

REV. 6-58

REMINGTON ARMS COMPANY, INC.

INTER-DEPARTMENTAL CORRESPONDENCE



RECEIVED

cc: E. F. Barrett
J. G. Williams
R. A. Partnoy

JAN 8 - 1979

R. A. PARTNOY

RBS

January 3, 1979

RECEIVED

JAN 9 1979

R. B. SPERLING

TO: PHILIP H. BURDETT
J. P. MC ANDREWS

FROM: R. W. STEELE

Reserve for Model 600 Center Fire Rifle Recall Program

We propose to establish a reserve of \$1,000,000 at December 31, 1978 in order to cover the estimated liability incurred for the Model 600 center fire rifle recall program (i. e., the program to recall the Mohawk Model 600, as well as the guns with similar trigger assemblies, Remington Models 600 and 660 and the XP-100, which were manufactured before February 1975).

The program, which was initiated in late October at the time of the Coates settlement, is expected to continue through the balance of 1979 and carry over to some extent into succeeding years. To date a substantial amount of effort has been expended on establishing a network of 173 domestic gunsmiths, as well as selected gunsmiths in Canada, to install replacement trigger assemblies on guns being recalled. Telephone lines with toll-free numbers have been rented for gun owners to obtain information concerning return procedures and participating gunsmiths. Advertising concerning the recall has been placed in January issues of shooting magazines and plans have been developed for direct notification of gun owners. Further expenditures for advertising and consumer notification will be made as circumstances warrant.

Due to the large number of gunsmiths involved in the program, it has not yet been possible to obtain an accurate reading on the number of guns returned to date. However, we estimate this number to be 8,000. The January advertising is expected to bring a substantial increase in gun returns and a substantial direct consumer notification effort to be made early in 1979 should further increase returns.

The total number of guns subject to recall is approximately 200,000. We, of course, seek the return of all of these guns; but realistically our plans are geared to a total return of 50,000 guns. The attached calculation of the reserve amount is based on a 50,000 gun return. This is expected to result in a total recall expenditure of \$1,000,000, as proposed for the reserve.

Based on the above estimates of 50,000 guns and \$1,000,000, the reserve would be liquidated in 1979 to firearms cost of goods sold at the rate of \$20 per gun repaired.

R. W. Steele
R. W. Steele

RWS:mrp
Attach.