In re: All Asbestos Litigation Filed by The Simmons Firm, Circuit Court, Third Judicial District, Madison Cty., IL; 8/28/03

The issue of interference caused by the steer and ackerman arms of our new F4 front axle appears resolved. Eaton Engineering has worked with Kenworth Engineering to determine a set of all affected axle/wheel equipment commbinations. Resolution was obtained by reverting back to the F3 configuration arms. This change was put into production mid-August and appears to have gone smoothly. We did lose a handful of orders obtained through the Kenworth promotional program, but that number appears to be less than 10. Confirmation will come from Kenworth Purchasing.

We researched the issue of front brakes at Kenworth. The only barrier in the way of a data book listing for our product is successful completion of Kenworth tests at their Skagit test facility. A test program on our 15 X 4 front brake was initiated in early summer by Paccar. The test has been halted due to the inability of our product to complete burnish. The 15 X 4 product was returned to us for evaluation. The problem centered on excessive heat checking in the drums. We are attempting to duplicate the Kenworth test at our own test facility. In the event the difficulty lies with the Paccar test, our Engineering personnel will communicate same to Paccar. In the event our product design is causing this difficulty, we are faced with a much longer process to obtain test verification. Regardless of the solution, Kenworth Marketing will not be able to place us in the data book until test completion. If we can complete Paccar testing by Nov-Dec '83, we can anticipate a databook position at Kenworth with the April 1st '84 revision.

Kenworth Marketing is considering a 30 day extension of their current sales promotion program. They have asked us to participate in this extension. I have approved such participation after learning the extent of our performance in the program to date. We are running approximately 40% of order for rear axle, front axle and rear brake product. This, of course, is a significant gain in the area of front axle and rear brake. We are achieving most of what we set out to do with this program. I have added one additional feature to our participation for the remaining 30 days. For any stock order calling out Eaton front axle, rear axle and rear brake product, we will add a $100.00 cash incentive to be delivered to the ordering dealer by our TCM Field Rep. once the vehicle is on the ground at the dealership. This hopefully will pull through stock orders which to date have not been placed during the Kenworth program. Kenworth Marketing believes the reason for this is that dealers expect a better program to come in the final months of 1983. Every effort will be made to communicate to the dealer body that this program will terminate all promotional activity in 1983. Kenworth Marketing expects a significant stock order to appear in the final days of the program.

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