

01/16/01 TUE 14:48 FAX 757 625 1504
JAN. 16. 2001 6:35AM 16105653309

TAYLOR & WALKER

NO. 811

P. 3/4

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Borg-Warner Corporation
700 South 25th Avenue, Bathwood, Illinois 60106
Telephone 312/547-2500 Telex: 72-1411 Borg-Warner
Transport Equipment

Inter-Office Memo

Subject: Disc Brake Pad Sales

Date: 1/9/75

From: Bob Hornick

To: Steve Lyons
Borg-Warner Legal

The attached sheets detail our shipments of disc brake pads to Kelsey-Hayes and Bendix during the years 1971 thru 1975. Kelsey-Hayes was the builder of disc brake calipers and other associated hardware for disc brakes which they sold to Ford. Spring/Brummer was the producer of only the pads which were drilled and riveted to backing plates by Kelsey-Hayes.

Our materials were presented to Ford and tested and approved by them. Kelsey-Hayes was instructed by Ford to purchase and use our materials for certain applications. It is our understanding that our materials were only approved for certain heavy duty applications namely, police and taxi fleets. Because of this limited application of our product, it is very likely that a mechanic working in a general service dealership would not come in contact with our product. Many taxi and police fleets perform their vehicle service/repair in house.

Our material was limited in application by Ford for the following reasons:

1. Price. Spring/Brummer's pricing was higher than competitive linings.
2. Noise. Ford engineers felt that our pads were noisier than competitors.
3. Limited Spring/Brummer production experience.

We always had as an objective to supply disc brake pads in high volume and elected to take this limited business as a means of building credibility with Ford and to allow for the fine tuning of our production and costs.

Ford never did approve our materials for general application and we found that we could not be price competitive with other suppliers particularly those who had a larger brake manufacturing base and/or those who were vertically integrated,

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i.e. those who manufactured complete brake systems.

Accordingly, we relocated the production machinery from our Bellwood to our Frankfort plant in 1974 in an effort to take advantage of somewhat lower labor rates at Frankfort as well as providing needed manufacturing space at Bellwood. Ford refused to approve manufacture at Frankfort (out of emotionalism) and shipments finally depleted our "bridge" inventory in early 1975.

Sales to Bendix in 1974 were made when Kelsey-Hayes was on strike.

It should be noted that these pads are installed in sets; 2 inner pads and 2 outer pads comprise a set. Therefore, the total number of car sets involved is approximately 75,275 (301,102 total pads divided by 4 pads per set). From this total, the number of car sets scrapped by Kelsey-Hayes and Bendix should be deducted to find the total vehicle car set population containing Spring/Brummer produced pads.

Our source for the asbestos for the pads was a manufacturers representative:

Donald R. Fitzgerald Co.
5875 N. Lincoln Ave.
Chicago, Illinois
(312) 736-1800

The asbestos was produced by Asbestos Corporation, Ltd., Thetford Mines, Quebec, Canada. The fiber used in production of the Ford brake pads was identified as KB-563-5R.



Bob Hornick

BH/jav

cc: C. Pacola
L. Gardner

M. Wiersena (Borg-Warner Legal)
R. Bambar

J. Tovian

Attachments

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Taylor & Walker, P.C.
FACSIMILE TRANSMISSION
(757) 625-7300 {telephone}
(757) 625-1504 {facsimile}

DATE: January 16, 2001

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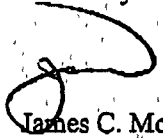
FROM: JAMES C. McCAA, III, ESQUIRE
- Diane

REFERENCED CASE: King v. Borg-Warner, et al.

OUR FILE NO.: 230000-00793

HARD COPY TO FOLLOW BY U.S. MAIL

Attached is a copy of Bob Hornick's memo, dated 1/9/79. If you have any questions, please call.


James C. McCaa, III

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