

The Sales and Production Departments have established checkering patterns that can be applied without an excessive increase in product cost. By roll marking the receiver of the Model 870 ADL and 760 ADL and CDL, the Sales Department proposes that the same checkering pattern be used for all Custom Checkered grades within a given model. They also propose that the same pattern would be used on the Model 742 and 760 butt stocks. Another common pattern would be used on the Model 870 and 11-48 butt stocks. The fore-ends would have different patterns as required by their different shapes.

In order to re-familiarize the Committee with the approximate scope of the Custom Checkering economics, the Production Department reviewed the Part II of the authorized project and compared it with the known differences of the Part III. These are shown on Table I attached. The Part II included only A grade guns, and had a projected increase in net annual earnings of \$53,000 from the sale of 4,000 additional firearms, resulting in a return of 31% on \$174,000 total capital required. 83

The Part III will be based on an increased volume of 5,400 firearms due to including all machine checkered stocks as well as A grade. The additional authorization to be requested by the Part III will be \$47,000. These funds presume the work to be done on the plant in a normal, rather than accelerated manner.

The status of Part II expenditures shown in Table I indicates that funds have been fully expended to the point of maximum permissible overrun. This is due to the high start up costs for the Model 700, and will be avoided in the additional lines to be checkered as noted above.

All work to extend Custom Checkering to existing lines has been stopped pending authorization of the Part III or the interim authorization of \$16,000 Plant and Research work orders until the Part III is authorized. This excludes the Sportsman 68 for which funds to Custom Checker are in the Sportsman 68 project. By an interim authorization, and presuming work would be done on the plant in a manner not to interfere with the new guns, the Model 870 could begin being checkered the first of November and the balance of the models follow within a few months. This would permit change over of jobber shipments to Custom Checkered Model 870's about mid-1963. The more desirable January, 1963 change over is precluded by the production schedule calling for assembly during September and October of approximately 6,000 Model 870's for 1963 shipment. The early assembly of this model is to level out work load and clear the shotgun line for Sportsman 68 production later in the year.