

December 8, 1967



Mr. K. C. VanAkin
Senior Buyer
Purchasing Department
Ford Division
Ford Motor Company
Post Office Box 628
Dearborn, Michigan

Dear Mr. VanAkin:

The purpose of this letter is to confirm the discussions at our recent meeting involving Ford-Shelby programs in which we have been involved for many months, and for which purchase orders have not been issued. As you know, we fully appreciate the problems that we have had on a mutual basis in getting the Ford-Shelby relationship modified. We are now in a position, however, where the combination of the tooling money and the engineering money has reached what is for us a very significant proportion and, quite frankly, my management associates are beating me about the ears to collect some substantial amounts during calendar 1967.

There follows a list of the specific projects involved, the actual expenditures, or our estimates. These accounts are, of course, all subject to your audit, should you so desire.

1. 1968 Shelby Engineering
(Ionis Work Order #2630)

Shelby purchase orders #7007 and #7008 were issued to cover this engineering. Invoices were sent to Shelby until the decision was made to change the Shelby organization and to move the segment of the operation in which we are involved to Detroit and Ionia. The total charges submitted were in the amount of \$14,340.86, through May 26, 1967. No payments were received against these invoices. We estimate that the total engineering cost involved in this project will not exceed \$165,000. The total expenditure through November 19, 1967 was \$136,547.

2. 1968 Die Models
(Ionis Work Order #2631)

A detailed breakdown of the models is attached to this letter.

Total charges to date - \$69,949

124050. OK

OK

- 3. Engineering assistance during 1967 Shelby program, including paint and finishing technician's time in California and the engineering requirements involved in the emergency fabrication of components for the 1967 Shelby.
(Ionia Work Orders #2633 and #2635)

11 DAYS 2 PREMIUM *
TOOLS FOR FINISHING *

OK
DO

Total charges - \$14,464.

- 4. Prototype Components for 1968 Photographic Cars.
(Ionia Work Order #2639)

4

Temporary tools were made and prototype parts produced for shipment to California to modify two cars for photographic purposes. Included in these components were two sets of hoods, front ends, rear lower panels, and consoles. A significant amount of premium time was involved.

OK

Total charges - \$14,792.

- 5. Cougar Modification.
(Ionia Work Order #2643) (Ford Purchase Order XMP-76-424696)

This purchase order was originally written on a not-to-exceed-\$7500 basis. Content of the job, however, increased significantly, and the actual charges total \$10,480.

- 6. Hertz Cougar.
(Ionia Work Order #2658)

COLEMAN DMALL

Total charge against this job - \$3780.

- 7. One convertible and one fastback returned from Dearborn Steel Tubing converted to 1968 configuration. One car modified for wind tunnel use.
(Ionia Work Orders #2644, #2645, #2646)

OK

Total charges - \$3259.

- 8. Paris Show Car
2 + 2 GT-350 Show Car
Convertible GT-500 Show Car
2 + 2 GT-500 Show Car
Convertible GT-350 Show Car
2 + 2 GT-500 Show Car
(Ionia Work Orders #2647, #2654-1 through -5)

OK

Total charges against these six cars were \$12,725. Of this, \$5,000 was regular production supervision. We are deducting this \$5,000 on the basis that the cars served a partial pilot function. Actual amount to be invoiced . . . \$7,725.

- 9. Drafting room and reproduction services are being provided in accordance with an agreed-upon schedule of charges. I am attaching copies of this schedule for your reference. We would suggest that a purchase order be set up for one year against which we will invoice on a monthly basis.
(Ionia Work Orders #2648 and #2655)

OK

Total charges to date - \$518.

9. Continued:

In this same category, we have agreed upon other services which we will provide Shelby in accordance with the schedule also attached, for which we have established a fixed charge of \$500 per month. Here again, we suggest that a blanket purchase order be issued against which we can invoice on a monthly basis. I might point out that the \$500 figure was arrived at jointly, and the attached schedule indicates the basis on which this was established. We have agreed that we will both watch the history of these expenditures and should the \$500 figure prove to be too high or too low, we will adjust as experience dictates. Again, this would be done only on a mutual basis.

✓ 10. California Mustang
(Ionia Work Order #2656)

Engineering, including detailing of all components involved, redesign of the grille, and the fog lamp installation, illustrations as required by San Jose, parts and DSO lists, and releasing of all components:

Not to exceed \$10,000. OK

11. California Mustang Wind Tunnel Car and Two Durability Cars.
(Ionia Work Order #2676)

Total not to exceed \$3,000. OK
11/17

In addition to the specific items covered in this letter, we have as you know been advancing petty cash, the total amount now approximating \$800, and we would appreciate receiving a purchase order against which we can invoice this.

We also will need a purchase order covering the slave hoods and deck lids used in shipping. Mr. Kerr is establishing the basis for the pricing of these items. When this can be established, it will also be possible for us to arrive at the premium cost of the hand layup components which should be covered by a separate purchase order.

We realize, Ken, that from your standpoint this is a hell of a way to run a railroad; but, in looking at the multitude of problems that were attendant upon moving the Shelby organization from California to Michigan, reorganizing the relationship between Ford and Shelby, bringing A. O. SMITH into the picture, had we attempted to, on a formal basis, tie up each loose end as we went along, the program wouldn't be off the ground yet. We have agreed, however, that for the 1969 program we do have time to get the job done in an orderly way.

I would suggest that for a starter we have a purchase order from you covering the engineering of the 1969 Shelby GT-350 and GT-500, with the engineering work to be done in accordance with the table of rates attached, the engineering hours to be subject to your audit, and the cost of the engineering not to exceed \$200,000.

Mr.K. C. VanAkin

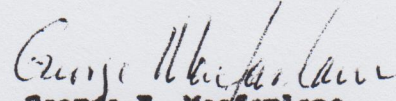
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December 8, 1967

It seems appropriate here to again thank you for your patience and continued help in these unusual negotiations, and to ask that, insofar as possible, you provide us with purchase orders so that we can invoice prior to the end of December.

Cordially,

A. O. SMITH Corporation



George F. Macfarlane
Manager-Sales and Engineering
Smith Plastics Division

GFM:bre

cc: Mr. John Kerr

Attachments - 3