

in early 1996 in an effort to flush warehouse inventory and minimize their exposure to slow moving product.

The 522 Viper does not have a bright future. Saddled with quality problems and high manufacturing cost, the 522 will be discontinued in 1998. The Viper could be successfully repositioned if \$35.00 of cost could be removed from the rifle.

The 552 Speedmaster will remain positioned as our high-end rimfire autoloader. Margins have improved significantly over the last several years, assisted by aggressive price increases. Volume should remain moderately attractive in this limited niche category.

Our first shipments of 597 product were made in June of this year. *Based on current orders and future forecast, the business will have no problems meeting our Budget Shipment Objective of 75M units for 1997. This performance of course, will be highly dependent on our new production facility delivering quality product on schedule.* Currently, we are behind schedule by approximately six weeks which will adversely affect our ability to sell-in product as promised to our customers.

Our worldwide performance for the autoloading rimfire rifle category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	70,523	27,540	76,600	77,843
Sales Dollars (\$MM)	7.8	3.1	10.0	10.3
Standard Margin (\$MM)	1.8	0.9	3.5	3.6
Standard Margin % Sales	23.4	27.8	34.7	35.0

The principal issues facing this product segment are all with the 597 family of products.

- Will the plant produce a quality product?
- Will production be on schedule?
- Will manufacturing cost be within budget?
- Is intellectual property secured?