

CENTER FIRE RIFLES - contd.MODEL 742X - AUTOLOADING CENTER FIRE RIFLE - contd.

Production and R & D have completed estimates with a plus or minus 20% accuracy as follows:

	<u>-20%</u>	<u>M/742X Estimate</u>	<u>+20%</u>	<u>M/742</u>
Retail Price (To maintain same % margin as M/742)	\$278.00	\$347.00	\$416.00	\$179.95
Net Selling	147.38	184.22	221.06	95.56
Factory Cost	91.18	113.97	136.26	59.14
Factory Margin	56.20	70.25	84.30	36.42
% of Net Selling	38.1%	38.1%	38.1%	38.1%

Project Expenditures - (M/742X and 760X)

Capital	\$ 7,375,000	\$ 9,219,000	\$11,063,000
Operations	<u>5,983,000</u>	<u>7,491,000</u>	<u>8,989,000</u>
	\$13,368,000	\$16,710,000	\$20,052,000

Marketing does not believe this rifle will sell in adequate volume at the estimated price.

R & D is optimistic that a \$90 factory cost can be achieved which would give a \$295 retail price to maintain the same factory margin. A comparison of cost of major components for the Model 742X versus 742 was made - Exhibit 1. Each component was reviewed and areas where costs could be reduced through redesign and reprocessing were emphasized. Costs shown for the Model 742 are the result of many years of effective cost reduction activities. If estimated today, it is expected that factory cost of the Model 742 would be significantly greater than \$59.14.