

Jay Bunting

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Sent: 02/24/2004 12:06:52 PM
To: Millner, Tommy
CC:
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Subject: Ilion Hot List Items

The following issues and their resolution are core to making the quarter and making plan.

1. Production misses. Over 2700 units in January and more than 4000 units expected this month. All in new and backordered product.
2. CDL availability. Started project in June of 03. Everyone on board. A no brainer as the only development was wood. Ilion handed off this important product to Boyds, a new vendor that has stumbled. Bottom-line we are not warehousing guns because wood isn't available. This in my opinion is inexcusable because the level of difficulty was not high nor was the level of urgency to get it done.
3. We need a single body with authority and accountability for the status of production and new products. Currently, there is not a single body held accountable, therefore sales and marketing finds it difficult to get direct, real and timely feedback on such issues. Maybe the position is Superintendent of Production and Development. Our score keeping is suffering.
4. The plant needs to break the mentality of guns per day to the warehouse. That just kills us if they are not producing the mix to schedule. Quantity isn't the answer. Line item effectiveness is what we need focus on... i.e. making products for which we have orders and have forecasted (new products).
5. I think we need to review our wood strategy. Sure everyone says S&K is screwing us...i.e. the large manufacturing variances they throw. But I would ask, are we doing the foundation work so that S&K can execute correctly? I've heard some stories that make my hair stand on end with respect to 332 wood....lack of nobides ect. Not sure if the blame is being directed correctly.
6. We need a wood strategy. How are we going to do business with S&K, Boyds and Revival Industries? Case in point is that we are hell bent to contract 2100 wood to Revival when in fact, they haven't produced one piece of wood to my knowledge to print. Also, I have no confidence they can execute a project of this size and importance. I'd feel better if the project was with S&K based on what I've seen thus far in terms of stocks and forends and our CDL experience with Boyds.
7. We still don't have a one piece barrel for the 2100. Why is this taking so long? Our test shoot next week is taking place with a bonded 3 piece barrel which is less than ideal for obvious reasons. Its been more than 60 days since the change was mandated. I don't understand why we are so slow to get things done. Its killing our competitiveness.
8. Quality. We are still building and boxing some items that don't measure up to Remington standards. In my opinion, we have cost reduced ourselves to this position by not keeping equipment and gauges to spec and by changing the processes over the years "for ease of manufacturing" that have relaxed tolerances and most importantly reduced the level of surface finishes to an all time low. This is one reason we have seen tons of problems with our autoloaders functioning correctly.....the friction created by rough parts causes malfunctions. No way will this protocol work with the 2100 or new 700 fire control. We need change here in the future or it will cost us dearly.
9. Manufacturing Variances. For the last two consecutive years we have generated manufacturing variances of nearly \$10mm in 2002 and over \$8mm in 2003, shutdown excluded. In both plans we had no budget allowances for manufacturing variances. Needless to say, this trend can not continue and

must be reversed. Pricing can no longer hide our sins due to increased competitiveness in the marketplace. We must get manufacturing variances under control immediately. Scrap, rework, overtime, material price and usage must be addressed, otherwise our profitability will continue to decline in a death like spiral. We must address this head on as we are with all other costs facing the business.

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