

EATON

Internal Correspondence

Date: February 28, 1986

To: Fred Kovalik
Axle & Brake - Galesburg

Copy: SEE LIST

From: Tom Bruggeman - Axle & Brake Division Headquarters-Galesburg

Subject: UPDATE ON PROGRAM TO DEplete EXCESS R31 BRAKE SHOE INVENTORY AND
IMPLEMENT NON-ASBESTOS IN THE MARKET PLACERECEIVED
MAR 3 1986
PURCHASING

In following up on several key areas this month, it has been realized that potential problems exist. Please find below a list of these problems and our planned course of action.

- A key factor in minimizing the quantity of excess R31 lined shoe assemblies was based on RABA supplying axles less brakes. Ruth Smith previously advised that RABA would be willing to adhere to our request. On February 11, Mr. Komonczy (RABA Director of Sales) telexed the following,"RABA can not fundamentally accept that Eaton wants to purchase the trailer axles without brakes. Please, be informed that RABA envisages the supply of the trailer axles complete with brakes both at present and in the future." This disagreement must be resolved immediately.
- Lonnie Dye has forwarded January and February schedules requesting the receipt of axles be "less brakes". We have successfully expedited new part numbers through engineering enabling us to release in this manner.
- Ruth Smith advised that we will begin scheduling approximately 25-30% of our trailer axles (less brakes) to Axles India in August-September time frame.
- There has been a delay in the qualification of the sweep gauge necessary to allow development of the RABA coined shoe. The latest promise from Ruth Smith is to ship the gauge to RABA on March 7. With this in mind, we can expect to receive coined shoes in August 1986.
- Engineering is expected to make an announcement on the approval non-asbestos lining by no later than March 10. A meeting is scheduled for March 7 with B. Anders, J. Clark, B. Cook, G. Singh, L. Spurlock and B. Young to discuss the details of our standard position on non-asbestos.

Ruth Smith is processing Letter of Credit for the return of R31 loose lining blocks at RABA.

SCF-EC-3050

EXHIBIT

Hobbs 18
9-8-08 VR

↓ 2/4/86
cc: Tom
OOPS!

- RABA has not reduced their previous quoted price of \$3.79 F.O.B. Gyor on R31 lined shoe assemblies. Ruth has recently advised RABA that a reduction in price is necessary in order that we not suffer a loss in marketing the product.
- Recent test results of Abex (Italian) manufactured 3030-67 may require that RABA initially receive domestic manufactured lining blocks. It has been suggested that until the Italian lining successfully completes further tests, which are expected to be finalized in late June, that Abex sell domestic block to Eaton for consumption by RABA. This is basically for quality control reason.
- Perry Johnston has advised that his temporary bulk ship program of R31 lined shoe assemblies will begin April 1, 1986. Our price to trailer dealers will be as follows:

<u>Quantity</u>	<u>Freight</u>	<u>Price Each</u>
1-9 Skids (88 pcs/skid)	FOB Gallatin	\$15.50
10-19 skids	FOB Gallatin	\$14.73
20 skids or more	Prepaid Freight	\$14.73

Many variables effect the support of this program -

- market demand for non-asbestos which necessitates switching out shoes in Gallatin, therefore, creating excess R31.
- if RABA continues to assemble shoes on axles, volumes will trickle in
- if RABA agrees to reduce their selling price on the 66,200 shoe assemblies, which they lined without our authorization, we should schedule quantities to support the above program

The key in this scenario is that as time progresses, the demands for asbestos decreases. Therefore, it is necessary that we rid ourselves of asbestos inventory for which Eaton is responsible.

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Fred Kovalik
February 28, 1986

Listed below is an update on R31 shoe assembly inventory:

AS REPORTED JANUARY 31, 1986

	8,000	R31 lined shoes in transit from RABA
102,796	71,236 as of 1/31/86	Loose shoes at RABA
11,520	18,564	Shoes on axles at RABA
0	0	Shoes to be returned to RABA
15,995	0	Shoes shipped early December to RABA
14,756	16,572	Current loose shoe inventory in Gallatin
<u>20,000</u>	<u>20,000</u>	Approximate amount of R31 shoes inventory to be generated between March 1 and September, 1986
165,057	134,372	
<u>(9700)</u>	<u>*(4364)</u>	Current schedules to RABA which will require R31 lines assemblies.
155,367	130,008	

As of 2/27/86 a total quantity of 1280 trailer axles have been shipped in the month of February. Approximately 35% were switched out with non-asbestos (454 axles).

We currently have 1624 axles in transit from RABA with R31 lined shoes assemblies which further reduced RABA's inventory of lined shoe assemblies.

*Lonnie Dye initially scheduled these axles less brakes, but was advised by RABA that they would not adhere to our request to ship "less brakes".

Tom
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Supreme Court
(3439p)

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