CORPORATE CONTROLLER'S OFFICE

CLEVELAND

BULLETIN NO 1006, ADDENDUM #2 May 26, 1971

SUBJECT: CHARGES FOR P.V.& L. LABORATORY DEVELOPMENTS

The policy covering charges for P.V.& L. Laboratory Developments remains unchanged as outlined in Bulletin 1006 dated August 18, 1969 and it's Addendum #1, dated November 10, 1969. There will be a change effective September 1st, 1971 in the rate which is being increased from $200.00 to $300.00.

We are issuing this change at the present time so that you will be able to include this increase in rate in setting up budgets for next fiscal year.

E. W. Peck

E. W. PECK
CORPORATE CONTROLLER

EWP:deh

Distribution:

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JRD(3) MWH(3)
FWR(3) CU (3) CWS(3) SCG(20)
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Region Financial Mgrs.(3)
Auto. Zone Managers
Chemical Coatings Zone Mgrs.
Factory Accountants
Selected Dist. with PV&L Routine
& Policy Bulletin

CONTROLLER'S OFFICE

CLEVELAND

BULLETIN NO. 1006 August 18, 1969

SUBJECT: CHARGES FOR P.V. & L. LABORATORY DEVELOPMENTS

This is a complete reissue of Bulletin #468 and it's addenda and establishes a more realistic rate of $200.00 to be effective September 1, 1969.

Selling Expense: Is the cost of selling a customer. The general rule as applied to these instructions, classifies Selling Expense as the cost of developments which do not produce sales. Special exemptions are included only for established customers through approval by the Controller's Department. Selling Expense is for the account of the Sales Departments.

Cost of Sales: Will absorb laboratory development expenditures which the company is reimbursed in the form of a specific amount of sales resulting from such laboratory expenditure.

A more explicit outline of the intentions under the General Rules are included below:

INTRODUCTION

The instructions include all PV&L developments to meet specific customer requirements leading to product assignments or their revisions. Also, it includes modifications such as color of a line product when said product is not to be listed and is to be sold to a specific customer.

Investigations normally are performed by the PV&L Laboratories for the Sales Departments without charge. However, under certain circumstances which are described below in detail and with many exceptions, a nominal charge of $200.00 is levied against the Sales Departments. (Nominal refers to the fact that the actual average cost is approximately $300.00).

PROCEDURE

1. The Sales Department will request the laboratory to develop a formula to meet the requirements of their customer through the use of the regular form. If there is any portion of those instructions to the laboratory that are not clearly understood, then the laboratory and the Sales Department must have a clear

understanding of the specifications and requirements of the customer before the laboratory begins its work. As a part of this assignment by the Sales Department to the laboratory, they should notify the laboratory of any exemption from the $200.00 charge they are entitled to, so if there are problems likely to arise as to whether the $200.00 charge is to apply, this can be resolved at the beginning rather than after the work is completed.

The question of whether the $200.00 charge is to apply or not shall have no bearing on the laboratory doing the work requested. If the laboratory begins work on a project without a request from the Sales Department on the regular form, no charge is to be made for the work done by the laboratory.

The laboratory shall have approval from the Zone Manager before the investigation is accepted by the laboratory.

2. The PV&L Laboratories report monthly to the Sales Departments the status of all Sales Investigations with a copy to the Factory Accounting Office.

3. The Sales Departments report to the Factory Accounting Office with a copy to the appropriate PV&L Laboratory on Form G-247, either that a minimum order of 100 gallons is received or under "Remarks" request that the $200.00 charge be exempted.

4. It is expected that the Sales Department, the laboratory and the Factory Office Manager will dispose of any differences, based solely upon facts within the scope of the rules contained herein. If an exemption is requested by the Sales Department in paragraphs 3, 5, or 6 under "Procedure", or paragraph 1 through 8 under "Exemption", then the Factory Office Manager will honor the request. However, if the request for exemption appears improper, because it is not provided for in this bulletin, then the Factory Office Manager will charge $200.00 to the Sales Department for the development.

5. The Factory Accounting Office automatically will charge the appropriate Sales Department $200.00 for each development for which an order of 100 gallons is not received 120 days after a development is completed unless they are told not to do so by the G-247 Form under the rules herein prescribed. This charge must have the approval of the Zone Manager. The charge will be absorbed by the regions and zones in General Expense Technical Assignments Code 2501/26.

6. If an order for 100 gallons is received after the 120 days, but not later than one year from completion of the development, the Sales Department is eligible for a credit of

$200.00 if a completed G-247 Form is submitted to the Factory Accounting Office. The appropriate PV&L Laboratory will be charged for this credit.

FURTHER CONDITIONS

1. In reference to color programs for furniture manufacturers, the laboratories may be called upon to develop several stains from which a customer will finally choose only one. Consequently, for multiple component furniture finishing systems, there will be only one $200.00 charge for a system which may include as many as from one to six different products.

   Under this system, if the customer does not buy, the Sales Department will be charged $200.00 for the system rather than the item. As a second part of this program, if we are developing a number of stains or a number of fillers for a potential customer from which he will buy only one, under this arrangement, there would be no charge as long as one item is sold. On the other hand, if no items are sold, there would be a $200.00 charge imposed.

2. The Export Sales Department is allowed 180 days to secure a 100-gallon order.

3. The time expended by the Laboratory is not a criterion for the rejection or acceptance of the $200.00 charge.

4. There is no geographical restriction on the sales of a new development.

5. Submission of post-entry requirements which change a customer's original registered requirement are not sufficient reason for avoiding the $200.00 charge.

6. If a customer should require a test period of more than 120 days, the charge of $200.00 will be made but with credit being given for an order received within one year.

7. If a customer requires a number of samples, for example to illustrate the gradual changes of a shade or tint, each such sample will be considered as an individual development.

8. The minimum order of 100 gallons necessary for exemption does not include one, five, ten, or fifteen gallon quantities for customer test purposes.

EXEMPTIONS

1. The $200.00 charge does not apply to investigations that are cancelled before the Laboratory reports the investigation completed.

2. There is no $200.00 charge if a development fails to meet a customer's registered requirements. However, the reason why it failed must be shown on the G-247 Form.

3. The charge does not apply if the Laboratory recommends an established Company Line Product to meet the customer's requirements.

4. There is no $200.00 charge if the Laboratory recommends a previously formulated product. Note that color changes are not exempt.

5. Products developed in small quantities as companion products to a larger development, which is exempted, including the following illustrations, but notnecessarily limited to these alone - Lettering, Stenciling, Striping Enamels, and Shading Stains which are to last for several cuttings - are exempt from the $200.00 charge.

6. Revisions of a product which a customer is buying from us will not be subject to the $200.00 charge.

7. The Chemicals Division and Bid Sales are exempted from the $200.00 charge.

8. If we are a major supplier, (See definition below,) the Sales Department marks the G-247 'No Charge--Volume Account' or 'No Charge--Regular Customer' with the following exceptions: If a customer enters into an endeavor distinctly different from his basic manufacturing program, the developments pertaining thereto will be subject to the $200.00 charge.

   For example, if an appliance manufacturer, who is now buying appliance enamels, decides to produce his own electric motors, the developments of impregnants, insulating varnishes, etc., are subject to the $200.00 charge. If an exemption is erroneously requested, it shall be the laboratory director's responsibility to notify the Factory Office Manager so he can make the $200.00 charge.

   "Definition of 'major supplier' " - for the purpose of this bulletin, a "major supplier" is one for which we have a minimum of 1/3 of the customer's business and the minimum potential of the account is $75,000.

BULLETIN NO. 1006 August 18, 1969

DEVELOPMENT EXPENSE, STATEMENT OF POLICY

Technical and Sales Departments indirect development expense in connection with these instructions should be absorbed as outlined in Routine & Policy 245.

E. W. Peck

E. W. PECK
CONTROLLER

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Distribution:

ECB HDL WCF JSP WOS
FRB CAZ JHL RMB DWC MDW WHP
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