In re: All Asbestos Litigation Filed by Simmons Cooper, Circuit Court, Third Judicial District, Madison Cty., IL; 11/17/05.

Actual economic adjustments will be agreed upon through joint discussions between IH and Eaton and a review of actual labor and material cost changes, either up or down. In an environment of mutual trust, both parties should be able to agree upon cost changes that are justified vs those that were productivity related. In any event, the productivity per year beginning in 1987 through 1989 applies as indicated above.

Eaton will also extend the payment terms to net 60 days if awarded standard position on scenarios B and/or E.

If Eaton is chosen as the standard supplier for any of scenarios B, C, D or E, our proposed prices will become effective when Eaton is notified of such a decision, which in our estimation could be as early as June 1, 1985.

Eaton requires that if selected for any scenario that other competitive brakes be offerred as an added charge SE option of at least $60 on a 6 X 4 vehicle and $35 on a 4 X 2 vehicle over the standard Eaton brakes.

Eaton also proposes that the agreement period of four years be rolled by one year after the first full year of the agreement, if mutually agreeable.

Eaton will reimburse IH for Engineering expenses related to implementing any of scenarios B, C, D or E and will also pay Engineering expenses related to any future Eaton initiated brake or brake related changes.

Eaton also agrees to provide one day of brake inventory at Eaton's expense to each IH facility. Details to be covered more specifically under manufacturing.

SAVINGS TO IH

Based upon the IH mix and Eaton volume projections, we estimate the annual savings to IH to be as follows:

SAVINGS TO IH	1986	1987	1988	1989	FOUR YEAR TOTALS SAVINGS	PERCENT
(A)	$1,091	$1,535	$1,969	$2,250	$ 6,845	15.4%
(B)	4,666	6,028	7,591	8,963	27,248	24.2%
(C)	1,972	2,672	3,326	3,756	11,725	20.3%
(D)	1,980	2,682	3,336	3,763	11,760	20.1%
(E)	3,927	5,102	6,443	7,626	23,098	23.5%

These savings include shipping on all scenarios and 60 day payment terms on scenarios B and E covering both production and service parts.

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