

Executive Compensation Philosophy Statement
REI
Adopted December 2005

Compensation Philosophy

The compensation philosophy at Recreational Equipment, Inc. (REI) is to provide strong alignment among the cooperative's financial and operational management, its mission and values, and the compensation earned by executives and other company leaders. The Board of Directors, through its Compensation Committee, seeks guidance from an independent compensation consultant to stay informed about competitive compensation practices within appropriate markets and to assess the ongoing effectiveness of REI's compensation programs.

REI's compensation programs are designed to:

- attract, motivate, and retain superior talent;
- ensure that compensation opportunities and results for executives are tied to the short-term and long-term performance of the cooperative and aligned with REI's mission and values; and
- provide market competitive performance awards for achievement of strategic objectives that are critical to REI's long-term growth and success.

Executive Compensation Elements and Target Compensation Levels

REI compensates its executive officers by providing four key elements of pay. These are: (1) base pay, (2) an annual bonus linked to individual performance and the company's annual results, (3) a long-term incentive opportunity linked to performance on two key measurements of success, return on capital and revenue growth, over multi-year periods, and (4) a highly competitive retirement plan. REI's retirement plan applies to all employees and has two components, a 5% pension component and a 10% profit sharing component. Executive perquisites are limited to two allowances, one for a car and one for a communication device. These two modest perquisites allow for efficient time and resource management that enhances executive productivity.

Competitive peer pay studies are reviewed by the Compensation Committee with its independent consultant each year to ensure that REI's executive pay practices, pay levels, and pay opportunity align appropriately with the median of competitive market practices. The competitive peer organizations may change from year-to-year based on material changes in REI's size and strategy, or based on changes in the peer companies that render them no longer comparable for compensation purposes.

Target compensation levels for each element of executive compensation are set as outlined below. For the Top Four Officers, the targets are developed with consideration of the market median rates from both comparative frameworks noted below.

Executive Group	Base Pay	Annual Incentive	Long-Term Incentive	Retirement Plan	Total Compensation
Top Four Officers	Median of Peer Companies-including Proxy Peer group	Median of Peer Companies-including Proxy Peer group	Median of Peer Companies-including Proxy Peer group	Above Median of Peer Companies-including Proxy Peer Group	Median of Peer Companies-including Proxy Peer group
All Officers	Median of National Retail Peer companies- in REI's revenue size	Median of National Retail Peer companies- in REI's revenue size	Median of National Retail Peer companies- in REI's revenue size	Above Median of National Retail Peer companies- in REI's revenue size	Median of National Retail Peer companies- in REI's revenue size