

"With solutions to the finish and engraving problems in hand, we only have the normal startup problems which should not affect the overall program schedule. Of course, new problems may arise with Aurum which might jeopardize the schedule, but those are not foreseen as of now.

"The quality problems that Aurum had originally appear to have been solved with the process changes they made. Those changes cost us \$50,000 or about \$17 per gun and this has been reflected in the selling price. This is in addition to the \$80.00 unit price from Aurum."

In response to a question from the Chairman, Production stated that the cost of scrapping receivers would be borne by the group responsible for causing the scrap and it could be either the plant or Aurum.

Production presented a production sample for Committee to review:

Committee Action

The Operations Committee approved the Model 1100 Limited Edition for invoice shipment and recommended General Management approval.

83

CONFIDENTIAL