

cc: W. L. Clay—
H. A. Brown (2)

Bridgeport, Connecticut
March 12, 1954

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RECEIVED
MAR 15 1954
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FROM: H. A. BROWN

SUBJECT: MODEL 40X - 22 Caliber Target Rifle

Reference: Operations Committee - Arms - Minute #3, March 2, 1954, p. 10 and 11.

The Model 40X was designed to replace Model 37 to achieve better performance at lower cost and improve earnings. It is the first of two proposed new target rifles, the second being Model 722 - 222 Remington, and it should be noted here that, if the Model 40X is not tooled for production, the installation cost of the Model 722 Target rifle in caliber 222 Remington would be considerably increased.

The cost evaluation for introduction of Model 40X to replace Model 37 is summarized as follows:

	Present <u>Model 37</u>		Proposed <u>Model 40X</u>
1. Normal Annual Sales - 750 guns	\$52,530	3,000 guns -	\$178,330
2. Operative Earnings	(\$27,910)		\$ 11,065
3. Operative Earnings as % of Sales	(53.1)%		6.2%
4. Net Earnings	(\$12,975)		\$ 5,150
5. Appropriation required	-		\$202,600
6. Total Capital required	\$201,200		\$403,000
7. Total Investment required	\$201,200		\$308,835
8. Net return on capital	(6.4)%		1.3%
9. Net return on investment	(6.4)%		1.7%

It was the unanimous opinion of the Committee that the Model 37 does not meet the requirements of a high grade target rifle either in performance or earnings and should be discontinued as of March 31, 1954. Performance of the Model 40X is exceptionally good in experimental tests to date but the appropriation and investment required to produce it are substantial sums and the return extremely low, although a significant improvement in profit position is noted, from a net loss of \$12,975 a year to net earnings of \$5,150.

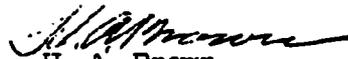
Model 40X - 22 Cal. Target Rifle

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The Committee recognized the prestige value in a high grade target rifle but could not agree that introduction was justified in view of the low return and substantial investment required. Therefore, lacking unanimity of Committee opinion, the introduction of the Model 40X 22 caliber Target Rifle is referred to Management for consideration and decision.

In any event, the Committee requests your approval of discontinuance of assembly of Model 37 rifles as of March 31, 1954.

hab/heh



H. A. Brown
Chairman, Operations Committee