

Sales, Production and Research.

Interim Authorization - A request to Management has been prepared for authorization of \$16,000 interim expenditure to complete facilities for the Model 870 for 1963 introduction. Action on the request is pending Management's review of the overall program, the checkered gun samples and economics.

The major question resulting from this review was whether sufficient difference between A and ADL grades is being offered to justify the \$15.00 retail difference between them. It was stated that the operative earnings and relative volumes of the two grades indicated this could be overcome by combining the two into a single grade with Custom Checkering, grip cap and plain barrel, retailing for \$3.50 over the current A grade price without loss of earnings.

The Sales Department indicated that a single grade Model 870 so constituted could sell 44,000 a year at a retail price increase of \$5.00. The basic single grade would be known simply as the Model 870 with no grade designation. It would consist of the plain barrel shotgun, with plain receiver, grip cap, and Custom Checkered with the pattern proposed for the ADL grade. The matted barrel would be discontinued. A vent rib barrel would be available at extra cost. The field grade, TB, and SA grades would be Custom Checkered. The proposed catalogue listing is attached as Table 2.

The Committee requested that the following steps be taken:

1. The Secretary high spot new economics, based on the proposed single grade Model 870, all other conditions remaining the same. The economics are shown in Column 3 of Table 1.
2. Prepare a letter to General Management requesting:
Approval of the approach as outlined above to extend Custom Checkering to the Models 870, 742, 760 and 11-48.
Approval of the sample single grade Model 870.
Authorization of \$16,000 interim expenditure to have Custom Checkered Model 870's by January, 1963.
3. Establish checkering patterns, price and grade structure for the Models 742, 760, and 11-48 and complete the project economics and project preparation.

The Treasurer stated that the above basis is correct for project purposes to essentially raise the price to cover what would otherwise be a loss from discontinuing the higher grade. However, when prices are actually set, we are entitled to an additional price increase to cover other increases in product cost.