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## MEMORANDUM

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**DATE:** May 24, 2006  
**TO:** Jim Rabbia  
**FROM:** Rifle Engineering Group,  
Prepared by Mike Santillo  
**RE:** M/710 Rev. 3 High Spot Estimate  
**CC:** Joe Mead, Danny Diaz

The M/710 estimate provided for your review contains the following assumptions:

1. This is a Class I high spot estimate. No quotations were received for any of the components due to the fluid nature of the design in this the concept phase, and the lack of a drawing package with the necessary part tolerancing.
2. Where applicable this estimate uses the Ilion Plants 05 cost structure, which is the most up to date costing
3. The departmental overhead rates used for calculating cost are 98' rates. They do not reflect any increase or decrease due to increased earned hours, increased departmental spending, and/or increased capital depreciation which would occur with a product introduction of this nature.
4. The high capital costs of several components are due to the uniqueness of the design and unknown production quantities that precludes Ilion from using some of our current in-house equipment. (See notes in spreadsheet)
5. Any working capital increases/decreases due to this project were not looked at in this estimate.
6. Current final assembly, inspection and packing costs were used. The design may or may not be easier to build at final assembly.
7. The extraction system quoted is consistent with the current M/700 line. R&D's request for the SEIKO extraction system was not feasible from a cost standpoint as it impacted all related components.
8. This quotation reflects a stock with butt plate. A stock/recoil pad option was also quoted per R&D request. The cost burden of the stock/recoil pad option is an additional \$3.58 per unit.
9. This product was estimated using our standard method. The finance group has not reviewed this estimate to date. Unless informed otherwise this estimate will not be forwarded to the finance group since it is only a Class I estimate.

Subject to Protective Order - Williams v. Remington