

CONFIDENTIAL TRADE SECRET

Remington®

FIREARMS DIVISION



FIREARMS THREE YEAR
STRATEGIC MARKETING PLAN

(2009-2011)

Published By:

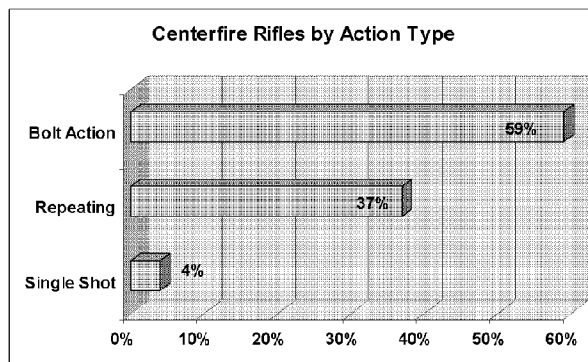
John Fink-Brand Manger/New Product Development-Rifles

CENTERFIRE RIFLE MARKET SUMMARY

BATFE data places the 2006 U.S. total market for rifles at 1,496M units.¹ This includes both rimfire and centerfire rifles. Manufacturers such as Marlin and Ruger both are heavily weighted by their rimfire volume. Extracting just our primary long competitors for Ilion and Mayfield product from the BATFE data, the total market estimate is 1,030 rifles produced in 2006. Deducting estimated rimfire rifle production by manufacturer further reduces the total number in the centerfire segment to 847M centerfire rifles. Given an average retail price of \$400 per unit, this places the market value at \$338MM.

The centerfire rifle segment is essentially composed of three product categories. 2006 volume estimates by category are as follows:

<u>Category</u>	<u>Units (M)</u>
Bolt Action	634
Repeating ²	169
Single Shot	35
Total	838



The bolt-action rifle dominates the centerfire category, commanding nearly 60% of the sales volume in units. Centerfire rifle unit sales for the U.S. domestic market is as follows.

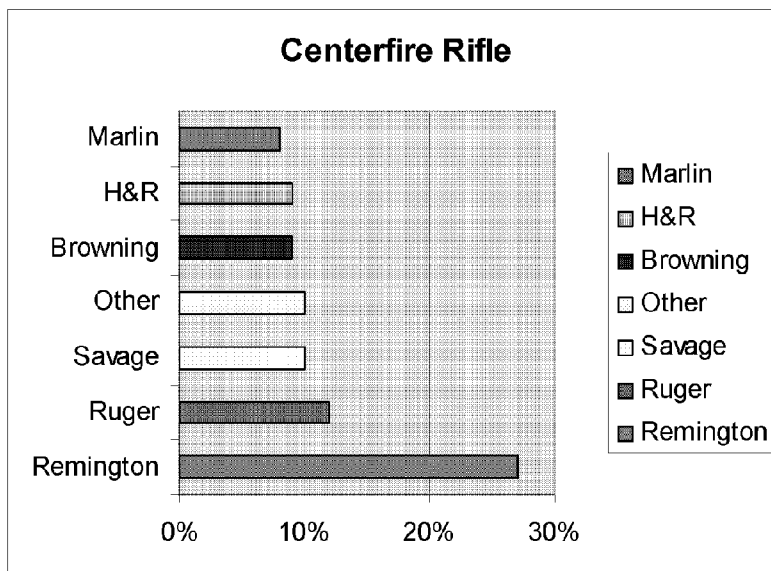
¹ BATF production figures

² Includes Autoloading, Pump & Lever Action

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	229
Ruger	97
Savage	90
Other*	90
Browning**	75
H&R	72
Marlin	69
Thompson Center	50
Mossberg	18
Tikka**	15
Weatherby**	10
Sako**	10
Kimber	8
Smith & Wesson**	<u>5</u>
TOTAL	838

*Includes Importers & Smaller Manufacturers **Estimated-Not Included in 2006 BATFE Data
Remington, Marlin, H&R actual data

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



Remington maintains a dominant position with respect to brand share in the centerfire rifle category, primarily through sales of the popular Model 700 line of bolt-action centerfire rifles. Market share was spurred in 2006 with the Model 710 Sportsman (Now the Model 770 Sportsman), an entry level priced scoped combo bolt-action rifle priced in the sub \$400 mark at retail. Bolt-action rifles constitute nearly 90% of all Remington centerfire units sold.

Sturn, Ruger & Company occupies the number two spot with an 11% share of the centerfire rifle category. Unlike Remington, Ruger's portfolio is much more diversified with respect to "action types." Although strong in the bolt-action category with the M77 family, Ruger maintains a dominant position with respect to semi-automatic centerfire rifles with the Mini 14 series of "ranch rifles." Ruger also holds a fair share of the single shot centerfire category with the No. 1 series.

The next spot in the centerfire category belongs to Savage Arms. Savage has made great progress turning their brand image and awareness around.

The introduction of the AccuTrigger along with a concentrated focus on improved quality and accuracy has made Savage a competitor to the Model 700. Previously, Savage was viewed as a lower quality opening price point gun. Their image is much improved with their product offerings over the last five years.

The "Other" category consists predominately of imports, as well as custom rifles. Although the import category is significant, a large portion of that market consists of imported surplus military rifles. In fact, it is estimated that nearly half of the 90M imported centerfire rifles are comprised of surplus military firearms. It should be noted that the scope of the remainder of this report section will be focused on sporting firearms as Remington, with the exception of specialized products for law enforcement and military applications, does not participate in marketing military style firearms for sale to the general public.

While the Browning brand is very strong, their market share in centerfire rifles is estimated at 9%. Browning primarily competed with their A-Bolt rifle which was replaced in 2008 by their new X-Bolt. Both are higher end premium type rifles. Browning also competes with their line of BAR autoloading hunting rifles and to a lesser extent with single shot falling block action rifles.

Harrington & Richardson also competes with a 9% market share with their line of single shot Handi-Rifles. Available in configurations ranging from synthetic to wood, and blued steel to stainless steel, H&R provides great value for the dollar spent to the consumer. The H&R price point enables them to drive sales in the single shot category.

Marlin occupies the rounds out the centerfire rifle category. Marlin competes with platforms based on the lever-action repeating design of the Model 1895 series and variants therein in the Model 336. They are the only maker of good quality value priced lever guns today. Marlin has directly benefited with the cessation of the Winchester Model 94. In 2008 Marlin entered the bolt action rifle category with the new XL-7. This is not Marlin's first attempt entering the bolt action arena. Their first attempt was positioned directly against the Model 700 and the Model 70. The XL-7 is an opening price point gun and will give Marlin a much better chance of success.

CENTERFIRE RIFLE INDUSTRY ANALYSIS

The centerfire rifle market is not dominated by one or two manufacturers. Certainly there are clear market leaders, but market share is bit closer to level between the top three or four players. Intense competition exists in this segment, primarily through efforts to provide product differentiation to the market through new cartridge chamberings, usage of hi-tech materials for stocks and metal finish, factory setting of triggers with consumer adjustability, and by introducing platforms geared toward specific end use applications.

Like other segments within the firearms industry, the price/value relationship maintains a great presence within the centerfire rifle segment. Consumers place a great deal of emphasis on the level of performance, precision, and quality obtained for the dollars spent. Opening price point rifles are important in the centerfire category as evidenced in the volume of Model 770 and Model 700 SPS rifles sold. There is value recognized by shooters and hunters that allow higher priced, higher margin rifle products for specific end use applications or simply for the buck of a lifetime.

Essentially, the centerfire rifle segment can be categorized under three distinct headings:

- Entry Level Centerfire Rifle (< \$500 Retail)
- Premium Centerfire Rifle (\$500 - \$1500 Retail)
- Specialty Centerfire Rifle (Niche Markets)

Entry Level Centerfire Rifle

This segment is dominated by lower price point repeating rifles, no-frills bolt action offerings, and the increasingly popular “ready to go” scoped combo packages. The entry level price point appeals to the casual big game hunter, the new entrant to big game hunting and the hunter with a limited budget. Entry level product offerings in the centerfire rifle category account for approximately 35% of retail sales in the U.S. domestic market. Remington competes at this level with the Model 715 and Model 770 from Ilion.

Premium Centerfire Rifle

Appealing to a more discriminating audience, the premium centerfire rifle category in the sporting firearms market consists primarily of bolt-action

rifles that constitute the flagship products of the various manufacturers. Featuring higher grade options such as stainless steel, high grade stocks, polished blued metal work and an overall higher perceived level of attention to detail. The premium centerfire category accounts for approximately 50% of retail sales in the U.S. domestic market. Remington is very competitive in this category with our Model 700 XCR, Model 700 VTR, Model 700 CDL and other Model 700 variants along with the Model Seven line.

Specialty Centerfire Rifle

The specialty centerfire category features products that are generally highly focused toward a specific end use. Examples would be heavy barreled long range rifles with specialized target stocks for situations such as varminting, or extended range big game hunting. Products within this category often utilize state of the art materials such as aramid (Kevlar®) fiber reinforced stocks, and titanium alloys. Custom built firearms would also be included in this category. The Model 700 Sendero and line of Model 700 Varmints are examples of the specialty rifle. Our line of Tactical guns also falls in the Specialty category. This segment constitutes the remaining 15% of the U.S. domestic market.

Customer Profiles

General demographic studies are far too broad in this category to draw any meaningful conclusions with respect to specific demographic trends. Perhaps a more comprehensive study might reveal some data of substance, but with current available information any conclusions would be speculative at best.

Based on market trends over three fourths of the centerfire rifles purchased in the domestic market are purchased for hunting applications. The remaining sporting centerfire market can be primarily categorized as target shooters.

The “hunter” profile can be categorized under two broad headings, “casual” and “dedicated.” Stratification within the category is estimated to be skewed 60% toward the “casual” profile.

- The “casual” hunter can be categorized as the person who has an opportunity to hunt a few times a year, generally in close proximity to their home. It can reasonably be assumed that game types and hunting situations do not vary a great deal for the “casual” hunter. Firearms are also chosen with consideration given to widely available,

well known and competitively priced ammunition types. Consumption of a full box (20 rds) of centerfire ammunition within one season is typical. The "casual" hunter may not see the point, or may not have the income at his or her disposal to rationalize the expense of a more expensive rifle/scope set up. In fact, they may be limited by either budget or need to one rifle. The "casual" hunter is not likely as technically savvy with respect to firearms, ammunition, and optics making products which are easy to use and quick to set up attractive. The "casual" hunter would expect a functionally sound product that yields accuracy capable of taking medium size game at typical ranges of less than 200 yds. A product category gaining immense popularity with the "casual" hunter profile are the entry level combo centerfire rifles, with scopes pre-mounted and bore-sighted requiring minimal modification by the end user.

- The "dedicated" hunter is more versed in firearms, ammunition and optics technology than his "casual" counterpart. Game species and hunting situations may vary significantly within the "dedicated" segment as he or she may travel to varied destinations to hunt. The "dedicated" hunter places greater value on enhanced product features such as detailed metal work, high grade stock materials and the incorporation of high tech materials such as synthetics, stainless steel and other alloys to tailor a product to suit the needs of a particular situation. The "dedicated" hunter likely owns multiple rifles suited for different situations or species that they may encounter. The "dedicated" hunter would generally expect Minute-of-Angle accuracy or better with a very low tolerance for malfunctions of any kind. It would not be uncommon for a consumer within this category to spend in excess of \$1000 for a complete rifle/scope setup.

The remaining 15% of the centerfire market is essentially occupied by sales to the varmint/target shooter.

- It should be noted that there is likely a great deal of overlap of target shooters who qualify as "dedicated" hunters. Target shooters are perhaps the most technically savvy of the centerfire rifle category with respect to rifle and ammunition technology. Precision accuracy is critical to the target shooter. It is not at all uncommon for the target shooter to purchase a factory produced rifle and immediately send the firearm to have custom work performed. Custom work would include fire control modification or replacement, barrel work or replacement and stock modifications or replacement to name only a few. A large

percentage of custom rifles are purchased by target shooters on an annual basis. Often times, custom made rifles utilize actions from factory based platforms where a custom gun maker might purchase a base factory rifle, salvage the action and build a new gun from the ground up. These firearms command high prices, almost always exceeding \$1000. Generally speaking, the target shooter is the most discriminating of centerfire rifle consumers.

Brand Perception

Brand perception within the centerfire rifle market places a great deal of emphasis on the value/price relationship or quite literally, the most “bang” for the buck. This holds especially true for the brands participating at lower price points that make very strong cases for the consumer to get “more for less.” That being said, there is a tremendous level of brand loyalty within the category, provided of course that particular brands are maintaining consumer expectations with respect to quality and performance.

- **Remington** – Remington is very well established with respect to reputation in the centerfire rifle market, primarily due to competencies exhibited in the manufacturing of bolt-action rifles. No other manufacturer builds and sells more bolt-action centerfire rifles than the Remington Arms Co. This modern day reputation is based upon the foundation established by the Model 700 series bolt-action centerfire rifle. First introduced in 1962, the Model 700 series is perhaps the most popular bolt-action centerfire ever built. We will surpass 5 million Model 700 rifles built in 2008. Known for its “best out-of-the-box accuracy”³ the Model 700 rifle rates very high on the price/value scale from a consumer perspective. We also appeal to the casual and price sensitive hunter with our line of Mayfield built bolt action rifles; the 715 and 770. It is not unreasonable to assume that Remington centerfire rifles are the standard by which other manufacturers are judged.
- **S&W, Ruger & Co.** – Second to the Remington Arms Co. in bolt action centerfire market share, Ruger participates in the centerfire segment primarily with the M77 series and Mini 14/Mini 30 series of

³ Marcot, Roy. The Official Authorized History of Remington Arms Co. Peoria, IL: Primedia Special Interest Publications, 1998.

rifles. M77 bolt action centerfire rifles are priced comparable to that of the Remington Model 700. Although regarded as solid performers, the M77 simply does not have the following of the Model 700, nor the extensive depth in the market. Ruger has started their own line of cartridges with the Ruger Compact Magnums. This line of cartridges will primarily appeal to current purchasers of M77 rifles and those that are loyal to Ruger. It is not believed that there is a viable market for this line of cartridges. Ruger also maintains a very healthy position in the repeating centerfire rifle category. Based on U.S. M1 Carbine, the Mini 14/Mini 30 series of autoloading rifles are by far the most popular in their class. Ruger spends more dollars in advertising than do any of the other manufacturers participating in the U.S. domestic centerfire rifle market. As a result, the Ruger brand is widely recognized, aiding to pull product through the marketplace. Although perceived as a fair value for the price, Ruger relies heavily on advertising dollars to continue to pull product through into the hands of the consumer.

- **Winchester** – Winchester ceased production in Hartford, CT in 2006 bringing end to the fabled Model 94 lever gun and the Model 70 bolt gun. It was widely speculated that these models would return to the market place at some point. Winchester Model 70 rifles returned in 2008 built by FN in Columbia, SC. The Model 70 is returning in five initial offerings priced in the \$750-\$1200 range. There is no news regarding the return of the Model 94 at this time.
- **Marlin** – Marlin Firearms participates in the centerfire rifle market primarily with their family of Model 336 lever-action repeating rifles. Marlin entered the bolt action arena in 2008 with XL-7. The XL-7 is an opening price point rifle that will retail for under \$300. Marlin also has a dominate presence in the relatively small single-shot centerfire rifle market with Harrington & Richardson (H&R). The Marlin brand is undoubtedly associated with “middle of the road” (in comparison to Remington and Ruger) offerings targeted toward the casual hunter with a limited budget or limited desire to spend a great deal of money on a hunting rifle.
- **Savage Arms** – Savage focuses marketing efforts toward reaching the value conscious consumer while developing a reputation of improved quality and accuracy. This is reinforced by Savage CEO’s statement in the 2008 product catalog, “For 2008, Savage will emphasize overall

quality, innovative product features and value for the dollar.”⁴ Savage relies on their bolt-action Model 10/Model 11 platforms to carry the load. Regarded as “no-frills” firearms, lacking high grade finishing and materials, Savage rifles do in fact carry a reputation for being an accurate product. This reinforces Savage’s position on the price/value scale. Regarding innovation, Savage introduced a new trigger system in 2003 branded the Accuttrigger. The Accuttrigger allows the end user to safely adjust trigger pull weights down to 1.5lbs. This trigger upgrade has been well received in the marketplace. This trigger has forced other makers into offering adjustable triggers and triggers leaving factories at lower settings.

- **Browning** – Browning participates in the centerfire rifle market with the A-Bolt bolt-action centerfire, BLR lever action and B.A.R. autoloading repeater. For 2008, Browning introduced a new X-Bolt bolt action rifle. The X-Bolt is positioned more directly against the Remington line Model 700 SPS and XCR rifles. Regarded as a premium brand, Browning accounts for only 9% of the U.S. domestic centerfire rifle market. Not unlike Winchester, Browning has a very loyal customer base. Browning consumers place great emphasis on brand recognition and dealer advice. The “dealer advice” influence is not surprising as Browning follows a dealer direct strategy to a large extent.
- **Mossberg**-Mossberg entered the bolt action segment in 2006 with the Model 100 ATR. Mossberg is viewed as a low cost opening price point maker of firearms with their core strength being pump action shotguns. Mossberg tends “This powerful combination delivers a high level of accuracy unheard of in a value-priced centerfire rifle”
- **Thompson Center**-Primarily known for their line up of black powder and single shot rifles, TC entered the bolt action segment in 2007 with the Icon. The Icon is a premium positioned product in the category and fits with TC attempted positioning of “America’s Master Gunmaker”.

Centerfire Bolt Action Rifles

⁴ Savage Arms 2008 Product Catalog

Remington Segment Performance – Bolt-Action Centerfire Rifles

Remington competes in the segment with four distinct product families, the Model 770 Sportsman, the Model 700 series, the Model Seven compact rifle, and the imported Model 799 and 798. 2007 sales volume consisted of 214M units or \$89.4 MM in revenue. Overall volume and revenue changes from 2006 to 2007 were (-7.4M units) with an increase for \$4.6MM in sales. Despite a reduction in volume, revenue dollars increased due to price increases initiated in 2007 with the majority of the dollar gain in the Model 700 Regular category.

<u>Model 770 Sportsman</u>	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>Budget</u>
Unit Sales	51,069	66,252	75,319	55,032	53,027	60,732
Sales Dollars (SMM)	\$13,522	\$17,138	\$18,879	\$14,306	\$13,785	\$15,973
Standard Margin (\$MM)	\$6,652	\$7,685	\$7,626	\$5,874	\$5,594	\$6,537
Standard Margin (%)	49%	45%	40%	41%	41%	41%

*Model 710 Sportsman

<u>Model 770 Stainless</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>Budget</u>
Unit Sales	-	-	-	2,703	14,204	16,268
Sales Dollars (SMM)	-	-	-	\$852	\$4,623	\$5,357
Standard Margin (\$MM)	-	-	-	\$367	\$1,841	\$2,152
Standard Margin (%)	-	-	-	43%	40%	40%

<u>Model 715 Sportsman</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>Budget</u>
Unit Sales	-	-	-	4,395	3,700	4,680
Sales Dollars (SMM)	-	-	-	\$989	\$801	\$1,051
Standard Margin (\$MM)	-	-	-	\$415	\$325	\$435
Standard Margin (%)	-	-	-	42%	41%	41%

<u>Model 700 Regular</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>Budget</u>
Unit Sales	103,623	99,673	90,383	98,379	102,193	100,000
Sales Dollars (\$M)	\$39,744	\$37,998	\$36,462	\$42,762	\$44,836	\$44,317
Standard Margin (\$MM)	\$16,908	\$16,087	\$14,219	\$18,244	\$20,095	\$19,713
Standard Margin (%)	43%	42%	39%	43%	45%	45%

*Excludes Model Seven Regular

<u>Model 700 Stainless</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>Budget</u>

Unit Sales	28,049	36,774	46,671	40,931	46,496	32,111
Sales Dollars (\$M)	\$ 14,988	\$ 17,798	\$ 23,789	\$ 23,976	\$ 28,104	\$19,516
Standard Margin (\$MM)	\$ 7,213	\$ 8,154	\$ 9,869	\$ 11,011	\$13,587	\$9,383
Standard Margin (%)	48%	46%	41%	46%	48%	48%

**Excludes Model Seven Stainless

Model Seven Regular	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales	9,084	6,037	8,105	5,508	4,101	4,963
Sales Dollars (\$M)	\$3,540	\$2,451	\$ 3,610	\$2,737	\$ 2,200	\$ 2,587
Standard Margin (\$MM)	\$ 1,352	\$ 1,022	\$ 1,333	\$ 1,099	\$ 980	\$1,151
Standard Margin (%)	38%	42%	37%	40%	45%	45%

Model Seven Stainless	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales	2,065	2,935	1,291	1,836	246	304
Sales Dollars (\$M)	\$943	\$1,274	\$529	\$1,067	\$142	\$177
Standard Margin (\$MM)	\$479	\$630	\$213	\$496	\$61	\$76
Standard Margin (%)	51%	49%	40%	46%	43%	43%

Model 799	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales	-	-	1,521	1,497	1,781	1,336
Sales Dollars (\$M)	-	-	\$598	\$541	\$676	\$529
Standard Margin (\$MM)	-	-	\$149	\$81	\$105	\$95
Standard Margin (%)	-	-	25%	15%	16%	18%

Model 798	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales	-	-	2,494	4,008	5,319	5,621
Sales Dollars (\$M)	-	-	\$974	\$1,678	\$2,088	\$2,322
Standard Margin (\$MM)	-	-	\$218	\$330	\$293	\$356
Standard Margin (%)	-	-	22%	20%	14%	15%

The Model 700 series, built in Ilion, is clearly the dominant player in the bolt-action centerfire rifle category for Remington. Accounting for approximately 70% of all sales in the category, the Model 700 family continues to be the dominant bolt action rifle in the marketplace. The Model 700 SPS and XCR stainless products continue to drive volume and margin in that category. Like the Model 700, the Model Seven is an Ilion plant based product. Model Seven volumes have declined over the last three years as the market for short magnum rifles has become saturated.

Introduced in 2001 as the Model 710, the Mayfield based line of scoped bolt action rifles provided Remington significant market share in the entry level category in Chain stores and Mass Merchants. In the first year of

introduction, this product resulted in approximately a 7% market share gain that was purely incremental volume. In 2007, the model changed to the Model 770. The primary change was a newly designed stock, an updated more durable magazine latch, and an advertised smoother camming action. The price increased \$10 from a MSP of \$329 to \$339. This price increase demonstrates the elastic nature of the entry level category and challenges faced in raising price as shipments fell from 68M guns to 55M guns. This decline was partially offset with the Model 715, and un-scoped version, of which 4M units shipped in 2007 as well as the remaining Model 710 inventory that accounted for another 5.4M. With the addition of the 715 and remaining 710, the total 2007 shipment increases to 64M, but still 4M guns below 2006. However, this was offset in 2008 through volume price breaks at key accounts and aggressive promotions and consumer rebates. Projected 2008 demand is utilizing full production capacity in Mayfield.

The Model 798 and 799 imported from Zastava round out our bolt action category. They provide customers with a controlled round feed Mauser action at an opening price point gun. However, adoption of these models by our customers has proved challenging. Customers recognize that these models were previously imported by two other importers under different model names. Additionally, our imported price forced pricing that was equivalent to our Model 700 SPS that offers a greater value in the market place. The Model 798 and 799 have been re-priced and margins have been impacted accordingly.

Issues critical to the continued success within the bolt action category are:

- Improving and maintaining product quality
- Timely fulfillment of orders
- Ability to respond quickly to market opportunities and special makeup's
- Maintaining competitive positioning with respect to product cost and price-Cost leadership
- Product centered advertising on core products to continue to "pull" product through the marketplace

Competitive Outlook

The following section addresses the three principle categories of centerfire rifles as stated earlier, Entry Level, Premium, and Specialty specifically as they relate to bolt-action centerfire rifles from a competitive perspective. In the bolt-action centerfire rifle category, Remington competes primarily with Ruger, Savage, Winchester, Browning and Weatherby on various fronts within the category.

Entry Level Centerfire (< \$500 retail) – Bolt-Action Rifles

Savage Arms

Savage plays primarily in the entry level bolt action centerfire category. Primary product offerings are the **Model 10/11/110/111** series of firearms. The Model 10 and 11 are short actions with the 110 and 111 being long action. Available in wood and synthetic versions, with and without detachable magazines, the Model 10/11 are known not for their styling, but for their reputation for solid performance at a low price. Stainless versions are available in the Model 16 series of bolt guns. Savage also set the precedent for the scoped combo package guns, offering consumers with a platform that is ready to shoot straight from the box. Scoped combos are available in wood and synthetic versions, with and without detachable magazine boxes. While the Savage combo guns compete with the Model 770, they are higher priced than the 770. The price point of the Savage combo goes head to head with our 700 SPS offering but provides the consumer the added value of a scope.

Savage also competes in the entry level with the Stevens brand. The Stevens 200 is a no frills clean barreled blued synthetic gun and is reflective of the brand tag line, “The Definition of Value”. This offering competes most directly with the Mossberg and Marlin line of bolt guns.

Mossberg

Mossberg entered the bolt action category with the 100 ATR (All Terrain Rifle) in 2005. This was Mossberg’s re-entry into the category after a 20 year absence. The gun features a two position side safety, button rifled barrels, synthetic stock and clean barrel. Typical for Mossberg, the gun has poor stock to metal fit and a loose bolt. It has been reported that Mossberg capacity is not much more than 20,000 guns per year. However, should capacity be installed, the 100 ATR will create direct competition for our Model 715 and 770, particularly at the large chain accounts.

Weatherby

Weatherby's entry level offering is its Japanese manufactured Vanguard Synthetic and Vanguard Stainless models. Weatherby is directly targeting Remington's Model 700 SPS line and SPS SS lines with these offerings. Boasting an accuracy guarantee, adjustable trigger, hinged floorplate magazine and a price tag that is within \$5 of the Model 700 SPS, the Vanguard line represents competition to Remington's core rifle business.

Smith & Wesson

At the 2007 NRA Show, Smith & Wesson unveiled their new *i*-Bolt bolt action rifle. This announced was approximately 30 days after the non-disclosure agreement ended between Smith & Wesson and Remington that was in place when Remington out-sourced Model 700 receivers. The S&W receiver is strikingly similar the Model 700 in appearance. S&W advertises using a Thompson Center barrel and a consumer adjustable trigger developed by Timney Triggers called the Tru-Set™ Trigger, and ships with a one piece Weaver® rail attached. All *i*-Bolts are stocked in either black or camo synthetic stocks. S&W is reportedly struggling with long guns. To further support these claims, they took a 7% price reduction on *i*-Bolts going into 2008 and further reduced price in May 2008. This line competes most directly with Model 700 SPS line.

Tikka

The Tikka **T3** was introduced as a price point offering targeted directly at Remington's core Model 700 line. Tikka is a brand owned and operated by Sako Finland (a holding of the Beretta Group). The new T3 is available in wood, synthetic and stainless synthetic models featuring detachable magazines and a guaranteed accuracy of a 1" group prior to leaving the factory. Fortunately present manufacturing capacities for the Tikka lines only approach 15-20M units annually. However, should the Italians place further emphasis on engaging the U.S. market, the Tikka rifle could pose a serious threat to Remington.

Remington

The **Model 700 SPS** line of rifles represents the core of today's Model 700 line. The 700 SPS is annually over 30,000 guns within the 700 Regular hierarchy of approximately 90,000 guns. In 2007 the SPS line generated

over \$14 Million (29.7%) in shipments out of a total of \$47 Million for the 700 Regular category. With SPS Varmint is factored in, the total number of SPS rifles shipped in 2007 is **52,000** rifles or nearly 60% total of the Model 700 Regular line. The 700 SPS provides hunters with tremendous value and is the driving reason for its success. Also available in the SPS line is the Buckmasters[®] edition, right and left hand youth versions, as well as detachable magazine offerings.

The Model 700 ADL Synthetic still generates solid business as a special make item, primarily for Wal*Mart and Academy Sporting goods. Discontinued as a catalog item in 2005 when the 700 SPS was introduced, the ADL Synthetic still generates over 16,000 guns annually.

The stainless steel category is likewise dominated by the Model 700 SPS Stainless offerings. In stainless steel, the SPS represents over 40% of the shipments with nearly 14,000 guns shipped in 2007. While the 700 SPS Stainless dominates the category due to its price/value relationship, it is interesting to note that higher priced Model 700 CDL Stainless Fluted occupies the second position with nearly accounting for over 21% of the stainless shipments. This indicates that our consumers are willing to pay a higher price provided the cosmetics and/or performance are justified.

The second and most recent product offering from Remington in the entry level category is the Model 770 Sportsman series of scoped combo package guns. Introduced in 2001, as the Model 710, this line is economically priced and cost effective to manufacture, affording Remington the opportunity to more effectively penetrate the true entry level bolt-action centerfire category. The Model 770 carries the reputation of the Remington brand with the price tag of the traditionally lower priced Savage package gun.

The sourced Models 798 and 799 from Zastava also fall into the entry level category. The Model 798 provides consumers a true Mauser action with controlled round feed and is offered with blue finish in walnut and synthetic stocks. The 799 Mini-Mauser is the short action little brother with a Sako/AR-15 style extractor stocked in a laminate stock. Both models are sourced from Zastava in Serbia and imported as barreled actions and then stocked and checked in Mayfield, KY. This project was intended to be simply, "two screws and stock" on Mayfield's part but has been much more labor intensive than originally planned.

**Wholesale Pricing Comparison
Entry Level Centerfire Rifles – Bolt Action**

Manufacturer	Model	Net Whlse Price
Savage	10/11/110/111	\$412-\$429
Savage*	110/111 Scoped	\$433-\$456
Savage	16/116 SS	\$487
Stevens	200	\$238
S&W	i-Bolt	\$387-\$445
Mossberg	100 ATR	\$260-\$288
Weatherby	Vanguard	\$422
Weatherby	Vanguard	\$495
Marlin	XL-7	\$225-\$245
Tikka	T3	\$485
Remington	700 SPS	\$419
Remington	700 SPS SS	\$493
Remington	798 Syn	\$369
Remington	798/799	\$463
Remington	770 Scoped	\$305
Remington	770 SS Scoped	\$363
Remington	715	\$243
*Non-AccuTrigger		

Premium Centerfire (\$500 - \$800) - Bolt-Action Rifles

Ruger

Ruger added to their line of bolt action rifle in 2007 with the addition of the Model 77 Hawkeye line, replacing their Mark II Standard and All-Weather Grade. The M77 Hawkeye main difference is an upgraded contoured stock and new LC-6 trigger system. The Ruger M77 Mark II series has been their mainstay and continues to offer a broad array of product offerings in the premium category. Generally priced toward the lower end of the category, the Ruger M77 competes heavily with the Remington Model 700. The

Ruger M77 features a three-position safety and Mauser type extractor for controlled round feeding. All models feature a hinged floor plate magazine. Walnut stocked configurations are available in full size and compact models with blued finish. Stainless steel versions are available with laminated or synthetic stocks as well. As previously noted, Ruger introduced their first proprietary rifle cartridge in 2007 and followed with two additional Ruger Compact Magnums in 2008. Ruger competes at the very upper end of entry level category and the lower end of the premium centerfire category with their core offerings. It is interesting to note that their mainstay Mark II and new Hawkeye have been priced identically. With their array of offerings and price points, Ruger competes with both our SPS and CDL line of guns.

Winchester

Winchester closed their historic facility in Hartford, CT in 2006 bringing an end to production of the Model 70. At the time of closing, the majority of the Model 70 line was relegated to Wal*Mart production with a lower end push feed rifle. Their reputation suffered in the years preceding closing due to poor quality. In October 2007, as widely speculated, Winchester announced the return of the Model 70. The Model 70 is produced in Columbia, SC at the FN facility. The re-introduction is a return to classic rifle featuring a three-position safety and Pre-'64 Mauser style claw extractor for controlled round feed. There are five total offerings and all feature hinged floor plate magazines and are available in full size and compact platforms. New to the product line is their M.O.A. trigger system. This trigger is set at 3 ¾ pounds and offers consumer adjustability. Offerings range from the Model 70 Sporter to the Model 70 Super Grade. One version is available as stainless synthetic. The Model 70 line will compete directly with the Model 700 CDL and XCR line.

Browning

The **Browning A-Bolt** competes exclusively in the premium bolt-action centerfire rifle category. The wood stocked variant of the A-Bolt, the Hunter series is available in three grades, Hunter, Medallion, and Gold Medallion with each increment in grade featuring higher quality wood and enhanced metal work. The synthetic variant, the Stalker series, is available in stainless steel and blued carbon steel versions. New for 2007 is the X-Bolt line. There are four total offerings with Hunter, Medallion, Composite Stalker and Composite Stainless Stalker. The principle difference in the X-Bolt line is a newly designed consumer adjustable trigger branded the Feather

Trigger™, eight hole scope base mounts, new stock design, and new rotary detachable magazine box. Both product lines feature a 60 degree bolt throw, intended to shorten the time to cycle a round and in the case of the A-Bolt a unique floor plate magazine that can also be used as a detachable magazine. The lines are available in a wide range of calibers, including the WSM and WSSM caliber offerings. Browning's rifle competitors are the Remington Model 700 CDL bolt-action centerfire rifles.

Sako

Sako Ltd. of Finland, a Beretta holding, competes in the premium bolt action category with the Model 85. The Model 85 was upgraded for 2008 with an adjustable trigger and a more positive magazine latch. Additionally, all rifles are guaranteed to shoot 1" or better at 100 yards. Providing controlled round feeding, the Model 85 is available in blued walnut, stainless laminate and stainless synthetic versions. The Model 85 is positioned as a higher end rifle with suggested retails all in excess of \$1500. These are quality rifles, but the Sako plant as previously mentioned has relatively low capacity.

Kimber

Kimber competes in the centerfire category with their line of Model 84 short action rifles and 8400 WSM and long action rifles. The Kimber line is a controlled round feed Mauser type action with three position bolt lock safety with match grade triggers set at 3 ½ lbs. They are attractive guns and fit their premium brand image. They compete somewhat with our CDL line, but more with the Remington Custom Shop, Sako, and the new Winchester Model 70.

Thompson Center

Thompson Center entered the bolt action segment in 2007 with the Icon. Originally offered in short action only, which they refer to as a medium action, the Icon was available in 22-250 Remington, 243 Win, 308 Win, and 30 TC. The first year offerings were available in polished blue in a three piece S&K laminate stock with detachable box magazine. The Icon features a 60 degree bolt throw with milled integral scope base, two position bolt lock safety, and consumer adjustable trigger set at 3 ½ pounds. For 2008, TC added long action offerings in the Icon Classic line. The Classic is polished blue in a walnut stock. They also added a line chambered in their original short action chamberings of stainless synthetic guns under their WeatherShield™ brand. It has been reported that capacity is limited at TC to approximately 10,000 guns per year in New Hampshire. However, since

being acquired by Smith & Wesson, it is reasonable to believe that capacity has been increased by producing additional receivers in Massachusetts. The Icon is a direct competitor to the Model 700 CDL and XCR line.

Remington

Introduced in 2004, the Model 700 CDL has become the core of the Remington premium category. The CDL has replaced the high gloss rifle sighted BDL as the rifle of choice. In 2008, there are only five remaining skus of the historic BDL offered in the most popular chamberings. The BDL accounted for 4,800 guns/\$2.7 million shipped in 2007. The CDL provides customers a satin finished walnut stock with clean barrel action with a matching satin finish. Three skus were added in 2008 in a high polish blue finish; however orders for the high polish versions are less than anticipated. The CDL is offered in both right (13 offerings) and left hand (6 offerings) actions. The line accounted for 10,800 gun shipments, nearly \$7 million in 2007. In 2008, there has been a softening in this higher end Remington gun with current orders standing at 7,600 and shipments of 5,800 rifles accounting for \$3.6 million invoiced.

In 2006, the Model 700 CDL Stainless Fluted Limited Edition was introduced to replace the Model 700 Limited Edition Classic that was discontinued in 2005. The Classic ran for 25 years with a unique chambering each year. The CDL SF Limited was introduced in 2006 to commemorate the 100th anniversary of the 30-06 Springfield. The CDL Limited was received with great enthusiasm. The CDL Stainless Fluted standard line was created out of the demand for the Limited. The standard line maintains the same satin walnut stock with black fore end tip and stainless fluted barrel. The difference being the Limited has embellished floorplate with offering of the year and receiver is marked "Limited" on the shooters left hand side. In 2007, we shipped nearly 7,000 CDL stainless guns for over \$5 million in shipments.

The Model 700 XCR (Xtreme Conditions Rifle) introduced in 2005 is the core product in the premium stainless category. The XCR is finished with a patented PVD (Physical Vapor Deposition) finish that makes it essentially abrasion and corrosion resistant. The XCR starts with a 416 stainless barrel action to which nickel plating is applied. The nickel provides corrosion resistance. Next the PVD finish is applied to provide abrasion resistance. The process produces the most durable and rugged finish available on a gun

today. This Remington patented process is trademarked under the TriNyte[®] brand name. The barreled action is fitted in a synthetic stock with patented Hogue[®] overmolded grip panels, under license from Hogue, to help insure good purchase on the rifle in inclement weather. This line of rifles consists of 14 right handed offerings, a Rocky Mountain Elk Foundation trade gun, and new for 2008 4 left handed versions. In 2007, we shipped 7,300 XCR rifles accounting for \$5.4 million.

The Model 700 Mountain Rifle series features all the benefits of the regular Model 700 models with the added benefit of a slender mountain contour barrel to reduce weight and improve portability. Available in four chamberings fitted in a laminate stock with stainless action, the Model 700 Mountain Rifle is a light weight package perfect for spot and stalk as well as high country hunting. The rifle is very mature in its life cycle but still maintains a modest following with nearly 1000 guns shipping in 2007 accounting for \$656,000.

In 1983 Remington introduced the Model Seven, a compact sibling to the Model 700 series. Featuring the benefits of the legendary Model 700 action, the Model Seven is a compact rifle intended for use in dense cover and also appealing to smaller stature shooters. Available in popular short action calibers, including WSM chamberings, the Model Seven is available as a CDL with satin finish walnut and metal like the Model 700 CDL. With 2008 being the 25th Anniversary of the Model Seven there is a Limited Edition version available in 7mm-08 Remington. The Model Seven line accounted for 2,800 guns shipped in 2008 for a total of \$1.7 million.

**Wholesale Pricing Comparison
Premium Centerfire Rifles – Bolt Action**

Manufacturer	Model	Net Whlse Price
Ruger	M77 MKII	\$473
Ruger	M77 MKII Stainless	\$473
Ruger	M77 Hawkeye	\$473
Winchester	M70 Sporter/Featherwt	\$650 - \$681
Winchester	M70 Stainless/Sup Gr	\$746-\$779
Browning	A-Bolt Hunter	\$502
Browning	X-Bolt Comp. Stalker	\$553
Browning	X-Bolt Medallion	\$625
Browning	A-Bolt Stainless Stalker	\$730
Sako	Model 85	\$900-1020
TC	Icon Classic	\$712
TC	Icon WeatherShield	\$693
TC	Icon Field	\$622
Remington	700 CDL	\$636 - \$672
Remington	700 BDL	\$615 - \$633
Remington	700 CDL SF	\$728 - \$760
Remington	700 XCR	\$728- \$780
Remington	700 Mountain LSS	\$710
Remington	Seven CDL	\$635 - \$681

Specialty Centerfire (Niche Markets) – Bolt-Action Rifles**Ruger**

Ruger offers a limited number of skus that would qualify as specialty rifles in the M77 line. Offerings consist primarily of heavy target/varmint barrel configurations, along with a heavy magnum version intended for use on dangerous game. One unique offering in their line is their Frontier rifle which places the scope mount forward of the receiver. Utilizing a long eye relief scope, this model provides the ultimate in long eye relief and reportedly provides very fast target acquisition.

Browning

Browning's primary focus with respect to bolt-action centerfire rifles is centered on the premium category. However, Browning does offer specialized firearms in the A-Bolt Eclipse series. The Eclipse is available in both a sporter barrel and a heavy target/varmint barrel. The specialized feature about these products is their laminated "thumbhole" target stocks. Browning also has a Mountain Ti in their line at 5 ½ pounds.

Savage

While Savage competes heavily in the entry level category with nothing to speak of in the premium category they do offer a number of specialty niche type products. For the most part, these products have a halo effect for their core products. They offer three series of varmint rifles in their Model 12, 25, and 40. The Model 40 is a lower priced gun in 22 Hornet only. The Model 12 is offered in ten different configurations. The Model 25 is a mid-weight barrel offering in three different offerings. The predator hunter has two options available in full camo guns in the Model 10 Predator. There are two target rifle in the Model 12 F-Class in 6.5 x 284 Norma and 12 F/TR in 308 Win. Actions are also sold with right bolt left side eject and left hand bolt right hand eject.

Remington

Remington offers perhaps the broadest array of specialized centerfire bolt-action rifles addressing both entry level and premium categories. We offer a

700 SPS Varmint in both right and left hand versions. Featuring 26" heavy barrels in a synthetic stock with vented beavertail fore-end, the SPS Varmint represents exceptional value to the varmint or target shooter.

The Model 700 VTR™ (Varmint-Target-Rifle) introduced in August of 2007 has met with tremendous success. The 700 VTR features a unique barrel with triangular fluting and integral muzzle break. We currently have a design patent pending on the barrel. The barreled action is fitted into an OD green SPS style stock with black Hogue® overmolded grip panels. We booked orders for over 10M guns in the first eight months of introduction with four skus. There is a comprehensive three plan following this barrel design.

New for 2008 is the Model Seven Predator featuring full camo coverage. This offering is targeted towards the growing predator hunting market. The Model Seven provides light weight portability and fast handling making it perfect for the coyote, fox, and bobcat hunter. Adding the full camo to the gun was necessary though to penetrate this growing market. The rifle is further set apart by its magnum contour barrel to increase rigidity for enhanced accuracy but is also fluted for enhanced shelf appeal.

The Model 700 Long Range series features a wide offering of heavy barreled rifles from high grade laminate thumbhole to Aramid Fiber (Kevlar®) composite stocks. The Model 700 VLS (Varmint Laminate Stock) features a heavy target barrel with matte blue finish, bedded in a brown laminate stock. Offered in the similar stock with the addition of a thumbhole is the Model 700 VL SS TH (Varmint Laminate Stainless Thumbhole) featuring a stainless steel heavy barrel. All varmint configurations are offered in popular short action varmint calibers.

The Model 700 VSSF II and Sendero SF II are essentially the same rifles with the VSSF II chambered in short action varmint chamberings and the Sendero SF II in long action magnum chamberings. These models feature polished stainless steel fluted barreled actions with contrasting black flutes. They are fitted in IIS Precision® aramid fiber reinforced aluminum bedding block stocks.

The ultimate in light weight hunting rifles, the Model 700 Alaskan Titanium was introduced to the line in 2001. Featuring a receiver of light weight titanium alloy and a fluted bolt for additional weight reduction, the Model

700 Titanium with its Bell & Carlson® stock is one of the lightest production rifle available today.

**Wholesale Pricing Comparison
Specialty Centerfire Rifle – Bolt Action**

Manufacturer	Model	Net Whlse Price
Ruger	M77 MKII Target	\$567
Ruger	M77 Frontier	\$561
Savage	Model 12 Line	\$618-\$682
Savage	Model 25 Line	\$429
Savage	F-Class Target	\$870-\$923
Browning	Eclipse M-1000	\$826-\$910
Browning	Eclipse Hunter	\$886
Browning	Mountain Ti	\$1280-\$1303
Remington	Model Seven Predator	\$540
Remington	Model 700 VTR	\$544
Remington	Model 700 SPS V	\$448
Remington	Model 700 VLS	\$643
Remington	Model 700 VL SS TH	\$712
Remington	Model 700 VSSF II	\$868
Remington	Model 700 Sendero II	\$886
Remington	Model 700 Alaskan Ti	\$1460-\$1543

S.W.O.T. Analysis – Remington Bolt-Action Centerfire Rifles

Strengths

- Dominant Brand Position
- Broad Range of Product Offerings Across the Category
- Solid Reputation for Performance
- Competitively Priced in the Market

- Attractive Margin Position

Weaknesses

- Manufacturing Ability to Respond to Changing Market Conditions
- Need for Product Updates such as Adjustable Trigger

Opportunities

- Potential Exists to Capture Additional Market Share with new Model 700 Trigger
- Incremental Business Opportunities for Customer Specific Niche Products
- Expansion of the VTR/HTR Line to Create New Interest
- Manufacturing Improvements Underway to Improve Product Quality and Responsiveness

Threats

- General Softening of Market Could Result in Negative Impact to High Margin Specialized Products and Premium Category
- Economic Factors Negatively Impacting Disposable Income
- Increasing Raw Material Costs
- Manufacturers Dependent on Entry Level Business Making Price Concessions in Order to Maintain Volume Required to Cover Manufacturing Overhead
- Access to Hunting and Shooting Areas

Product Strategy 2009 – Model 770 Sportsman

Product Introductions- The entry level bolt action category is dominated by the chamberings that exist in the line today. We are absent a chambering suitable for the varmint/predator hunter and will develop a 770 chambered in 22-250 Remington. This cartridge was selected because it can use the current bolt face, significantly reducing both development time and costs. Development time is needed to insure proper feeding from the magazine box as well as extraction. Introduction will be based on functional evaluation as well as available capacity in Mayfield.

<u>Model</u>	<u>MSP</u>	<u>NSP</u>	<u>1st Year Volume</u>
770 w/scope 22-250 Rem	\$339	\$306	3.5M Units

Production/Quality Control – An essential criteria required in maintaining the competitive position of the Model 770 is to monitor and insure that the price/value relationship remains in favor of the consumer and above the competition. We are not the least expensive product in this expanding category of entry level bolt action rifles. In order to maintain and grow our position, we must produce a product that represents value. A key element involved in this strategy is to address the smoothness of the action as well as the force required to open and close the bolt. Mayfield and Elizabethtown are working on this issue. Manufacturing must continue to look for ways to improve our cost position to maintain or improve margins without raising price. Alternate scope sources represent one opportunity to potentially reduce standard costs.

Pricing Considerations – No price increase is recommended for the Model 770 in 2009. This recommendation is based upon current economic factors and softening demand in the centerfire rifle market in general.

Product Deletions – No deletions are planned for 2009.

Product Strategy 2010 & Beyond – Model 770 Sportsman

The overall long-term strategy for the Model 770 will be to continue to deliver exceptional value at an affordable price. To be successful in this entry level category, it is essential the line stay lean in high volume offerings that maximize efficiency in Mayfield.

Bolt Camming/Un-camming – Efforts are underway to improve the perceived value of the Model 770 by means of addressing the feel of the bolt unlocking

Production/Quality Control – It is important for Manufacturing to continue to focus on small incremental improvements on the Model 770 to improve manufacturing efficiencies that reduce costs while not sacrificing quality or performance.

Pricing Considerations - If Remington can hold pricing in this category while maintaining healthy margins, the long term competitive position in the

category will be better served. It is critical to remain cognizant of the fact that the Model 770 is positioned as value priced firearm. Traditional pricing strategies can quickly change this product's position in the market as a price point firearm.

Product Strategy 2009 – Model 700

The strategy for managing the Model 700 brand differs vastly from that of the Model 770. With a relatively fixed level of production capacity and broad product mix spanning nearly the entire spectrum of the market, the key to the future of the Model 700 is to focus strategies on maintaining production levels within the Ilion plant and protecting profit margins. This can be accomplished through:

- Special make up product opportunities allowing customers differentiated product through mixing and matching calibers and cosmetics with existing components.
- Concerted focus on consistency and quality in manufacturing to insure that product entering the market place meets customer expectations and continues to set the standard for bolt-action centerfire rifles.
- Revitalizing the current product line through cosmetic improvements.
- The incorporation of new materials and technologies that provide competitive advantage in the market.
- Efforts in manufacturing to improve efficiencies and reduce costs while maintaining the highest level of quality.
- Improved predictability and accuracy in order fulfillment through line item effectiveness

X-Mark Pro Adjustable Trigger

The Model 700 and Seven are the dominant bolt action rifles in the category. In terms of accuracy, reliability, and durability they are the clear market leaders. The Achilles heel of these models has become the trigger. The introduction of the Savage AccuTrigger® and the increased focus on the importance of good triggers by the outdoor media has forced all other makers of bolt guns to address factory setting of trigger pulls and ease of consumer adjustability. A factory trigger in the range of 3 ½ to 4 pounds is

the standard for hunting guns today. With our processes, it has been determined that manufacturing cannot hold to this specification. Some of our guns do end up on dealers shelves at 5 ½ to 6 pounds. This is excessive when compared to a competitive gun that could be right next to at 3 ½ pounds. The competitive triggers are also easily adjusted at home by the consumer while ours is gunsmith adjustable. The trigger is our single greatest competitive disadvantage. Development of the externally adjustable X-Mark Pro trigger addresses both concerns. This will allow the trigger to be set at final assembly just prior to pack at a crisp 3 ½ pounds with a variance of 4 ounces. The external adjustment will also permit consumer adjustment of the trigger. Phase in of this trigger will start in the 4th quarter of 2008. All 2009 new products will be fitted with this trigger followed by Varmint rifles and VTR rifles. By 2009, all Model 700 and Seven rifles will be fitted with this trigger.

Model 700 XHR (Xtreme-Hunting-Rifle) – In the 2009 catalog we will introduce the Model 700 HTR line of hunting configured guns chambered in popular big game chamberings. This offering will feature a magnum barrel contour with the patent pending triangular fluting and no muzzle break. The barreled actions will be finished in a satin bead blast for a richer look and higher perceived value. We will stock the gun in a XCR style synthetic stock with over molded grip panels. Barrel lengths will be standard hunting lengths; 24” standard and magnum, and 26” on Remington Ultra Magnum. The muzzle break can be offered as a customer special upon request with a minimum run of 250 pieces.

Model	MSP	NSP	1st Year Volume
700 HTR 243 Win	\$649	\$585	1,300 Units
700 HTR 25-06 Rem	\$649	\$585	800 Units
700 HTR 7mm-08 Rem	\$649	\$585	1,300 Units
700 HTR 270 Win	\$649	\$585	1,900 Units
700 HTR 30-06 SPRG	\$649	\$585	1,900 Units
700 ITR 7mm Rem Mag	\$669	\$603	1,400 Units
700 HTR 300 Win Mag	\$669	\$603	1,100 Units
700 HTR 7mm Rem Ultra Mag	\$669	\$603	800 Units
700 HTR 300 Rem Ultra Mag	\$669	\$603	1,250 Units

Pricing Considerations – The key elements in pricing strategy for the Model 700 are to remain positioned competitively with respect to other product offerings within the category and to maintain margin positions. Internal factors taken into consideration for the upcoming year's pricing scenario are:

- Changes in raw material costs
- Changes in labor and overhead rates
- Capacity restraints/availability

External considerations are:

- Overall strength of the market
- General condition of the domestic economy
- Competitors strategies and past practices
- Inventory positions within the trade

Product Strategy 2010 – Model 700

The Model 700, while continuing to serve as the industry standard for modern day bolt-action centerfire rifles, is a product in the mature stage of its product life cycle. Focus within the category in the near future will be a proactive approach geared toward maintaining volumes at peak levels at attractive margins. This is accomplished primarily through incremental improvements to the product line to keep it fresh in the eyes of the consumer. The VTR/XHR line is a perfect example that is generating significant interest and volume.

Stainless steel versions will be introduced in 2010. This will provide manufacturing with ample time to understand what will be required from a process standpoint regarding the triangular barrel contour in stainless. This will allow Marketing and Sales to build and expand on a solidly built foundation. The 700 XCR will be maturing in its product lifecycle and the Sendero will be due for replacement. The XHR Stainless line will fill both of these needs. We will introduce a hunting line featuring the magnum contour barrel in stainless and a line fitted with 26" varmint contours as a replacement to our Sendero line. The 700 XCR replacement will maintain the patented TriNyte® finish starting with 416 stainless steel, a layer of nickel for weather/corrosion resistance, and a final layer of PVD (Physical Vapor Deposition) for wear/abrasion resistance. Barrels will be clean barrels with out integral muzzle break. Again, muzzle brakes will be offered as a customer special.

Model 700 Stainless XHR

Model	MSP	NSP	1st Year Volume
700 XHR SS 270 Win	\$729	\$656	1,200 Units
700 XHR SS 30-06 Rem	\$729	\$656	1,200 Units
700 XHR SS 7mm Rem Mag	\$749	\$674	1,000 Units
700 XHR SS 300 Win Mag	\$749	\$674	1,000 Units
700 XHR SS 7mm Rem Ultra Mag	\$749	\$674	750 Units
700 XHR SS 300 Rem Ultra Mag	\$749	\$674	1,400 Units

Model 700 Sendero XHR

Model	MSP	NSP	1st Year Volume
700 Sendero XHR 7mm Rem Mag	\$839	\$755	850 Units
700 Sendero XHR 300 Win Mag	\$839	\$755	1,000 Units
700 Sendero XHR 7mm Rem Ultra Mag	\$839	\$755	750 Units
700 Sendero XHR 300 Rem Ultra Mag	\$839	\$755	1,250 Units

Production/Quality Control – Focus must be maintained on the part of manufacturing on monitoring and insuring the quality and integrity of the Model 700 brand. Emphasis must be placed on consistency and standardization within manufacturing processes. Focus should also be placed on cost reducing measures which improve margins, but do not detract from the perceived quality of the product.

Pricing Considerations – Pricing will be reviewed annually in order to determine the most effective pricing strategy from year to year. Market dynamics and conditions are constantly changing, making meaningful forecasting models for pricing marginally effective at best. Pricing strategies will likely continue to be driven by necessity and opportunistic events and conditions.

Product Strategy 2011 & Beyond***2012***

New Centerfire Bolt-Action Rifle (C-BAR) – While the Model 700 and Seven categories are still enjoying healthy volumes and profit margins, both products are very mature in their life-cycle. The Model 700 will certainly continue to occupy and drive a significant portion of the future of the

Remington Arms Company. However, Remington must be proactive and look to new technologies, materials, and manufacturing methods to design and implement a new product family that is cutting edge from an accuracy and performance perspective and more cost effective to manufacture than current products. Although current centerfire rifle order positions are solid with the Model 770 and Model 700, history in the autoloading shotgun market has taught us that displacement within the market is only as far away as the next major product innovation. Remington must be proactive in this regard. As the next generation of premium centerfire bolt-action rifles, the C-BAR's design should take the following into consideration:

- Rifle must be capable of delivering sub moa accuracy from the factory.
- Rifle must be equipped with an extraction system that provides the benefit of a "controlled round feed" design without sacrificing the strength of the Model 700 action, i.e. maintains "three rings of steel."
- Rifle must have a means to lock the bolt down when in the "safe" position to eliminate the bolt handle from opening when the rifle is carried yet still allow the rifle to be unloaded or the action opened in a safe manner.
- Rifle must be equipped with a fire control capable of external adjustment by the consumer for weight of pull and must be capable of being set at the factory between 3lbs-4lbs consistently. Trigger should be adjustable to 2lbs by the consumer. Single set trigger should be considered as an option as well.
- Rifle must be designed to eliminate concerns with bedding issues either through use of an integrated bedding system such as the TC Icon, or through the use of a new concept receiver design such as the Sauer 202.
- Rifle should feature a bolt to barrel lock up system to eliminate stresses between barrel and receiver and to ensure consistent headspace from rifle to rifle and ensure proper cartridge alignment relative to the bolt face and the bore.
- Barrel to receiver union should be designed for strength, rigidity, and to minimize movement, yet should be designed for manufacturability and barrel replacement with barrel interchangeability by the consumer being a design characteristic for consideration. See Mauser 03 and Sauer 202.

- Bolt head must be removable/interchangeable depending upon cartridge head size. See Mauser 03 and current Remington 770 platform for concepts.
- Bolt should feature 60 degree throw, but must be designed to translate smoothly through the action without any binding and should be designed to cock and cam into battery with equal or less force than is required in the current Model 700.
- Bolt body should be designed for jewelling and bolt handle should be designed for interchangeability and elimination of brazing. Bolt handle on base model to feature similarities to current Model 700 look.
- Product should utilize a magazine design that provides the flexibility of a detachable system, exhibits the clean lines of a hinged floor plate design and the infallible reliability of a blind magazine for dangerous game applications with the capability to "lock down" the magazine box, especially for dangerous game models.
- Rifle should be capable of reliably single loading a round from the ejection port as well as loading the magazine through the ejection port.
- Rifle should be designed for a "compact" platform capable of handling cartridges ranging from 17 Remington Fireball up through short magnums and a long action platform designed to handle cartridges based off of the 30-06 SPRG case up through the Remington Ultra Magnum family as well as a Dangerous Game action length capable of handling cartridges such as the 458 Lott and 338 Lapua Magnum with appropriate consideration given to recoil dynamics of dangerous game cartridges.

New Synthetic Stock-Remington currently purchases long gun stocks for the Sendero, certain varmint rifles, and Military/LE rifles. HS Precision, our principle supplier, is also a competitor in that they also make custom and tactical type rifles off of the 700 action. They in fact won the last FBI sniper rifle solicitation. In-conjunction with being a competitor, they are also expensive and traditionally slow on delivery. Remington currently pays \$121 each for the Sendero stocks or nearly 32% of the standard cost of the complete rifle which is \$383. Opportunity exists to develop our own line of stocks using similar type materials for weight reduction, strength, and

durability while combining the attributes of a solid bedding system. The following attributes should be taken into consideration:

- Utilize Aramid fiber (Kevlar®) material for strength and weight reduction
- Lightweight bedding block for free floated barrel
- Standard swivel studs anchored to not pull out or break stock
- Armor tough exterior
- Ability to add hardware for adjustable length of pull and comb height
- Significantly reduce cost and lead times positively impacting margins

Centerfire Repeating Rifles

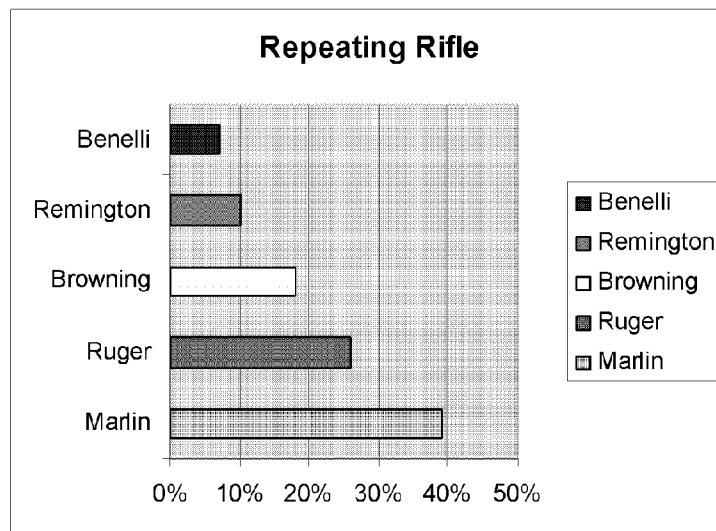
The U.S. domestic market for centerfire repeating rifles is estimated to be 346M units annually with an estimated retail sales value of \$112MM.

Sales volume and market share are estimated as follows:

**2006 Domestic Repeating Centerfire Rifle Market
Estimated Sales by Manufacturer⁵**

<u>BRAND</u>	<u>UNITS (M)</u>
Marlin	69
Ruger	45
Browning	30
Remington	18
Benelli	12
TOTAL	169

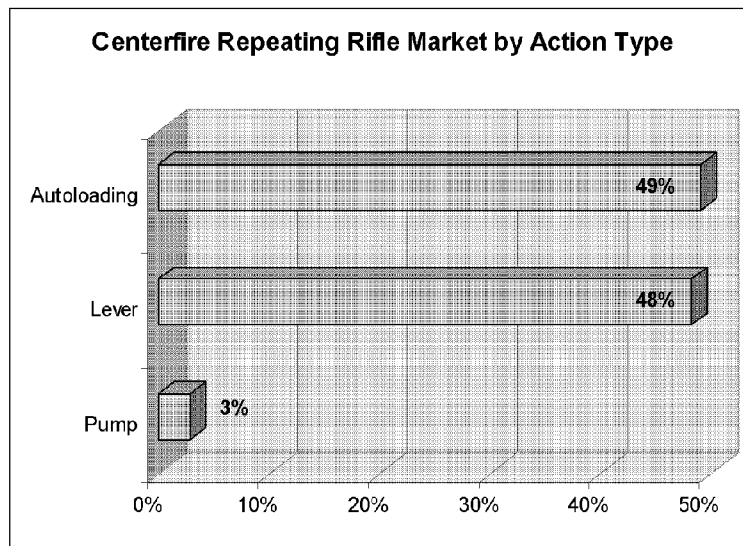
Centerfire Repeating Rifle



⁵ 2006 BATFE Centerfire Rifle Data, Marlin and Remington Actual Sales

Brand Share (% of Units)

The centerfire repeating rifle category is comprised of three basic action types: Autoloading, Pump and Lever. A breakdown by action type is as follows:



The overall centerfire repeating rifle market picture is not a pretty one, especially for Remington. Volumes across the category have diminished, particularly in the pump and autoloading rifle categories in which Remington competes. Perhaps the most significant and overwhelming reason for this decline in market size is the popularity of bolt-action centerfire rifles. This environment has been created by the rising prices of repeating centerfire rifles and compounded by the increasing number of affordable bolt-action centerfire rifles in the market.

Remington Segment Performance

Remington participates in the category with the Model 750 series of autoloading centerfire rifles and Model 7600 pump action centerfire rifles.

Model 7400/750	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales (M)	13,905	9,510	12,452	9,867	10,017	11,200
Sales Dollars (\$M)	\$4,827	\$3,609	\$5,680	\$4,825	\$4,995	\$5,522
Standard Margin (\$M)	\$1,750	\$1,246	\$1,247	\$1,781	\$1,472	\$1,526
Standard Margin (%)	36.3%	34.5%	22.0%	36.9%	29.3%	27.6%
Model 7600	2004	2005	2006	2007	2008	2008
	Actual	Actual	Actual	Actual	FCST	Budget
Unit Sales (M)	8,041	11,264	6,039	5,200	6,076	7,500
Sales Dollars (\$M)	\$2,728	\$4,106	\$2,325	\$2,267	\$2,633	\$3,273
Standard Margin (\$M)	\$924	\$1,425	\$625	\$889	\$979	\$1,161
Standard Margin (%)	33.9%	24.7%	26.9%	39.2%	37.2%	35.5%

It is apparent from the information above that the category is challenged from Remington's perspective. With unstable unit sales volume year to year, Remington is faced with some very key impending decisions with respect to the long term future of the product category. Primary reasons for the decline in sales for the Model 750/7600 series are:

- Unfavorable general market conditions for the 750/7600 category with respect to consumer preferences geared toward bolt-action rifles
- Favorable pricing for bolt-action rifles appealing to the traditional repeating rifle customer
- Dated design of the Model 750/7600 is not competitive with today's product offerings (i.e. not capable of handling magnum cartridges)
- Poor reputation for quality and reliability, particularly in the Model 740/742/7400 series are impacting Model 750
- Lack of capability to accept magnum calibers
- Competitive offerings with updated styling
- Competitive offerings with a reputation of reliability

Competitive Outlook

Autoloading Centerfire Rifles

Browning The Browning BAR is the principle competitor to the Model 750. The BAR is a gas operated autoloading rifle and is offered in an unbelievable 61 catalog sku's. Browning optimizes operation by offering the Short Trac for short action chambering and the Long Trac receiver and operating system for long action cartridges. The BAR is available in varying grades, ranging from the all-purpose synthetic Stalker series, to the high-grade Safari series equipped with high polished blued metal with fancy fine line engraving and fancy walnut. Caliber offerings range from .243 Win to

.338 Win Mag to WSM chamberings. They offer southpaws 9 rifles as well as synthetic full camo and others with the BOSS system. All models feature detachable magazine boxes

Ruger

Ruger participates in the autoloading centerfire segment primarily with the Mini-14/Mini-30 series of carbine rifles. Based off of the military M-1 carbine style, the Mini-14/Mini-30 series rifles are gas operated with a detachable rotary magazine. Available in wood and synthetic stock configurations and a choice of stainless or blued steel, the Mini-14 series of rifles are chambered for .223 Remington and 6.8mm Remington SPC and the Mini-30 chambered in 7.62x39mm.

Remington

The Remington Model 750 series of gas-autoloading centerfire rifles are offered in both synthetic and wood versions. Both versions offer 22" barrel length models as well as 18 ½" carbine models. Chambered in short and long-action calibers popular with deer hunters, the 750 features a rotary lock up with four lugs and detachable magazine boxes. While popular with deer hunters in the U.S., the Model 750 is also popular in Europe with International sales comprising 35% of total unit sales. European volumes have been challenged due primarily to Browning and Benelli, however our International Sales Department has done an outstanding job of continuing to sell our aging platform.

Benelli

The Benelli R1 is a gas piston operated autoloader available in three configurations; high polish metal with wood, black synthetic stock or camo synthetic stock both with satin finish metal. One of the most innovative features of the R1 is interchangeable barrels available in 20", 22" or 24" lengths. The R1 features the Comfortech recoil system which has consumer appeal. It is interesting to note however that in our testing of this system at Elizabethtown revealed the system did not reduce recoil even close to the advertised reduction. The rifle has modern Italian styling which appeals to the European crowd and much of the under 40 US customers.

**Wholesale Pricing Comparison
Autoloading Centerfire Rifles**

Manufacturer	Model	Net Whlse Price
Benelli	R-1 Wood	\$1,049
Benelli	R-1 Syn	\$1,175
Benelli	R-1 Camo	\$1,301
Browning	BAR Syn Stalker Camo	\$855
Browning	Bar Syn Stalker BOSS	\$771
Browning	BAR Lightweight	\$696
Browning	BAR Safari	\$696
Ruger	Mini 14	\$650-\$522
Ruger	Mini 30	\$561
Remington	Model 750 Wood	\$576
Remington	Model 750 Syn	\$508

Pump Action Centerfire Rifles

Remington

Browning's withdrawal of the BPR from the market leaves Remington as the sole source supplier of pump action centerfire rifles. The category as a whole however is not very popular with concentrated followings primarily in the Northeast U.S., particularly in Pennsylvania where hunting with autoloading rifles is not legal. Total Model 7600 sales volume for 2 was less than 10M units worldwide. With a design very similar in nature to that of the 750 with respect to the receiver and fire control, the Model 7600 is available in the same basic configurations as the Model 750.

**Wholesale Pricing Comparison
Pump Action Centerfire Rifles**

Manufacturer	Model	Net Whlse Price
Remington	Model 7600 SYN	\$435
Remington	Model 7600 Wood	\$520

Lever Action Centerfire Rifles

Remington does not currently participate in the lever action centerfire rifle market, nor are there foreseeable plans to do so, particularly with the acquisition of Marlin. However, lever action centerfire rifles are a close substitute product for pump action centerfire rifles and it is important to at least understand the current offerings available in the market place.

Marlin

Marlin's basis in the lever action centerfire rifle category centers on the Model 1894 design. The Model 1894 design features an exposed hammer, tubular magazine fed action with side eject. The Model 1894 series are wood stocked configurations chambered for .44 Rem Mag, .44 S&W Special, and .357 Magnum. A stainless steel model is available as well. An 1894 Cowboy series is also in the lineup, targeted towards the Cowboy Action shooting market.

Also based on the Model 1894 design is the Model 1895 Big Bore series chambered for .450 Marlin and .45/70 Govt. The Model 444 is essentially a line extension of the Model 1895 chambered for .444 Marlin. Both the Model 1895 and Model 444 feature an exposed hammer, tubular magazine fed action with side eject. All models feature walnut stock and fore ends. One sku is available with a stainless steel barrel and action.

A popular offering with deer hunters is the Model 336 series. Also based on the Model 1894 design, the Model 336 series is chambered primarily in the popular and widely available .30/30 Winchester. In 2006, Marlin introduced the XLR to take advantage of Hornady's Leverrevolution spire point flex tip ammunition. This was followed in 2007 with a new chambering in the 308 Marlin Express. Although the Model 336 is available primarily in wood stock configurations, a camouflaged synthetic stock model is offered as well. The Model 336 is also offered in a stainless steel version. Marlin lever action rifles are formidable competitors to the Remington Model 7600, especially in the Northeastern United States.

**Wholesale Pricing Comparison
Lever Action Centerfire Rifles**

Manufacturer	Model	Net Whlse Price
Marlin	Model 336	\$298
Marlin	Model 336 XLR	\$540
Marlin	Model 336 Stainless	\$429
Marlin	Model 1895	\$409
Marlin	Model 1895 Stainless	\$497
Marlin	Model 1894	\$380
Marlin	Model 1894 Stainless	\$466

S.W.O.T Analysis – Remington Repeating Centerfire Rifles

Strengths

- Strong brand recognition
- Familiar design leads to ease of use
- Unique product offering (Model 7600)
- Priced competitively

Weaknesses

- Dated design concept
- Product category is “out of favor”
- Less than stellar reputation for functioning properly (Model 750)
- Perceived as less accurate than bolt-action rifles
- Unable to accept magnum cartridges
-

Opportunities

- Re-establishment in European market through a concerted focus on improving product quality (Model 750)

- Expansion of French market opportunities through introduction of standard line item with 2-shot non-detachable magazine
- Develop new autoloading system platform design

Threats

- Legislative pressures to eliminate or vastly restrict sale of pump and autoloading centerfire rifles to the public
- Continued pressure from competitors further eroding market share
- Growing popularity of lower price point bolt-action rifles acting as substitute product (Model 7600)

Product Strategy 2009 – Centerfire Repeating Rifles

Developing a meaningful strategy for the existing Remington centerfire repeating rifle product family is difficult at best. Current product offerings are well into the declining stages of the product life cycle. The overall sporting goods market for pump and autoloading rifles is flat or slightly declining domestically. The sporting world market size for these products is less than 100M units annually. Both of these factors present challenges in developing a new product family. Remington has had an autoloading rifle in the line since 1906. From a historical perspective, Remington needs an autoloading rifle in the product mix. From an International Sales perspective, the Model 750 accounted for 22% of their 2006 rifle shipments with 3,310 out of 15,266 rifles shipped. International is very profitable as there is immediately a 10% margin advantage due to Federal Excise Tax exemptions.

Therefore, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 750 and Model 7600 through focused efforts to target product toward niche opportunities. The Model 750 design is a design on the edge from a functionality standpoint and is not manufacturing friendly to assemble. This issue is one that must also be addressed with our next autoloading rifle.

Pricing Considerations - Due to declining sales and a softening market, no pricing recommendations are recommended for either the Model 750 line or the Model 7600 line.

Product Deletions – No product deletions are planned for the Model 750 or Model 7600 for 2009.

Product Strategy 2010 & Beyond – Centerfire Repeating Rifles

As stated earlier, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 750 and Model 7600 through focused efforts to target product toward niche opportunities. Through this strategy, along with efforts to improve the quality of the Model 750, the focus will be on stabilizing order positions within the category on an annual basis.

Pricing Considerations – Unless opportunity presents itself, rationalization for price increases in the Model 750/7600 product lines will be difficult to come by. In all practicality, some level of increase is necessary in order to maintain margins.

New Centerfire Autoloading Rifle (C.A.R.) – Despite a small sporting goods market, it would not be unreasonable to assume that with a new product, Remington could secure 10M units in sales volume in year 1 and grow to exceed 15M units.

Development of the new rifle is currently EET stage. Guns have been assembled, passed all critical safety tests, and shooting from the shoulder is being conducted. This rifle is intended to be launched on the International Winter Program in the summer of 2010 for delivery in the late 4th quarter of 2010. General criteria for the C.A.R. are as follows:

- Gas autoloading design utilizing recoil reduction technology
- Must function ammo ranging from 243 Win to 300 Win Mag and Remington Short Action Ultra Mag cartridges
- Detachable box magazine. 2-shot non-detachable magazine option for International
- Synthetic and wood versions available
- Fire-control design utilizing patented Roller Sear engagement

Model	MSP	NSP	Annual Volume
Centerfire Auto Loading Rifle –	\$999	\$811	10,000 units

Rimfire Rifle Market Summary

The U.S. domestic rimfire market is estimated to be 644M units sold annually. 30% of rimfire rifles sold in the U.S. are sold at Wal Mart. The retail sales value of this market is approximately \$99MM at an average price of \$145 per unit. Retail prices range from less than \$100 to over \$1000 across the category.

The rimfire rifle segment is dominated by the autoloading rifle, constituting nearly 70% of all sales in the category. The remaining 30% of the sales volume is comprised of a mix primarily of bolt-action, lever-action, and pump-action rifles.

Distribution takes place primarily through mass-merchants with Wal-Mart being the category leader with nearly 30% of total retail sales volume in the segment.

Category leaders by a wide margin are Sturm, Ruger & Co. and Marlin Firearms. Product sales by these two manufacturers constitute 60% of the total rimfire rifle market. Total 2006 sales volume estimates by manufacturer are listed below.

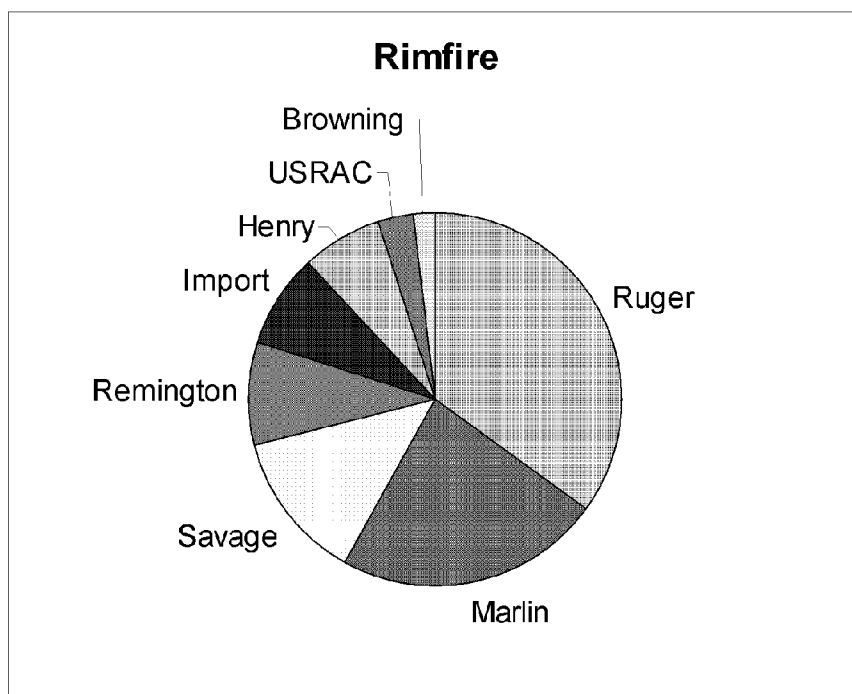
2006 Rimfire Market (Estimated Sales Volume by Manufacturer)⁶

<u>BRAND</u>	<u>UNITS (M)</u>
Ruger	219
Marlin	147
Savage	85
Imports	55

⁶ Combined analysis of BATF Production Figures-2006, SAAMI factory shipments – 2006, Remington and Marlin actual sales data

Remington	48
Henry	45
USRAC	25
Browning	<u>20</u>
TOTAL	644

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



As stated earlier the rimfire rifle market is clearly dominated by Ruger and Marlin. Although Remington has gained some favor in the marketplace with the Model 597, early performance issues with respect to the magazine box

and feeding, coupled with a retail price position close to that of the Ruger have caused the Model 597 to appreciably take market share from Ruger.

Ruger's position stems almost entirely from longstanding market dominance of the Model 10/22 autoloading rimfire rifle. Regarded widely as the standard for autoloading rimfire rifles, the 10/22 has entrenched itself in the marketplace through broad distribution and widespread acceptance as a quality performer for the money. Ruger is further supported by the aftermarket industry that produces barrels, stocks, trigger components, magazine boxes, and every other imaginable part. The availability of all these different accessories helps further drive sales of base model rifles. Ruger further rounds out their line with the 96 series of lever action rifles and the 77 series of bolt action rimfire rifles. Both the 96 and 77 are also chambered in the 17 HMR along with the 22 Long Rifle.

Marlin has established itself as the low-cost leader in the rimfire market with the Model 60 autoloading rimfire rifle. At a retail price of just over \$100, the Model 60 is often referred to as "the most popular 22 in the world." The tube fed Model 60 has a great reputation representing tremendous value to the consumer. Complementing the tube fed Model 60 is the Model 795 series of magazine fed autoloading rifles and the Model 900 series of bolt actions chambered in 22 Long Rifle and 17 HMR. Rounding out the line up is the 39A Lever Action. With their rimfire rifle assortment, Marlin offers customers a complete line of rimfire offerings.

RIMFIRE RIFLE INDUSTRY ANALYSIS

The U.S. domestic rimfire rifle market as a whole is dominated by two players, Sturm Ruger & Co., and Marlin Firearms, each with just over 32% share in units of the total market volume. Third is Savage Arms with 12.4% of the U.S. market. The Remington Arms Co. is a distant fourth in the rimfire rifle market with a scant 8.1% of the total market volume in units. Imports also play a role in the U.S. rimfire rifle market. Former Communist Block countries, particularly the Czech Republic have made significant inroads into the U.S. with lower-cost rimfire rifles that at face value, appear to deliver significant value for the money spent.

The price/value relationship plays a key role in the rimfire market. Low-cost rifles in this category appeal to the masses. In 2007, 54% of the rimfire

rifles sold by Wal*Mart, retailed at a price less than \$150.00⁷. The result is an intense struggle by manufacturer's to protect their precious share of the market by maintaining competitive cost positions which translate into low prices at the retail counter.

In stark contrast to the highly competitive "low-end" rimfire market, there is a significant, albeit smaller portion of the market willing to pay premium prices for high-end rifles. Appealing generally to the rimfire "aficionados," product offerings chambered for 22 Winchester Magnum and the 17 Hornady Magnum as well as premium grade bolt-action rimfire rifles command higher prices and higher margins.

1. Customer Profiles

- If one were to examine the rimfire rifle customer solely on a traditional demographics basis, one would find such a broad range of characteristics that it would be difficult to categorize or classify a customer in any meaningful manner. For instance, other than being predominately male, the age, income, and geographic distributions would be so broad that targeting any one particular attribute would prove difficult at best. Rather, it is much more effective to categorize the customer based on the intended usage of the products. In the case of rimfire rifles, it can reasonably be assumed that there are two distinct customer groups. These groups can be categorized as the "plinker" and the "enthusiast."
 - The "plinker" by in large makes up the predominate sector of the rimfire rifle market. Typical end use would range from casual target shooting to occasional small game hunting. Purchase decisions by the "plinker" would be influenced by price, value, and brand recognition. The "plinker" would often select a product based on the recommendation of a friend or relative, or through ample exposure to some advertising medium. The "plinker" would expect accuracy required to consistently hit small targets such as cans, pie plates and small game, with relatively few malfunctions across a broad range of ammunition offerings, especially the high volume price point ammunition.

⁷ Confidential Wal*Mart POS Data

- The “enthusiast” can be classified as a smaller yet more discriminating customer base. The “enthusiast” may be a competitive or semi-competitive target shooter, or varmint hunter relatively well versed in firearms technology and ammunition capabilities. Accuracy expectations from this customer will typically be 1 Minute-of-Angle or less with a very low tolerance for malfunctions of any kind. While more discriminating in tastes and expectations, the “enthusiast” is less influenced by price point and more apt to make their purchase decision based on reputation, technical write-ups and word of mouth throughout elite shooting circles.

2. Brand Perception

- Although no known comparative study is known to exist with respect to measuring brand perception exclusive to rimfire rifles, some conclusions can be drawn from general knowledge gained through discussions with consumers and the monitoring of internet message boards. Listed below is a summary of Remington’s brand perception, along with the perception of the three dominant brands within the rimfire rifle category.
 - **Remington** – Over the years, Remington has established the reputation of delivering exceptional value for the money. It is the belief of this writer that Remington’s brand perception is much stronger for centerfire rifles than it is for rimfire rifles at the present time. Remington’s position in the rimfire market is very weak as a result of the failure from a quality standpoint of the Model 522 Viper and early stumbles with the Model 597 which plagued the product with a reputation of unreliable feeding. In addition, Remington spends relatively few advertising dollars in comparison to other key players, attributing to shortfalls in brand recognition.
 - **Ruger** – Ruger’s 35% rimfire market share, primarily with the Model 10/22 is an enviable one. Priced moderately, Ruger products are not considered as low-cost, price point products, but as high on the price/value scale. The results are products that successfully penetrate the “plinker” market, while maintaining acceptance within the

“enthusiast” sectors of the market. Ruger rimfire maintains a very strong position from a brand recognition perspective, supported by their dominant position with respect to advertising expenditures.

- **Marlin** – Marlin is without a doubt the low-cost leader in the rimfire rifle category. With 23% of the total market, Marlin has been very successful in mass merchant retail by establishing the Model 60 as the most popular tubular magazine fed autoloading rimfire rifle. With entry level pricing just over \$100, the Model 60 has proven to be very popular with the “plinker” segment of the market. In fact, it is a reasonable assumption that Marlin dominates the “plinker” segment. While Marlin does offer some specialized bolt-action products to appeal more to the “enthusiast’s,” they have positioned themselves well as the entry level rimfire leader.
- **Savage** – While third in brand share, Savage is a distant third with just over 13% of the total rimfire market. Also regarded as a low-cost, entry level brand, Savage has not gained the following enjoyed by Marlin. However, those who purchase a Savage as an entry level rifle seem satisfied with the product. Perhaps Savage’s shortfall stems from brand recognition in the rimfire rifle market.

Remington Segment Performance – Rimfire Rifles

Remington competes in the autoloading rimfire rifle segment with two product families. 2007 sales consisted of 40.6M units or \$6.7MM in revenue. 2008 volume is forecasted to be up due to new products and chain store special make items. Sales dollars have decreased due to material costs outpacing price increases in this price sensitive category.

<u>Model 597</u>	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>FCST</u>	<u>2008</u> <u>Budget</u>
Unit Sales (M)	46,420	48,383	47,509	40,675	45,000	45,000
Sales Dollars (\$M)	\$6,470	\$5,993	\$6,318	\$6,790	\$6,455	\$6,163
Standard Margin (\$M)	\$1,326	\$803	\$1,032	\$1,607	\$739	\$622
Standard Margin (%)	20.5%	13.4%	16.3%	23.7%	11.4%	10.1%

<u>Model 552/572</u>	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>FCST</u>	<u>2008</u> <u>Budget</u>
Unit Sales (M)	4,035	2,778	1,528	2,030	1,549	2,250
Sales Dollars (\$M)	\$1,001	\$763	\$451	\$664	\$546	\$808
Standard Margin (\$M)	\$118	\$148	\$60	\$165	\$147	\$220
Standard Margin (%)	11.8%	19.4%	13.3%	24.8%	26.9%	27.2%

Model 597 margins are greatly impacted by costing variances rolling from one year to the next as well as selling price. Both of these factors greatly impact margin. This is problematic for Remington. Introduced in 1997, the Model 597 has reached a plateau in its product life cycle much too soon. The Model 597 problem for Remington is one of complexity. With razor thin forecasted standard margins of 11%, Remington must focus on increasing profitability while growing volume in the category. For a product which competes in a highly price elastic market, this presents a formidable task.

The Ilion based Model 552 Speedmaster, while boasting a healthier margin over the Model 597 of 27% comprises only a small portion of category sales. Appealing to more of a niche market, the Model 552 is not a serious competitor in the autoloading rimfire rifle market. While the moderate volumes of 2M-3M units per year remain attractive, the growth prospects for this rifle, mature in its product life cycle are limited at best.

Competitive Outlook

Principle competitors to Remington in the Autoloading Rimfire Rifle market are Ruger, Marlin, and Savage. Listed below is a brief summary of principle competitive offerings from each of these three manufacturers.

Ruger

Ruger's principle competitive autoloading rimfire product is the Model 10/22. Featuring a 10-shot rotary magazine, the 10/22 has established a reputation of tremendous value for the money and is widely considered to be the standard by which other autoloaders are judged against. The 10/22 is offered in wood, synthetic, and laminated stock versions with both blued and stainless configurations. Heavy barrel target versions are available as is a 10/22 Magnum chambered for .22 WMR.

Marlin

Marlin's dominant product offering in the autoloading rimfire category is by far and away the Model 60 and its variants. Equipped with a 14-shot tubular magazine, the Model 60 is commonly referred to as the most popular .22 rifle in the world. Economically priced and widely available, the Model 60 is offered in standard wood stocked, carbon steel models with stainless steel, synthetic stocked and camouflaged versions also available. Marlin also offers scoped versions of the base wood-stocked Model 60 and the stainless steel wood-stocked model equipped with a low-cost fixed 4X scope. The stainless steel scoped version has proven to be a popular item with Wal*Mart stores.

Marlin also offers a clip-style magazine version in the Model 795. Equipped with a 10-shot magazine, the Model 795 features a synthetic stock and is available in standard carbon steel and stainless steel.

Savage

Economically priced, the Savage Model 64 series of autoloading rimfire rifles feature a detachable magazine box and are available in wood, synthetic stocked versions with a choice of carbon or stainless steel actions. Like Marlin, Savage offers a scoped version of the Model 64 in wood and synthetic stocked configurations with carbon steel actions. Not unlike the Marlin, the scoped Model 64's feature an inexpensive fixed 4X scope.

Remington

Remington's mainstay in the autoloading rimfire rifle market is the Model 597 family. Available in five .22LR and two .22WMR, the Model 597 family constitutes over 97% of Remington's sales volume in the category. .22LR versions feature a 10-shot detachable magazine box while the .22WMR versions come equipped with an 8-shot magazine box. All Model 597 rifles are drilled and tapped for scope mounts, and are designed with a "last-shot hold open" feature which leaves the action in an open position after the final shot is fired.

Model 597 – The base 597 is chambered for 22LR and features a gray synthetic stock with a blued action with iron sights. This configuration of the Model 597 constitutes 70% of all sales within the product family.

Model 597 Scoped Combo – Chambered for 22LR the 597 Scoped Combo is equipped with a carbon steel action with clean barrel and 3-9x32 scope.

Model 597 Blaze – The 597 Blaze features carbon steel barreled action with TruGlo® sights and a Mossy Oak® blaze orange camo stock. Chambered for .22LR.

Model 597 Pink Blaze – The 597 Pink Blaze features carbon steel barreled action with TruGlo® sights and a Mossy Oak® Pink camo stock. Chambered for .22LR.

Model 597 TVP- The Target Varmint Plinker was introduced as a higher end target type autoloading rimfire. Features ambidextrous thumbhole laminate stock with free floated barrel. 22 LR only.

Model 597 Magnum – Identical to the base Model 597 .22LR, only chambered for .22 WMR .

Model 597 LSS IIB Magnum – Features a brown laminate stock with 20" carbon heavy barrel. Chambered in 22 WMR.

Initial versions of the 597 received a mixed reception due to early issues with malfunctions in feeding, a plastic magazine box and excessively heavy trigger pull. Over the course of its life, the 597 has evolved to feature a

metal magazine, a newly designed ejector to virtually eliminate jamming issues and manufacturing methods have been refined to improve the trigger.

However, the Model 597 has yet to reach its anticipated potential in the marketplace. Priced in between the Marlin Model 60 and the Ruger 10/22, the Model 597 has difficulty in providing obvious product differentiation to draw the Model 60 prospective buyer up on the price scale. In addition, the Model 597 is relatively close in price to the perceived standard Model 10/22, providing easy rationalization for the undecided consumer to choose the category standard Ruger. Due to the low margin position of the Model 597, Remington must find ways to deliver distinct product differentiation to the shooting public, while adding profitability to the line.

As stated earlier, Remington also offers the Model 552 Speedmaster autoloading rimfire rifle. Equipped with a tubular magazine, the 552 Speedmaster is the only domestic autoloading rimfire rifle capable of shooting .22LR, .22 Long, and .22 Short ammunition. The Model 552 Speedmaster features a polished blued finish and high-gloss walnut stock and fore end with cut checkering.

Wholesale Pricing Comparison Autoloading Rimfire Rifles

Manufacturer	Model	Net Whlse Price
Ruger	10/22	\$163
Ruger	10/22 Camo	\$179
Ruger	10/22 Target	\$287-\$504
Marlin	Model 60	\$117
Marlin	Model 60 Scoped	\$122
Marlin	Marlin 795	\$103
Marlin	Model 795 SS	\$149
Savage	Model 64	\$139-\$253
Remington	Model 597 Syn	\$127
Remington	Model 597 Scoped	\$155
Remington	597 Blaze Camo	\$170
Remington	597 TVP	\$360
Remington	597 LSS Magnum HB	\$427

Remington	597 Magnum	\$322
Remington	552 Speedmaster	\$387

S.W.O.T. Analysis – Model 597 Autoloading Rimfire Rifles

Strengths

- Button rifled barrel produces an inheritably accurate product
- Widely available through a broad range of distribution
- State-of-the-art manufacturing facility produces a consistent product

Weaknesses

- Early incidences of malfunctions have given the product a black-eye
- Product is also plagued by the poor reputation and product failure of the Model 522 Viper in the autoloading rimfire rifle category
- Low-margin position yields poor profitability
- Low visibility in comparison to Ruger with respect to advertising exposure
- Few aftermarket accessory items

Opportunities

- Past performance with special make opportunities have yielded significant volume and can result in improved margins
- Special chain store offerings result in unique, profitable offerings

Threats

- Price pressure from Ruger and Marlin to protect market share
- Increased pressure from imports
- Increased costs of materials/increased costs of manufacturing

Product Strategy – 2009

Model 552 Speedmaster and 572 Field Master

No new product introductions are planned for the 552/572. An emphasis should be placed on maintaining manufacturing quality to protect the small but profitable niche market opportunity enjoyed by this product.

Model 597

Model 597 Next FLX Camo – New for 2009 will be a synthetic stocked carbon steel barreled action with TruGlo® rifle sights. The stock will be decorated in the Next® FLX camo pattern to test market acceptance of this pattern. The FLX pattern is a digital hunting pattern. At distances closer than 3 feet, the pattern appears as a typical digital pattern. As the distance increases, the pattern blends together revealing sticks, leaves, and shadows.

<u>Model</u>	<u>MSP</u>	<u>NSP (Chain)</u>	<u>1st Yr. Volume</u>
597 FLX Camo	\$ 189.00	\$ 170.00	3500

Pricing Considerations – No price increase was taken in 2008 across the Model 597 line. Due to the difficult market conditions in 2008 which are anticipated to carry over into 2009, no price increase for 2009 is planned at this time.

Product Deletions – No product deletions are planned for 2009.

Product Strategy – 2010 & Beyond

Model 552 Speedmaster and 572 Fieldmaster

There are no new products planned for these items. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

Model 597

The key to the continued success of the Model 597 family lies in maintaining or reducing manufacturing costs without sacrificing the quality

of product delivered to the marketplace and in product differentiation. Points for consideration are:

- Cost reduction opportunities such as the elimination of the receiver dovetail cut and drilling and tapping of scope base holes on the receiver by redesigning the receiver with built in bases, similar to the Ruger 10/22.
- Pursuit of special make up opportunities that provide product differentiation to our customers, allowing the 597 to fill voids left by the 10/22 and Model 60 in niche market opportunities.
- Maintaining flexibility to respond quickly to changes in market trends in order to capitalize on opportunistic situations.
- A R&D evaluation is underway to determine our best path forward for an AR styled 597. Temporarily named the R-22.

New Synthetic Stock- A new synthetic stock design is underway to update the looks of the 597. The synthetic stock design has not changed since its introduction in 1997. The new stock features updated styling and lines. The stock tool will be a modular design allowing for heavy barrels, standard barrels, standard length of pull, youth length of pull, and thumbhole designs all off the same tool by changing inserts.

Pricing Considerations – Market conditions will be monitored to determine if opportunistic price increases may be available.

Model R-22 Autoloading Rimfire Rifle

Interest has been expressed from several sources requesting an AR-15 styled autoloading rimfire rifle. There is no current AR-15 styled product available from any manufacturer to fill this demand. There is a German manufacturer of the GSG-5 a 22 LR version of the Heckler & Koch MP-5. The GSG-5 retails at approximately \$500.

Nordic Components located in Minnesota makes a kit that is essentially an upper and lower receiver shell that fits around a Ruger 10/22. This kit then accepts standard AR-15 accessory items; A-2 stock, pistol grip, and free float tube. This kit retails for \$225 and still requires purchasing the stock, pistol grip and free float tube. Nordic expressed interest in developing a similar kit for Remington to build a complete Model 597. This kit would

provide entry into the market with an AR-15 styled rifle but would be rather expensive.

July 17, 2007 there was a meeting in Elizabethtown to kick off an exploratory study to determine feasibility of building an AR-15 styled rifle in Mayfield on the Model 597 frame. It is essential that the internal working and functioning of the gun remain virtually unchanged but the exterior allow attachment of standard AR-15 accessories as well as a Picatinny rail for scope attachment. This option would require tooling to develop a new Model 597 receiver casting.

Price and Volume Estimates

	MSP	NSP less FET	Cost EST	Volume EST	Margin	Total Est Margin
R-22 Rifle	\$399	\$324	\$169.50	10,000	\$179.50	\$1,695,000

Marketing Cost Estimate

Model 597 26550	-\$106.28
Less Stock-	(\$5.24)
Less Receiver-	(\$7.54)
Receiver Casting-	\$15.00
A2 Stock-	\$15.00
A2 Pistol Grip-	\$6.00
Free Float Tube-	\$40.00
Total	\$169.50

MANUAL ACTION RIMFIRE RIFLES

Manual action rimfire rifles can be categorized as pump action, lever action and bolt action firearms.

Remington Segment Performance

Remington's presence in this market category is essentially non-existent. Currently, the only product offered by Remington is the Model 572 Fieldmaster pump-action rimfire. With volumes ranging between 1M and 1.5M units on an annual basis, this product is not a formidable competitor appealing to a small niche market. From a historical perspective, when the

541/581 series of bolt-action rimfire rifles were manufactured, Remington maintained approximately 10% of this market segment.

Competitive Outlook

As stated earlier, save the specialized lever-action rimfire rifles from Henry, Marlin and Winchester, the manual action category is dominated by the bolt-action rifle. Remington no longer possesses a core competency in the manufacture of lever-action firearms, hence the following discussion will focus on the bolt-action category.

Bolt-action rimfire rifles can be categorized in **three basic price categories – Low, Mid, and High**. Listed below is a general discussion of each of the three categories.

Low Price (Less than \$250)

Low price bolt-action rimfire rifles account for approximately 60% of all bolt-action rimfire rifles sold in the U.S. domestic market. Distributed primarily through mass merchant channels, these low price offerings are attractive as entry level rifles, or rifles used for casual target shooting or hunting.

Savage

Savage Arms participates in the bolt-action 22LR rimfire category with the single shot Mark-I series and the repeating Mark-II series. Both are priced right for the entry level market and are strong performers with the mass merchants. Savage also provides a 22 Magnum series in the Model 93.

The **Mark-I single shot series** is positioned toward instructional use and as youth firearms. Available in wood stocked full size and youth configurations, a stainless steel/laminated stock set up, and in a synthetic stocked youth camo version.

The **Mark-II repeater series** is essentially identical to the Mark-I, only equipped with a single stack, removable magazine. Also available in a variety of stock and action configurations, including heavy barrel varmint versions.

The Model 93 series magnum bolt-action rimfire rifles are, like the Mark-II, available in wood and synthetic stocked versions with choices in carbon or stainless steel actions as well. Also available are heavy barreled varmint models.

Marlin

Marlin competes in the bolt-action rimfire market with products at the true entry level price point as well as with products priced at the top end of what we refer to as the "Low" price point category. Product offerings are available in 22LR, 22 Magnum, and in the 17 Hornady Magnum Rimfire. As one can see from the product offering descriptions below, Marlin has by far the greatest breadth in product offerings in the bolt-action rimfire rifle market.

The Model 915 series consists of two single-shot youth rifles, one with a blued action and one with a stainless action. Both are fitted with a low-grade hardwood stock.

Next on the price scale are the Model 925 .22LR series and the Model 925M .22 Magnum repeating rifles. Both equipped with a 7-shot detachable magazine box, the Model 925 series features a low-grade hardwood stock and blued action. Both the .22LR and the Magnum versions are also available in a camo version.

Rounding out the entry level price point category for Marlin is the Model 981TS .22LR and 983TS .22 Magnum. The 981TS features a synthetic stock and tubular magazine capable of handling .22LR, .22 Long and .22 Short cartridges. The Model 983TS is equipped exactly like the 981TS, except the tubular magazine on the 983TS only accepts .22 WMR ammunition.

Marlin rounds out their rimfire line with 917 series of bolt action rifles chambered in 17 HMR. Specifications range from synthetic to wood to thumbhole laminate stocks. Barreled actions are available in both blued carbon steel and stainless.

**Wholesale Pricing Comparison
Low Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Whlse Price
Savage	Mark I Single Shot	\$125-\$146
Savage	Mark II Repeater	\$133-\$225
Savage	Model 93	\$181-\$217
Marlin	Model 915	\$134
Marlin	Model 915 SS	\$149
Marlin	Model 925	\$135
Marlin	Model 925 Mag	\$154
Marlin	Model 981	\$135
Marlin	Model 983	\$161-\$222
Marlin	Model 917	\$158-\$252

Mid Priced (\$250-\$500)

Accounting for approximately 25% of the bolt-action rimfire rifles sold in the U.S. domestic market, rifles in the mid priced category appeal to a more discriminating market. As a result, these rifles do command a higher price. Rifles in this price category adopt some of the same features found on popular bolt-action centerfire rifles such as adjustable fire controls, higher grade wood and superior finish. Remington used to compete in this segment with the Model 541 and 581 series of rimfire rifles.

Ruger

Based on the popular M77 centerfire rifle series, the **Ruger M77/22** shares many of the styling characteristics of its centerfire counterpart, as well as the same three-position safety. First introduced in 1980, the 77/22 has gained quite a foothold in the mid priced bolt-action rimfire category. Models are available in 22LR, 22 Magnum and the new .17 Hornady Magnum Rimfire. Available in walnut, laminated, and synthetic stocked configurations with both blued and stainless actions available. The Model 77/22 features the same rotary style magazine found in the 10/22. Another nice feature of the 77/22 line, although not a rimfire topic, was Ruger's

expansion of the 77/22 into a small centerfire rifle cartridge, the .22 Hornet. The .22 Hornet offerings have proven very successful for Ruger.

CZ (Ceska Zbrojovka)

In the mid 1990's importation of the CZ ZKM 452 series of bolt-action rimfire rifles began. Manufactured as at very low costs in the former communist block nation of Czechoslovakia, the CZ product is a no-frills albeit sturdy platform that has gained quite a following the U.S. Domestic market. BATF import reports indicate some 10M-16M units are imported into the U.S. on an annual basis. Available in European, Classic American, and Varmint configurations, the CZ rifles feature Turkish walnut stocks, cast steel receivers and hammer forged barrels with a low-luster matte finish.

Wholesale Pricing Comparison Mid Priced Bolt-Action Rimfire Rifles

Manufacturer	Model	Net Whsle Price
Ruger	77/22	\$459-\$509
CZ	ZKM 452	\$327-\$459

High Priced (Over \$500)

The high priced segment of the bolt-action rimfire market is the smallest category by far. However, prices commanded for rifles in this category are far from the \$100 price point, mass produced rifles. In fact, there is a significant step change in price between the Mid Priced and High Priced bolt-action rimfire rifles. While the Mid Priced Rifles seldom approach the \$500 retail mark, it is not uncommon for the High Priced rifles to sell in the \$800 - \$1000 range. This price gap suggests that there is some untapped opportunity for a platform that draws potential buyers up from the Ruger and CZ rifles, while also drawing potential buyers down from the high priced platforms. Distribution in the High Price category takes place nearly exclusively through direct dealer relationships.

Cooper Arms

Founded by former Kimber employees, Cooper rifles while not as widely known are based on many of the same features as the Kimber line (Kimber

exited this category in 2008). In fact, it has been said in some small circles that Cooper rifles represent what Kimber bolt-action rimfire rifles “used to be” implying that the scrutiny and attention to detail under which current Kimber product is manufactured has diminished. The Cooper 57 rifles are available in sporter and varmint configurations with varying grades of wood and finish.

Sako

Operated under the umbrella of Beretta, Sako makes an entry in the High Priced bolt-action rimfire category with the **Sako Quad** rifle. The Quad features the ability to switch barrels in a bolt action receiver making it easy to switch from 22 Short, to 22 LR, to 22 WMR or 17 HMR.

Anschutz

Anschutz truly sets the standard for bolt-action rimfire rifles. Well known and respected throughout the world for world-class rifles, the Anschutz 54 and 64 series stands in a class of its own.

**Wholesale Pricing Comparison
High Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Whlse Price
Cooper Arms	Model 57 Classic	\$1200-\$1400
Sako	Quad	\$1174-\$1291
Anschutz	54 Series	\$1200 - \$1500

Product Strategy – 2009

Model 572 Fieldmaster

No additional offerings are planned for this category. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

AR Modular Repeating Rifle

Based on 2006 BATFE data, the AR category of rifles is estimated at 179M rifles with an estimated retail value of \$170MM.

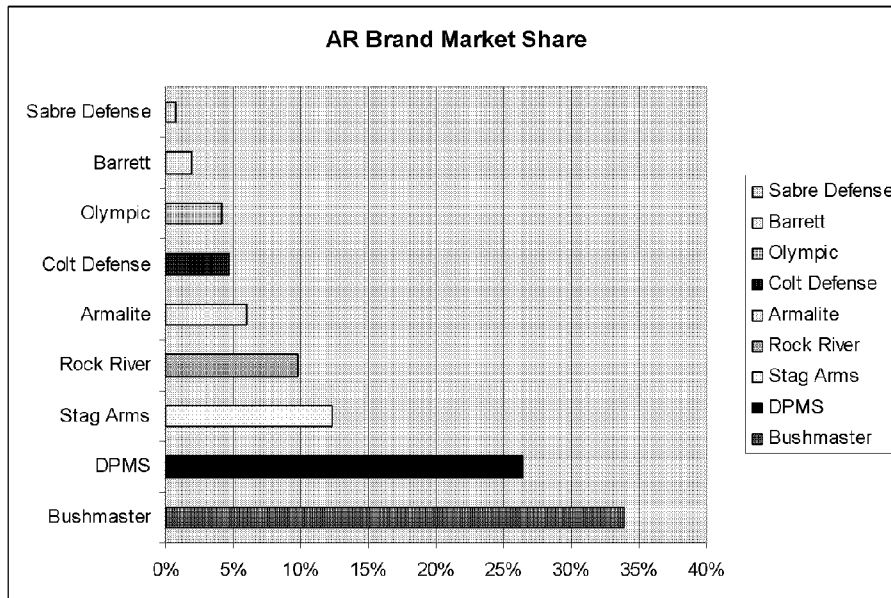
Sales volume and market share are estimated as follows:

**2006 Domestic AR Centerfire Rifle Market
Estimated Sales by Manufacturer⁸**

<u>Brand</u>	<u>Units(M)</u>
Bushmaster	60.8
DPMS	47.4
Stag Arms	22.1
Rock River	17.5
Armalite	10.7
Colt Defense	8.4
Olympic	7.3
Barrett	3.6
Sabre Defense	<u>1.2</u>
Total	179

⁸ 2006 BATFE Data

Market share by manufacturer is as follows



Based on the 2006 BATFE data, American Heritage Arms dominates the commercial AR category with Bushmaster and DPMS. With Remington entering the market in 2008 by partnering with both BFI and DPMS, it is reasonable to expect AHA companies to occupy three of the top five positions for market share in this category of rifles in 2008. Provided capacity is made available for Remington rifles, Remington will surpass both Rock River and Stag Arms to occupy the number three spot in total market share by end of 2009.

2008 Remington Projected Performance

Model R-15 VTR	2008 Forecast	2008 Budget
Unit Sales (M)	9,978	8,000
Sales Dollars (M)	\$8,217	\$6,356
Standard Margin (M)	\$1,729	\$1,196
Standard Margin (%)	21.0%	18.8%

Model R-25	2008 Forecast	2008 Budget
Unit Sales (M)	4,000	--
Sales Dollars (M)	\$4,251	--
Standard Margin (M)	\$1,207	--
Standard Margin (%)	28.4%	--

Currently, Remington is poised to deliver nearly 14,000 modular repeating rifles to the hunting market place in 2008. For Remington, this essentially represents 100% incremental business for Remington rifles with minimal cannibalistic impact to BFI and DPMS. However, with the current high demand for AR style rifles, both partner companies are somewhat capacity constrained with BFI impacted the greatest.

Competitive Outlook

Remington entered into this market to target and focus on all the features that make the AR platform a great hunting rifle. Of the AR gun makers, only four make rifles targeting the hunting segment; BFI, DPMS, Rock River, and Stag. To further separate these makers, only BFI currently builds a rifle, in the opinion of this writer that appeal to a hunter that is not already an AR aficionado. Since Remington is targeting the hunter, this section will only focus on hunting specific makers and models.

Bushmaster-Bushmaster competes in this segment with Predator, Varminter, and the new for 2008 450 Bushmaster. The Predator rifle is configured very similar to the Remington R-15 with the only differences being a slightly heavier barrel contour, 20" barrel, and a two-stage trigger.

The BFI Predator is priced higher than the Remington R-15 and has not caused any known conflict in the market. Decked out in full camo, the Predator rifle is intended to appeal to the coyote, fox, and bobcat hunter for its rapid target acquisition, fast follow up shots and in field reliability.

Bushmaster also offers a Varminter rifle to appeal to the target/varmint hunter relying on the outstanding accuracy potential of this rifle to hit small targets at extended distances. This rifle features a two stage trigger with a 24" barrel and black furniture.

The 450 Bushmaster developed in-conjunction with Hornady, is a hunting cartridge designed to fit in the smaller AR-15 platform. It requires a larger bolt face and modified magazine box with a single stack follower. This cartridge launches a 250 grain bullet at 2,200 fps generating sufficient energy for deer sized game out to 200 yards. The rifles are build with either an 18" or 20" barrel and feature black furniture.

DPMS-DPMS chambers rifles in popular hunting cartridges in both their AR-10 style and AR-15 rifles; 204 Ruger, 223 Remington, 243 Win, 260 Remington, 308 Win, 300 Remington Short Action Ultra Mag, and 338 Federal. Their chamberings certainly appeal to the hunting market, however the styling and finishing of their rifle appeals more to a current AR style or tactical type shooter.

Rock River Arms-Rock River markets both a Varminter and Predator rifle. Both rifles are configured well for their intended end use with the exception of only being available in a traditional tactical black finish. Rock River could provide additional competition in this market if they elect to decorate their guns in branded camo pattern. With Remington entering the market with decorated guns, it is reasonable to expect other makers to follow suit.

Stag Arms-Similar to Rock River, Stag offers a black Varminter rifle with a 24" stainless barrel. The innovative offering in the Stag line is their left handed offerings. Stag catalogs seven different right handed rifles and offers another seven mirror image left handed rifles. Stag is the only known maker of left handed AR rifles.

Remington-Remington entered the market in 2008 with the R-15 VTR Modular Repeating rifle. There are three basic configurations chambered in 204 Ruger and 223 Remington. Remington is known first and fore most as a

hunting company and entered this market with the hunter in mind. The rifles were all specified by hunters for hunters. Remington started with a branded camo pattern for concealment, went with a slightly reduced barrel contour to reduce weight, added traditional swivel studs for sling/bi-pod attachment, and fitted a single stage hunting type trigger. The initial six offerings targeted the predator hunter.

Remington added to the line of modular repeating rifles mid-year 2008 with the R-25 based off of the AR-10 platform. Chamberings included 243 Win, 7mm-08 Remington, and 308 Win. These offerings target the deer hunting segment that comprises over 80% of all big-game hunting. The R-25 is configured identical to the R-15 only on the larger AR-10 platform.

Wholesale Pricing

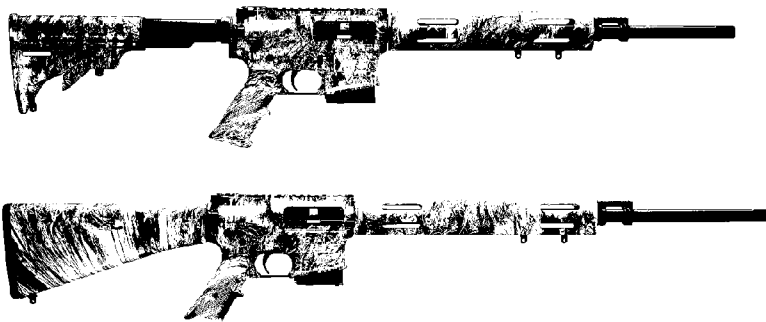
Manufacturer	Model	Net Whlsc Price
Colt	AR15	\$844
Armalite	M15A4	\$709
Stag Arms	Model 3	\$645
DPMS	Panther Lite	\$580
Bushmaster	Predator	\$990
Remington	R-15	\$836

Model R-15 VTR Modular Repeating Rifle 2008-2010

Overview

The Model R-15 VTR Modular Repeating Rifle was introduced in October 2007 at the annual New Products Seminar and Remington World Wide Sales Meeting. There are three introductory offerings chambered in both 204 Ruger and 223 Remington for six total guns. The Remington R-15 is specified with the hunter's needs in mind. We will focus on and target the hunting market with our future offerings. Initial offerings provide the hunter with Advantage Max-1 camo, lighter weight 0.680" muzzle OD, 18" or 22" fluted barrel for further weight reduction, dished crown, single stage hunting trigger, standard swivel studs with dual front studs, optics ready rail,

universally accepted 5 round magazine box, with two offerings configured with fixed stocks and carbine length with collapsible stock.



R-15 VTR Predator Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
204 Ruger 22"	\$859	\$775	750	\$130	\$130,000
223 Rem 22"	\$859	\$775	1250	\$130	\$260,000
204 Ruger 18"	\$859	\$775	750	\$130	\$130,000
223 Rem 18"	\$859	\$775	1250	\$130	\$260,000
204 Ruger CS	\$859	\$775	750	\$130	\$130,000
223 Rem CS	\$859	\$775	1250	\$130	\$260,000
		Total	6000		\$1,170,000

2009 Spring Program, Launched August 1, 2008

Remington will introduce the R-15 Varminter in August 2008. The Varminter will feature a 24" satin stainless triangular heavy barrel with OD green stock and camo furniture. All other features will remain the same. A second Varminter version with a thumbhole stock and 24" barrel will also be introduced. These offerings are intended for target, and prairie dog, ground hog, and ground squirrel type hunting. These two models are the perfect match to compliment the predator hunting versions.

A limited edition Byron South Signature Series Predator gun will also be introduced at the 2008 SHOT Show. This gun will offer upgraded features like the black ambidextrous ergo grip, Yankee Hill fore-end tube, and two-stage competition style trigger. The retail value of these upgrades is

approximately \$300. Volume of this gun is set at a minimum of 250 guns with a \$100 royalty paid per gun.

R-15 VTR Varminter Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
223 Remington	\$1059	\$955	500	\$150	\$75,000
223 Rem TH	\$1059	\$955	200	\$150	\$30,000
		Total	2000		\$105,000

Byron South Signature Series

Chambering	MSP	NSP	FCST	Margin	Total Margin
223 Remington	\$1399	\$1262	250	\$380	\$95,000

2008 NRA Show Introduction-May 16-18, 2008

Remington launched a line of big-game hunting guns at the 2008 NRA Show in Louisville, Kentucky. This show is the ideal audience for launching this style of rifle. The constituency combined with close proximity to Fort Knox should help insure a successful mid-year introduction. We will introduce a line of hunting guns configured similarly to the R-15 VTR Predator. The initial offerings will be offered in 243 Win, 7mm-08 Remington, and 308 Win. These chamberings require the AR-10 lower and will be branded as the R-25 line of rifles

R-25 Hunting Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
243 Win	\$1149	\$775	1250	\$172	\$215,000
7mm-08 Rem	\$1149	\$775	1250	\$172	\$215,000
308 Win	\$1149	\$775	2500	\$172	\$430,000
		Total	5000		\$860,000

2009 Introductions

In November 2001, Remington Ammunition initiated a project with the 5th Special Forces group to introduce a new cartridge to provide improved terminal ballistics over the 5.56mm in a M16/AR15 platform. The parent cartridge for this development work was the 30 Remington. The 30 Remington loaded length fit the platform with a redesigned bolt face due to a larger rim diameter than the 5.56. Ultimately, the 6.8mm Remington SPC was introduced. This cartridge was developed for military usage and thus given a military designation versus a commercial name. Unfortunately, the

30 Remington was not the optimum case to base this cartridge. Development is underway using the 450 Bushmaster necked down to 30 caliber. Initial testing indicates a 125 grain bullet will essentially equal 308 Win performance. This cartridge could fill the roll of both a great medium sized big game cartridge as well as for military/LE purposes.

R-15 Hunting Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
30 Remington AR	\$859	\$775	3500	\$130	\$455,000

2010 Introductions

In 2010, we will continue the expansion of the Remington AR line of cartridges into a varmint .22 cal and a crossover cartridge in a .25 cal. The .22 caliber version will offer enhanced performance over the 223 Remington while fitting into the AR-15 platform and the .25 caliber will offer better terminal ballistics for longer range predator hunting as well as the opportunity for deer hunting with the same rifle.

R-15 VTR Hunting Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
224 Rem AR	\$859	\$775	2500	\$130	\$325,000
250 Rem AR	\$859	\$775	1500	\$130	\$195,000
		Total	2500		\$520,000

We also have the opportunity to re-launch/re-brand the Remington Short Action Ultra Magnum line of cartridges in the AR-10 platform. There are royalty issues to work out with Ric Jamison as well as re-launching the cartridges as the Remington Ultra Short Action or abbreviated the Rem USA line. Once the royalty issue is resolved, other firearms manufacturers could chamber for the Rem USA line royalty free directly benefiting our ammunition business. The industry as a whole has taken focus off of short mags and stopped promoting since the Jamison case was settled. A high performance short mag with no royalty attached will find its way into other producer's guns.

R-25 Hunting Line

Chambering	MSP	NSP	FCST	Margin	Total Margin
7mm Rem USA	\$894	\$806	1500	\$160	\$240,000
300 Rem USA	\$894	\$806	2000	\$160	\$320,000
		Total	3500		\$560,000