement Agreement in In re Mossberg Industries, Inc., No. 03-12993 (D. Ind.).

FOR THE UNITED STATES OF AMERICA

Date: 9/15/05

CATHERINE R. McCABE
Deputy Section Chief
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice

Date: 9/22/05

DONALD G. FRANKEL
Environmental Enforcement Section
U.S. Department of Justice
Suite 616
One Gateway Center
Newton, MA 02458

JOSEPH VAN BOKKELEN
United States Attorney
Northern District of Indiana

WAYNE AULT
Assistant United States Attorney
United States Attorney's Office
Northern District of Indiana
5400 Federal Plaza
Suite 1500
Hammond, Indiana 46320

Date: 9/9/05

ROBERT W. VARNEY
Regional Administrator
U.S. EPA
Region 1

Date: 8/31/05

MICHELLE LAUTERBACK
Enforcement Counsel
Office of Environmental Stewardship
U.S. Environmental Protection Agency
Region 1
One Congress Street, Suite 1100 (SES)
Boston, MA 02114

The undersigned party hereby enters into the Settlement Agreement in In re Mossberg Industries, Inc., No. 03-12993 (D. Ind.).

FOR DEBTOR MOSSBERG INDUSTRIES, INC.

Date: _____

_____

DANIEL J. SKEKLOFF
Skekloff, Adelsperger & Kleven, LLP
927 South Harrison Street
Fort Wayne, IN 46802