

Detroit June 4th. 1903.

Dear father:

Horace and I have an opportunity to make an investment that is of such a character that I cannot refrain from laying the details before you for consideration.

Mr. Ford of this city is recognized throughout the country as one of the best automobile mechanical experts in the U.S. From the very beginning he has been interested in their construction and development. Years ago he constructed a racing machine which was a wonder, and since then has constructed others in which he has raced all over the country, East, and has won numerous contests on many tracks. I simply mention this to indicate his reputation as his name is widely known in automobile circles everywhere, and consequently a very valuable and favorable asset to any automobile Co. Several years ago he designed, perfected and placed on the market a machine. A Co. was organized, but not long after, desiring to devote his attention to a new model entirely, he sold out his patents and interest, and retired. The machine is known as the "Cadillac" (you will see it advertised in all the magazines) and is now being manufactured here by a large Co. The only condition Ford exacted in selling was that the Co. should not use his name in the Co.

He then turned his entire attention to the designing and patenting of an entirely new machine. Mr. Malcomson, the coal man, backed him with money and the result is they have now perfected and are about to place on the market an automobile (gasoline) that is far and away ahead of anything that has yet come out. He has had applications taken out on every new point he has designed and has just received word the 17 of them have been allowed, everyone of which are incorporated in the machine and, of course, cannot be duplicated in any other.

Having perfected the machine in all its parts, and demonstrated to their complete satisfaction and to the satisfaction of automobile experts, and cycle journal representatives from all over the country who came here to inspect it that it was superior to anything that had been designed in the way of an automobile, and that it was a sure winner, the next problem was how to best and most economically place it on the market. After canvassing the matter thoroughly, instead of forming a company, with big capital, erecting a factory and installing an expensive plant of machinery to manufacture it themselves, they determined to enter into contracts with various concerns to supply the different parts and simply do the assembling themselves.

So, they entered into contract with the Dodge Bros. here to manufacture the automobile complete--less wheels and bodies-- for \$250. apiece, or \$162,500.00, for the 650 machines, which were to be delivered at the rate of 10 per day, commencing July 1st. if possible, and all by Oct. 1st. I drew the contract, so know all about it.

Now Dodge Bros. are the largest and best equipped machine plant in the city. They have a new factory, just completed and it is not excelled anywhere as an up-to-date and thoroughly equipped machine shop. Well, when this proposition was made them by Ford and Malcomson, they had under consideration offers from the Oldsmobile, and the Great Northern automobile Co. to manufacture their machines, but after going over Mr. Ford's machine very carefully, they threw over both offers and tied up with Mr. F. and Mr. M.

Now, in order to comply with this contract, which was made last Oct. Dodge Bros. had to decline all outside orders and devote the entire resources of their machine shop to the turning out of these automobiles. They were only paid \$10,000 on account, and had to take all the rest of the risk themselves. They had to borrow \$40,000., place orders for castings all over the country, pay their men from last October (they have a large force) and do everything necessary to manufacture all the machines before they could hope to get a cent back. I go into this fully, so you may understand the faith that these experts and successful machinists have in the machine itself, in staking their whole business, practically, on the outcome, because under the contract if Mr. F. and Mr. M. did not pay for them, Dodge Bros. were to have the machines in lieu of the money--thus making the risk entirely theirs.

In addition to this, contracts for the remaining parts of the automobile--the bodies, seat cushions, wheels and tires-- were made so that they are supplied as wanted. The bodies and cushions, by the C.R. Wilson carriage Co. at \$52 apiece and \$16 apiece respectively. The wheels by a Lansing, Mich. firm at \$26. per set (4 wheels). The tires by the Hartford Rubber Co. at \$46.00 per set (4 wheels).

They found a man from whom Mr. M. rents a coal yard on the belt-line R.R., with a spur track running into it. He agreed to erect a building, designed by Mr. Ford for their special use, for assembling purposes (which will cost between 3 & 4 thousand dollars) and rent it for three yrs. to Mr. F. and Mr. M. at \$75. per month. This building has been all completed and is a dandy. I went all through it today. It is large, light and airy, about 250 feet long by fifty ft. wide, fitted up with machinery necessary to be used incidental to assembling the parts, and all ready for business. To this assembling plant are shipped the bodies, wheels, tires, and the machine from Dodge Bros., and here the workmen, ten or a dozen boys at \$1.50 a day, and a foreman fit the bodies on the machine, put the cushions in place, put the tires on the wheels, the wheels on the machine and paint it and test it to see that it runs "o.k.", and it is all ready for delivery. Now this is all there is to the whole proposition.

Now, as to the investment feature. You will see there is absolutely no money, to speak of, tied up in a big factory. There is the \$75 a month rent for 3 years, and the few machines necessary in the assembling factory. All the rest is done outside and supplied as ordered, and this of course is a big saving in capital outlay to start with.

The machines sell for \$750., without a tonneau. With a tonneau, \$850. This is the price of all medium priced machines and is standard. It is what the Cadillac and Great Northern sell for here, and what other machines elsewhere sell for. Now the cost, figured on the most liberal possible estimate, is as follows:

Machine-----	\$250.00	Fixed by contract
Body-----	52.00	" " "
Wheels-----	26.00	" " "
Upholstering----	16.00	" " "
Tires-----	40.00	(All these fixed by contract)
Cost of assembling -----	20.00	--- This includes wages, rent, insurance and all incidentals at factory.
Cost of selling-----	150.00	--- This includes advertising, all salaries commissions, etc. 20% on each automobile. (It will be nearer 10 or 12.)
Total cost.-----	<u>\$554.00</u>	
Cost of tonneau -----	50.00	
	<u>\$604.00</u>	

Selling price, with tonneau---	\$850.00	Without tonneau	\$750.00
Cost price " " "	604.00	" " "	554.00
	<u>246.00</u>		<u>196.00</u>
Throwing off \$46.00	46.00		46.00
(For any possible extra contingency.)	<u>\$200.00</u>		<u>\$150.00</u>

On the seasons output of 650 machines it means a profit of \$97,500, without a tonneau, and more in proportion to those sold with tonneaus, and of course the latter is almost always bought, as it adds so much to the capacity of vehicle.

Now, the demand for automobiles is a perfect craze. Every factory here, (there are 3, including the "Olds--the largest in this country--and you know Detroit is the largest automobile in the U.S.) has its entire output sold and cannot begin to fill their orders. Mr. M. has already begun to be deluged with orders, although not a machine has been put on the market and will not be until July 1st. Buyers have heard of it and go out to Dodge Bros. and inspect it, test it and give their orders. One dealer from Buffalo was here last week and ordered twenty-five: three were ordered today, and other orders have begun to come in every day, so there is not the slightest doubt as to the market or the demand. And it is all spot cash on delivery, and no guarantee or string attached of any kind.

Mr. Malcomson has instructed us to draw up articles of incorporation for a \$100,000.00 limited liability company, of which he and Mr. Ford will take at least \$51,000.00 (controlling interest) and the balance he is going to distribute among a few of his friends and business associates, and is anxious that Horace and myself go in with him. Mr. Couzens, whom Spencer met, is going to leave the coal business, for the present at least, and devote his entire time to the office and management of the automobile business--and he is a crackerjack. He is going to invest, as he expresses it, "all the money he can beg, borrow or steal" in stock. Mr. Dodge, of Dodge Bros., is going to take 5 or 10 thousand, and two or three others, like amounts. Horace is going to put in all he can raise, and I do want to do the same if I can, because I honestly believe it is a wonderful opportunity, and a chance likely not to occur again. Mr. M. is a successful in everything he does, is such a good business man and hustler, and his ability in this direction, coupled with Mr. Ford's inventive and mechanical genius, and Mr. Couzen's office ability, together with

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fixed contracts which absolutely show what the cost will be, and orders already commencing to pour in, showing the demand that exists, makes it one of the very most promising and surest industrial investments that could be made. At a conservative estimate the profits will be 50%, with a good sinking fund in addition. The machines are turned into money as fast as delivered and indicate a return of the whole original investment practically by Winter, if nothing were turned into the surplus account. It is a well known fact that the Oldsmobile Works, with a capital of \$500,000., cleared up a million dollars last year and are now preparing plans to double their capacity for next year, which indicates, as strong as anything possibly can, what the demand is throughout the country.

I went all over the Dodge Bros. plant and the assembling rooms today, and even into the room where the half dozen draughtsmen are kept under lock and key, (all the plans, drawings and specifications are secret you know) making drawings and blue-prints of every part, even to the individual screws, and was amazed at what had been accomplished since last October. Not another Automobile Co. has started and got its product on the market inside of three years before this.

Copy of letter written by  
J.W.A. to W.A.A., June 4th. 1903.  
According to envelope it was  
mailed on the 5th. and received  
on the 6th. of June, 1903.