

June 29, 1971

Inter Office Communication

Office of the General Counsel

July 13, 1971

TO:

Lloyd Williams, Esq.
World Headquarters
Office of General Counsel

Mr. Dan O'Kray
Office of General Counsel

RE:

Subject: Agreement Indemnifying Shelby American,
Shelby Parts and Shelby Automotive

The Company's former agreement with Shelby American as to Shelby AC Cobra and Shelby Mustang vehicles (superseded by the agreement with Parts and Automotive) included a guarantee by the Company that Shelby American would show a profit of \$50,000 a year.

If such agreement were still in effect, any recovery against Shelby American with respect to, say, a 1964 unit that was not covered by its 1964 insurance policy, would require a reopening of the accounting for 1964 and a further payment by the Company to Shelby American.

When Shelby American, in late 1967, created two new subsidiaries, Parts and Automotive, to take over its parts and vehicle business, the Company agreed to absorb all their losses (in return for the chance of receiving all their income) and took over their complete management. Again any recovery against Parts or Automotive with respect to a 1967-1970 product would be billable back to the Company.

Accordingly, when, in 1970, both agreements were terminated and settled, the Company agreed that it would henceforth provide any insurance policies deemed desirable and would guarantee the Shelby companies against liability (to the extent uninsured) on any of its products built during the contracts' periods.

Accordingly, I believe we should take a close interest in any Shelby product suits to protect ourselves against liability in an indemnity.

An indemnity agreement, finalizing our liability, is being reviewed by Product Development. I will send you a copy when finalized.

Lloyd T. Williams, Jr.
Counsel - Automotive Distribution