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With the crack pressure revisions by Kenworth (5.5 psi) and the implementation of E-145-A lining, Kenworth feels that the drum cracking problems will be behind us. The Gunitite drum issue will remain resolved until Gunitite changes their position and their product quality issues.

Full implementation of the Dana half-round end yoke will be completed by year end. The pricing issues have been resolved internally and will be presented to Kenworth next month.

The pin type wheel bearing nuts will be implemented as a running in January 1987.

Marketing and Sales

Kenworth marketing was approached about our extended service brake and asked to consider how they would see it marketed with the near-term plan to have it become the standard brake. Their response was positive and they asked that we consider offering it as an exclusive Kenworth, or if not, at least to Paccar (Peterbilt and Kenworth). We advised they we would consider their request.

The Kenworth concerns relative to our proposal were directed specifically to three areas. First, was how would they receive their share of the rebate and how would they be able to price their trucks. Second, was the lack of total product coverage, i.e. steering axles, 14.6K, 16K, and 20K ratings plus extra heavy tandems in the 70K weight range. The third concern was about their ability to reach the attractive share levels without imposing significant data book penalties for Rockwell axle products.

PETERBILT MOTORS COMPANY

Engineering

Peterbilt engineering will release E-145A lining for the appropriate brake groups timed for July 1, 1987 production. Further releases of non-asbestos materials will not occur until adequate testing is completed for the other friction ranges.

The half round end yoke releases are being processed at this time. The pin type wheel bearing nuts will be made as a running change and should be complete by February 1, 1987.

Cal Burgin has recently been promoted to the position of Assistant Chief Engineer, reporting to Mr. Joseph Neff, Chief Engineer.