

INFORMATION COPY

REMINGTON ARMS COMPANY, INC.

APPROPRIATION REQUEST

less Construction - within allowable under run
Higher volume & higher selling prices
Greater earnings and return
Caliber .38 substituted for .30 (suggested separate write up by sales Dept)
no project necessary

Department Research & Development *Works* *tion*

Project No. AD XP-700-3

Request for \$ (9,500) Reduction

Date March 25, 1963

Category Expanded Facilities - Established Product

Title MODEL XP-100 SINGLE SHOT PISTOL AND
MODEL 600 CENTER FIRE RIFLE

	Previous Parts (Part II Authorized 3/2/62)	This Part III	Total
Construction	\$ 180,300	\$ (9,500)	\$ 170,800
Supporting Research	92,300	12,100	104,400
Operations	399,100	17,600	416,700
Total	\$ 671,700	\$ 20,200	\$ 691,900

This project is not included
in Forecast No. 2

Approved or
Authorized

To be commenced March 2, 1962

Approved or
Authorized

To be ready for use: XP-100 3/1/63
M/600 1/1/64

Approved or
Authorized

To be physically completed March 1, 1964

Estimate prepared by Methods & Standards,
PE&C and Research & Development 3/18/63

Approved or
Authorized

President and
General Manager

Approved as to form, accounting
aspects, and rules compliance

Authorized BOARD OF DIRECTORS

Treasurer or
Assistant Treasurer

Date

Secretary

Preliminary approvals:

Date

Date

(Subdivision I)

REMINGTON ARMS COMPANY, INC.

PROJECT NO. AD XP-700-3 - ILION WORKS

SUMMARY OF ESTIMATED EXPENDITURES

	<u>Total</u>
<u>Construction Project</u>	
Direct manufacturing facilities	
Equipment	<u>\$ 170,800</u>
<u>Other</u>	
Product development	\$ 104,400
Tooling	326,500
Other	86,200
Provision for advancing wages and material prices and allowance for unforeseen items	<u>4,000</u>
Total	<u>\$ 521,100</u>
Total expenditure	<u>\$ 691,900</u>

ACCOUNTING DISTRIBUTION OF EXPENDITURES

	<u>Expenditures This Project</u>	<u>Final Net Results in Accounts</u>
<u>Construction Project</u>		
Permanent investment	<u>\$ 170,800</u>	<u>\$ 170,800</u>
<u>Other</u>		
Research (Supporting)	\$ 104,400	\$ 104,400
Operations	<u>416,700</u>	<u>416,700</u>
Total	<u>\$ 521,100</u>	<u>\$ 521,100</u>
Total	<u>\$ 691,900</u>	<u>\$ 691,900</u>

(Subdivision 2)

REMINGTON ARMS COMPANY, INC.

GENERAL INFORMATION

PROJECT NO. AD XP-700-3 - ILION WORKS

PRESENT FACILITIES AND TO WHAT EXTENT THEY ARE INADEQUATE

The Board of Directors authorized a construction appropriation of \$180,300 on March 2, 1962 (total expenditures of \$671,700 including research and operations charges) to complete the development of models and to procure tooling and equipment for production of the Model XP-100 Pistol (formerly XP-700) and the Model 600 Center Fire Rifle (formerly XC-13).

The new handgun was introduced March 1, 1963 featuring the new .221 Remington "Fireball" cartridge. Introduction of the XP-100 handgun is in response to the increased demand for handguns and consumer preferences for high power and velocity in handguns (.357 Magnum, 44 Magnum and 22 Remington Jet).

Features of the XP-100 include:

1. Unique design.
2. Long range high velocity performance without sight adjustment.
3. Bolt action for accuracy and strength.
4. Reduced muzzle jump and recoil reduction.
5. Stock for right or left hand shooters.
6. Grip flared for added stabilization.
7. Grip checkering and inlays.
8. Ribbed barrel.

The Model 600 Center Fire Rifle has been designed for lighter weight carbine type design including such features as:

1. Shorter length for easier handling.
2. Ribbed barrel for improved sighting and appearance.
3. Custom checkering.
4. Heavier caliber than present guns of similar type.
5. Attractive retail price.

The Model 600 Rifle is now in pilot operations for the .308 Caliber, and design is completed for Calibers 30-30 Winchester and .222 Remington. It is scheduled for announcement on January 1, 1964.

Because of the added product cost and project expenditures for the Caliber 30-30 Winchester version of the rifle, the Sales Department has recommended that the .35 Remington Caliber be substituted for the 30-30 Winchester Caliber.

(Subdivision 3)

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DESCRIPTION OF PROPOSED WORK

It is proposed to complete the development of the Model 600 Center Fire Rifle in the .35 Remington Caliber and the procurement of tooling and equipment for production. Tooling and equipment are being provided for production of 6155 XP-100 Handguns for the first year and 5000 XP-100 and 15,000 Model 600 Center Fire Rifles for the third year.

This Part III is a request for (\$9,500) reduction to cover the construction underrun on this project.

REMARKS

Changes in design and scope of work since Part II was authorized results in increased expenditures as indicated below:

	Increase (Decrease) from Part II	
	<u>Amount</u>	<u>Per Cent</u>
<u>Construction</u>	\$ (9,500)	(5.3)
New equipment expenditures underrun due to utilization of machines on hand.		
<u>Research</u>	\$ 12,100	13.1
Additional expenditures required due to the revision to accommodate the larger diameter .35 Remington cartridge and additional work on sights and molds for nylon parts.		
<u>Operations</u>	\$ 17,600	4.4
Operations charges increased due to tooling for revised sights and stock former and additional equipment alterations (which reduced construction expenditures).		

PATENT STATUS

Consideration of the designs for both the pistol and rifle indicates that no patent infringement will be involved.

A design patent application is being prepared to cover the appearance of the pistol. A search has indicated that the fire control mechanism of the pistol and the rib mounting scheme for both contain some novelty. Patent applications will be filed to cover both these inventions.

(Subdivision 3)

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REMINGTON ARMS COMPANY, INC.
ESTIMATED EARNINGS AND RETURN ON INVESTMENT
PROJECT NO. AD XP-700-3 - ILION WORKS
INCREASED MANUFACTURING FACILITIES FOR
MODEL XP-100 SINGLE SHOT PISTOL AND MODEL 600
CENTER FIRE RIFLE
CATEGORY: EXPANDED FACILITIES - ESTABLISHED PRODUCT

	Third Year of Operation		
	Present Operation	Results From This Project	Operation After This Project
QUANTITY	341,115	20,000 ¹⁹⁴⁴	361,115
SALES	\$17,985,150	\$1,079,800 ¹⁹⁴⁴	\$19,064,950
Less: Mill cost	12,935,780	581,310 ¹⁹⁴⁴	13,517,090
Selling expense)			
Administrative expense)	1,708,600	--	1,708,600
Technical activities expense	593,500	--	593,500
	<u>\$15,237,880</u>	<u>\$ 581,310 ¹⁹⁴⁴</u>	<u>\$15,819,190</u>
OPERATIVE EARNINGS	\$ 2,747,270	\$ 498,490 ¹⁹⁴⁴	\$ 3,245,760
Less: All other expense:			
All other 6%; Federal tax 52%	<u>1,507,700</u>	<u>273,570 ¹⁹⁴⁴</u>	<u>1,781,270</u>
NET EARNINGS	<u>\$ 1,239,570</u>	<u>\$ 224,920 ¹⁹⁴⁴</u>	<u>\$ 1,464,490</u>
INVESTMENT			
Project expenditures	\$ --	\$ 170,800 ¹⁹⁴⁴	\$ 170,800
Manufacturing and service facilities	11,991,000	--	11,991,000
Working capital	<u>11,429,000</u>	<u>488,000 ¹⁹⁴⁴</u>	<u>11,917,000</u>
Position A: Total capital required including facilities to be retired	<u>\$23,420,000</u>	<u>\$ 658,800 ¹⁹⁴⁴</u>	<u>\$24,078,800</u>
Facilities to be retired (Deduct)			--
Position B: Total investment after completion of this project			<u>\$24,078,800</u>

(Subdivision 5)

REMINGTON ARMS COMPANY, INC.
ESTIMATED EARNINGS AND RETURN ON INVESTMENT
PROJECT NO. AD XP-700-3 - ILION WORKS
INCREASED MANUFACTURING FACILITIES FOR
MODEL XP-100 SINGLE SHOT PISTOL AND MODEL 600
CENTER FIRE RIFLE
CATEGORY: EXPANDED FACILITIES - ESTABLISHED PRODUCT

	<u>Third Year of Operation</u>		
	<u>Present</u> <u>Operation</u>	<u>Results</u> <u>From this</u> <u>Project</u>	<u>Operation</u> <u>After This</u> <u>Project</u>
<u>RETURN ON INVESTMENT</u>			
Position A	5.3%	34.1% <i>21.8%</i>	6.1%
Position B	--	--	6.1%

Return on total capital required including research and development and other operations charges	5.3%	19.1% <i>14.5%</i>	6.0%

SUMMARY COMPARISON OF RESULTS FROM THIS PROJECT -
FIRST AND THIRD YEARS OF OPERATION

	<u>First Year</u>	<u>Third Year</u>
Quantity	6,155 <i>1M</i>	20,000 <i>18M</i>
Sales	\$334,520 <i>10M</i>	\$1,079,800 <i>80M</i>
Operative earnings	130,310 <i>50K</i>	498,490 <i>72M</i>
Net earnings	58,800 <i>25K</i>	224,920 <i>14M</i>
Investment		
Project expenditures	\$155,000 <i>180</i>	\$170,800 <i>190</i>
Allocated investment	--	--
Working capital	155,000 <i>451</i>	488,000 <i>481</i>
Total	\$320,000 <i>671</i>	\$658,800 <i>671</i>
Net return on investment	18.4% <i>21.9%</i>	34.1% <i>21.8%</i>

Return on total capital required including research and development and other operations charges	7.5% <i>11.9%</i>	19.1% <i>14.5%</i>
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Remington Arms Company, Inc.
 DETAIL ESTIMATE OF EXPENDITURES
PROJECT NO. AD XP-700-3 - Ilion WORKS

	<u>Amount Previously Authorized</u>	<u>Requested this Part III</u>	<u>Total Indicated Cost</u>
<u>Development</u>	<u>\$ 87,800</u>	<u>\$ 16,600</u>	<u>\$ 104,400</u>
Investigation	11,000	(4,000)	7,000
Design	31,500	5,900	37,400
Model making	24,800	14,100	38,900
Design testing	12,000	(5,700)	6,300
Tryout & pilot - Nylon Molds	--	5,000	5,000
Development - powder metal	1,500	2,800	4,300
Development - custom checkering	2,000	(1,500)	500
Eng.-Folders, C. of O., Standards	5,000	--	5,000
<u>Product Engineering</u>	<u>\$ 23,800</u>	<u>\$ (3,500)</u>	<u>\$ 20,300</u>
Process Eng. & Trial Run	22,500	(4,500)	18,000
Pilot lot testing	1,300	1,000	2,300
<u>Tooling</u>	<u>\$ 289,900</u>	<u>\$ 32,500</u>	<u>\$ 322,400</u>
Design	35,400	4,100	39,500
Fixtures & Gages	118,200	32,700	150,900
Molds	88,400	(9,300)	79,100
Perishable tools	2,300	--	2,300
Tool revisions	45,600	5,000	50,600
<u>Remington Machines</u>	<u>\$ 37,200</u>	<u>\$ 10,400</u>	<u>\$ 47,600</u>
Construction	22,500	6,000	28,500
Tooling	5,600	(1,500)	4,100
Operations	9,100	5,900	15,000
<u>Std. Machines & Equipment</u>	<u>\$ 155,300</u>	<u>\$ (13,000)</u>	<u>\$ 142,300</u>
<u>Production Aids</u>	<u>\$ 20,200</u>	<u>\$ (5,500)</u>	<u>\$ 14,700</u>
<u>Pilot Operations</u>	<u>\$ 18,800</u>	<u>\$ 17,400</u>	<u>\$ 35,200</u>
Machine alterations	5,000	10,800	15,800
Pilot lot manufacture	11,800	2,100	13,900
Machine rearrangement	--	4,400	4,400
Component obsolescence	2,000	100	2,100
Provision for advancing wages and material prices and allowance for unforeseen items	<u>\$ 38,700</u>	<u>\$ (34,700)</u>	<u>\$ 4,000</u>
<u>Total Cost</u>	<u>\$ 671,700</u>	<u>\$ 20,200</u>	<u>\$ 691,900</u>

REMINGTON ARMS COMPANY, INC.

SUPPLEMENTARY INFORMATION

PROJECT NO. AD XP-700-3 - ILION WORKS

INCREASED MANUFACTURING FACILITIES FOR
MODEL XP-100 SINGLE SHOT PISTOL AND
MODEL 600 CENTER FIRE RIFLE

Research and development project charges, and start-up costs chargeable to operations incurred prior to the first year of operation amount to \$576,000. Giving effect to amortization of such charges against earnings during the first and second years of operation, earnings and return on investment are as follows:

	<u>Operative Earnings</u>	<u>Amortization of Operations Charges Incurred Prior to First Year</u>	<u>Adjusted Operative Earnings</u>	<u>Net Earnings</u>	<u>Net Return on Investment</u>
1963	\$ 130,310	\$ 130,310	\$ --	\$ --	-- %
*1964	488,000	445,690	42,310	19,090	2.9%
1965	498,490	--	498,490	224,920	34.1%

*1965 volumes (5,000 XP-100) assumed for second year
(15,000 M/600)

(Not for submission to Board)