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PLAINTIFF'S EXHIBIT
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PARKER, MILLIKEN AND KOHLMEIER
650 South Spring Street,
Los Angeles 14, California.

August 24, 1953

Sonnenschein, Berkson, Lautmann, Levinson & Morse
77 West Washington Street
Chicago 2, Illinois

Attention: Mr. Bernard Nath

Gentlemen:

This letter is written in confirmation of my oral statement that I have no knowledge of any existing liabilities which Maremont Automotive Products, Inc. will be required to pay under the provisions of the second paragraph of Article 8 of the Agreement between Grizzly Manufacturing Company and Maremont Automotive Products, Inc. dated August 7, 1953.

Under this provision Maremont agrees to assume and pay any income or excess profits taxes or any other liabilities as at the closing date not reflected on Exhibits 1, 2 and 3 to the Agreement up to $125,000.00. This provision with respect to liabilities other than taxes refers, of course, to liabilities incurred prior to January 1, 1953, so that they would be properly reflected on the December 31, 1952, balance sheet. By the provisions of Article 2 of the Agreement Maremont assumes liabilities incurred after December 31, 1952, and remaining unpaid on the closing date, to the extent such liabilities are incurred by Grizzly in the usual and ordinary course of business.

The income and excess profits taxes of Grizzly have been audited to and including the year 1949, and there is enclosed a schedule showing adjustments made for the years 1947, 1948, and 1949. The returns for the years 1950, 1951, and 1952 were prepared by Mr. Carstens of Parker & Parker and I have discussed the matter with him and he knows of no unusual items in those years, and is of the opinion that those years are comparable to 1949, in which there was a deficiency of $107.02. We know of no liabilities other than those reflected on the December 31, 1952, balance sheet and those incurred in the usual and ordinary course of business since that date.

To one not present during the negotiations leading up to the Agreement of August 7, 1953, the sum of $125,000.00 appearing in Article 8 of the Agreement might be taken as an indication that the parties anticipated that substantial and undisclosed liabilities would arise. This is not the case. As you know, the incorporation of this provision in the Agreement came about as follows: The original negotiations between Grizzly and Maremont as to the price and terms of the sale were based upon Grizzly's December 31, 1952, statements. When it was later proposed that the closing date be postponed to December 15, 1953, Mr. Walter G. L. Smith expressed the view that the price should be increased if the closing date was to be so postponed, for the reason that Grizzly would have a considerably greater surplus on December 15, 1953, than it had on December 31, 1952. As a compromise, the provision of Article 8 with respect to the $125,000.00 was inserted in the Agreement. This figure had no relationship to any anticipated liabilities. It was arrived at as a very conservative estimate of the net income of Grizzly for the period from December 31, 1952, to December 15, 1953, after taxes and after dividends, which income would redound to the benefit of Maremont by reason of the postponing of the closing date.

There is no intention by this letter to waive the right of Grizzly to have Maremont assume liabilities as provided in the Agreement but merely to confirm that it is our belief, as it is yours, that there are not existing any substantial liabilities of Grizzly which would be assumed under the second paragraph of Article 8 of the Agreement that are not elsewhere assumed in the Agreement.

Very truly yours,

/s/ RALPH KOHLMEIER

RK:CK
ENCL.
Air Mail