
MEMORANDUM

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.

Summary: The estimated piece price, based on the above assumptions, for the revised M/710 is \$114.73. The current 05 cost on a M/700 ADL synthetic is; \$32.90 material, \$23.01 labor & \$66.78 overhead for a piece price of \$122.76. This equates to a favorable manufacturing cost difference of \$8.03 to produce the M/710. The estimated capital requirement to produce the M/710 is \$1,243,180 with operations cost of \$34,200.

If you have any questions regarding other aspects of this estimate, please contact Mike Santillo.