

mated 500MM units or about \$1.00 net manufacturer's sales value. While this market may not appear large, it should be pointed out that a box of 500, 14.5 grain, .22 pellets which has a retail price of \$2.15, a dealer net of \$1.29, and a wholesaler net of \$1.03, contains 1.03 pounds of lead, or approximately \$1.00 per pound at manufacturer's sales level. This compares with a manufacturer's sales level of about 19 cents per pound of lead shot in 25-pound bags. As a further example, if we take a pound of lead and convert it, along with the other necessary materials, into .22 caliber LR-HV cartridges, we sell it for \$1.34. Accordingly, if Remington's distribution and market position could give us even 20% of the lead pellet business (say, \$200M), we could probably expect an operative return on sales of 50% or \$100M. At a 25% net return on investment, this would warrant a capital expenditure of \$250M, which should be more than adequate for such a business.

We do not recommend, however, that we attempt to rush into this phase of the business and only plan to offer lead pellets just like everyone else. Our analysis of the market suggests that the softness of the thin lead skirt on present pellets, coupled with the accepted methods of packaging, and the single-endedness of present design, is disadvantageous to the user because the pellets become bent and do not always easily enter the gun chamber, or may jam in automatic feeding mechanisms, or may become lodged in the barrel if they are inserted wrong-end-to. If we could develop pellets based on our iron-plastic compositions, possibly coated with polyethylene that would serve as a lubricant, we might overcome some of the above problems and provide cleaner, more accurate, longer-range ammunition that would be less costly for us to produce but which would require greater investment for present small producers of lead pellets and hence give us a proprietary advantage. 83

Accordingly, it is recommended that the Bridgeport Research and Development objectives focus on the ballistics, convenience, and cost aspects of possible candidate pellets that Remington might offer together with the cost and investment requirements and looking towards a market objective of at least 100MM rounds annually. This activity should be related to the proposed Ilion Research effort on gun development as well as to functioning in existing guns.

Extension of the business opportunity to CO₂ cylinders should be predicated entirely upon the results of our gun development program.