

1965 FIREARMS LINE (Cont'd.)Model 600 Carbine - Caliber 35 Remington Magnum (Cont'd.)

The profit margin of the alternatives ranged from 15 to 20%. These compare favorably with our other bolt action rifles. However, the Treasurer suggested our objective should be a 30% profit margin on the overall firearms line.

Model 870 - Slide Action Shotgun - New Custom Checkering Pattern and RK-W FinishModel 742 Autoloading Rifle - RK-W Finish

The Sales Department has reviewed the checkering patterns prepared by the Plant and will suggest some modified patterns within the next two weeks.

The Committee reviewed alternative approaches to justify these improvements to the Models 870 and 742. These are summarized in the table below:

	<u>Model 870</u> \$60,000/year	<u>Model 742</u> \$47,000/year
Maximum Loss Risked		
Additional Volume Necessary To: (1)		
Breakeven	2,120	1,000
Justify Additional Investment Required (2)	3,300	1,500
Maintain Current Overall Profit Margin On Firearms Line (3)	3,700	1,700

- (1) Volumes stated for a model are not additive to each other.
- (2) Additional investment confined to working capital to support new volume. Justification based on 20% return.
- (3) Based on #1 Forecast for calendar year 1964.

The Sales Department does not foresee that the model improvements will increase volume any more than the breakeven point. The Committee agreed the improvements to the Models 870 and 742 should be made as part of the policy to improve our quality image. It will enable us to capitalize on our leadership in gun stock finishes. The maximum risk of \$107,000 is considered reasonable in view of the probability of achieving the breakeven volume which will offset the loss.