



Peat, Marwick, Mitchell & Co.

Certified Public Accountants

Peat Marwick Plaza
303 East Wacker Drive
Chicago, Illinois 60601
(312) 938-1000

PLAINTIFF'S EXHIBIT

BW-48

The Board of Directors
Borg-Warner Corporation:

We have examined the combined balance sheet of the Automotive Aftermarket Operations of Borg-Warner Corporation as of February 28, 1981 and have issued our report thereon dated July 9, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the aforementioned examination, we have reviewed the accompanying calculation of net operating investment of Borg-Warner Corporation with respect to the Automotive Aftermarket Operations as of February 28, 1981 as defined in section 1.4 of the Agreement for Sale of Assets dated February 28, 1981 between Borg-Warner Corporation and The Echlin Manufacturing Company. In our opinion, such calculation is in accordance with section 1.4 of the Agreement for Sale of Assets.

Peat, Marwick, Mitchell & Co.

July 9, 1981

E00251

**AUTOMOTIVE AFTERMARKET OPERATIONS OF
BORG-WARNER CORPORATION**

**COMBINED BALANCE SHEET
FEBRUARY 28, 1981**

(With Accountants' Report Thereon)



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The Board of Directors
Borg-Warner Corporation:

We have examined the combined balance sheet of the Automotive Aftermarket Operations of Borg-Warner Corporation as of February 28, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined balance sheet presents fairly the financial position of the Automotive Aftermarket Operations of Borg-Warner Corporation at February 28, 1981, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

July 9, 1981

**AUTOMOTIVE AFTERMARKET OPERATIONS OF BORG-WARNER CORPORATION
COMBINED BALANCE SHEET**

(In Thousands)

February 28, 1981

ASSETS

CURRENT ASSETS:

Cash	\$ 33
Accounts and notes receivable:	
Trade (less allowance for doubtful accounts of \$610 thousand)	20,842
Other	2,758
Affiliates	184
Inventories	30,974
Prepaid expenses	781
Total current assets	<u>55,572</u>

PROPERTY:

Cost	13,709
Less accumulated depreciation	<u>(6,658)</u>
Net property	<u>7,051</u>

OTHER ASSETS	<u>876</u>
TOTAL	<u>\$63,499</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable - trade	\$ 8,759
Accounts payable - affiliates	5,372
Current portion of capitalized lease liabilities	375
Accrued liabilities:	
Taxes other than income	337
Salaries, wages and related expenses	593
Other	<u>1,249</u>
Total current liabilities	<u>16,685</u>

LONG-TERM CAPITALIZED LEASE LIABILITIES	<u>2,032</u>
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EQUITY OF BORG-WARNER CORPORATION	<u>44,782</u>
TOTAL	<u>\$63,499</u>

See accompanying notes to combined balance sheet.

E00254

AUTOMOTIVE AFTERMARKET OPERATIONS OF BORG-WARNER CORPORATION
NOTES TO COMBINED BALANCE SHEET
FEBRUARY 28, 1981

L Summary of Accounting Policies

Principles of Combination

The accompanying combined balance sheet represents the combined accounts of the Automotive Aftermarket Operations of Borg-Warner Corporation. All significant transactions among members of the combination have been eliminated.

Inventories

Inventories are valued at the lower of cost or market. Cost is generally determined on the first-in, first-out (FIFO) basis.

Property and Depreciation

Property is valued at cost less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items generally are charged to income as incurred. Renewals of significant items are capitalized.

Depreciation has been calculated using principally the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 to 20
Machinery and equipment	5 to 20
Automobiles and trucks	2 to 5
Office furniture and equipment	4 to 10
Tooling	2 to 5

Cost of assets sold, retired or fully depreciated and the related amounts of accumulated depreciation are eliminated from the accounts, and the resulting gains or losses on disposal of assets are credited or charged to income.

Stock Returns and Warranties

No amounts are accrued for future stock returns or warranties, except for approximately \$340 thousand related to one of the units of the Automotive Aftermarket Operations. Charges for such amounts are generally recognized as incurred.

Income Taxes

The Automotive Aftermarket Operations are included in the U.S. federal, state and foreign income tax returns of Borg-Warner Corporation and its subsidiaries. No charges have been made by Borg-Warner Corporation to the Automotive Aftermarket Operations for income tax liabilities. Thus, no liability has been provided for taxes based upon income.

AUTOMOTIVE AFTERMARKET OPERATIONS OF BORG-WARNER CORPORATION
NOTES TO COMBINED BALANCE SHEET (Continued)

2. Operations Outside The United States

Equity in the net assets of combined operations located in Canada is summarized as follows (in thousands):

	February 28, 1981
Current assets	\$ 1,395
Non-current assets	36
Total assets	1,431
Current liabilities	81
Equity in net assets	<u>\$ 1,350</u>

3. Inventories

Inventories are as follows (in thousands):

	February 28, 1981
Raw material.	\$ 3,696
Work in process.	313
Finished goods	26,965
Total	<u>\$30,974</u>

4. Property

Property is summarized as follows (in thousands):

	February 28, 1981
Land	\$ 93
Buildings and improvements	3,340
Machinery and equipment	6,038
Capitalized leases.	4,238
	13,709
Less accumulated depreciation and amortization	6,658
Property - net	<u>\$ 7,051</u>

Accumulated capital lease amortization amounted to \$2,062 thousand at February 28, 1981.

5. Retirement Benefit Plans

Substantially all U.S. employees of the Automotive Aftermarket Operations are covered by non-contributory retirement benefit plans providing life insurance and medical benefits. Under these plans, benefits are charged to earnings as claims are paid. A number of these employees are also covered by non-contributory plans which provide pension benefits and these plans are funded currently, including amortization of prior service costs over periods not exceeding 40 years. As of the date of the most recent valuation (December 31, 1980), assets of each pension plan exceeded the actuarially computed value of vested benefits.

AUTOMOTIVE AFTERMARKET OPERATIONS OF BORG-WARNER CORPORATION
NOTES TO COMBINED BALANCE SHEET (Continued)

6. Lease Commitments

The Automotive Aftermarket Operations are committed at February 28, 1981 to make payments on non-cancellable leases as summarized below (in thousands):

	Operating Leases	Principal	Capital Leases Interest	Total
10 months 1981	\$ 694	\$ 312	\$ 118	\$ 430
1982	634	268	124	392
1983	446	262	107	369
1984	373	275	92	367
1985	347	288	76	364
1986-1990	1,013	702	194	896
1991-1995	48	300	34	334
	<u>\$3,555</u>	<u>\$2,407</u>	<u>\$ 745</u>	<u>\$3,152</u>

Capitalized leases are primarily for buildings and machinery and bear an average interest rate of 6.1%.

Contingent Compensation Plan

Certain employees of the Automotive Aftermarket Operations participate in Borg-Warner's Contingent Compensation Plan. Bonuses awarded under the program are payable currently or may be deferred at the option of the participant. Liabilities related to deferred portions of the award have not been reflected in the combined balance sheet due to the policy of funding by Borg-Warner corporate of this expense.

8. Segment Data

Segment data is not provided as the Automotive Aftermarket Operations are engaged in one business and operate solely in North America.

9. Contingencies

It is the opinion of counsel and the management of Borg-Warner Corporation that various claims and litigation in which the Automotive Aftermarket Operations are currently involved will not materially affect the combined financial position of the Automotive Aftermarket Operations.

A S S I G N M E N T

WHEREAS, BORG-WARNER CORPORATION ("Assignor"),
a Delaware corporation, having its principal place of
business at 200 South Michigan Avenue, Chicago, Illinois
60604, is the owner of the entire right, title and
interest in and to the trademarks and registrations of
said marks listed in Exhibit "A" annexed hereto; and

PPB

WHEREAS, THE ECHLIN MANUFACTURING COMPANY ("Assignee")
a Connecticut corporation, having its principal place of
business at 175 North Branford Road, Branford, Connecticut,
is desirous of acquiring all rights, title and interest in
and to said trademarks and registrations listed in Exhibit "A"
annexed hereto;

NOW, THEREFORE, in consideration of the sum of
One Dollar (\$1.00) and other good and valuable considerations,
the receipt and sufficiency of which are hereby acknowledged,
Assignor does hereby assign unto Assignee all rights, title
and interest in and to the trademarks listed in Exhibit "A"
annexed hereto, together with the applications for registration
and registrations thereof and the good will of the business
symbolized by the marks,

BORG-WARNER CORPORATION

By Russell Carson
(Title) SENIOR VICE PRESIDENT

E00258

EXHIBIT "A"

FEDERAL AND STATE TRADEMARK REGISTRATIONS

<u>Trademark</u>	<u>Federal</u>	<u>Number</u>
AUTO-MECH		831,769
CAPSUL-PAC & Design		770,548
CAPSUL-PAC & Design		784,390
DITTMER & Design		584,526
DITTMER & Design		829,428
KOOLWIRE		967,421
POWER BRUTE		921,043
SHURHIT		444,794
SHURHIT		832,851
TRU-POWER & Design		598,452

<u>Trademark</u>	<u>Missouri</u>	<u>Number</u>
TRU-POWER & Design		3311