

National Headquarters

SEARS, ROEBUCK AND CO.
SEARS TOWER
CHICAGO, ILLINOIS 60684

PLAINTIFF'S EXHIBIT
MAR-505

February 20, 1978

Maremont Corporation
200 East Randolph Drive
Chicago, Illinois 60601

Attention: Mr. Richard B. Black
President and Chief Executive Officer

Gentlemen:

Reference is made to the Agreements between Maremont Corporation and Sears, Roebuck and Co., dated January 1, 1971, July 1, 1971 and January 1, 1973, as subsequently amended (said Agreements, together with all amendments thereto, are hereinafter called the "Agreements"). The Agreements provide that Maremont is to manufacture and sell to Sears, and Sears is to purchase from Maremont, certain of Sears' requirements of shock absorbers, lined brake shoe sets, exhaust system parts and other products purchased through Sears Department 628, all as set forth therein.

Subparagraph XII (b) of Schedule "A" to the Agreements disallows interest on long-term debt as an item of manufacturing cost. Sears and Maremont have agreed to allow certain interest on long-term debt as an item of cost under the Agreements. Accordingly, it is hereby agreed, notwithstanding the language in subparagraph XII (b) of Schedule "A" to the Agreements, that during the period from January 1, 1977 to December 31, 1980, Sears will allow, as an item of manufacturing cost, a portion of the interest on the Maremont revolving credit agreement for thirty million dollars ($30,000,000), known as the "Three Year Revolving Credit Loan", dated as of January, 1978.

Said loan will be made by the Continental Illinois National Bank, the Chase Manhattan Bank, Citibank, Crocker National Bank, Third National Bank in Nashville, American National Bank (Chicago), and Brown Brothers Harriman and Co. Said loan will bear interest at the lesser of 109% of the U. S. prime lending rate at the Continental Illinois National Bank or 5/8 of 1% over the London Interbank Offering Rate plus an additional fee of 7% of the said U. S. prime rate.

The allocation of the portion of interest expense applicable to the products purchased by Sears under the aforementioned Agreements shall be approved in writing by Sears, in advance of any such allocation. Maremont also agrees that none of the proceeds of the aforementioned loan will be used to finance acquisitions of other businesses, mergers with other concerns, or capital improvements.

If the terms contained in this Letter of Agreement adequately express your understanding of our agreement, please indicate your acceptance of this Agreement by signing the acceptance clause at the bottom of this letter and returning one copy for my records.

Very truly yours,

SEARS, ROEBUCK AND CO.

By: _____
Vice President

Agreed to and Accepted this

21 day of March, 1978.

MAREMONT CORPORATION

By: _____
Sr. Vice President

Approved for Signature
by Department 700-8:

Group National Merchandise Manager

Approved for Signature
by Department 628:

National Merchandise Manager

Buyer

Buyer

THIS AGREEMENT, made this 1st day of July, 1971, between MAREMONT CORPORATION, an Illinois corporation (hereinafter called "Seller") and SEARS, ROEBUCK AND CO., a New York corporation (hereinafter called "Sears"):

W I T N E S S E T H:

The parties hereby mutually agree as follows:

1. Seller agrees to manufacture and sell to Sears, and Sears agrees to purchase from Seller, in each contract year during the term hereof, seventy-five (75%) per cent of Sears requirements of Lined Brake Shoe sets, purchased through Sears Department 628 (hereinafter called "product"). Sears shall have the right, at its option, to purchase from Seller and to require Seller to manufacture and sell to Sears in any contract year during the term hereof, at the prices and subject to the terms of this agreement, additional quantities of product, not exceeding, however, Sears total requirements thereof for such year.

2. (a) It is the intent of the parties that product manufactured by Seller for Sears will be scheduled for production semi-annually during the term hereof so as to meet Sears reasonable delivery requirements, and insofar as possible to achieve manufacturing efficiency and economical production. For such purpose, each contract year shall be divided into two (2) semi-annual periods (hereinafter called "periods"), beginning respectively on the first day of January and July. Sears shall furnish to Seller, at least forty-five (45) days before the beginning of each period, a written estimate of Sears requirements of product for such period. Within fifteen (15) days after receipt from Sears of said estimate, Seller shall furnish the aforesaid Sears department a written statement of its estimated capacity for production of product during such period, and a written statement of Seller's computation of its estimated "manufacturing cost", as defined

in Schedule "A" hereof, of product to be manufactured for Sears during such period. Such statements of estimated costs shall show as accurately as Seller can determine each element entering into "manufacturing cost" and any differences between the estimated "manufacturing cost" of product and Seller's standard cost hereinafter referred to. Thereafter, and at least fifteen (15) days before the beginning of each period, the estimated "manufacturing cost" to be used in fixing the contract price to be charged for product to be manufactured during such period shall be agreed upon by Seller and Sears, or otherwise established as provided in Paragraph 7 hereof. Sears shall then place with Seller a firm production order for such period at the contract price determined in accordance with the provisions of Paragraph 3 hereof. If Sears purchases two or more products of different specifications from Seller, the foregoing procedure shall be followed with respect to each item of product.

(b) The aforesaid firm production order shall be specific as to total quantities of the two (2) general groups of product; namely, Drum Brake Lined Brake Shoe sets and Disc Brake Lined Brake Shoe sets; provided, however, it shall be the responsibility of Seller to produce and maintain the quantities of specific items of product agreed upon by the parties from time to time in writing within each of the aforesaid groups of product so as to fill Sears shipping orders as they are received by Seller. Sears agrees to cooperate with Seller so as to enable Seller to plan production and finished goods inventory requirement for all such items of product and in particular, Sears and Seller shall agree in writing on periodic (approximately monthly) production schedules of specific items in each of the above two categories, at least fifteen (15) days before the beginning of each such production period. Sears liability to purchase any items of product from Seller because of obsolescence or which Seller may have at the termination of this contract, shall be

limited to items produced by Seller for Sears pursuant to said periodic production schedules agreed to in writing by Sears. Within thirty (30) days after the termination of this contract or any extension thereof Sears shall notify Seller where to ship any such items Sears may be required to purchase and shall pay Seller for such items within thirty days of shipment and billing.

3. Subject to the provisions of Paragraph 4 hereof, the contract price for each item of product to be produced for Sears during each period shall equal the estimated "manufacturing cost" thereof (as defined in said Schedule "A") established for such period, as provided herein, plus a profit margin of ten (10%) per cent of all elements of such cost except the "no-profit" items specified in Schedule "A". Provided, however, if the total estimated profit margin on all products estimated to be sold to Sears during any period shall, because of the provisions of Paragraph 4 hereof, be less than ten (10%) per cent of all elements of the estimated "manufacturing cost" established for such period as provided herein, except the "no-profit" items specified in Schedule "A", then the Seller shall have the right to charge on any item of product for any such period, but subject to the provisions of Paragraph 4, a contract price up to but not in excess of the contract price for such item during the immediately preceding period, but in no event shall the total estimated profit margin on all products sold to Sears during any such period exceed ten (10%) per cent as aforesaid. However, Seller's contract price to Sears for product manufactured during any period shall not exceed Seller's net price to any other customer during such period for the same or similar item of comparable quality (except obsolete or close-out items), unless Seller's aggregate cost per unit produced and sold to such other customer (which cost shall be determined in accordance with sound accounting principles) shall be less than the "manufacturing cost", as herein defined, per unit of the comparable item of product manufactured for Sears. The contract price established for each period shall be F.O.B., Factory, Nashville, Tennessee, and shall be the

maximum price charged to Sears for product manufactured during such period. In the event product is transferred by Seller, pending delivery to Sears, to any warehouse facilities as may be established by Seller or its subsidiaries with the prior approval of Sears from time to time, said contract price shall be F.O.B., Factory, Nashville, Tennessee, plus a transportation allowance at minimum truckload rates or if lower or agreed to by Sears the actual transportation costs to warehouses. The cost to Seller's subsidiaries of such warehousing of product at Seller's subsidiaries warehouses, pending delivery of product to Sears, shall be included as part of "manufacturing cost" under this Agreement.

4. Seller's "delivered price" of product for any period to a Sears catalog sales plant shall mean Seller's proposed contract price for such period, determined pursuant to Paragraph 3 hereof, plus the cost of transportation of product from Seller's plant to such catalog sales plant. The term "competitive delivered price" shall mean the lowest price (except a distress price) quoted to Sears for said period by any other reputable manufacturer or source for the same or similiar product of comparable kind and quality, plus the cost of transportation of said product from the plant of such other manufacturer or source to a Sears catalog sales plant. If Seller's "delivered price" of product to any Sears catalog sales plant exceeds the "competitive delivered price" to such catalog sales plant, and Sears gives Seller written notice to that effect before placing its order with Seller for any period, then Seller shall, within ten (10) days after receipt of such notice, advise Sears in writing that it will reduce or refuses to reduce its contract price to each such catalog sales plant and to the retail stores served by each such catalog sales plant, to such extent that Seller's "delivered price" to each such catalog sales plant will not exceed the "competitive delivered price" to that plant. If Seller refuses to so reduce said contract price or fails to advise Sears of its decision within the aforesaid ten (10) day period, Sears shall have the right, in its discretion, to purchase from such other manufacturers

or source all or any part of the quantity of product required by Sears in the territory served by any such catalog sales plant, and Sears obligation to purchase and Seller's obligation to manufacture and sell product hereunder shall be reduced by the amount of such purchases from such other manufacturer or source.

5. Within ninety (90) days after the end of each contract year hereof, Seller shall determine by audit the actual "manufacturing cost", as defined in Schedule "A", of product sold to Sears hereunder during such contract year, and if the total contract prices paid to Seller for product sold to Sears hereunder during such year shall exceed such actual "manufacturing cost" of product sold to Sears during such year, plus ten (10%) per cent of all but the "no-profit" items of said cost, then Seller shall promptly credit, or at Sears option pay to Sears, one-half of such excess. Seller shall furnish to Sears within the aforesaid period of time a copy of each such determination and a statement showing the amount due Sears hereunder, if any.

6. The parties recognize that a standard cost accounting system is desirable in order to establish effective cost control procedures, to provide a means of accurately determining the length of most efficient production runs and methods of reducing seasonal production curves, to enable the parties to evaluate the cost peculiar to different specifications and assortments of product, and to otherwise enable the parties to achieve economical production. Accordingly, during the term hereof, Seller shall maintain a standard cost accounting system based upon sound and accepted accounting practice, using standard costs representing Seller's determination of the most economical cost attainable with its facilities under existing conditions. Such system shall have separate cost breakdowns for factory, warehouse and trucking operations.

Since lower costs and efficient production can best be attained through the joint efforts of Seller and Sears, it is agreed that all books and records of Seller and applicable subsidiaries pertaining to such standard cost system, including the budget for control

of overhead, shall be available for examination by Sears at all reasonable times. Seller shall also furnish to the aforesaid Sears Department quarterly operating reports, prepared from such standard cost accounting system and showing a comparison of actual "manufacturing cost", as defined in Schedule "A", of product produced for Sears as compared to standard cost, and a statement of actual profit earned for the period covered by each report.

7. Sears shall have the right to examine Seller's (including subsidiaries) accounting and cost records in connection with establishing periodic contract prices and for the purpose of auditing the year-end determinations of actual "manufacturing cost". If the parties do not agree on the computation of "manufacturing cost" in establishing contract prices or in making the year-end cost determinations, either party may have Seller's books and records audited by a firm of independent certified public accountants approved by the other party for that purpose. Said audit and determination shall be final and binding upon both parties hereto, and each party shall bear one-half the cost of such audit.

8. Seller guarantees and warrants that product sold to Sears under this Agreement will be of good workmanship and material, free of defects, merchantable, and will conform to specifications agreed upon by the parties. In the event any product sold to Sears under this Agreement proves to be not in compliance with the above warranty; then the same may be rejected by Sears and held or returned to Seller at Seller's expense and risk, and Seller shall, at Sears option, either replace such item of product with a new item of product, and deliver the same, shipping charges prepaid, to Sears, or to such person, and at such place, as Sears may in writing direct, or give Sears full credit for said returned item of product, plus transportation charges paid thereon by Sears.

9. Seller shall provide space on its premises for storage of product pending delivery and sale to Sears. Product manufactured for Sears shall be stored at Seller's risk, shall be packed in accordance

with Sears written specifications, and shall be shipped by Seller at such times, and in such manner as Sears shall reasonably direct in its shipping instructions to Seller.

In the event Seller shall fail to ship in compliance with Sears shipping instructions product ordered by Sears from Seller under this Agreement, then Sears shall have the right, at its option, to purchase or commit itself to purchase any of such product from other manufacturers or sources, and to the extent of the purchase or commitments which Sears may place with other manufacturers or sources in the exercise of such right, Sears obligation in respect to orders placed with Seller shall be reduced accordingly, and the amount required to be purchased by Sears under this Agreement shall likewise be so reduced.

10. Product shall be billed at the time of actual shipment by Seller to Sears pursuant to Sears written shipping instructions. Terms of payment shall be net Ten (10) days from receipt of goods with no anticipation.

11. Seller guarantees that product manufactured and sold to Sears under this Agreement will not infringe any patent, and agrees without cost to Sears to protect, defend, hold harmless, and indemnify Sears from and against any and all claims, demands, suits, judgments, damages, royalties, actions and causes of action whatsoever arising out of any alleged infringement of any patent or claim of patent by reason of the manufacture, sale, or use of product sold by Seller to Sears under this Agreement. In the event of any claim that the manufacture, sale, or use of product sold by Seller to Sears under this Agreement constitutes an infringement of any patent, Sears shall have the right, at its option, in addition to all other rights and remedies it may have, to cease purchasing from Seller the product affected by such claim, and to purchase such product from other manufacturers or sources until such time during the term hereof as

there shall be a final adjudication of such claim favorable to Seller, and the total quantity of product required to be purchased by Sears from Seller under this agreement shall be reduced by the amount of such purchases. For the purposes of this paragraph, "product" shall be deemed to include any packaging supplied by Seller.

12. Seller agrees to protect, defend, hold harmless and indemnify Sears from and against any and all liability and expense resulting from any alleged or claimed defect in product, whether latent or patent, including allegedly improper construction and design, or from the failure of product to comply with specifications or with any express or implied warranties of Seller or arising out of the alleged violation by product or in its manufacture or sale of any statute, ordinance or administrative order, rule or regulation. These agreements and obligations shall not be affected or limited in any way by Sears extending express or implied warranties to its customer, except to the extent that Sears warranties extend beyond the scope of Seller's warranties, express or implied, to Sears. Nor shall these agreements and obligations be affected or limited in any way by any action or inaction on the part of Sears pursuant to Paragraph 8 hereof. Seller further agrees to obtain at its expense product liability insurance, with a vendors' endorsement, in such form and amount and in such company as may be approved by Sears in writing. Satisfactory evidence of such insurance shall be submitted to Sears upon request. For the purposes of this paragraph, "product" shall be deemed to include any packaging supplied by Seller.

13. Neither party shall be liable for any failure, inability, or delay to perform hereunder, if such failure, inability or delay be due to war, strike, fire, explosion or sabotage, accident, casualty, government law, order or regulation, or any cause beyond the reasonable control of the party so failing, but due diligence shall be used in curing such cause and in resuming performance. If Seller's performance shall be prevented, delayed or materially impaired by any such cause,

then this Agreement, if Sears so elects, shall be inoperative, in whole or in part, so long as such situation continues, but without thereby effecting an extension of the term of this Agreement, and all costs and expenses incurred by Seller while this Agreement is inoperative as aforesaid shall be excluded from the determination of Seller's "manufacturing cost" in calculating contract prices, but shall be included in the year-end determination of cost provided under Paragraph 5 hereof.

14. Seller represents and warrants that product sold to Sears under this Agreement and any extension thereof, will be produced in compliance with the requirements of the Fair Labor Standards Act of 1938 as amended, and any regulation issued thereunder. Seller further agrees that a certificate of such compliance will be printed or stamped upon each invoice issued to Sears covering purchases made hereunder. Seller further warrants that all products sold to Sears hereunder will comply with all applicable Federal, State and local laws and regulations.

15. If any voluntary petition in bankruptcy or for corporate reorganization or any similar relief shall be filed by either party hereto, or if any involuntary petition in bankruptcy shall be filed against either party and shall not have been dismissed within sixty (60) days from the filing thereof under Federal or State Bankruptcy or Insolvency Act, or if a receiver shall be appointed for either party or the property of either party by any court of competent jurisdiction, and such receiver shall not have been dismissed within sixty (60) days from the date of his appointment, or if either party shall make an assignment for the benefit of creditors, or if either party shall admit in writing its inability to meet its debts as they mature, then, in any such event, the other party hereto shall have the right, at its option, to cancel this Agreement by giving written notice of such cancellation to the first-mentioned party, whereupon this Agreement shall immediately cease and terminate.

16. The term of this agreement shall extend for a period of six (6) months, commencing July 1, 1971, and ending December 31, 1971, and will be automatically extended for subsequent terms of one year each unless terminated by either party as herein provided. Either party may terminate this contract as of any time by giving the other party written notice at least one year prior to any such termination date. Each subsequent "contract year" as that term is used herein, shall begin on January 1st, and shall end on the succeeding December 31st.

17. All notices herein provided for, or which may be given to connection with this Agreement, shall be in writing. Notices given by Seller shall be addressed to Sears at 925 South Homan Avenue, Chicago, Illinois 60607, attention its Vice President and Comptroller, Department 768X or at such other address as Sears by written notice to Seller shall have specified for that purpose. Notices given by Sears shall be addressed to Seller at 168 North Michigan Avenue, Chicago, Illinois 60601, or at such other address as Seller by written notice to Sears shall have specified for that purpose.

18. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, no assignment hereof by either party party shall be of any force or effect without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, duly authorized thereunto, as of the day and year first above written.

MAREMONT CORPORATION

ATTEST: _____ Secretary

By _____ Vice President

SEARS, ROEBUCK AND CO.

ATTEST: _____ Secretary

By _____ Vice President

Approved for signature by D/628

_____ National Merchandise Manager

_____ Buyer

SCHEDULE "A"

Definition of Manufacturing Cost of Product
(Including Warehousing and Shipping Expense)

Produced by Maremont Corporation (herein called "Seller") under Contract with Sears, Roebuck and Co., (herein called "Sears") dated July 1, 1971.

General Definition

The term "manufacturing cost", as used in the attached contract, shall mean the actual costs incurred by Seller, which, under sound and accepted accounting principles, consistently applied, are applicable to product manufactured for Sears.

Specific Definition

I. DIRECT MATERIALS - Actual net landed cost (after deducting trade discounts) of materials used directly in manufacturing product, to the extent that they can be definitely measured and charged to specific cost units.

II. DIRECT LABOR - The portion of payroll covering those employes working directly on the product which can be definitely measured and charged to specific cost units.

III. FACTORY OVERHEAD - The portion of Seller's overhead which under sound and accepted accounting principles is assignable to product produced for Sears under the attached contract. Overhead shall consist of that portion of the following items of cost which are properly chargeable to manufacturing operations:

(a) Indirect Materials - supplies and those materials used in manufacturing product other than those of direct material classfication.

(b) Indirect Labor - that portion of the wages of employes engaged in manufacturing operations which are not classified as direct labor; including down time, shift and overtime premiums, vacation and holdiday pay, and the salary and wages of factory supervisory personnel, of employes engaged in receiving, packing, production engineering, quality control, inspection, warehousing (including salary of field warehouse custodian), shipping, and of factory clerical employes of such departments as timekeeping, methods, time study, scheduling, purchasing, cost accounting, payroll, first aid, and other departments performing related manufacturing functions.

(c) Power, light, heat, water and rent.

(d) Repairs and Maintenance - cost of keeping buildings and equipment in repair and working condition; but excluding expenditures covering new buildings and additions to or extraordinary repairs to existing equipment or buildings, whether owned or leased, if such expenditures, under sound and accepted accounting principles, should be capitalized or amortized over the life of a lease. The depreciation or

amortization on such expenditures, however, shall be allowed as an item of cost, as hereinafter provided:

(e) Insurance - net premiums for all insurance, except premiums covering lives of officers when Seller is directly or indirectly a beneficiary.

(f) Taxes - all taxes, excluding, however, any tax, or the portion of any tax, which is based on income.

(g) Depreciation and Amortization - fixed asset valuation and the rate of depreciation or amortization shall not exceed the values and rates used by the Bureau of Internal Revenue in determining the allowable depreciation or amortization for income tax purposes. However, amortization of the cost of special purpose tools shall be at rates established in writing by Sears and shall be a no-profit item.

(h) Factory Employe Bonuses - payments made to factory employes, other than officers, resulting from a definite bonus policy.

(i) Other Factory Expense - general factory supplies, perishable tools, telephone and telegraph, illness benefits, workmen's compensation and such other factory expenses incurred by factory departments as are properly chargeable to manufacturing operations.

IV. ADMINISTRATIVE EXPENSE - The portion of Seller's administrative expense applicable to product sold to Sears shall be determined in accordance with generally accepted accounting principles most appropriate to Seller's business. This involves the principle of allocating specifically to each customer or product those expenses which can be identified as having been incurred directly for or with respect to a particular customer or product. Cost of departments performing common functions for more than one customer or product shall be allocated on an equitable basis, taking into account the value of the services of such department to each customer or product. Costs which do not lend themselves to the above methods of allocation shall be distributed to Sears product in the same proportion that the cost of sales (direct materials, direct labor, and factory overhead) of product sold to Sears bears to the total cost of sales of all goods sold by Seller during the contract year.

Administrative expense shall consist of executive, administrative and general office and clerical salaries; including bonuses paid office employes as a result of a definite policy, and such portion of other expenses incurred by Seller as are properly chargeable to administrative functions such as supplies, stationery, printing, postage, telephone, telegraph, dues, subscriptions, legal fees, professional services, depreciation of office machinery and equipment, office rent, Federal and State Unemployment Insurance, and Federal Old Age Benefit taxes applicable to administrative, executive and general clerical salaries.

V. RESEARCH AND DEVELOPMENT EXPENSE - The amount of research and development expense charged to Sears product shall be that portion of Seller's auto and truck lined brake shoe (including lining) research and development expense that bears the same proportion to Seller's total research and development expense for lined brake shoe (including lining) as the cost of sales (direct materials, direct labor and factory overhead) or product sold to Sears bears to the total cost of sales of all lined brake shoe (including lining) sold by Seller during the contract year.

VI. PENSION AND PROFIT-SHARING PLANS - Contributions to pension or profit-sharing plans shall not be considered an item of cost unless approved in writing in advance by Sears; provided, however, contributions to the Maremont Corporation pension plans in the form existing as of the date of this agreement, including negotiated union benefit plans, shall be considered an item of cost without further approval.

VII. BONUSES TO OFFICERS AND MANAGEMENT - The parties recognize that management incentive bonus plans are desirable; however, a part of bonuses paid to management, at times, may represent a distribution of profits, and as such, is not a proper element of cost. Therefore, it is agreed that bonus payments to management to be included in cost of Sears product shall be agreed to in writing by Sears in advance; provided, however, that bonus payments made to management as a result of a definite policy pre-existing the date of this agreement shall be considered an item of cost without further approval.

VIII. OTHER INCOME AND OTHER DEDUCTIONS - That portion of other income and other deductions which under sound and accepted accounting principles is applicable to cost of product produced and sold to Sears. Such items may include cash discounts, recovery from sale of scrap and waste, interest expense for short term borrowings and fees paid to field warehousing companies for issuing warehouse receipts on raw materials and finished goods pledged by Seller.

IX. SELLING EXPENSE - It is understood that no selling or advertising expense is necessary, nor will be incurred by Seller in the production and sale of product to Sears. However, the cost of handling Sears orders, including invoicing, etc., shall be considered as part of the cost of Sears product. In those instances where it is necessary to incur expenses for contacting or servicing the Sears account, such contacting or servicing expenses will be included in the cost of Sears product where the amounts involved have been agreed to by Sears in writing in advance.

X. INTERCOMPANY TRANSFERS - Where materials, parts or services are furnished to Seller by a division, wholly-owned subsidiary or parent company, all intercompany or interplant profit on such items will be eliminated in computing the cost of product manufactured for Sears. In the event that any substantial amount of materials, parts or services are furnished to Seller by a partially owned subsidiary or a company having substantially similar ownership, then all intercompany charges therefor shall be approved in writing by Sears in advance.

XI. NO-PROFIT ITEM - Patent royalties and excise taxes which Seller is required to pay on the product that is manufactured for Sears, transportation prepaid by Seller pursuant to Sears request for delivery of product purchased by Sears and amortization of the cost of special purpose tools shall be reimbursed to Seller by adding such items to the manufacturing cost; however, the percentage of profit specified in the attached contract shall not be added to such items in the determination of billing prices or in the year-end redetermination of prices.

XII. ITEMS NOT APPLICABLE - The parties recognize that the following expenditures and receipts are not applicable to the product sold Sears, and therefore, shall be excluded in the determination of the manufacturing cost of product produced for Sears.

(a) Cost of collecting other than Sears accounts and losses due to uncollectible notes and accounts receivable.

(b) Interest on indebtedness of Seller having an original maturity of one (1) year or more and dividends on capital stock.

(c) Organization or reorganization expenses, or expense in connection with issuance or retirement of stock or funded debt.

(d) Expenditures for patents, profit or loss on investments, and sales of capital assets.

The above schedule is hereby made a part of the attached contract dated the 1st day of July, 1971, between the undersigned parties.

MAREMONT CORPORATION

By _____
Vice President

SEARS, ROEBUCK AND CO.

By _____
Vice President

APPROVED: RGL D1766