

FTS ATTACHMENT – DATED JULY 27, 2007
QUESTION NO. 15

kuskin

From: Mack Cai <mackcai@chaoyang.com>
 To: <DPenn0519@aol.com>
 Cc: Norman Hsieh <normanh@worldnet.att.net>; FTS <kuskin@worldnet.att.net>
 Sent: Monday, August 25, 2003 10:35 PM
 Subject: Re: inventory

2003-08-26

Dear David,

P.o.14237/8/9 have been loaded and will be shipped today via Westwood. Following is the shipping information:

14237/8/9 3X40' HC XHX031715C ALBERT LEA, MN 08-26 WESTWOOD
 TRLU5558630

TRLU5006924

TRLU1595271

After loading these orders, we are short of 825-20-10 rib and 900-20-10 rib in Super Fleet brand for po 14136/7/8 and po 14135. We have other sizes available. My suggestion is that we since p.o. 14136/7/8 are all for Albert Lea, we ship 2x40' H first without the 825/900-20-10 rib on 09-02, then ship the 3rd container with them sometime in Sept. It'll be the best if the customer accept other brands. We have enough 825-20-10 rib in YKS and 900-20-10 rib in Compass. If so, I will ship all the 4 containers on 09-02.

Our TBB production is still quite full. The export requires 90,000 tires for Sept., but factory only can guarantee us 42,000. Anyway, for FTS' 20" truck tires K72A/K78A/K305A, we reserve one BOM. This means we make different sizes simultaneously. We will have all the 825/900-20 rib ready around 09-15.

Best Regards

Mack Cai
 Hangzhou ZhongCe Rubber Co., Ltd.
 Tel:0086-571-86815894
 Fax:0086-571-86053191

===== 2003-08-25 10:26:00 您在来信中写道: =====

>Dear Mack,

>Re: PO# 's: 14237, 14238, 14239, 14136, 14137, 14138

>I understand that the factory is short inventory on 8.25-20 and 9.00-20 Super
 >Fleet brand.

>These tires are for our good customer Mr. Brawley.

FTS 1426

>The orders are needed for the fall (Sept) farm harvest.

>We must get these orders shipped very soon or they must be cancelled.

>Please answer the following:

08/26/2003

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083

Phone: 908-687-0559 Wats 800-634-8335 Fax 908-687-0231

e-mail: kuskin@worldnet.att.net

Number of Pages Including This 2

December 15, 2003

Att: Mack Cai

Dear Mack,

I would like to take this time to thank you, Ms. Xu Xia and Mr. Shen for taking such good care of myself and Mr. Tom Brawley during my recent visit to Hangzhou. As always, Hangzhou people have shown themselves to be gracious hosts.

During my trip to Hangzhou we reached some agreements and we have certain other points to clarify. Here is my understanding of what was discussed.

Price Increase:

The following tires shall be increased by 3% for all purchase orders placed after November 27, 2003: Bias medium and light truck, skid steer, forklift, bias LPT, pneumatic shaped solid tires. Radial light truck tires shall bear the below new costs:

Size Ply	CR860 & 861	CR857
LT235/85R-16 10	\$35.00	\$36.20
LT245/75R-16 10	34.75	36.10
LT265/75R-16 10	37.30	38.90
LT235/75R-15 6	28.20	29.00 (not available in CR860)
LT31-10.5-15 6	34.65	35.10 (not available in CR860)

The price of the medium radial truck tires, the press on tires, rear farm tires, and the 7.50R-16 shall remain unchanged. When developed, the 14 ply medium radial truck tires shall cost \$7.00 per tire less than the 16 ply tires.

The prices for the OTR tires shall be the prices listed in the price list sent to FTS and dated November 25, 2003.

Whereas Hangzhou has failed to meet the required introduction date of most of the R-1 tires proposed by Universal Coops, it agrees to have ready to ship by April 1 tires in size 24.5-32 12 and 30.5-32 12. Those other R-1 sizes that were scheduled to be completed in February or later shall be considered as secondary priority as compared to the development of sizes 24.5-32 and 30.5-32.

FTS 1427

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083
PHONE 908-687-0559, FAX 908-687-0231, WATS 800-634-8335
TELEFAX TRANSMISSION
NUMBER OF PAGES INCLUDING THIS 2

January 19, 2004

Att: Mack Cai

Dear Mack,

Thanks for your E-mail dated 1-19-04.

Attached is revised P.O. 14224, allowing the substitution of Ultraservice Brand for the 305/70D-16.5.

I do not understand the current problem with the LT215/85R-16 and LT225/75R-16. We want these tires to have an arc width 3% less than our original targets. Gary is confident that we can meet our weight targets (and probably be somewhat below that target) if you can design the molds thusly. Can we please get started on this project?

Also, can we also get started on the pcr project that I had previously proposed? Does Hangzhou have any reservations on this project? We actually went to the trouble of weighing the Hankook China Tires and we verify the actual weight is no more than the listed weight. It is often somewhat lower.

David Penn has sent you the tread depth of several competing LT265/75R-16 (6) tires. In all cases the tread depth is equal to or greater than our tread depth. Can we at least try to make some LT265/75R-16 (6) tires? There will be a great cost saving due to different steel and plies than are used in the 10 ply tire, even if the weight will not be much reduced. Therefore, the cost/weight must be lower due to lower cost materials. FYI, 15/32" = 12mm. And yes, the patterns look similar to the CR861.

I am somewhat concerned that Hangzhou has decided on its own to degrade the 7.50-16 10. While we are not experiencing any product problems, and because we are not, we can agree to this change if we continue to have no or little problems, we want to know whenever a product specification is changed. Hangzhou signs sheets on construction that we agree to. When a change is made it is only right to inform FTS for its opinion.

On the same subject, what other tires have had their specifications changed. This is important for us to know because we want to monitor any increased defects, we want to lower the Federal Excise Tax paid (based on tire weight), and most importantly, we want to make sure the change makes sense. Please start by weighing 7.50-16 8 and 7.00-15 8.

FTS 1428

TO: RK
FROM: Gary

SORRY writing a
BIT sloppy -
I'll call!

I am faxing the following.

1.) All pulley wheel tests. Note
2003 speed 55 kph vs. all other
years/data 65 kph, so it is
separate graphic chart.

2.) They have a fleet test ongoing
with 2 Belts N.E China (note
cold, not hot climate). 2% failed
so far. 4 of 200. 2 Belt, 2 Bead.
China Adj Rate 2 to 5% No. Inspire

3.) Charger Adhesion Change June 2000.
Material change last month

(May '04) to a passenger weak type

1/2 - 1/4 strength (2 vs 1). I said only OK
for LT LR "C" - change band 7.50R16

(2chgs) + LT 235/85R16 (one), + Run Bead

Endurance Tests. (Some Question LT 235, etc
(changed))

4.) Pulley wheel TEST of Nylon Cog Ply (not
in 7.50R16) @ Lab awaiting start. Cost ~ \$50 - 2

5.) Misc Recommendations. Myth TBD still



杭州中策橡膠有限公司

HANGZHOU ZHONGCE RUBBER CO.,LTD.

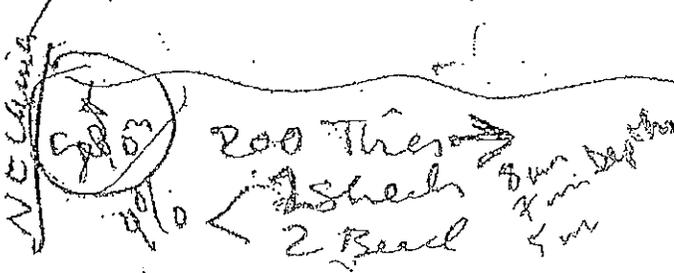
地址: 中國杭州海潮路1號
Add: 1 HAICHAO ROAD HANGZHOU CHINA 231
電話 Cable: 2361
電話 Tel: (0571) 6063352 6804903 6053939 (總機) 238
傳真 Fax: (0571) 6053191
郵政 Zipcode: 310008
E-mail: hzcrubb@public.hz.zj.cn
Internet Web: WWW.CHAOYANG.COM, WWW.CHINESETYRE.COM

Spec	Date	Hardness	Temp	Notes	Value
CR859	8/14/2001	97.4	65Kph		23.4
R852	9/23/2002	89.5	65Kph		23.8
CR852	77	86.5	77		23
R-859	4/27/03	103.2	55Kph	Shoulder Sep (Chaperon)	22.1
CR859	3/26/04	53.4	65Kph	Place of Cure A	22.3
CR859	3/28/04	81	65	Shoulder Sep	22.3
CR859	5/17/04	102	55	Cure - SW Sep	22.3
CR859	5/19/04	76	65	Chaperon? Shoulder Sep	22.6
77	5/22/04	78.2	65	Full Cure 5 Rim	22.0
77	5/12/04	47.2	77	Shoulder Pad	22.1
77	5/23/04	85	65	Command Sep	22.1

High Speed & ...

CR859	9/3/2002	51.8	Pass - Crown Sep	80-140
77	3/30/04	41.46	77 - 77	80-130

3/8/04
ECE 5Y
65Kph 47.4
100mph 30'



Richard Kuskin

From: "Richard Kuskin" <kuskin@worldnet.att.net>
To: <mackcai@chaoyang.com>
Sent: Thursday, August 12, 2004 7:51 AM
Subject: see below

Dear Mack,

Please see attached some preliminary information regarding the cost/damage caused by a defective Westlake 7.50R16/14 CR859.

First, let me make you aware that this is not an isolated incident.

We have been notified by another customer of an additional pending damage claim on the 7.50R16/14 built during the dates we have previously identified as production that did not meet FTS' standards.

HZ's decision to degrade this tire to save money has actually resulted in great additional costs.

Please understand that one of the values we hope to bring to HZ is information regarding the proper quality standards.

I am very demanding in this area of quality standards for reasons that should now appear much more obvious and clear to HZ.

Fortunately, there have been no personal injuries to date; hence, this is a relatively inexpensive lesson in the importance of working together to develop and maintain standards for tires that perform effectively.

We will forward you information regarding the second claim as soon as it is made available to us.

Let us hope there are no more problems.

Sincerely,

Foreign Tire Sales, Inc.

Richard Kuskin

FTS 1433

8/12/04

FOREIGN TIRE SALES, INC

2204 MORRIS AVE.

UNION, NJ, 07083

Phone 908-687-0559 Fax 908-687-0231 Wats 800-634-8335

September 21, 2004

Att: Mack Cai

Dear Mack,

Thank you for your E-mail dated 9-21-04.

Why have you not informed me what your proposal for the average freight is for consideration in calculating adjustment credit? If you do not give me a figure that is reasonable, then the \$4500.00 that I have used for ocean freight should be used. Of course, if you can prove that this figure is not accurate and you have a more accurate figure, then we can use that figure.

The testing done on the 7.50R-16 was performed by STL because Hangzhou could not spare the test wheel. We needed to know how extensive the quality problem was with this tire as we had to make a decision on recalling tires and whether or not to continue purchasing them. The results were shared with you. All this would not have been necessary if Hangzhou had not changed its specifications for this tire and cause us so many problems. Luckily, there have been no serious accidents causing injury. Had FTS not been so diligent, this certainly would not have been the case.

I have reviewed P.O. 15000 and indeed Hangzhou did not charge FTS the ocean freight. We agree to deduct that amount from the total that Hangzhou owes to FTS (\$3250.00).

For the airfreight of the bladders, please let us know the ocean freight and we agree to deduct the difference between ocean freight and airfreight.

Taking everything into consideration, Hangzhou owes FTS quite a lot of money. Please give us a schedule of how we will be paid by deductions. It is not right that a vendor owes money to a customer that buys about \$3.0 million/month. Please do what is right and repay this money promptly.

Please let me know by return the quantity of molds Hangzhou has for all its 22.5 and 24.5 radial tires in CR960, as our shipments are being delayed too much, our business is getting bigger and I want to make sure that Hangzhou has enough mold capacity.

Please also let me know of any progress on these issues:

New LTR tires that you have had molds for 4 months, 32" R-1 tires, 19.5" traction tires.

Re: P.O. 16285, please inform what brand/design you can substitute for immediate shipment. In the case the customer does not want any substitutions, when can this order ship? Of course, partial shipments are acceptable.

Sincerely,
Foreign Tire Sales, Inc.

FTS 1434

Richard Kuskin

Subj: 175/70R13 further comments on UTQG tested tire
Date: 1/1/2005 11:54:52 AM Eastern Standard Time
From: GETIntl
To: mackcal@chaoyang.com
CC: kuskin@att.net, richkuskin@hotmail.com, DPenn0519

Dear Mack,

I advised you we are sending a spare tire 175/70R13 up for UTQG testing again, to try and get an "A" rating. However, I wish to further point out 2 things working against you (us), on this. #1 is the undertread is heavy, about 3.5-4mm. This builds up extra heat, and is not good for quality as 2.5mm is plenty; some people even use less than this. Also, of course, you can reduce cost a little by reducing undertread, along with the benefit of better quality and less potential for adjustments.

Also of concern is I note there is DEFINITELY no belt edge gum strip between the top and bottom belt. This definitely is bad for belt seps, and virtually everyone today uses this for passenger car tires as well as LT tires, unless they use a nylon cap ply or belt edge strips. Ask your engineers about this point please-IT IS A CONCERN! I note4 in the 215/60R16 that the tire has 2 nylon cap plies, in ADDITION TO THE RUBBER GUM STRIP BETWEEN THE BELT EDGES. I WILL BRING SECTIONS TO SHOW YOU. It is ESPECIALLY SURPRISING NOT TO HAVE THESE SINCE THE TIRE IS RATED "T" SPEED, AND NOT "S". I think they need to review and possibly make changes. Anyways, I'll send the next test result when done. The date code on the serial of the 175 tire is 4604 fyi.

Best regards-Gary Eiber ps-Please REMIND the engineer about uniformity limits needed to supply to FTS as well when you advise on this 175/70R13 matter. I MAYBE will come to HZ first with these sections, after I go to Thailand; I would estimate arrival about 16 Jan or so-what do you think.)

FTS 1435

Saturday, January 01, 2005 America Online: GETIntl

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

Phone 908-687-0559 Fax 908-687-0231 Wats 800-634-8335

TELEFAX TRANSMISSION

NUMBER OF PAGES (INCLUDING THIS) 1

January 17, 2005

Att: Mack Cai

Dear Mack,

Thanks for your E-mail of 1-17-05.

Thanks also for the prices on the farm tires. Is this the current price? Also, can you please price out the following other sizes: 18.4-38 8, 15.5-38 8, 16.9-30 6, 14.9-38 6, 13.6-38 6. If you have stuff quantities, it would also help.

There are several issues that I am concerned about. It is clear that Mr. Shen has no intention of honoring the agreement on TBR and LTR tires, as it is written. He finds it not convenient to do so. Sometime in the near future, FTS will send USD 1 Million (in RMB, perhaps) to Hangzhou, if Hangzhou signs an appropriate agreement. Please convince me that Mr. Shen will honor that agreement, when FTS wants its funds repatriated given his reluctance to honor the existing agreement on TBR and LTR tires.

If Mr. Shen had the attitude that in consideration for violating the existing agreements, he is willing to do other things for FTS, I would not have the concern of supplying Hangzhou with capital to inventory tires. I can certainly live with non monetary consideration, but nothing has been agreed to as of this date. I would like to put this issue to rest before any funds are sent to Hangzhou.

Here are my thoughts on what consideration should be:

Hangzhou supplying additional sizes/designs of tires to FTS, in at least a unique mold set that will not be available to others. Among this category, the development of new sizes/specifications of per and ltr tires as well as TBR tires.

Hangzhou testing our new tires promptly on its own test wheels.

Hangzhou promptly running check tires when molds arrive.

A discount on our current purchases (perhaps based on our paying for the PLI, which in the last 2 years cost FTS USD700,000.00).

Please let me know your thoughts on this issue.

We are really finished with the UTQG testing. All passenger car tires imported into the USA needs to have proper labels, of a certain form. Are you familiar with these labels? If not, Mr. Li can help you. The tread act does require all tires subject to DOT139 to pass

FTS 1436

**AMENDMENT TO TBR AGREEMENT BETWEEN
FOREIGN TIRE SALES, INC. AND
HANGZHOU ZHONGCE RUBBER CO., LTD. OF
7 JULY 2000**

February 1, 2006

Background:

On 7 July 2000, Foreign Tire Sales, Inc. (FTS) and Hangzhou Zhongce Rubber Co., Ltd. (Factory) signed an agreement in which Factory appointed FTS its exclusive sales agent for Truck and Bus Radial Tires (TBR Tires) in The United States, its territories and possessions.

The Factory wishes to sell certain other companies TBR Tires for distribution in The United States. This amendment lists the conditions that FTS finds acceptable for other companies to distribute TBR Tires in The USA and the consideration Factory gives to FTS for allowing these sales.

In consideration for allowing Factory to sell tires to The Goodyear Tire & Rubber Company and to Kumho, Incorporated, Factory agrees to the following:

1. Factory agrees to fund all future mold purchases for any and all tires (not limited to TBR Tires) to be produced in "WESTLAKE" brand. All tires mentioned or referred to in this amendment shall be Westlake Brand. Factory further agrees to produce tires to be in compliance with DOT139 prior to July 1, 2007. Factory shall perform all DOT139 tests in Factory's test facility at Factory's sole expense.
2. Factory agrees to perform 4 pulley wheel tests per month consisting of two tires per test if so requested by FTS.
3. The following details relate to passenger car tires.
 - a. Factory shall procure additional molds of H550 or H600 design in the following sizes, in order complete the line of tires it currently sells to FTS. All tires produced from these molds shall pass DOT139 prior to production and shall go into production no later than July 30, 2005.

Size	Number of Molds Required
205/70-14	4
205/70-15	4
215/70-15	4
205/65-16	4
195/65-14	4
215/65-15	4
215/65-16	6
205/55-16	4
205/55-16	6
225/55-17	4

FTS 1437

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Cc: "David Penn" <dpenn@mn.rr.com>; "David Penn" <DPenn0519@aol.com>; "Gary Eiber" <getintl@hotmail.com>
Sent: Friday, September 02, 2005 9:22 AM
Subject: 7.50R-16

Dear Mack,

Unfortunately, Hangzhou engineers have made changes in specifications tires without adequate testing and without notifying FTS of the changes. While changes in tires are quite normal, FTS wants to know of changes so we can comment on whether they are reasonable or not.

It is these actions in the past that have caused Hangzhou and FTS many problems. I do not know whether Hangzhou is continuing to do this or not. However, in noting that there are problems with the 7.50R-16 now, it may be that some changes have been made that were not reasonable and that were untested after changes were made.

For these reasons, I would like Hangzhou to run two tires on the pulley wheel to determine if these tires still meet our standards.

I am requesting this because I do not want product problems.

Please do not ship any more of these tires until you have tested the tires and the results are acceptable to both Hangzhou and to FTS.

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1438

9/2/2005

Foreign Tire Sales, Inc.

From: "Richard Kuskin" <richkuskin@hotmail.com>
 To: <mackcai@chaoyang.com>
 Cc: <kuskin@att.net>
 Sent: Wednesday, September 28, 2005 12:08 PM
 Subject: Re: Pusan orders

Dear MACK,

I CAN NOT ACCEPT YOUR DECISIONS TO REJECT THE CLAIMS OF THE KOREAN CUSTOMER. THE FACT IS THAT HANGZHOU CHANGED THE SPECIFICATION OF THE TIRES SO THAT THE TIRES WERE MORE PRONE TO FAILURE. CLEARLY, THE TIRES HAVE SEPARATED. THE TIRES OF KUMHO AND HANKOOK DID NOT FAIL WHEN USED UNDER SIMILAR CONDITIONS.

IT IS BEGINNING TO BE A HABIT OF YOUR COMPANY TO DENY RIGHTFUL CLAIMS, DESPITE THE FACT THAT HANGZHOU AND NO ONE ELSE IS RESPONSIBLE FOR THE PRODUCTION OF YOUR TIRES.

YOUR DECISION IS WRONG AND I AM VERY UNHAPPY WITH YOUR WRONGFUL ATTITUDE CONCERNING OUR CLAIMS.

RICHARD KUSKIN

From: "Mack Cai" <mackcai@chaoyang.com>
 To: "Foreign Tire Sales - Lucy" <ftslucy@att.net>
 CC: "Richard Kuskin" <Richkuskin@hotmail.com>
 Subject: Re: Pusan orders
 Date: Wed, 28 Sep 2005 12:43:53 +0800
 >2005-09-28
 >Dear Lucy,
 >
 >Thanks for your e-mail. I forgot to talk with Richard regarding the claim from Korea. Hangzhou should be responsible for the adjustment as the usage condition is quite different from America's, like the speed. Your Korean customer should notified us the problem.then we would decide if we should continue to ship the tires to Korea. We mentioned this to your customer when they were here.
 >
 >We will not ship any more 825-15-14 EDT to Korea. Please revise the unshipped order.
 >
 >Best Regards
 >
 >Mack Cai
 >Hangzhou ZhongCe Rubber Co.,Ltd.
 >Tel:0086-571-86815894
 >Fax:0086-571-86053191
 >
 >===== 2005-09-28 03:48:04 ΑύΟύΑ 'ΔΛÖÐÐ´μΆε°=====

FTS 1439

> >Dear Mack:
 > >
 > >Good morning.
 > >
 > >How was your meeting with Korean Customer? Has the reason which caused the problem on 8.25-15 14 EDT been figured out? That customer is placing a new order with 50pcs 8.25-15 14 on it.

9/28/05

Foreign Tire Sales, Inc.

From: "Richard Kuskin" <richkuskin@hotmail.com>
To: <mackcai@chaoyang.com>
Cc: <kuskin@att.net>
Sent: Wednesday, September 28, 2005 12:08 PM
Subject: Re: Pusan orders

Dear MACK,

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IT IS BEGINNING TO BE A HABIT OF YOUR COMPANY TO DENY RIGHTFUL CLAIMS, DESPITE THE FACT THAT HANGZHOU AND NO ONE ELSE IS RESPONSIBLE FOR THE PRODUCTION OF YOUR TIRES.

YOUR DECISION IS WRONG AND I AM VERY UNHAPPY WITH YOUR WRONGFUL ATTITUDE CONCERNING OUR CLAIMS.

RICHARD KUSKIN

From: "Mack Cai" <mackcai@chaoyang.com>
To: "Foreign Tire Sales - Lucy" <ftslucy@att.net>
CC: "Richard Kuskin" <RichardKuskin@hotmail.com>
Subject: Re: Pusan orders
Date: Wed, 28 Sep 2005 12:43:53 +0800

>2005-09-28
>Dear Lucy,

>
>Thanks for your e-mail. I forgot to talk with Richard regarding the claim from Korea. Hangzhou should be responsible for the adjustment as the usage condition is quite different from America's, like the speed. Your Korean customer should notified us the problem.then we would decide if we should continue to ship the tires to Korea. We mentioned this to your customer when they were here.

>
>We will not ship any more 825-15-14 EDT to Korea. Please revise the unshipped order.

>
>Best Regards

>
>Mack Cai
>Hangzhou ZhongCe Rubber Co.,Ltd.
>Tel:0086-571-86815894
>Fax:0086-571-86053191

FTS 1440

>===== 2005-09-28 03:48:04 ÅúÔÙÀ 'ÐÃÖÐÐ' μÀ£º=====

>
>>Dear Mack:

>>
>>>Good morning.

>>
>>>How was your meeting with Korean Customer? Has the reason which caused the problem on 8.25-15 14 EDT been figured out? That customer is placing a new order with 50pcs 8.25-15 14 on it.

Foreign Tire Sales, Inc.

From: "Mack Cai" <mackcai@chaoyang.com>
To: "Richard Kuskin" <kuskin@att.net>
Cc: "David" <DPenn@mn.rr.com>
Sent: Tuesday, October 11, 2005 8:10 PM
Subject: Re: 245/70R-19.5 Mud and Snow design

2005-10-12

Richard,

The 245/70R19.5-14 CM986 is not in the production yet. None is getting the tire at this moment. No cost yet. I need to get you price. In addition, only one tire pass the testing. Per your standard, we need to test another tire.

Per our engineer, since the 1st tire run 140hours, and there was no more check tires for testing. they prefer to pick one tire from the trial production.

Best Regards

Mack Cai
Hangzhou ZhongCe Rubber Co., Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

===== 2005-10-11 22:27:45. 您在来信中写道: =====

>Dear Mack,

>

>We anxiously await the opportunity to purchase this tire. I know that you had on pulley wheel test that was great. When will you do another one?

>Since we were quite helpful in the selectin of the design of this tire, I want to know if these tires are currently being sold to another customer in The USA.

Please answer directly as there are no secrets in this business and we want a clea statement on this tire from you.

>

>Also, it was a particularly unrewarding experience to meet with Johnson Su. I do not know what Mr. Shen's opinion of all this is. I had hoped to meet with Mr. She to put together a reasonable agreement. Please send me an agreement that Mr. Shen is willing to sign and I will then comment on it.

>

>Sincerely,

>

>Foreign Tire Sales, Inc.

>Richard Kuskin

=====

FTS 1441

Richard Kuskin

From: "Mack Cai" <mackcai@chaoyang.com>
To: "Richard Kuskin" <kuskin@att.net>
Cc: "ftslgd" <ftslgd@public.guangzhou.gd.cn>
Sent: Thursday, October 20, 2005 9:14 PM
Subject: Re: 6 10.00-20 molds

2005-10-21

Dear Richard,

I should have sent an e-mail you last night on this issue, but I couldn't as my daughter was sick.

As we told you, CIMC is our OEM customer, who bought tires from us for its different factories in China. Recently, because their Shangdong suppliers couldn't supply enough tires, especially Yellowsea had big problem. They asked us to supply tires in short time. In view of our good relationship with them, we agreed to make some tires to help them. However, with our 6 molds, we are not able to meet their delivery requirement. We'd like to use your 6 molds for about 40 days. We have ordered 28 new molds and they are estimated to arrive at factory around Dec.01st:

We have 17 years cooperation, are you willing to do us a favour? Thanks for your understanding. When you have difficulty, we are always flexible to help you. A simple sample is the Tornel business, we agreed your 21 days after B/L date payment instead of your current payment term. We invested 6 11R24.5-16 CR960 molds instead Tornel makes the molds investment.

We appreciate your understanding and help on this issue.

Best Regards

Mack Cai
Hangzhou ZhongCe Rubber Co., Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

===== 2005-10-21 03:44:53 您在来信中写道: =====

>Dear Mack,

>

>I understand from Li Guangdong that Hangzhou is not returning my molds because you are using my molds to produce tires for an OEM order that you have received.

>

>This is wrong and I demand that you immediately return the molds per the instructions of Li Guangdong.

>

>This is terrible news that Hangzhou can do such a thing.

>

>Until I am informed that the molds have been released, please do not expect any

FTS 1442

10-20-05

Atten: Mr. Shen Jin Rong
From: Richard Kuskin
Re: quality

Dear Mr. Shen,

I hope this letter finds you in good health and spirit.

The intent of this letter is to contribute to our good relationship with important information that will help to improve the business. My goal is to resolve all the outstanding issues between the factory and FTS, so that you and I can move past these issues and expand and improve the business between our companies.

A key part of resolving these issues is to address the issue of tire quality and also the related issue of how the money owed to FTS for defective tires and damage claims is handled by the factory. Once we are all agreed on these issues, it will be much easier to move forward and expand the business. Everyone will accomplish their goal.

A careful review of the claims we are making for defective tires will quickly inform you that the factory has a significant product quality problem in the U.S. market. The majority of these claims are for ride disturbances on new tires. As you know, the percentage of ride disturbance complaints is directly related to the sort the factory uses for radial production. The factory's current policy on sorting tires between first class and other class tires for FTS is clearly not adequate to satisfy the U.S. market. Clearly the factory is not abiding by the sort limits agreed to between our companies. The result is that the factory's and FTS' reputation is suffering. Many dealers have become unsatisfied with the factory's product and are unwilling to be customers anymore! This is the reason FTS is not able to sell as many tires as it has anticipated.

Please consider this issue carefully. More than anything else, the ongoing inconsistent quality has degraded the value of Westlake Tires, making it hard for you to raise the price while maintaining the unit volume. The inconsistent quality is trapping the factory. Please change the factory policy and sort to the specifications for adequate quality we have already discussed with the factory.

In our own ways, we all want to move ahead and leave the current conflict behind us. We all want to find a way to mutually improve the relationship in the future. To accomplish this, we need to find agreement on the issue of the factory's policy for handling adjustment claims and damage claims for FTS. We can move ahead after agreeing that:

1) The factory will process FTS' adjustment claims within 30 days of receiving them.

FTS 1443

2) Damage claims for less than \$100,000 will handled as follows:

Step 1: FTS notifies the factory of a customer damage claim in writing.

Step 2: Gary Eiber inspects the tire and issues a professional opinion regarding the cause of the damage. If Gary Eiber indicates that he believes that the tire is clearly the cause of the damage and the factory agrees, the factory issues a credit to FTS for 100% of the claim within 7 days; or, if the factory does not agree, the factory WILL PAYS 100% OF THE COST OF A LABORATORY ANALYSIS PERFORMED BY AN INDEPENDENT LAB. The result of the independent lab will be accepted by both factory and FTS. If the independent lab determines that the tire is the cause of the damage, the factory will issue credit due for the claim to FTS in 7 days.

The tire at all times is the property of the person whose property was damaged, after all it was this person who has paid for the tire. Since the tire does not belong to FTS or to the factory, the owner of the tire must grant permission to send the tire to China. It is highly unlikely that permission would be granted when there are reliable independent laboratories in The USA able to determine if the tire is defective. No lawyer would permit the tire to travel outside The USA because there could be no guarantee that it will be returned at all, or returned in the same condition it was sent. However, there can be no objection to having one of the factory's experts come to The USA to inspect the tire in question.

If the lab is unable to determine the cause of the problem (in other words, if the tire is so badly damaged that it cannot be analyzed to determine with certainty the cause), the factory agrees to pay 100% of the claim within 7 days. Even if the cause of the damage is unclear, the customer will still sue FTS and the factory to recover the damages. Because the customer's attorney will certainly be able to find an expert witness that will place the blame on the tire, and because the GENERAL QUALITY OF THE FACTORY'S CURRENT PRODUCT CAN BE CRITICIZED BY AN ATTORNEY, and because the courts are generally sympathetic to the individual, the court will still rule against FTS. Because we are paying the full cost of insurance for the factory, I am asking that the factory pay 100% of the damage claims that the causes of which are uncertain.

Finally, in the event that both Gary Eiber and an independent laboratory conclude there is nothing wrong with the tire, and the plaintiff finds another expert witness who disagrees, both FTS and the factory will be sued for damages. Our insurance company will defend us, but only beyond the limit of \$100,000.00. Since FTS has paid for the insurance policy, the factory must agree to either cover the cost of defense or the cost of the settlement up to the \$100,000.00 deductible limit.

While agreeing on these issues will not completely settle all outstanding issues, it will show good will on the factory's part. This will do much to all us to move ahead past our current disagreements and expand the business.

Please consider these ideas before I come again to China as I sincerely hope to reach agreement with you at that time. I also hope to discuss new projects with you and your thoughts on how we can grow our cooperation.

Sincerely,

Richard Kuskín

FTS 1445

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

October 26, 2005

Att: Mack Cai

Dear Mack Cai:

Today I received a call from a customer who had three tread separations on Compass 235/85R16 CR861. The last time, the tire caused damage to his vehicle. DOT is 7DT2FTS4404. I have asked him to send the tire to Gary to inspect it, and also to get me estimates for the damage. Mack I am really worried. Our government keeps track of all damage claims and the percentage of returns for a particular defect. If the number is too high, they can force a recall which is both expensive and embarrassing. The tire is fairly new so I wonder if any changes have been made to improve this tire in 2005. At least that way I can let the dealership know that HZ is working to improve its tires. I don't want them to lose confidence in a product but their customer has three tread separations in less than a year.

If you could respond on PO 10191- these Venezuela shipments need to go out on time- they have to reapply for license to import if the L/C expires. Please advise the soonest it can ship.

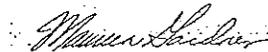
For the three sample tires of 185R14, can you look at the DOT for another one of these tires and just give us the part without the date. We need it to clear the samples for testing in Mexico.

Also customer for Zambia expressed an interest in small minivan tires. Are all your radial tires steel belted? Once I have a firmer idea of the exact sizes I will ask for a quote. I also got a call for the LTR tires from someone in Australia. Are you selling the LTRs there?

Will Mr. Shen be available for Richard to visit when he proposes to come?

Please respond on questions as soon as you return.

Best regards,



Maureen Gardner

FTS 1446

FOREIGN TIRE SALES, INC.
2204 Morris Ave.
Union, NJ, 07083 USA
Phone 908-687-0559 Fax 908-687-0231 Wats 800-634-8335
kuskin@att.net

November 11, 2005

Att: Mack Cai

Dear Mack,

I am becoming more and more concerned with the quality of the LTR tires. It seems that every week, we are getting an increasing number of claims for damage and defects.

This is a result of the factory's decision to make quality a side issue and not a primary task. No company can succeed in world markets unless quality is job number one.

I have been advised that the factory's attitude to quality is going to change. While this is the best news I could receive, there are two things that the factory can do that will demonstrate conclusively this new attitude.

Yesterday, a tire technician was almost killed while mounting a 16" tire. It seems the bead separated at the splice while the tire was being aired up. If the bead had hit the worker in the head instead of the arm, he would now be dead. Since it is possible with today's technology to make beads that do not have splices, Hangzhou and FTS would be found guilty of intentionally producing a defective product. The resulting damage claim could be in the range of \$10Million.

If Hangzhou is really interested in improving its quality and of not being accused of intentionally producing defective tires, then Hangzhou should immediately order a machine to produce beads that do not have splices for 16" tires. Alternatively, if Hangzhou decides not to order this machine, how can I believe that Hangzhou intends to improve its quality?

A second issue is compliance with DOT139. Every tire we purchase from Nexen and from Linglong has passed DOT139. None of the LTR tires we purchase from Hangzhou has passed this standard. Once again, if Hangzhou intends to change its attitude about the products that it produces, then Hangzhou should immediately produce its tires to be in compliance with DOT139.

Ultimately, tires from China will not be lumped together in the eyes of United States buyers. Some brands will be perceived as better than others. The better brands will sell for a premium. Without a radical change on the part of Hangzhou, the tires we sell will always be considered to have junk status.

Sincerely,

Foreign Tire Sales, Inc.

Richard Kuskin

FTS 1447

Richard Kuskin

From: <GETIntnl@aol.com>
To: <mackcai@chaoyang.com>
Cc: <kuskin@att.net>; <richkuskin@hotmail.com>; <ftslgd@pub.guangzhou.gd.cn>
Sent: Thursday, November 24, 2005 8:48 AM
Attach: ATT00057.eml
Subject: Fwd: FW: Emailing: MVC-028L, MVC-029L, MVC-030L, MVC-027L

Dear Mack,

I am sending you 4 photos of the LT235/85R16 involved in a small damage claim. Details of that claim with FTS office. Serial 4404. In the photo with the wild wire, if you look closely you can see a separation at belt edge on the right side. I had the tire cut on both sides of this wild wire area, and also 180 degrees opposite, to determine if there was a sep of any kind that far away from the big failure area. There was!!! I have that section and will bring one with big sep, and 180 away small sep to discuss with your engineers.

There is one thing that bothers me on appearance of the section when I analyzed it. That is there does not appear to be any gum strip between the belt edges. I am sure we had it in there before. PLEASE CONFIRM THIS WITH THE LT ENGINEERS WHETHER IT HAS IT OR NOT (THIS GUM STRIP BETWEEN BELT EDGES).

Best-Gary Eiber noted your comments on my schedule; I will be in Shandong and will co-ordinate with you or Mr. Su before I come.

FTS 1448

11/25/2005

Foreign Tire Sales, Inc.

From: <GETIntl@aol.com>
To: <mackcai@chaoyang.com>
Cc: <kuskin@att.net>; <richkuskin@hotmail.com>
Sent: Monday, December 05, 2005 1:45 PM
Attach: ATT00079.eml
Subject: Fwd: Liability Claim

Dear Mack, I am forwarding to you several pictures of an LT235/85R16 A?T YKS tire, 1900 serial # from Northgateway. I am having the tire delivered tomorrow to Smithers from them, and will inspect it and cut a section if need be.

I have the LT245/75R16 Telluride tire, just delivered to my home today. I have inspected it and will take it to Smithers tomorrow for a section to see if there is a sep away from the main failure area, and also to bring a piece with me to show you what appears to be either a repair by the factory, or a defective bladder spacer ring for multiple size uses of the bladder mold.

Also, I never heard back from your engineers on my comment last tire analysis that appears to show you need a gum strip between the belt edges of these LT tires; I have never seen LT tires, just like I have never seen truck tires, without gum strips between the belt edges to reduce shear stress and seps. (Unless nylon cap ply is used).

Best-Gary

FTS 1449

12/5/05

Foreign Tire Sales, Inc.

From: "Foreign Tire Sales, Inc." <kuskin@att.net>
To: "Mack Cai" <mackcai@chaoyang.com>
Sent: Tuesday, December 06, 2005 6:02 PM
Subject: E-mail 12-06

Dear Mack Cai:

Glad to hear from you. We're also have an early and snowy winter. Tom is used to cold weather they had temperatures of -20C where they live. To them Beijing will probably seem warm! Seems China and US get same weather.

Please let me know on the pcs- I need tread depth to be sure that if OOR, the tires are not excessively worn. We like to be careful about that. We consider our interest and your interest are aligned.

We have had two more damage claims sent to us and Gary has now looked at three damage claim tires. He will have some suggestions and I hope the factory will receive his recommendations positively because we're trying to avoid the bigger claims.

The total amount of the bladders that were obtained at no cost to Hangzhou is \$44,151.20. This includes 20 of the 11323 bladders, 12 of the 8359 bladders, 12 of the 7651 bladders, 20 of the 7106 bladders and 16 of the 8348 bladders- these were shipped in August and September. You paid nothing for the actual bladders. You paid only the duty. We paid the freight and that is in our list of monies HZ owes FTS, along with an additional 17 of the 11323 bladders shipped in August.

Now we have a new shipment of 30 7106 bladders but I think it may not ship out until early January because the factory shuts around Christmas and New Years. Then a second shipment about a month later- did you want 20 or 30 more 7106 bladders.

For the 16x7x10.5 SM NM I have a price of \$34.49. So what is the price for the SM BL?

Myers says the freight forwarder in China must pay the duty on the two bladders just shipped to you. Please let them pay the duty- I insisted on your behalf that this should be included.

Best regards,

Maureen Gardner

FTS 1450

12/6/05

Foreign Tire Sales, Inc.

From: <GETIntl@aol.com>
To: <mackcai@chaoyang.com>
Cc: <kuskin@att.net>; <richkuskin@hotmail.com>; <ftslgd@pub.guangzhou.gd.cn>; <DPenn0519@aol.com>
Sent: Tuesday, December 06, 2005 10:05 PM
Attach: ATT00037.eml
Subject: Fwd: Tire Photos

Dear Mack,

I just wanted to forward these photos to you in advance of my coming. Seems we have a lot to discuss. Anyways, the first 2 photos are the LT245/75R16 from Roadrunner tire damage claim. It has a shoulder sep and no gum strip between belts. I must check later, as the serial was cut from the tire when I cut sections today, but I think it was 4404.

The Northgateway tire we learned of yesterday LT235/85R16 was 1900 serial, and it certainly appears to have gum strips between the belt edges! Also it has a nylon shoulder edge wrap--which should be a little wider to be totally effective, but also the innerliner rubber is too thin; I believe this has been a repeated problem, that a month or 2 ago I asked for a section but your engineer never replied to me. For BOTH OF OUR COMPANIES SAKES, WE NEED TO LOOK AT YOUR PREWSENT PRODUCT CLOSELY AND SEE THE HISTORY ON THIS TIRE. I had NO IDEA WHATSOEVER you had added for some period of time a nylon cap ply strip at the belt edges as I found in the section of the tire upon cutting. As long as the compound ok this should be good for sep resistance. I am bringing the sections I cut this afternoon here and we will talk there.

Basically, what I am saying is we must adjust these tires and pay the claims; I have talked with Mr. Kuskin on this matter today before finalizing this decision. You have herewith the photos. I am bringing section with serial 1900. And FTS will send the serial from the LT245 Telluride later, as it was cut from the tire when I got it.

Best regards-Gary

FTS 1451

12/7/05

Foreign Tire Sales, Inc.

From: "Gary Eiber" <getintl@hotmail.com>
 To: <kuskin@worldnet.att.net>; <richkuskin@hotmail.com>
 Sent: Wednesday, December 07, 2005 7:39 AM
 Subject: FW: Re: Fwd: Tire Photos

Dear Richard-you can see Mack's comments-Gary ps-I did not get the email at aol, just hotmail, so filters different it seems.

>From: "Mack Cai" <mackcai@chaoyang.com>
 >To: "GETIntl@aol.com" <GETIntl@aol.com>, "Gary/hotmail"
 ><GETIntl@hotmail.com>
 >Subject: Re: Fwd: Tire Photos
 >Date: Wed, 7 Dec 2005 15:29:17 +0800
 >
 >2005-12-07
 >Gary,
 >
 >Thanks for your e-mail. I forwarded your e-mail to Mr. Su. In case I am not
 >in the office, he knows something at least.
 >
 >I am sad to see there are problems on the LTR continuously. Both of us put
 >so much effort on the LTR project, but

>
 >Best Regards
 >
 >Mack Cai
 >Hangzhou ZhongCe Rubber Co., Ltd.
 >Tel:0086-571-86815894
 >Fax:0086-571-86053191
 >
 >===== 2005-12-06 22:05:48 ÁúÔÚÀ'ĐÁÖĐĐ'μÀ£°=====

>
 >> Dear Mack,
 >> I just wanted to forward these photos to you in advance of my
 >> coming.
 >> Seems we have a lot to discuss. Anyways, the first 2 photos are the
 >> LT245/75R16 from Roadrunner tire damage claim. It has a shoulder sep
 >> and no gum strip
 >> between belts. I must check later, as the serial was cut from the tire
 >> when I
 >> cut sections today, but I think it was 4404.
 >> The Northgateway tire we learned of yesterday LT235/85R16 was 1900
 >> serial, and it certainly appears to have gum strips between the belt
 >> edges! Also
 >> it has a nylon shoulder edge wrap--which should be a little wider to be
 >> totally effective, but also the innerliner rubber is too thin; I
 >> believe this has
 >> been a repeated problem, that a month or 2 ago I asked for a section

FTS 1452

12/7/05

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

December 14, 2005

Att: Mack Cai

Dear Mack:

Thanks for your E-mail. Thanks on the response regarding Are orders.
Thanks also on PO 19514.

We don't have that Myers owes any more than the 2 pieces. I will ask Myers again what their person is doing about paying duty. I certainly don't want them to make you pay storage because their people didn't pay the duty on time.

For Tornel, it seems they must use up quantities from an older order before they can apply to the newer order. What we will need is separate invoices showing what comes from PO 10239 and what from 10260, or 10282. Say we have 100 pieces of size 11R22.5CR960 on order on PO 10239 and 200 of size 11R22.5CR960 on order on 10260. If you ship 150 pieces we will need two invoices, one for 100 pieces at the price of PO 10230 and 1 for 50 pieces at the price of PO 10260. For the next invoice for Tornel shipment please try this. Please confirm.

I have information on a damage claim. The claim is as follows:

DOT Code 7D3TFTS1504 on 245/75R16/10 Telluride CR861- tire tread separated and damaged vehicle but tire continued to hold air. This is a tire that Gary inspected and agreed was manufacturing defect. I believe he will be bringing you a sample of this tire.

Best regards,



Maureen Gardner

FTS 1453

From : <getintnl@aol.com>
Sent : Friday, December 16, 2005 4:08 AM
To : kuskini@worldnet.att.net, richkuskini@hotmail.com
CC : DPenn0519@aol.com, mackcai@chaoyang.com, getintnl@hotmail.com
Subject : Misc Hangzhou items

FTS 1454

Dear Richard,

First good news that we reached an agreement for the H660 pass car tires uniformity, although it took a long time to get there. For small sizes=<195 one limit and =>205 another as follows: Dynamic balance 45/55, Radial composite 14/16, Radial first harmonic 10/11, lateral composite 9/10 and conicity 8/10. They do not want to check runout, but they say random samples show them always below 1.0mm. That is very good and if they do this random check, AND BECAUSE THEY INSIST COOPER IS NOT REQUIRING IT, THEN I GUESS WE CAN TRY. They agree if we would have problems this as well as lower first harmonic radial, etc would be revisited, but these are decent starting points, not like the old Radial LT very high limits! Speaking of that, it seems they have gotten religion so to speak, and the adjustments of traction radial LT design has now convinced them they need adapt the rib tire LT first harmonic sort limits which they had refused to do up to now. So-upstream less adjustments for ride disturbance; I tried to help them on this learning curve, which now they (and the rest of us), have learned. When they at one point on pass car wanted to not sort first harmonic, I said as far as I was concerned we do not take tires; that was remedied. thank goodness.

They showed me a radial farm tire section Tom Brawley evidently had sent to them unbeknownst to me. They did not know who it was (Competitor???), and they said Tom told them it was Nylon. I do not believe that could be. I am ready to learn on this one, but I have never heard of nylon belts and do not believe the modulus of nylon would allow same. It is a breaker only. Radials require material like steel, fiberglass belts, aramid/kevlar, or lastly RAYON LIKE ALLOF THE GOODRICH HIGH PERF TIRES AND MANY EUROPEAN RADIAL HIGH PERF. Continental also used all Rayon radial farm tires which I saw built at the Hannover, Germany factory. I did a rudimentary burn test of the cord material and am 95%+ sure it is rayon as it burned like cotton and rayon natural fibers. Synthetic fibers like nylon and polyester ball up and get hard. So....se competitor brochure whoever it is and confirm what I think. Rayon not available in China, but is in India-or was last I knew. USA will not produce as environmentally dangerous FYI.

The 385/65R22.5 they had no section and only one marginal test result of 106 hours. The 425 and 445/65R22.5's they have not even built; this is because machine/drum set at limits and too many defects when they made the tire samples they said. So do not look for these fast. Likewise the "tall tires" solid shoulder they have not rebuilt nor tested after initial low results. They are NOT MAKING THE TIRES AND NO SCHEDULE FOR DOING SO MACK SAYS. THEY HAD NO SECTIONS TO SHOW ME!

I gave 11.2 irrigator reduced skid depth and diameter, etc details. They (and I) would like reconfirmation this is a TL tire and what the compertitor tire weights are!! This should BE ACTUAL WEIGHTS OF ABOUT 5 TIRES AS THEY ARE SMALL. THIS IS AN IMPORTANT PROJECT FOR THEM (AND US) AND SHOULD NOT BE APPROXIMATED. Also, I said one less lug than regular R1, and felt shape should be the same on lugs but they said Tom said different. IF SO I NEED AT LEAST THE NUMBER OF LUGS AND BROCHURE SHOWING SHAPE OF LUG DESIGN IF DIFFERENT THAN OUR 23 DEGREE TIRES. Load/pressure same as regular R1 and 14.9-24 we had before showed same construction as regular tire. Up to you whetyher you want to send a sample to STL to reconfirm that. Radius of tread likewise we must assume same as present tire unless otherwise proven, since fairly small at 13"!!!

On 26.5-25 28pr, Mack said price you offered too far away so worthless for me to

review; I said maybe there was a chance to modify, but engineer/info not provided. If later this is worked out, they can send me number of plies, denier, and epi (V1, etc). I can figure from there.

They out of the clear blue had a LT215 CR 861 sample for me to see. They had one pulley wheel result which was 16.2 kg and 105 hours, which shows promise. So another needed, or they can run to Fmvss 139 I told the engineer later and if passes we can take it. Now.....on radial LT adjustments

AND IN PARTICULAR THESE DAMAGE CLAIMS, THEY SEEM TO READILY ADMIT WHILE WE HAD INITIALLY GUM STRIPS BETWEEN THE BELT EDGE, THAT FOR EITHER COST OR FACTORY EFFICIENCY REASONS, THESE WERE UNILATERALLY REMOVED WITHOUT OUR PERMISSION.KNOWLEDGE. The engineer wants to go a step further and do wrap around belts which is better, but more costly. He further wants to add a nylon cap ply, which when I pointed out uniformity would be worse unless spiral wrapped, he said they have that machine now and would do it that way. He indicated he would do all this next week!!! Then afgter he left Mack said he wanted to look at cost. I told him as we had the gum strip initially and price originally set on that, we should not pay, and the market furthermore would not bear I assume. However, if a cap ply is further added, consideration MAY BE IN ORDER; THIS IS SOMETHING LIABILITY WISE THAT OFTENTIMES LAWYERS AND EXPERT WITNESSES JUMP ON IF NOT THERE, AS I THINK YOU KNOW!!! This "next week adoption" as the engineer promised then seems a question and Mack needs to sort out what they will do. I then asked if out radial pass cars had gum strips in them between belts for shear stress now as when we tested to 40K miles in Texas. They said yes it does. SDO IT IS REALLY CRAZY THAT RADIAL LT DOES NOT HAVE THEM NOW WHEN RADIAL TRUCKS AND PASS CAR DOES. OF COURSE THEY CHECK BELT CURED ADHESION WHICH IS SO IMPORTANT AS WELL, FOR PASS CAR (COOPER REQUIRES) AND TRAUCK (COOPER REQUIRES), BUT NOT LT!!! Crazy!! The cap ply would help this aspect of a tread throw, which causes damage---but of course no cap ply if adhesion good also would avoid this mostly, but adhesion unknown. So.....the learning curve continues.

The Northgateway section that was worn to TWI and 1900 date code IS NEXEN AS IT TURNS OUT. I WILL BRING THAT SECTION BACK FOR THEM. hz SAW AND AGREED BELT EDGE SEPS, ON OTHER 2 CLAIM TIRE, LT235 and LT245. These helped them on decision they need to do something as I requested!

So...from a uniformity standpoint on pass cars, and LT M+S design to sort better limit, and agreement on LT gum strips at least, mostly good news AND COOPERATION COMPARED TO PAST. I am COPYING MACK TO DOCUMENT EVERYTHING. Best-Gary

FTS 1455

Richard Kuskin

From: <GETIntl@aol.com>
To: <mackcai@chaoyang.com>
Cc: <kuskin@att.net>; <DPenn0519@aol.com>
Sent: Friday, December 23, 2005 3:31 PM
Subject: misc

Dear Mack,

Please remember per our talks that ANY NEW LT TIRES WE GET WE WANT AT LEAST THE GUM STRIPS BETWEEN THE BELTS. The engineer readily agreed to this, and even wanted to put a cap ply. He also wanted to make the gum strips "wrap around" the belt edges, which I agreed to if he wished to do so as it is indeed better, but that costs more, as does the nylon cap ply he wanted to do. I emphasize any of those things are technically ok with me, but the worst thing is do nothing, as the tire without gum strips not acceptable and I do not understand how that happened. Thanks.

Also, we would like HZ to start testing those H660 tires to Fmvss 139 standard as soon as possible, as in 2007 we will not be able to take tires unless they pass the test. This is true for LT tires as well. Please let us know your program/intent.

Lastly, I asked a wek or so ago if you could please process a letter for my visa. My passport is in FTS office- I mailed it there this week. Please let me know status of this. Thx-Gary

FTS 1456

12/23/2005

Foreign Tire Sales, Inc.

From: <GETIntl@aol.com>
To: <kuskin@att.net>; <richkuskin@hotmail.com>
Cc: <ftslgd@public.guangzhou.gd.cn>
Sent: Sunday, December 25, 2005 9:07 AM
Subject: belt package treatment at Ling long

Dear Richard,

For your edification and for documentation purposes, I am putting down exactly what we have at LLOng for cap ply and belt edge gum strip use. In part this is because of Hangzhóu taking the between belt edge gum strip out of our LT tires, without telling us: THIS IS A VERY IMPORTANT CONSTRUCTION FEATURE FOR

RADIAL TIRE PERFORMANCE:

ST TIRES= 1 NYLON CAP PLY

RADIAL PASS CAR TIRES

55 series "H" speed: 1 SPIRAL NYLON CAP PLY+gum strip between belt edges

60 series "T" speed: 1 regular nylon cap ply+gum strips between belt edges

65 series "T" speed: same as 60 series

70 series "S" speed: Regular cap ply, NO GUM STRIPS.**

** (For 70 series tires) Note that most companies, my old one as well as HZ, etc, would use gum strips and no cap ply, as cheaper and no (not as much), uniformity issues. However, 1 cap ply for endurance equivalent, and high speed cap ply slightly better, so I went along with their wishes, which I guess comes from Pirelli technology base.

Best regards, Gary Eiber ps-Li is copied herewith, and was there when I reconfirmed the above with LLong Tech.

FTS 1457

12/27/05

Foreign Tire Sales, Inc.

From: <GETIntl@aol.com>
To: <kuskin@att.net>
Cc: <richkuskin@hotmail.com>
Sent: Friday, December 30, 2005 9:25 AM
Subject: misc

Dear Richard and Maureen,

Yesterday I adjusted 15 tires at Northgateway with Andy Ondo. I rejected 3 for overload/impact breaks, which he readily accepted as such.

I sent envelopes and pics of those adjustments with serials by mail in the afternoon, after I developed the pics.

Also in the big envelope is a separate envelope marked "Hangzhou claim", which has 2 sets of pictures of the LT tires sent to my house along with the serials I cut out. I did take these to Smithers as I will save you that expense. We need to decide first of all if we want to even bother with sending more tires LT here since we KNOW THEY DO NOT HAVE THE GUM STRIP LIKE THEY SHOULD BETWEEN THE BELT EDGES!! Having said that, I said 2 sets of pictures, because one of these tires had a clear puncture with an abrasion area beside it that seems clear it was from a foreign object, not due to the accident per se. The inside was rubbed raw with cords bare, which does not happen instantaneously in an accident as well. I PUT A LARGE SCREWDRIVER through that puncture hole, to have it clear in the picture. (HEIDI CALLED ME AFTER I SENT THESE WONDERING IF I HAD THE 2 TIRES-I said yes and had gotten them just before xmas but too tired to look at them in detail). So...bottom line is you can go either way-reject the claim or send to HZ, after you see the pics and we talk.

Lastly, I sent a picture along with the Visa form filled out, and as you have my passport there, I would appreciate getting that taken care of asap next week, so I have passport back for any need.

Best-Gary

FTS 1458

12/30/05

Foreign Tire Sales, Inc.

From: "Foreign Tire Sales, Inc." <kuskin@att.net>
To: "Mack Cai" <mackcai@chaoyang.com>
Sent: Wednesday, January 04, 2006 6:39 PM
Attach: HZrevpo10406.tif
Subject: E-mail: 1-04-06

Dear Mack Cai:

The invoice needing correction still was the first one I mentioned 19577-HX055336C- the Y5-1s.

I had another discussion with Jim at Myers about the two bladders and he should have sent you an E-mail. I told Myers they told us not to clear the bladders through customs because we had agreed (they were responsible since you had paid duty for bladders that weren't sent)and that HZ certainly doesn't intend to pay storage fees because Myers and Pirelli didn't do their job. Believe me, I am trying to get the bladders delivered.

I also had discussion with Wanhai Lines and they tell me it is OK to book with them. Let me know if they are still refusing you for Oakland. See attached PO- it seems to match in our price list- what is the problem for price on it?

The question about the LTR in inventory-how many do you have of each size and pattern that have no gumstrip or no cap ply? I need to discuss with Gary on what we can do. We are worried that someone could have a big lawsuit where there's an injury. We don't want lawsuits or to have the government decide we have too many claims and force us to recall the tires. I am sure that Hangzhou doesn't want that either.

Heidi submitted some claim information to you on tires that Gary brought you to see. Now we have another one which the customer sent us two tires, not knowing which caused the damage. These LTR (from California customer) do not have the gum strip between the belt edges. Gary noticed that one of the tires had a puncture with abrasion. So we need to ask Hangzhou what do you want to do. We can pay the claim even though there was a puncture because their lawyer is certainly going to say that our tire lacked the gum strip. Or we can tell the customer no we won't pay the claim, but then there will likely be defense costs involved. Let me know.

Maureen Gardner

FTS 1459

1/4/06

Foreign Tire Sales, Inc.

From: "Mack Cai" <mackcai@chaoyang.com>
To: "Richard Kuskin" <kuskin@att.net>
Sent: Wednesday, January 04, 2006 3:04 AM
Subject: Re: see below

2006-01-04
Dear Richard,

We will arrange to ship the 4 Tornel brand samples tomorrow.

At to the LTR tires, how about the inventory? These sizes are only for North America.

Best Regards

Mack Cai
Hangzhou ZhongCe Rubber Co.,Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

===== 2006-01-04 04:09:20 您在来信中写道: =====

- > Dear Mack,
- >
- > Thanks for your E-mail of 1-3-05.
- >
- > Please do send the 2 11R-24.5 CM980 and 2 11R-24.5 CR960 to Tornel via air freight immediately. The customer wants the tires.
- >
- > Also, can you please review the price of the 215/75R-17.5 CR960A and give us the prices for the traction tire as well as the prices for the 235/75R-17.5 rib and traction.
- >
- > Please also note the following:
- >
- >
- FTS will not accept any LTR tire that does not have either gum strips at the belt edge and/or cap plies. All tires m agreed values for uniformity. Please acknowledge this by return.
- >
- > Sincerely,
- >
- > Foreign Tire Sales, Inc.
- > Richard Kuskin

=====

FTS 1460

Richard Kuskin

From: "Gary Eiber" <getintl@hotmail.com>
To: <mackcai@chaoyang.com>; <GETIntl@aol.com>
Cc: <kuskin@att.net>
Sent: Monday, January 09, 2006 10:02 AM
Subject: Re: 17.5" fire info

Dear Mack,

I will leave it to Mr. kuskin to decide if he wants to pay the extra dollar and add the nylon cap ply; that of course adds material, and also labor to put it. If it is spiral wrap, there would be very little uniformity impact. If not spiral wrapped, the nylon cap ply would have a fairly large negative impact on uniformity and more downgraded tires.

At least we "are back where we should be and started years ago", with the gum strip between the belt edges, either way RK goes; as I understood from the engineer, and I agreed totally, that it would be what is called "wrap around" gum strip on the bottom belt edge extending between the 2 belts.

Best regards-Gary

>From: "Mack Cai" <mackcai@chaoyang.com>
 >To: "GETIntl@aol.com" <GETIntl@aol.com>
 >CC: "Gary@hotmail" <GETIntl@hotmail.com>, "FTS" <kuskin@att.net>
 >Subject: Re: 17.5" tire info
 >Date: Mon, 9 Jan 2006 17:00:59 +0800

>
 >2006-01-09
 >Dear Gary,
 >
 >Many thanks for your information.
 >
 >Per the engineer of LTR, they have decide to add the gum strip. However,
 >there is \$1.00/tire cost increase if to add gum strip+cap ply.

>
 >Best Regards

>
 >Mack Cai
 >Hangzhou ZhongCe Rubber Co.,Ltd.
 >Tel:0086-571-86815894
 >Fax:0086-571-86053191

>===== 2006-01-06 09:53:49 ÁúÔÚÀ ÐÀÖÐÐ´µÀ£°=====

>
 >> Dear Mack,
 >> First of all, on the 215/75R17.5, your speed is only "J". That is
 >only
 >> 100 kph or 62 mph. We do not feel that is a high enough speed for sales
 >in
 >> USA. You have a "M" speed, much higher, on the more difficult bigger
 >> 235/75R17.5; that is 130 kph and ok. Maybe even between the 2 ok, but

FTS 1461

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Cc: "Gary Eiber" <getintl@hotmail.com>
Sent: Monday, January 16, 2006 1:58 PM
Subject: belt edge strips in LTR tires

Dear Mack,

Of course we were shocked to learn the factory had eliminated the belt edge strips. This should not have been done, especially since no testing was done on the tires to gauge the effect.

Frankly, until quite recently we thought that all our LTR tires did have these strips. Now that you have informed us that they indeed do not and that you refuse to put the strips back unless we pay \$1.00 per tire more, we have no choice to agree to this.

For all shipments of LTR tires, please make them with belt edge strips and give me talley each week and we will subtract the \$1.00 from the money that Hangzhou owes to FTS. Only ship tires made with belt edge strips to FTS.

Please confirm your agreement and understanding.
Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1462

1/16/2006

Richard Kuskin

From: "Gary Eiber" <getintl@hotmail.com>
To: <kuskin@att.net>
Sent: Tuesday, January 17, 2006 8:28 AM
Subject: RE: belt edge strips in LTR tires

Dear Richard,

This is NOT CORRECT. We had talked about this, and I had an email explaining as well, so I do not know if you forgot or had Maureen do this and she did not have it straight, but a correction should go to Mack TODAY, with a "sorry about that", to keep it straight.

What HE HAD SAID IN HIS EMAIL IF YOU REREAD IT, I BELIEVE (AND I CONFIRMED SAME AFTERWARDS in an email), is that they would agree to put the gum strips in for FREE, and if we wanted the nylon cap ply, that would be an extra \$100. (I warned in my email and then we discussed, that this would cause uniformity problems and downgraded tires, so I felt we had agreed to just go with, as I UNDERSTOOD IT, just the "free" gum strips.

Best-Gary NOTE I AM NOT COPYING MACK SO AS NOT TO HAVE MORE CONFUSION/etc.

>From: "Richard Kuskin" <kuskin@att.net>
 >To: <mackcai@chaoyang.com>
 >CC: "Gary Eiber" <getintl@hotmail.com>
 >Subject: belt edge strips in LTR tires
 >Date: Mon, 16 Jan 2006 13:58:45 -0500

>Dear Mack,

>Of course we were shocked to learn the factory had eliminated the belt edge
 >strips. This should not have been done, especially since no testing was
 >done on the tires to gauge the effect.
 >Frankly, until quite recently we thought that all our LTR tires did have
 >these strips. Now that you have informed us that they indeed do not and
 >that you refuse to put the strips back unless we pay \$1.00 per tire more,
 >we have no choice to agree to this.
 >For all shipments of LTR tires, please make them with belt edge strips and
 >give me talley each week and we will subtract the \$1.00 from the money that
 >Hangzhou owes to FTS. Only ship tires made with belt edge strips to FTS.
 >Please confirm your agreement and understanding.

>Sincerely,

>Foreign Tire Sales, Inc.

>Richard Kuskin

FTS 1463

1/17/2006

Foreign Tire Sales, Inc.

From: "Gary Eiber" <getintl@hotmail.com>
 To: <mackcai@chaoyang.com>; <kuskin@att.net>
 Cc: <richkuskin@hotmail.com>
 Sent: Tuesday, January 17, 2006 8:45 PM
 Subject: Re: SEE BELOW

Dear Mack,

I basically agree with your comments. To review the "sequence of events", I brought sections and pointed out gum strips were not between belt edges like we had when we originally tested tires to 40,000 miles years ago in Texas. That was FTS main point, and I said EVERYBODY uses between belt edges, and mostly wrap around for LT as it is better. BUT NONE TOTALLY UNACCEPTABLE AND DANGEROUS AS NOBODY DOES IT, EVEN FOR PASSENGER TIRES, INCLUDING HZ.

Then your engineer said he thought gum strips and nylon cap ply were the best for belt edge separation resistance. I would be stupid to not agree with this. However, I pointed out uniformity would be worse, with more downgraded tires, and if we got them, that aspect of quality worse. I also said what about cost of the cap ply; and you Mack said yes that would have to be studied. So, that is the rest of the story. Then and now, I say that cost would have to be approved by Mr. Kuskin, but the gum strip alone is used by many people. Likewise many use nylon cap ply. Since you have to do testing anyways for Fmvss 139 for all Light truck tires, WHY NOT RUN A FEW NOW TO SEE IF THE TIRES MEET THIS STANDARD--WITH THE GUM STRIPS AROUND THE

BELT EDGE AND BETWEEN THE BELT EDGES AS WE TALKED, AND GO FROM THERE. Of course, if spiral wrap, which as I understand you have for Cooper, then the uniformity issue no problem and more justification for us to adopt it, as well; if not spiral wrapped then adjustments will be higher yet than now, unless limits lowered against productions' desires.

What do you think?????? Best regards-Gary ps-I am glad to help in any way I can on these things for advice, if the engineers wish. But it is MUCH MORE EFFECTIVE IF WE MAKE A CONCERTED EFFORT IN A SHORT TIME OF SEVERAL MONTHS INSTEAD OF DRAGGING OUT FOR LONG PERIODS WHERE WE ALL FORGET ABOUT THE DETAILS AND WHAT WE HAVE DONE, I think.

>From: "Mack Cai" <mackcai@chaoyang.com>
 >To: "Richard Kuskin" <kuskin@att.net>
 >CC: "Gary/hotmail" <GETIntl@hotmail.com>
 >Subject: Re: SEE BELOW
 >Date: Wed, 18 Jan 2006 08:54:21 +0800

>
 >2006-01-18
 >Dear Richard,

>
 >To my understanding, during the discussin between our engineer and Gary,
 >our engineer preferred to use the gum strip and cap ply to reduce the

FTS 1464

Foreign Tire Sales, Inc.

From: "Mack Cai" <mackcai@chaoyang.com>
 To: "Richard Kuskin" <kuskin@att.net>
 Cc: "Gary/hotmail" <GETIntl@hotmail.com>
 Sent: Tuesday, January 17, 2006 7:54 PM
 Subject: Re: SEE BELOW

2006-01-18
 Dear Richard,

To my understanding, during the discussin between our engineer and Gary, our engineer preferred to use the gum strip and cap ply to reduce the separation problem. Gary agreed but pointed out that the cap ply will affect the uniformity.

Do you need a good tire without cost increase?

Best Regards

Mack Cai
 Hangzhou ZhongCe Rubber Co.,Ltd.
 Tel:0086-571-86815894
 Fax:0086-571-86053191

===== 2006-01-17 22:13:46.您在来信中写道: =====

> Dear Mack,

>
 > I must have misunderstood about the costs related to improving the LTR tires. The belt edge strips are to be put in at no charge and the cap ply at \$1.00.

> Right now, we only need to belt edge strip. Once the tires are built in the new factory, we probably will need the cap ply. Attached below is your E-mail to Gary concerning the costing of these items:

>
 > From: "Mack Cai" <mackcai@chaoyang.com>
 > To: "GETIntl@aol.com" <GETIntl@aol.com>
 > CC: "Gary/hotmail" <GETIntl@hotmail.com>, "FTS" <kuskin@att.net>
 > Subject: Re: 17.5" tire info
 > Date: Mon, 9 Jan 2006 17:00:59 +0800

> 2006-01-09

> Dear Gary,

> Many thanks for your information.

> Per the engineer of LTR, they have decide to add the gum strip. However, there is \$1.00/tire cost increase if to add gum strip+cap ply.

> Best Regards

> Mack Cai
 > Hangzhou ZhongCe Rubber Co.,Ltd.
 > Tel:0086-571-86815894
 > Fax:0086-571-86053191
 > Sincerely,

> Foreign Tire Sales, Inc.
 > Richard Kuskin

FTS 1465

HANGZHOU RADIAL LT, LR "E" PULLEY WHEEL RESULTS

2/02 LT245/75R16 CR 857—120.5 hrs 6mm Gum strip/12/29/01
 HZ spec

8/31/02 LT265/75R16 CR 857—109.5 hrs.
 10/12/02 LT245/75R16 CR 860—101.5 "
 10/24/02 LT235/85R16 " ---108.5 "
 10/29/02 LT245/75R16 " --- 102 "
 10/29/02 LT265/75R16 " ---102 "
 11/07/02 " " ---105 "
 11/17/02 LT235/85R16 " ---112 "

3/03 LT245/75R16 CR 857—116.5 hrs 3mm Gum strip/2/12/03

HZ spec

*9/7/03 LT245/75R16 ?HZ 6/06-81.0 "
 *11/11/03 " " -92.0 "
 *11/13/03 " " - 107 "
 *12/10/03 " " - 47hrs-no fail QA
 11/4/03 " CR 861—107 hrs
 11/13/03 " -- 97 "
 " LT265/75R16 " --106 "
 10/13/04 LT225/75R16 " --118 "
 11/11/04 " " --123 "
 11/21/04 " " -- 128 "

**2405 ser LT245/75R16 " --91 hrs @STL-No Gum strip/HZ

6/20/05 spec

**3705 ser " " --111 hrs " "
 **3805 ser " " --77 hrs " "
 *2/8/06 " ?HZ6/06—81.5 hrs *purported strip added-

no spec

*2/10/06 " " -- 99 "

NOTES: 1.) All data without an asterisk (*) is tests run at Hangzhou for which FTS has test report. All results above are per FMVSS-119 extended test, where after 47 hours (minimum ok per DOT), loads are increased 10% each 10 hours till failure. (FTS minimum ok established as 95 hours, and all ok when entered into production).

2.) The data above with * indicates Hangzhou showed test sheet without providing asked for copy later, during Gary Eiber visit 6/15/06.

3.) The data above with ** were tires run August of 2006 by FTS at independent STL test lab.

4.) Hangzhou has run tires to FMVSS-139 (35.5 hrs min per DOT), and extended 139 test, on the LT tires during 2005-2006 without any tires failing the test per FTS's knowledge. We have test sheets, per our Sept 06 visit and subsequent HZ tests.

5.) Where gum strip info is stated per HZ specs, they were seen by Gary Eiber during June 06 visit, but the possibility exists changes were

made before date, either on trial basis, or in a size/design where spec not shown.
No copies of spec given.
Gary Eiber 1/26/06

FTS 1467

Foreign Tire Sales, Inc.

From: "Mack Cai" <mackcai@mail.hz.zj.cn>
To: "FTS" <kuskin@att.net>
Sent: Wednesday, February 08, 2006 4:22 AM
Attach: FTS 2005 SHIPMENTS.xls
Subject: e-mail of 02-08

Dear Maureen,

Thanks for your e-mail of yesterday. Please e-mail me at mackcai@mail.hz.zj.cn, the chaoyang mail box seems has problem right now. I couldn't send e-mail to att.het.

Myers raised the 7106 bladder price by 5% again. The R-1 business is really ridiculous as the all the cost keep going up but the tire prices are so poor. We don't need another 7106. We will stop the production when the bladders are used up.

It's ok to combine p.o.19045/19046 together. We have booked for 19044, please don't revise it. Richard has our price of 17.5L24-12 R-4, 132 tires can be stuffed in one 40'Hc. our tire weighs 75kgs.

What's your meaning of NEW pcr? We are not ready to modify the air pressue shown on the sidewall. It's too complicated to seperate the tires to US and EU.

No shipment to Chattanooga next week. Our inventory of solid tires is very low. All the LTRs made now are with gum strip. P.o.18492 was shipped on Jan.29th. We are arranging some shipments for next week. One container ^{RTD} one order is complicated, you need a warehouse, really.

Please give us prejection of TBR, LTR and solid tires in 2006. We have replies from all the major customers, except FTS so far.

Thanks And Best Regards

Mack Cai
mackcai@chaoyang.com
Hangzhou ZhongCe Rubber Co.,Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

FTS 1468

2/8/06

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Sent: Tuesday, March 07, 2006 4:25 PM
Subject: several issues

Dear Mack,

We have ordered from Hangzhou many 225 and 245/70R-19.5 CM986 tires. Because Hangzhou has shipped none to us, our customers have not received orders that contained these tires as well as other tires that they needed to run their business. You have told me that the tires were available, but Hangzhou has shipped none.

I have recently discovered that Orteck has been delivering these tires in Westlake Brand to their customers. Based on our written understanding of 12/2/2005, Westlake Brand is to be sold only to FTS.

Furthermore, our sales people tell us that many customers that do not buy directly from FTS are selling Westlake Brand TBR Tires.

Additionally, my salesman saw Vesta TBR in design CR980 at a customer that he visited one month ago. The customer bought them from Orteck. Based on our agreement of 12/2/05, you have agreed not to supply this design to others in The USA.

My question is what does Hangzhou intend to do?
Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1469

3/7/2006

March 7, 2006.



CIA. HULERA
TORNEL S.A. DE C.V.

SANTA LUCIA No. 311
TELEFONO CONMUTADOR 5354-0200
FAX DIRECTO 5352-7969
APARTADO POSTAL 16 - 020
AZCAPOTZALCO 02770 MEXICO, D. F.

ARMANDO TORNEL M.
PRESIDENTE EJECUTIVO

MR. RICHARD KUSKIN
FOREING TIRE SALES, INC.
Present.

Dear Mr. Kuskín:

We have received with great concern the message in which you advise us that the plant from which you supply us the medium heavy radial truck tires will have a price increase effective April the 1st.

Being us a tire manufacturer, we are aware of the need of a price adjustment. This, because of the way the raw materials prices have increased over the last few weeks.

We understand, I insist, that there is a need for an adjustment.

What we don't understand and simply can not accept, is the fact that the plant is trying to get a different price increase depending on the brand of the tire.

We all know that the tire is the same, made in the same mold and with the only difference of the brand.

There is no justification for doing such thing.

Not even the volume, since the volume we are buying is enough to put molds with our brand into production without interruptions.

So far, we have done everything we have committed to since the day we started negotiating with you.

We have not bought more tires, simply because the plant has not shipped them.



CALIDAD
SIGNIFICA
PROGRESO

FTS 1470

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Sent: Wednesday, May 10, 2006 5:01 PM
Subject: Fw: Product Damage Claim

Dear Mack,

This appears to be a damage claim involving a Westlake tire. I do not think there are any injuries. I will advise you of the specifics when I get them.

Thanks.

Sincerely,

Foreign Tire Sales, Inc.

Richard Kuskin

----- Original Message -----

From: Jurgens, Allan

To: Foreign Tire Sales, Inc.

Cc: Griffin, Jerry

Sent: Wednesday, May 10, 2006 4:30 PM

Subject: Product Damage Claim

Maureen,

We are in the midst of a consumer vehicle and product warranty claim. We are gathering the basic information on the product and the consumer. We will forward the information we can gather to you as soon as we receive it.

The product in question is CR857's, the vehicle is a pickup.

This is just a note to let you know to expect this info in the near future for further processing with the consumer.

FYI

FTS 1471

5/10/2006

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NEW JERSEY, 07083, USA
FAX 908/687-0231 PHONE 908/687-0559 WATS
800/634-8335

11 May, 2006

Att: Jeffrey Gardner

Dear Jeff:

This is to notify you that one of our LT245/85R16/10 CR861 Telluride Tires was involved in an accident where an ambulance rolled over. This was reported to us this morning. The people in the ambulance were admitted and released from the hospital, other than the patient in transport at the time who is staying overnight.

The police report at the scene stated that a tire had separated. At this time we do not have any indication of the damages to the vehicle and/or injuries.

As soon as we have more information we will submit it to you.

Yours,

Maureen Gardner

Albuquerque N.M.

FTS 1472

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

May 30, 2006

Att: Mack Cai

Dear Mack,

Problems do not go away because they are ignored.

We notified you of two quite severe problems. I have heard nothing or very little on these subjects.

Last week, I sent you information and a claim concerning a 7.50R-16 mounted on a horse trailer. The person who owns the trailer has retained an attorney. Aside from the damage to the trailer, the show horse in the trailer suffered a severe injury. I have not yet been able to find out the amount of the damage but it will be expensive.

Hangzhou is aware this tire has had many problems. We stopped importing the tire because of the problems.

The customer had several problems with our tires almost immediately after they were mounted. You can see from the pictures that the tires were defective. I am asking for you to acknowledge responsibility for the claim. If need be I can have the tire in question examined, but that is your decision and will be at your expense.

The claim may exceed the insurance deductible. If that occurs, the insurance company will pay the difference.

Several weeks ago, I informed you that a LT245/75R-16 CR861 had its tread come off on a vehicle. The vehicle turned over and very luckily, there were no apparent injuries. Had there been a vehicle going in the other direction, there could have been multiple deaths. That would certainly be the end of FTS and I am sure our Government would go after Hangzhou.

When we approved the LTR tires, there were belt edge strips. We found out sometime last year that they had been removed. It is quite possible that the tread coming off the tire was caused by a belt edge separation due to a lack of belt edge strips. I must know the following information:

1. When were the belt edge strips removed, and when were they put on again?
2. What tires (sizes and designs) were affected by the removal of the strips?

FTS 1473

I have talked to the ultimate customer. His insurance company has identified the tire as the cause of the problem (its tread came off). The servicing dealer is removing tires from all the customer's vehicles. He has told me that he has found an additional two tires out of 10, so far that have separations.

The replacement cost of the vehicle is approximately \$50,000.00.

Please respond to this by return E-mail.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1474

Richard Kuskin

From: "Richard Kuskin" <richkuskin@hotmail.com>
To: <mackcai@chaoyang.com>
Cc: <GETIntl@aol.com>
Sent: Sunday, June 04, 2006 6:02 PM
Subject: LTR Tires

Dear Mack,

As you know I have been so concerned with the LTR tires after we had notice of the very serious accident which could have easily resulted in multiple deaths and injuries:

I think a course of action in this matter is to now test all the LTR tires that FTS buys under DOT139. While this is not yet a requirement, the fact that your tires can pass this test will mean that they would be less likely to fail in service. Failure in service can result in accidents that can result in death.

The reason that DOT139 came into being was the great number of deaths and injuries resulting from vehicles turning over once a tire suddenly failed. I do know that the tires purchased from Hangzhou did not have the belt edge strips. I know that we approved the tires that had belt edge strips and did not think they would have been omitted. We found this out later and it did not strike me as significant because at that time the number of defects was relatively small in comparison to the number of tires in service.

However, there are indications that the percentages are changing. I am concerned now. I am not so concerned that we must recall all tires, but I am concerned about what we now purchase.

From this date on, you are not to ship me any LTR tires unless the following conditions are met:

1. All tires must either have belt edge strips or a spiral cap ply. 2. All tires must have successfully passed DOT 139.

Please do not ship any more LTR tires to FTS until both conditions are met.

Sincerely,
Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1475

6/5/2006

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Sent: Thursday, June 08, 2006 2:51 PM
Subject: foollup on vehicle turn over in New Mexico

Dear Mack,

Thank you for your E-mail wanting to know details of the vehicle that turned over in New Mexico.

The serial of the tire is 7DFJV5104.

The tire lost its tread, the vehicle turned over, no serious injuries occurred.

This is a matter that must involve Mr. Shen.

There is the possibility of a recall that may involve as many as 400,000 tires. This is an immense number.

I do not know whether this tire was produced without the belt edge strips, but it is vital that this matter be discussed with Mr. Shen and the engineers so that I have some idea of how large the problem actually is. It is possible that the tread came off the tire because of another reason. However, since the tread did come off the tire, any judge or jury in The USA would rule the tire defective, for whatever reason.

The tire was used on an ambulance that is used to transport people from hospitals to rehabilitation centers. The ambulance does not travel at high speed.

The customer removed all the tires from service (about 22). I am having these tires, which have different serial numbers (3803, 1405, 4904) together wwith 2 new tires sent to Standards Testing for evaluation. If the new tires do not go approximately the same number of hours on the pulley wheel and if the tires pulled from service show separations, we have a nightmare.

It is critical that this be discussed with Mr. Shen. There is nothing more important than informing him of these possibilities.

Please get back to me ASAP.

Sincerely,
Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1476

6/8/2006

AMENDED AGREEMENT BETWEEN HANGZHOU ZHONGCE AND FOREIGN TIRE SALES

Whereas Hangzhou Zhongce Rubber Co. Ltd. ("HZ") and Foreign Tire Sales, Inc. ("FTS") have entered into a number of agreements (some called "Agreement" some called "Technical Agreement" some entitled "Long Term Agreement" some entitled "Memorandum of Meetings" and still others entitled Memorandum of Understanding") in the past and seek to amend certain of those agreements;

In consideration of mutual promises contained herein, all prior agreements currently in force shall remain in force and shall be modified as set forth herein.

It is agreed on this day of July 2006:

1. FTS shall provide HZ with a written report of any alleged defect or non-conformity in any tire sold to FTS by HZ ("claim") as set forth below.
2. FTS shall arrange at its expense for each such tire to be sent to Tire Town, Inc. located at 401 South 2nd Street, Leavenworth, Kansas, 66048, USA for evaluation of remaining tread depth.
3. Tire Town, Inc. shall determine the remaining tread depth of each tire sent to it by FTS for the purposes of adjusting said defect or non-conformity. Tire Town, Inc. shall provide its determination in writing to FTS which shall provide it to HZ.
4. HZ and FTS agree to be bound by the determination of the tire and remaining tread depth as determined by Tire Town, Inc.
5. Upon the determination by Tire Town, Inc. as noted above, HZ shall pay FTS the cost, duty and ocean freight costs of each and every such tire with a credit for the difference between original tread depth and that found by Tire Town, Inc. ("adjustment").
6. HZ shall pay FTS the adjustment of each tire subject to this agreement by :
 - (A) allowing FTS to deduct the claim from any HZ invoice to FTS of shipped tires or;
 - (B) if HZ does not ship any orders to FTS within 14 days of receipt of the report of the determination of Tire Town, Inc., HZ shall wire transfer the amount due to FTS per FTS instructions.

FTS 1477

Richard Kuskin

From: "Richard Kuskin" <kuskin@att.net>
To: <mackcai@chaoyang.com>
Sent: Monday, July 03, 2006 1:54 PM
Subject: see below

Dear Mack,

Thanks for your E-mail of 7-3-06. Tomorrow is our national holiday and no one will be working at FTS.

I have a medical problem that will prevent me from going to China in July. I am having pain in my upper spine and need an epidural injection, which I am having on Thursday. The doctor advises not to travel until I heal.

Today I spoke to Mr. Tornel. He is very upset that even the tires HZ has in stock can not be shipped at the June price. He would like HZ people to visit him in Mexico City to see his factory and to see that he is the premier distributor in Mexico. Can HZ people do this for Mr. Tornel?

We have placed many revised orders. Can you inform me of a shipping schedule? It would certainly help.

~~Does HZ have any ideas on how to recompense for the \$100,000?~~

Concerning the testing reports, can you please translate them so we can verify the test conditions? Please confirm the tire has no belt edge strips or cap ply. What is the difference, if any, between the tires you tested and the tires you ship us in the LT245/75R-16?

Sincerely,
Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1478

7/3/2006

Richard Kuskin

From: "Mack Cai" <mackcai@mail.hz.zj.ch>
To: "FTS" <kuskin@att.net>
Sent: Tuesday, July 04, 2006 4:36 AM
Subject: e-mail of 07-04

Dear Richard,

Thanks for your e-mail. It's too bad that you won't come here this month. We have various issues to discuss with you. Anyway, please take care of yourself. Heath is more important than the business. I had ankle fracture last month, it really takes time to heal.

I talked to Mr. Shen about the Tornel business today. We agree to ship the inventory Tornel brand tires at June prices. When we need to run the new production, the tires should be at July price [3% higher]. Please confirm by return your acceptance. Our TBR production is very tight at this moment.

Mr. Shen wanted to discuss with you on the claim issue during your July trip. However, you will not come. He will leave for Australia and SE Asia tomorrow. The \$100,000 claim will be discussed with him after he is back. We have too many questions on your adjustment material. What's the meaning of "ply gap"? Did your warranty covers "field hazard"?

Please ask Lucy to explain you the LT245/75R16 CR861 testing reports. It's simple. The tires don't have cap ply and belt edge strips.

Thanks And Best Regards

Mack Cai
mackcai@chaoyang.com
Hangzhou ZhongCe Rubber Co., Ltd.
Tel: 0086-571-86815894
Fax: 0086-571-86053191

FTS 1479

7/5/2006

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

July 11, 2006

Att: Mack Kai

Dear Mack,

Thanks for your emails of July 11, 2006.

Concerning the issue of claims, FTS has been very fair with HZ. We have for years been crediting our customers and have received credit from HZ according to a formula negotiated in good faith by both parties. We do not wish to change something that we have already agreed upon.

Having said that, I think it is best to have the tires that are adjustable sent to Tire Town. Although I cannot estimate the inbound freight, Tire Town proposes a cost of \$2 for a LTR or PCR, \$5 for TBR, and \$15 for rear farm tires. It is very possible the freight charge per tire will exceed these figures. It is estimated that 20% of the tires received by Tire Town will be not adjustable. This will benefit both FTS and HZ. Since we both benefit, by using Tire Town, it seems fair that both should share in the costs of the freight and adjustment fees charged by Tire Town. FTS would be willing to accept a greater share of these costs. Please discuss this proposal with HZ people and let me know your opinion.

If we do use Tire Town, they do not take a picture of the tire nor do they send us serial numbers. Tire Town defaces the serial number and makes the tires unusable. They just send us a report. We would agree in advance that the decision of Tire Town would be binding as to whether a particular tire is adjustable.

Please inform me the sizes, designs and quantities of Westlake brand LTR tires that you have sold to Sinochem. This sale could potentially cause us serious problems. We report to our government every three months the number of tires that we sell together with the number of adjustments we make. Since we cannot book this as a sale, the adjustments coming back may raise the percentage so much that our government may open an investigation. So you must let me know the quantities and sizes of tires by design that were sold to Sinochem. Also, how do we handle the defects? Since we did not sell these tires, how do we distinguish the tires sold by Tire Co. from our tires? This is really a mess and it is something you should have thought about prior to making the sale.

We have a lost a number of orders recently to a company that sells Turnpike USA tires. Do you know who makes this tire? And can you tell us anything about it? It would help our sales if we knew more about this tire.

FTS 1480

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

July 13, 2006

Attn: Mack Cai

Dear Mack,

I'm sorry to hear that your broken ankle needs such attention. I hope that it is not painful and I hope you will regain full use of it. You are much too young to have this kind of pain. Wait until you're my age!

I have mentioned recall several times because of an ambulance turning over due to a possible problem with a LT 245/75R16 CR861 tire. It is possible that this accident will cause NHTSA to have its office of defect investigation (ODI) start an inquiry. If this happens and a judgement is made by ODI that the tire is defective, our government may order us to recall all tires of a similar construction. This means all sizes and all designs for LT tires sold by HZ to any of its USA customers.

Besides this particular accident, our quarterly reports to NHTSA list our purchases and our adjustments. If this figure appears that we have too many claims, the ODI may open an investigation leading to a recall. Furthermore, it is the law in the United States to report any death or serious injury purportedly caused by a tire. Death or serious injury always causes the ODI to open an investigation.

The above two scenarios involve a recall that is called "Involuntary." This recall is always accompanied by many lawsuits. This is far more expensive than the other type of recall known as "Voluntary."

A Voluntary recall such as the one instituted by Cooper on tires HZ produced for Cooper usually does not involve further lawsuits. This type of recall is done if a manufacturer determines that there is something wrong with the tires it produces.

Since there is a distinct possibility that the ODI may open an investigation, because of the serious nature of the Albuquerque accident, our attorney wants to chart several courses of action depending on what may happen in the future. It is important that Mr. Shen learn what steps the factory needs to do to protect itself in the event of a recall. The attorney that I have hired is very familiar and has tried many recall-related lawsuits. It would be most convenient for Mr. Shen to meet with this attorney and me sometime in late July or August. In my opinion, this should be the most important item on Mr. Shen's menu.

Please inform me how many tires you have sold to Sino-Chem for Tire Co. by size and design. When Tire Co. makes a buy it is for all tires available.

FTS 1481

PTS



WESTLAKE RADIAL A/T

ITEM #	DESC	TERMS	COO
22-281Z	WL CR881 LT225/75R16 E/10	\$ 80.13	\$ 58.32
22-248Z	WL H280 LT235/76R15 D/B	\$ 61.82	\$ 59.77
22-872Z	WL H280 LT235/85R16 E/10	\$ 75.08	\$ 72.83
22-778Z	WL CR857 LT245/75R16 E/10	\$ 73.83	\$ 71.61
22-779Z	WL CR880 LT245/75R16 E/10	\$ 70.31	\$ 68.20
22-275Z	WL CR861 LT245/75R16 E/10	\$ 70.31	\$ 68.20
22-777Z	WL H280 LT245/75R16 E/10	\$ 72.42	\$ 70.24
22-787Z	WL CR857 LT265/76R16 E/10	\$ 79.00	\$ 77.22
22-788Z	WL CR860 LT265/76R16 E/10	\$ 75.81	\$ 73.53
22-273Z	WL CR861 LT265/75R16 E/10	\$ 75.81	\$ 73.53
22-786Z	WL H280 LT265/75R16 E/10	\$ 78.08	\$ 75.74
22-789Z	WL H280 LT265/75R16 D/B	\$ 93.63	\$ 91.01
22-287Z	WL H280 21X10.50R16LT C/A	\$ 89.48	\$ 87.40



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HOUSTON
(800)375-8266

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(713)225-0017

* ENDS AUGUST 06

Steve,

AWT is not going to put
up with this!

Page 1

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083
PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

July 25, 2006

Att: Mack Cai

Dear Mack,

Please let me know the quantity of LTR tires that you sold to which ended up at Tire Co. I would like to know the quantities, designs and sizes. I can not get this information from Sino-Chem, and I can not get this information from Tire Co.

On July 5th, I sent you an email stating that I would not purchase anymore LTR tires unless the tires had belt-edge strips and spiral wrapped cap-ply. You informed me that the factory was not able to make the tires with a spiral wrapped cap-ply. You also mentioned that HZ sells LTR tires to other US customers and that my requirement should not dictate.

From your email today, I have been informed that you now produce LTR tires with belt edge strips and a cap ply.

This is good news. Has HZ re-tested the tire with these added features? Any change in construction of the tire would logically dictate re-testing the tire. What is the thickness and width of the belt edge strips?

I would like to resume purchasing the LTR tires however I must be assured that the tires at least meet the original specifications of the tires we tested in San Angelo, TX prior to our purchasing the LTR tires from HZ.

DOT 139 will be required for all LTR tires in less than a year. Currently at least 75% of all tires we import must meet DOT139. Rather than trying to calculate how many tires of which size meet the standard and which do not, FTS is requiring that all tires for per and ltr meet this standard. Can you please send me DOT139 test data on all the LTR tires we purchase.

All of your U.S. customers are required to certify that the tires meet DOT standards. It is proper for all your customers to have copies of test data showing that the tires meet these standards. These testing reports are needed if The DOT gives us a surprise visit. Again, will you please send me those reports?

Our DOT accepts testing reports from any lab, or from any tire company.

FTS 1483

Richard Kuskin

From: "Mack Cai" <mackcai@mail.hz.zj.cn>
To: "FTS" <kuskin@att.net>
Sent: Friday, July 28, 2006 5:01 AM
Subject: e-mail of 07-28

Dear Richard,

Thanks for your e-mail of yesterday.

~~Please just take the photos if the customer in Swannanoa doesn't have fool to cut the CM986 tire. It's not worthwhile to send it to STL for cutting. Anyway, pictures are need for adjustment. We haven't received any claim from other customers who buy the tires.~~

Like you checked with us, we have been asking Sinochem how many tires they shipped to Tireco. However, they haven't replied us. Are the quantity, size very important to FTS? We have stopped the westlake LTR shipments to Sinochem. Since they said Tireco is able to order lots of tires, we agreed to make private brand for them.

I called the LTR engineer's office today, the guy in charge of CR861/CR857/CR860 was not there. As for the dimensions of the belt edge strip, I remember our engineer told Gary it's 0.3cm. Please confirm with Gary.

I have told Mr. Shen you would visit Hangzhou on Sept. 13 and 14. He will meet you.

Thanks And Best Regards

Mack Cai
mackcai@chaoyang.com
Hangzhou ZhongCe Rubber Co.,Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

FTS 1484

7/28/2006

Richard Kuskin

From: "Mack Cai" <mackcai@mail.hz.zj.cn>
To: "FTS" <kuskin@att.net>
Sent: Monday, July 31, 2006 3:42 AM
Subject: e-mail of 07-31

Dear Richard,

Thanks for your e-mail of July-28th.

It's not an excuse that we refuse for a claim because of no picture. However, how can our Q/C dept. to judge the claim without anything to see? Even a picture?

The engineer advised that the thickness of belt edge strip is 0.4mm. I asked for testing report but they haven't provided.

Thanks And Best Regards

Mack Cai
mackcai@chaoyang.com
Hangzhou ZhongCe Rubber Co.,Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

FTS 1485



7/31/2006

Ross Roberts
1301 E Tate
Brownfield, TX 79316

Mr. Kuskin,

August 06, 2006

Traveling south on State Road 137 at about 80 mph I heard the tread separate from the carcass. I immediately lifted my foot from the accelerator. The vehicle slowed about 10 mph when the tread slung from the carcass and commenced to beat the right front quarter panel, the vehicle commenced to swerve left then to the right and left the road with the right two wheels. I managed to regain control and direct the vehicle back on to the road and come to a stop without any other incident. I put the spare tire on and continued south arriving in Lamesa TX. I then proceeded to travel north on US highway 87. The road surface was noisy and after traveling about 20 miles I sensed something was not right. I pulled to the side of road and discovered that the left front tire had several places on the tread that was separating from the carcass.

This is a description of the events leading to the failure of the 2 tires in question.

Ross Roberts

FTS 1486



"Richard Kuskin"
<kuskin@att.net>
08/21/2006 08:22 AM

To <LNLAVIGNE@nmmlaw.com>
cc
bcc
Subject Fw: issues

History

This message has been replied to and forwarded.

----- Original Message -----

From: Mack Cai
To: FTS
Cc: richkuskin
Sent: Sunday, August 20, 2006 5:55 AM
Subject: issues

Dear Richard,

We are disappointed as again FTS deducted the claim amount from the payment. Yes, we do have the agreement that Hangzhou should compensate FTS for the defective tires. However, since we have discrepancy on what are the "defective tires", it's unacceptable that FTS just deducts the claim from the payment. We bought credit insurance from China Export & credit insurance corporation for all the O/A business, in this case, should we report them that FTS didn't pay the bill? It's a company of China finance Ministry.

Without the guarantee of your payment, how can we ship more tires to FTS? We have 24 shipments on booking, plus 7 new booking to Chattanooga in the coming week.

Without a judge standard, the agreement we reached on December 05,2005 is unreasonable.

It's so depressed as we are giving your sizes priority in production. Now, how to arrange the Sept.production for FTS? Please advise?

FTS,RTI and Mr.Loo from Singapore are our oldest customers. Both RTI and Mr.Loo's business increased a lot. We have some problems with FTS right now. However, it's our desire to solve the problem smoothly. This is why we sent Aziz to visit you.

We have worked together for many years, both parties put great efforts on so many projects, there were lots of work. It's not easy. We don't want to ruin the efforts. If you have other thinking, kindly please let us know.

Per your e-mail, did you mean our business is your attorney's business now?

Thanks And Best Regards

FTS 1487

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

August 23, 2006

Att: Mack Cai

Dear Mack:

Thanks for your E-mail.

Attached please find an overage/shortage report on CONT. OOLU3746860:

18x7x12.125 TR NM:1 over -\$47.10

18x8x12.125 TR NM:1 short \$54.95

Total Owed to FTS: \$7.85

They also did recount on the other shortage they reported and it is still short.
Please be advised we intend to deduct this from a future invoice also .

We have done long years of business together. Agreements made in December were clear as written. We'd like to continue to do business with HZ but we need to be sure that our standards for safety and quality are met. Our orders are suffering because HZ has not been shipping them on time for the past several months. I can't expect someone to reorder if you aren't shipping his earlier orders out. As you said a few days ago, HZ is aware that we have the money to pay for the goods, so that's not the issue. I see no reason that HZ should stop shipping FTS. We have not taken deductions for adjustments newer than 45 days. Please advise what orders are shipping for the remainder of August.

Some adjustments Gary, Richard, or other salespeople do. Some is done by the customers. You have no way of knowing from the paperwork we send which ones were seen by our salespeople, or had photos checked by Gary. David Penn's current customers are often the same customers that are giving us the adjustments, for example UNI sends them several times a week. You're in manufacturing- there will be adjustments no matter who is HZ's customer.

Best regards,



Maureen Gardner

FTS 1488

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

August 17, 2006

Att: Mack Cai

Dear Mack,

Thank you for your e-mail of August 16.

You have apparently forgotten that contractually, FTS is entitled to deduct the amount of all claims for defective tires if Hangzhou fails to pay them within 45 days of receipt.

The December 2, 2005 amendment to the contract at paragraph 1 provides:

Hangzhou shall compensate FTS for all claims for defective tires within 45 days of their receipt by Hangzhou. Should compensation not be received within 45 days, FTS shall have the right to make a deduction from the next payment it makes to Hangzhou for the claims.

How FTS deals with its customers is not the issue here. Hangzhou expressly agreed that if it does not pay claims within 45 days of receipt, FTS has the right to deduct those claims from the next payment. The contract does not provide that payment of claims is subject to Hangzhou analysis especially if the claims are over 45 days old. Since the adjustment claims are over 45 days old and Hangzhou has not paid them, FTS has the right to deduct them from the payment due.

Likewise, that same contract requires Hangzhou to compensate FTS for all damage claims. Again, Hangzhou has failed to honor its commitment.

I hope that this addresses your concerns.

With regard to my attorney, since there are so many issues between our companies, I would like him to remain in our meetings as long as it takes to resolve those issues. I am sure you understand my concerns.

Hangzhou has given FTS 1 or 2 days to pay for the documents it receives from Hangzhou. We are able to do this. FTS has given Hangzhou 45 days from receipt of our claims to pay FTS. Hangzhou has never been able to pay FTS for the claims. FTS has always been forced to make deductions after 45 days.

FTS 1489

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

August 31, 2006

Attn: Mack Cai

Dear Mack,

It has not been a good day for Foreign Tire Sales. We have received three more claims for damage involving LTR tires. Total amount of vehicle damage for all three claims is approximately \$8,000.00 USD. I think it would be wise for HZ to send an engineer to the United States to look at some of these tires.

Additionally, we are receiving many claims for tires to be adjusted. The dollar amount of adjustments adds up significantly. In a normal week, those claims add up to between \$5000.00 and \$10,000.00. In your email you ask how FTS will repay HZ, I find that question strange in light of the additional claims that we are receiving this week. Surely, it will be HZ that owes FTS for these claims.

I have a question regarding the method of loading the size 30.5-32. Is it possible to load these tires without the use of mechanical equipment, such as a forklift? Is this your practice?

In any event, all these matters will be discussed on September 13th and 14th in HZ.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1490

Richard Kuskin

From: <GET11tnl@aol.com>
To: <kuskin@att.net>
Sent: Thursday, August 31, 2006 11:29 PM
Subject: ref curfing tires and dates of HZ changes, etc

After review of tires we have cut, and my report from June 16th after HZ visit with certain spec date info, I have concluded it is a waste of our time to cut any tire before March 2003 as we know from sections I've cut and that spec info from HZ that gum strips are in there during that period. However, it also seems certain they reduced from .6mm to .3mm, making it really hard to discern if strips are in as so thin, sometime during that period from after the LT235 start up. Does all that make sense??

Now as I discussed with Maureen, Richard, when you say you have a contract for only the LT235 size, does that mean ALL 3 DESIGNS, OR JUST ONE???? Also, I will point out that the construction detail sheet I had was ONLY FOR THE LT235/85R16 LR "E" AND THE 31X10.50R15 FOR LR "C"!! ON THE LT235 SIZE it is written M+S and A/S (ie both aggressive and rib designs); it is also clear to me that we had ORAL IF NOT WRITTEN AGREEMENT with them for same construction for all the LT, and probably in defense of you, Richard, same verbal agreement for your contracts. Obviously they made tires, and I am not a lawyer, but have always understood YOU CAN HAVE A BINDING VERBAL CONTRACT????

Because all these designs and molds came in at different times, I think that confuses you and all of us, as to dates we were getting what tires!!!! I am only sending this to you till we talk. However, I am faxing to you, and will document in an email to you and the lawyers, separately, some emails and faxes I sent to you pertinent to THIS TIMING ISSUE-AND GUM STRIP USE!! BEST-GARY

FTS 1491

9/1/2006

Richard Kuskin

From: <GET ntnl@aol.com>
To: <kusk n@att.net>
Cc: <leelil @beaconlaw.cn>; <Inlavigne@nmmlaw.com>
Sent: Friday, September 01, 2006 12:19 AM
Subject: A few more emails/faxes I had from Hangzhou old files on Gum strip use

Dear Richard,

I am faxing to you tonight my August 23, 2004 report I sent from Hangzhou to you, and always copied those to Mack Cai at HZ for his info. I said, " I saw CR861 A/T samples from LT215/85R16 and LT225/75R16. They forgot gum strips between the belt edges and need to rebuild....".

Hindsight is 20/20, but it seems highly probable, that during this period they probably had already gone to no belt edge gum strips on LT tires, and thusly when they built the 2 new sample sizes (I believe in reduced arc width molds that we were having trouble passing pulleywheel and now I guess in hindsight we know why!!!)!!

Also, I am sending an email dated 1/1/2005, from me to MACK CAI AT HANGZHOU, where the real subject was passenger radial tires, but I mentioned the industry norm for gum strip use, INCLUDING LT, AS FOLLOWS:

" Also of concern is I note there is DEFINITELY no belt edge gum strip between the top and bottom belt. This definitely is bad for belt seps, and virtually everyone today uses this for passenger car tires as well as LT tires, unless they use nylon cap ply or belt edge strips. Ask your engineers about this point please-IT IS A CONCERN! I note in the 215/60R16 that the tire has 2 nylon cap plies, in ADDITION TO THE RUBBER GUM STRIPS BETWEEN THE BELT EDGES. I WILL BRING THE SECTIONS TO SHOW YOU."

So--this also shows I talked this subject and showed samples, albeit pass car tires, with mention to LT only.

Lastly are hand written notes and drawings that were for my personal use to what the LT tires had in them, per talks with Mr. Jvliao, the original engineer on the project when we had gum strips! His name at the top I had written, "sharp", and indeed he was. The schematic he said they would use was a .3mm wrap around gum strip around both belt edges, top and bottom belt, which in essence gives you the desired and required, .6mm rubber at the edges between the belts!! That is the closest thing to an "agreement", in writing, I could find.

Please share copies with these with Larry or Lee as you see fit. I also understand you have sent them some emails related to this subject of mine, per Maureen, and I'd like to know which ones those are, thx. I'll take the above ref items to China with me, of course.

Best regards-GaryEiber

FTS 1492

9/1/2006

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

September 22, 2006

Attn: Mr. Ge
Ggr@chaoyang.com

Dear Mr. Ge,

Thank you for meeting with Gary Eiber, Lawrence Lavigne, Liu Shen Li and myself on September 13th and 14th. I think we had a very productive meeting.

There are a few issues that need some clarification.

1) Credit for claims submitted prior to August 1st. We have sent several claims totaling USD \$ 19,333.48 that are dated prior to August 1st. You have agreed that we will be able to take a full deduction for these claims. May we do so, now, as there are several sets of documents that we plan to pay on Monday?

2) Additionally, there are and continue to be, adjustment claims for tires after August 1st but before our new procedure will be instituted. For these claims, you have indicated that we will be allowed to claim a credit of 70%. From when we first started buying tires we have always included the cost of duty and freight in claiming adjustments. We do not wish to change our cost basis by excluding these two items. Therefore, we will agree to the 70% provided that it includes the ocean freight and duty (approximately 20% of FOB value.) Please give us your approval on this matter and we will re-calculate our adjustments and present that new total to you. Also please indicate how our credit will be given to us.

3) We have several claims for damages to vehicles in July and August amounting to approximately \$8000 USD. We have received releases on many of these and paid the customer directly. We have advised HZ of these claims and provided HZ with detail of the damage to the vehicle and a release. For smaller claims, such as these, we will advise HZ of the claim. If you have any objections to us paying it, you should let us know within 3 days. If we do not hear from HZ within 3 days, we will start settlement proceedings and pay the customer for his damage. Please indicate how we will be reimbursed for the money we have spent to settle these smaller claims.

4) We have discussed at length the incident where an ambulance rolled over in New Mexico. I have spoken to the claims adjuster today and he has no formal request for payment from the insurance company of the customer who has paid the claim. The adjuster estimates that the property damages will be approximately \$50,000-55,000USD. There will also be medical bills and workmen's compensation bills for a much smaller

FTS 1494

amount. At this point, we have no knowledge for any claims for pain and suffering. Once we receive a formal request for payment, we will notify you of the exact amount. However, my notes indicate that HZ will reimburse FTS promptly after FTS pays this claim. The tire and wheel are being sent to Standards Testing Laboratories for testing. Do you have an expert that would like to look at the tire? Or, will you accept Standard's analysis if they indicate a belt edge separation caused the accident.

We would like to resume buying your LTR tires. The following must be done in order for us to purchase the tires:

- 1) DOT 139 must be run on all tires.
- 2) 2 tires must be tested according to our extended endurance test. The tires must run at least 110 hours on the pulley wheel.
- 3) Construction detail sheets must be prepared and signed by your chief engineer.
- 4) The molds must be labeled properly by removing the use of nylon on the tread. A nylon belt edge strip can not be labeled as a ply of nylon on the tread.

Please let me know the status of each of these four items.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

7. HZ shall compensate FTS for all sums FTS is or becomes liable for or otherwise pays for any claim of damage or injury to property or person arising from the use, sale possession or ownership of any tire manufactured by HZ and sold to/through FTS, HZ shall reimburse FTS for all costs FTS incurs in such regard. This includes the fees, expenses, costs, penalties and damages incurred by or accessed against FTS in any recall required by the statutes and regulations of the United States Government including but not limited to the Department of Transportation ("NHTSA") whether voluntary or involuntary.
8. In the event that HZ determines that or decides that the tire was not the cause of damage or injury or that a recall required by the United States Government is unwarranted, HZ at its discretion may decide to defend any lawsuit brought against FTS and pay any costs including defense and indemnity. In the event of a recall should HZ decide to challenge same, all costs, fees, expenses penalties shall be borne by HZ.
9. HZ agrees to indemnify and hold FTS harmless from all claims of product defect for any tire manufactured or distributed by HZ.

The undersigned represent that they are authorized to enter into this agreement and bind their respective company hereto.

Hangzhou Zhongce Rubber Co. Ltd

Foreign Tire Sales, Inc.

ROSS ROBERTS ENTERPRISES
1301 E. TATE ST.
BROWNFIELD, TX 79316

In consideration for the sum of \$ 3,648.01 I grant the following unconditional release:

Foreign Tire Sales Inc., HangZhou Zhongce Rubber, York Discount Tire Center and any employees of these firms are unconditionally released from any and all claims arising from tire failure on 8-06-06^{DATE} involving one LT245/75R16 10PLY Telluride 861 tire on a 2004 CHEV K2500 4X4 Silverado with VIN# 1GCHK29264E257556. No injury to any person occurred during this incident.

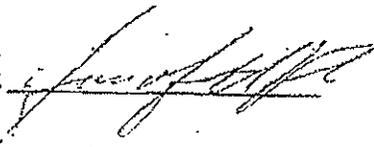
Sincerely,

Witness:



ROSS ROBERTS ENTERPRISES
OWNER/PRESIDENT

Name:



Date: Sept. 22, 2006

Signature:

AARON HEATH FURR

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

September 25, 2006

Att: Mack Cai

Dear Mack,

Gary has just returned to the United States. I had hoped that Gary would have been able to visit HZ this week and review the tests, which were to have been done on the LFR tires. Gary has informed me that the tests were not started and that you did not know when they would be started. Gary also told me that he could not review any of the construction details prior to the testing of the tires and that HZ would not entertain any changes needed to satisfy FTS. It is a pity that HZ's attitude has changed so much from the date of our discussion to last Thursday.

We find the price of the LFR tires acceptable however, we can not in good conscience purchase these tires without adequate testing and our acceptance of construction details.

Do you have a timetable for the testing? If so, please let me know what that is.

I am shocked that you have not been aware of the extraordinarily large number of bond failures on the press on tires sold to Mitco. They have complained that the numbers are much too large. Mitco has given you names of vendors of bonding chemicals. Mitco has given you techniques they use to insure a good bond. But the number of failures keeps increasing. We have sent you so many claims for these tires that it is hard to believe that you did not know of these problems.

The price of rubber continues to decline. As of today, it is approximately the same price that it was in early January. Mitco is complaining that their product is not competitive in the marketplace. They have requested a discount of %10 of press on tires and pneumatic shaped solids. Please address this issue.

Please list the purchase orders that need letters of credit opened and I will do this as soon as I receive this information. Also, of the new orders from Korea, if these orders are shippable now, I will wire transfer you %30 of the total. Please indicate if there are any orders that are shippable now.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1498

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

September 26, 2006

Att: Mack Cai

Dear Mack,

Thank you for your email dated September 26, 2006.

RE: L/C IC016956U- this L/C has been increased by \$500,000 USD. Last ship date is November 1.

RE: L/C IC016958U- this L/C has been extended to November 1 and permits partial shipment.

I want to clarify my email of yesterday. Gary informed me that HZ would not permit FTS to inspect its tire building reports for any tires that FTS buys. Please explain this. Is there something HZ would like to hide? If FTS is not allowed to inspect the building reports, then HZ can make changes in the construction details without our knowledge or approval. This is not good cooperation. Please change your opinion on this matter.

Today we will transfer 30% for PO 10480, 20550, 20432.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1499

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083
PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335
September 27, 2006

Att: Mack Cai

Dear Mack,

Thanks for your E-mail of 9-27-06.

I am sorry to hear that HZ has such problems with the L/C. You know that this is not free for FTS either. When we waive discrepancies, the bank also charges FTS. While we can not tell our bank what is or is not a discrepancy will can and will amend our L/C in any reasonable way so that neither of us will have discrepancy charges. I await your suggestion on this matter.

Attached please find a spreadsheet showing FTS's cost for the CM986 tires. Next to our cost is the price at which a competitor of ours is selling these tires. Please note that our cost and our competitor's selling price are almost identical. For other sizes on the competitor's price list, our selling prices are very similar. FTS is not getting a reasonable cost from HZ on these two tires. Please look into this and give us more reasonable cost for these two tires.

Concerning Gary's ability to inspect your construction detail sheets and tire building sheets, it is good that HZ will allow full access to these documents. If this is not the case, please tell me now.

Your engineers have been less then forthcoming in their dealing with Gary. When HZ built check tires for the LT225/75 R-16, Gary noted that there were no gum strips. He told the engineer that it was useless to test this tire because they forgot to put the gum strips in. Instead of telling Gary they were intentionally left off and there was no belt edge gum strips put on the tire, they said nothing and led Gary to believe that it was a mistake. In fact, we discovered there were no gum strips on your tire only after dissecting a tire that was involved in a damage claim. Furthermore, your construction details can easily be noted by obtaining a cross-section of a tire.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1500

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

September 27, 2006

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Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1501

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

September 28, 2006

Att: Mack Cai

Dear Mack,

Thank you for your email of September 28, 2006.

Although I do not recall your request to send a better picture of the tire that caused damage to Russ Robert's vehicle, this is no problem. Attached please see the tire picture.

~~HZ has the choice of either agreeing to pay the claim or to defend against the claim. If you are serious about defending against this claim or any other claim, it is essential that you have a United States attorney in place for this purpose. Furthermore, you will also need an expert witness to testify why the claim is not a result of a defective tire. If you have these people in place, please give me that information now. If you do not have these people in place, then how will you defend against a claim?~~

As we have waited a very long time for your decision regarding this particular claim I would respectfully request that we receive it by return email.

No one in the United States can import a tire and sell it for approximately 1% above all costs. That would be a fast way to go bankrupt. For the CM986 I am asking you to review the cost that you have provided to FTS, compare it to the cost you have given to other customers and make the cost comparable. It is not now. Our customers complain. It is costing both of us business.

~~HZ has a history of making changes to the construction of its tires without notifying FTS of these changes. To the best of my knowledge, little or no testing has been performed on the tires with construction changes. Certainly, no fleet tests have been done when HZ unilaterally decided to remove and/or reduce the gauge of the rubber belt edge strips. If HZ had been more forthcoming and had advised FTS of these changes, we would have advised HZ not to make these changes.~~

~~It really is important for FTS to be advised of construction details and any changes. Gary is quite knowledgeable regarding construction details and is willing to help HZ incorporate the proper materials and gauges in any of the tires it produces.~~

In the last paragraph of your email, you mentioned that you would consider a 65% acceptance of our claims, which include duty and freight. If this is the case, please make the offer. Once the offer has been made, we will properly respond to it.

The world has adopted English as the language in which business has been conducted. We have no objection to your translation of any of our contracts or memos into Chinese. If there is a discrepancy between the Chinese version and the English version, it is the English version that will govern.

FTS 1502

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

October 11, 2006

Att: Mack Cai

Dear Mack:

Thanks for your E-mail.

I have been trying to get the tire and rim to a test site but they have not done it-
always one person or another out and no way for us to get access to the tirels
HZ willing to pay for the freight cost and testing at STL?
We heard about HZ legal problem with Tireco and Yokohama. Sorry to know it.

Please advise on PO 20335 did it ship? Please update on PO 20321, 20361,
20367, 20412, 20413, 20441, 20559, 20607, 20611, 20619, 20621, 20625,
20633, 20644, 20652, 20657, 20658, 20659, 20660, 20661, 20662, 20663,
20664, 20665, 20670, 20685.

See revisions attached for POs 20413 and 20532.

Best regards,



Maureen Gardner

FTS 1503



"Maureen Gardner"
<kuskin@att.net>
10/11/2006 03:36 PM

To <LNLAUVIGNE@nmmlaw.com>
cc
bcc
Subject Fw: ambulance tire

----- Original Message -----

From: Mack Cai
To: Richard Kuskin
Sent: Wednesday, October 11, 2006 3:02 AM
Subject: Re: ambulance tire

2006-10-11
Dear Richard,

At this moment, we don't have plan to send engineer to inspect that tire at Albueque, NM. In your e-mail of Sept-25-2006 to Mr. Ge, you told us the tire and wheel were being sent to STL for testing. What's the result? You also mentioned that " I have spoken to the claims adjuster today and he has no formal request for payment from the insurance company of the customer who has paid the claim. The adjuster estimates that the property damages will be approximately \$50,000-55,000 USD". Did you mean we should reimburse the customer to settle this issue? if yes, what's the cost?

We didn't request you to send the tire to China.

What do you want us to do?

Best Regards

Mack Cai
Hangzhou ZhongCe Rubber Co., Ltd.
Tel:0086-571-86815894
Fax:0086-571-86053191

===== 2006-10-11 06:00:28:=====

> Dear Mack,

>

> I have asked more than once what HZ would like to be done with the ambulance tire that was involved in the rollover in New Mexico. Can you please answer this.

> We can not send the tire out of the country unless the claim is paid. Do you want to appoint an expert to examine the tire? Does HZ accept responsibility for the damage? These issues were supposed to be resolved within 10 days. When will you give us HZ's position?

> Sincerely,

> Foreign Tire Sales, Inc.

> Richard Kuskin

=====

FTS 1504

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

October 12, 2006

Att: Mack Cai

Dear Mack:

Thanks for your E-mail. We want to know what Hangzhou wants to do – defend or accept a settlement which could be as much as the deductible(\$100,000.00)? Hangzhou was unhappy about the previous case which settled out of court. We want you to make your own choices about defending or settling.

Richard's comment on the Ambulance case is that informally we are advised of:
about \$55,000 property damage
about \$10,000 in medical expenses
possible personal injury lawsuits.

So far nobody has filed any personal injury lawsuits, but they can do so, even at the last minute.

Does Hangzhou intend to defend itself and FTS against any claims below the deductible (\$100,000)?

If the answer is "yes, Hangzhou wants to defend itself and FTS", please advise who is your US lawyer, and their telephone number?

Best regards,



Maureen Gardner

FTS 1505

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

October 13, 2006

Att: Mack Cai

Dear Mack:

Thanks for your E-mail. My comment on the Ambulance case is that the first \$100,000 is where FTS and Hangzhou need to be concerned about whether to settle or defend. We don't know if personal injury lawsuits will follow and how much they could be. Nobody has stated they are suing yet. Above \$100,000 the insurance company lawyers negotiate the settlement. Before people get lawyers they often try to settle a case. Once the lawyers get involved the people want more money than they would settle for without a lawyer because they have to pay the fees.

Gary examined the tire and reported his finding of belt-edge separation, but Hangzhou Zhongce was not satisfied. It can't go out of the country so the choice is to either have your expert come and examine it, or appoint an expert here. Who is your expert here? The examination is not requested by the government. In a civil case the plaintiff expert witness and our (defendant) expert witness both get to examine the tire.

When people sue, they sue everyone in the chain, the driver, the company he works for, the company that sold the tire, the importer, the tire manufacturer, even the vehicle manufacturer. There were four people in the vehicle.

Sema: Our booth is 43209. Since you're coming, please advise what hotel you will stay at. Who is coming from Hangzhou Zhongce besides yourself? Richard, Gary, Steve, John, and Gladys will all be there. We'll have your radial truck tires.

Tornel's complaint is that the supply is erratic- some months you didn't provide any tires or only 1 or 2 sizes. They need a consistent supplier with a good balance of the 4 sizes. They are asking Hangzhou to be a consistent supplier. We didn't have a problem paying Hangzhou Zhongce as your people agreed when you met with Richard. You talked yourselves into not supplying us for several months, no doubt with some talk from competitors. Even when relationships were not as good as they could be, FTS did not distance itself from Hangzhou Zhongce. We continued to place orders.

Attached please find a draft agreement. Sect. 19 deals with adjustments.

In answer to some of your questions:

FTS 1506

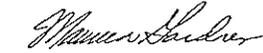
1. Tire Town charges \$15.00 for OTR and Farm Tires, \$5.00 for medium truck tires, and \$2.00 for LT, forklift, and skid-steer tires. In addition freight charges for tires found to be defective will be charged.

2. It is not necessary to have a term contract with Tire Town.

3. FTS will pay the freight bill to Tire Town. Those tires which are defective we will charge HZ back for the freight and the scrap cost. Hangzhou Zhongce is obligated to pay FTS within 30 days.

Please remember Hangzhou Zhongce determines how many and which tires are sent to Tire Town, so it should not be a problem.

Best regards,



Maureen Gardner

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083
PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

October 18, 2006

Attn: Mack Cai

Dear Mack,

Thank you for your email of October 17th, which I did not receive until today.

Please confirm that you will bring with you to Las Vegas, the plunger and endurance reports for the LTR tires requested in my email of 10-16-06. These reports are to establish compliance with our DOT. We either never received them or have misplaced them.

Please refer to the English version of the contract that we have sent you. We have not made a distinction between the OOR claim and other claims. We spent a long time considering this issue and we agreed that the OOR claims would be handled as all other claims are handled. They will be sent to Tire Town to verify that they have tread wear of less than 10%.

The cost of the freight charges for sending claim tires to Tire Town depends on the weight of the tire and the distance the tire will travel to get to Tire Town. We are taking advantage of Tire Town's discounted freight rate and the fact that all tires will be classified as scrap, which is the lowest rate. Since you agreed to send the tires to Tire Town, we shall do so and afterwards we will examine the freight costs. If this proves too expensive, maybe HZ would like to set up a center in the United States to receive claim tires as most other manufacturers have.

In your email of October 17th, you ask us to increase the L/C amount. Our bank did not agree to have this amendment issued through the ICBC as the L/C was issued through the Wachovia bank. Yesterday, I sent you details on the new L/C, which was issued through the ICBC.. If not, there is a sufficient amount available to negotiate all documents under L/C IC017413U. Today I have asked our bank to increase this L/C by \$500,000.00. Wachovia Bank will issue this amendment.

Please note that we have already accepted many documents from HZ that have had discrepancies including late presentation and not shipping the latest revision of an order. If we intended to refuse documents from HZ we would have done so already. If HZ submits documents to our bank for our orders, we will pay for them promptly, whether or not any amount remains under a given L/C.

FTS 1508

Today, we were shocked to find out that HZ refused to receive and amendment for L/C IC016954U. We have amended this L/C as you have requested. I hope that you reconsider and accept the amendment to L/C IC016954U.

Please note, the one size Tornel asked us not to delay is the 11R-24.5 16 CM980. Can you inform me as to when this size will ship?

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

Richard Kuskin

From: "Cai mack" <mackcai@hotmail.com>
To: <kuskin@att.com>
Cc: <richkuskin@hotmail.com>; <chenchao@chaoyang.com>
Sent: Thursday, December 21, 2006 4:46 AM
Attach: Re_ ROSS ROBERTS TIRE CLAIM.eml
Subject: Chattanooga shipment

Dear Maureen,

Thanks for your e-mail to Allan.

Today Orient star told us that p.o.20634,20837 and 20556 could not be shipped before the end of this month as there were too many shipments at Chattanooga. We are confused as Mr.Benton Hood told me and Richard that both Mitco and Pro tire were run out of tires and they need the shipments badly. If you are having delivery problem with steamshipping lines, please try to use different lines to space the arrival time.We have agreed to use new price after jan.01st shipment.How will you deal with these 3 orders if they need to be shipped in January?

Today Wanhai told us that they would no more call Oakland,Ca and they asked us not to ship p.o.20773. Kindly please note that the container is in our warehouse this morning. There will be some extra charge occur. As this is not our fault, we need FTS to pay for it.Wanhai should not have released the container to us if they know cancel the sailing to Oakland.

YangMing visited us today. They have service to Oakland and L.A. Please give them more business. We heard that Wanhai reduced the spaces to L.A.

On the Yangshan port issue, previously you agreed to pay the USD75/40' HC. We don't understand why you changed your idea. In fact, it's not our issue, the trucking company needs to pay RMB600/40' HC more for delivery the container to Yang Shan port. This is about 20% more for trucking. We didn't adjust our FOB price when shipping lines call Yangshan. No trucking company want the business if RMB600 is not paid to them. All of our customers agreed to pay USD75/40' HC if shipping companies call Yangshan instead of adjusting the FOB price. If FTS doesn't want to pay it, please stop using Zim for the points go through Vancourver; For Latin American shipments, please ask your NVOCC to choose steamshipping line don't call Yangshan.

Who sent you the LTR claim with DOT 7D STF_F? What's the size? The customer know from where he bought the tire and he should return the claim to the retailer. It should be like a chain.

Who is the customer had the claim of Westlake 245/70R19.5? Please ask him where he bought the tire?

On Oct-25th, I sent Heidi the analysis of the LT245/75R16 CR861 claim done

FTS 1510

MZTTQ= <<_▲5_sT|z5_<@_▲4;5><_||55=▲=0
12/21/2006

FOREIGN TIRE SALES, INC.

2204 MORRIS AVE.

UNION, NJ, 07083

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

December 21, 2006

Att: Mack Cai

Dear Mack,

Thanks for your e-mail of 12-21-06.

When I visited you, I expected that you would give me the LTR test reports that I had asked for. Unfortunately, you failed to do this. I then wrote out the sizes and designs for which we needed test reports and gave you the list. Have you gotten those test reports? Please let me know why it is so difficult for you to give these reports to me. When will I get them? Attached is the list of needed test reports.

Concerning the rejected claim for the CR861 tire, the opinion of your engineer is self serving. He or his staff designed the construction details of the tire. He does not want to lose face by admitting the tire had a separation. We do not accept this opinion and we would like an independent testing service give their opinion. But that is not really the issue. HZ is obligated to defend FTS from the claim or pay it. Please refer to paragraph 2 of our December 2, 2006 agreement. Is this another item on that agreement that Hangzhou chooses not to honor? We already have evidence that Hangzhou is selling tires in some of the restricted designs to The USA. Hangzhou no longer allows FTS to deduct claims within 45 days. Hangzhou has shipped so many Westlake LTR tires to The USA that it has destroyed our ability to sell these at a fair margin. I think there are no other points in this contract that can be dishonored by Hangzhou, because there are no other points.

I am contacting Yang Ming to try to get Hangzhou proper compensation for YangMing's mistake. The first that I heard of the discontinuation of the service is your e-mail. Certainly, YangMing should compensate Hangzhou for its troubles. What is the cost you need? Please give a detailed explanation.

Concerning the question of who you sold the Westlake tires to, the tires were returned to us by Reliable Tire. He buys tires from many sources. His customers buy tires from many sources. He does not know whom he bought the tire from or even if he actually bought it. That is why I need to know who Hangzhou sold the tire to.

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1512

**FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083**

PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

December 22, 2006

Att: Mack Cai

Thanks for your e-mail of 12-22-06.

When I visited you, I expected that you would give me the LTR test reports that I had asked for. Unfortunately, you failed to do this. I then wrote out the sizes and designs for which we needed test reports and gave you the list. Have you gotten those test reports? Please let me know why it is so difficult for you to give these reports to me. When will I get them?

I am attaching a copy of a form that an insurance company issues showing that a vendor or customer is named on the insurance policy. The vendor insured form is issued to your company. Please let me know if Hangzhou wants to be named on our policy. If so, will Hangzhou pay the \$3.75/\$100.00 of purchases from Hangzhou that is the charge that we have negotiated?

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1513

CERTIFICATE OF INSURANCE

DATE (MM/DD/YY)
01/26/2006

PRODUCER

MARSH ADVANTAGE AMERICA
Two North Second Street, 10th Floor
Harrisburg, PA 17101

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED

Foreign Tire Sales, Inc.
Richard Kuskin
2204 Morris Avenue, Suite #L-5
Union, NJ 07083

COMPANY A: Admiral Insurance Company

COMPANY B:

COMPANY C:

COMPANY D:

COMPANY E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS																				
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCURRENCE <input type="checkbox"/> OWNER'S & CONTRACTOR'S <input checked="" type="checkbox"/> VENDORS LIABILITY	CA000002251-04	12/31/2005	12/31/2006	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>GENERAL AGGREGATE</td><td style="text-align: right;">2,000,000</td></tr> <tr><td>PRODUCTS-COMP/OP AGG</td><td style="text-align: right;">2,000,000</td></tr> <tr><td>PERSONAL & ADV INJURY</td><td style="text-align: right;">2,000,000</td></tr> <tr><td>EACH OCCURRENCE</td><td style="text-align: right;">2,000,000</td></tr> <tr><td>FIRE DAMAGE (Any one fire)</td><td style="text-align: right;">50,000</td></tr> <tr><td>MED PAY (Any one person)</td><td></td></tr> <tr><td>COMBINED SINGLE LIMIT (Each Occurrence)</td><td></td></tr> <tr><td>BODILY INJURY (Per person)</td><td></td></tr> <tr><td>BODILY INJURY (Per accident)</td><td></td></tr> <tr><td>PROPERTY DAMAGE (Per accident)</td><td></td></tr> </table>	GENERAL AGGREGATE	2,000,000	PRODUCTS-COMP/OP AGG	2,000,000	PERSONAL & ADV INJURY	2,000,000	EACH OCCURRENCE	2,000,000	FIRE DAMAGE (Any one fire)	50,000	MED PAY (Any one person)		COMBINED SINGLE LIMIT (Each Occurrence)		BODILY INJURY (Per person)		BODILY INJURY (Per accident)		PROPERTY DAMAGE (Per accident)	
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	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY <input type="checkbox"/> EXECUTIVE OFFICERS ARE INCLUDED <input type="checkbox"/> EXECUTIVE OFFICERS ARE EXCLUDED																								

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

Certificate Holder is included as "Additional Insured" as respects the Broad Form Vendors Form.

CERTIFICATE HOLDER

Hangzhou Zhongce Rubber Co., LTD
1 Haichao Roain Street
Hangzhou, China

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL 30* DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES.

BY: MARSH ADVANTAGE AMERICA

Christy H. Walsh

* EXCEPT 10 DAYS FOR NON-PAYMENT OF PREMIUM

CERTIFICATE OF INSURANCE

DATE (MM/DD/YY)
01/26/2006

PRODUCER

MARSH ADVANTAGE AMERICA
Two North Second Street, 10th Floor
Harrisburg, PA 17101

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A: Admiral Insurance Company
COMPANY B:
COMPANY C:
COMPANY D:
COMPANY E:

INSURED

Foreign Tire Sales, Inc.
Richard Kuskin
2204 Morris Avenue, Suite #L-5
Union, NJ 07083

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

A	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
					GENERAL AGGREGATE	
<input checked="" type="checkbox"/> GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCURRENCE <input type="checkbox"/> OWNER'S & CONTRACTOR'S <input checked="" type="checkbox"/> VENDORS LIABILITY	CA000002251-04	12/31/2005	12/31/2006	GENERAL AGGREGATE	2,000,000	
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				E.L. EACH ACCIDENT		
				E.L. DISEASE - EA EMPLOYEE		
				E.L. DISEASE - POLICY LIMIT		

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

Certificate Holder is included as "Additional Insured" as respects the Broad Form Vendors Form.

CERTIFICATE HOLDER

Professional Industrial Tire
Box 5652
Chattanooga, TN 37406

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL 30* DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES.

By: MARSH ADVANTAGE AMERICA

Christy H. Wash

* EXCEPT 10 DAYS FOR NON-PAYMENT OF PREMIUM

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083 USA

PHONE: 908-687-0559 FAX: 908-687-0231 WATS: 800-634-8335

Number of Pages (Including This) 1

Att: Mack Cai

JAN. 10, 2007

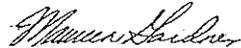
Dear Mack Cai:

We have sent in all the information requested by you on damage claims and you received them promptly in October, November, and December. In the contract of Dec. 2, 2005, #2 clearly states that Hangzhou shall compensate FTS for all damage and injury claims. It is a clear statement. It further goes on to say that HZ is responsible to either defend FTS against the claim or pay it.

We complied with your request to have claim tires sent to HZ. You had adequate time to review the claims and come to a decision. HZ refused to provide us with legal services to defend against these claims, therefore your only other choice is to pay the claims. None of these claims were excessively large for damage amounts. We waited a long time but no answer from HZ whenever we asked. Customers became angry that they waited so long over claims so FTS paid them as HZ had not provided us with any legal defense. We include Hangzhou Zhongce in our waiver settlement from the customers. Now we are requesting repayment in a timely way.

This issue must be resolved and we propose that it be resolved by arbitration in the USA. Please confirm that you agree and we shall set up a date.

Best regards,



Maureen Gardner

FTS 1516



"Richard Kuskin"
<kuskin@att.net>
01/12/2007 09:14 AM

To <LNLAVIGNE@nmmlaw.com>
cc
bcc
Subject Fw: e-mail of 01-12-2006

----- Original Message -----
From: "Cai mack" <mackcai@hotmail.com>
To: <kuskin@att.net>
Sent: Friday, January 12, 2007 4:42 AM
Subject: e-mail of 01-12-2006

> Dear Maureen,
>
> Thanks for your e-mail.
> As for the damaged claim, as you saw from one analysis report from our
> engineers. We have different opinion on what the reasons caused the
> problem. This is for ROSS ROBERTS TIRE CLAIM. Even we had dispute, we paid
> FTS the claim.
>
> For 2 tires sent by DHL, as we told you several times, we couldn't clear
> them through the Customs. We asked you if to send the tires involved in
> damage claim to STL or Smithers, can they make conclusion that if the
> problem is from the tire or abuse. From your reply, we didn't see the
> confirmed answer. Since FTS doesn't agree with our analysis and none
> independent third party can do the judge, what's your suggestion on the
> damage claim?
>
> As I told Richard, I don't think the clause 2 in agreement dated
> Dec-2-2005 is reasonable. Some points in that agreement is different from
> what Richard and I discussed, include the CR960A pattern exclusivity. Do
> you have the same agreement with your other suppliers?
>
> We read the reports about FTS about the container chassis tire. Sorry. Did
> we make the 1000-20-14 K88 with "dual use only"?
>
> Best Regards,
>
> Mack Cai
>
>
> [MSN Messenger: http://messenger.msn.com/cn](http://messenger.msn.com/cn)

FTS 1518

FOREIGN TIRE SALES, INC.
2204 MORRIS AVE.
UNION, NJ, 07083
PHONE 908-687-0559 FAX 908-687-0231 WATS 800-634-8335

January 13, 2007

Att: Mack Cai

Dear Mack:

Thank you for your email of January 12, 2007. I need to point out that your position set forth is simply wrong. First, the agreements and understandings we have with other suppliers are irrelevant to HZ. We negotiate different arrangements with each of our suppliers. This includes price concessions, adjustment procedures, payment terms and a number of other items. The number of tires we buy from different suppliers as well as the after sale problems we have with those tires are all considered in the decision to purchase from a specific supplier. It would be impossible to compare each supply arrangement.

Additionally, HZ clearly does not understand potential liability issues in the United States. HZ continues to insist that if the complaint about a tire is found to be caused by abuse, then HZ wants nothing to do with the claim. HZ ignores the fact that HZ's opinion that the tire is not defective is not conclusive. A jury could and often does, find that a tire is defective even where the manufacturer believes that it is not.

When a claim is filed, there are two elements of the expense involved: defense costs and indemnity. HZ routinely ignores that it is responsible to reimburse FTS for the cost of defense even where HZ and FTS believe that the tire is not defective. Our combined belief is not the determining factor, it is the jury or judge's decision. HZ had consistently ignored its responsibility to defend the claims when they are made.

The other issue is what is called indemnity. That is whether or not the claim itself should be paid. Our agreement obligates HZ to evaluate the claim and if HZ believes that the tire is not defective, it has the option of paying the claim or all costs associated with defending the claim. HZ can not, as it has done in the past, claim that the tire is not defective and refuse to reimburse FTS for costs!

Therefore, according to the December 2, 2005 contract, HZ must reimburse FTS for all costs involved in investigating and disposing of claims whether HZ agrees that the claim has merit or not. If HZ believes that the claim does not have merit, HZ can then defend the claim and abide by the jury's determination.

FTS will agree to send tires to STL or Smithers for evaluation at HZ's expense. We will not front the money any longer and suggest that HZ make arrangements for setting up an account with STL and Smithers and pay them directly. Once these organizations offer their opinion, HZ then can decide whether to pay the claim (if a defect is found) or fight the claim (if a defect is not found).

Lastly, it is absolutely unfair and unacceptable that HZ constantly breaches its contracts with FTS and ignores provisions that HZ agreed to that it now does not like, while trying to make FTS abide by the provisions that HZ likes. You can not, over a year later come back and say that the agreement which was signed by HZ contains points that you did not agree to. If that were so, HZ should not have signed the agreement!

Sincerely,

Foreign Tire Sales, Inc.
Richard Kuskin

FTS 1519



"Maureen Gardner"
<kuskin@att.net>
03/15/2007 09:03 AM

To <LNLAUVIGNE@nmmlaw.com>
cc
bcc
Subject Fw: E-mail 3-14-07

----- Original Message -----

From: CHEN CHAO
To: kuskin@att.net
Cc: mackcai@chaoyang.com
Sent: Thursday, March 15, 2007 8:04 AM
Subject: Re: E-mail 3-14-07

Dear Maureen,

Thanks for your information. Actually we improve our prescription of our tire material. And our finished tires will have a more better capacity of wearable, pressure resistance. It will increase our cost. So our price is also increased.

We noted you revised po20988.

The first date of Ternel shipment is on Mar 22. Please note. You know we have a charger happened for 13 containers coming and bck with empty. It is all \$2013. FTS should take charge of this fee by rejecting to open L/C.

Attached please find our TBB new price for you reference.

For po20971, we submitted our docs to bank on MAR 8. Please note.

Ok, i will arrange po20930, 20937, 20939, 21000 as you mentioned.

Our GM will be return in next week. Still our manager approve the adjustments which you submitted. It still should be approved by our GM. It is according to our company's regulation. Thank you for your understanding.

Thanks and Best Regards!

Allan Chen
Hangzhou Zhongce Rubber Co., Ltd.
Tel: 86-0571-86815894
Fax: 86-0571-86053191
Email: chenchao@chaoyang.com
iichenkudao@yahoo.com

•ç¼pÈÈÈ° Maureen Gardner
•çÈÈÈ±¼ãÈ° 2007-03-15 05:20:09
ÈÖ¼pÈÈÈ° Allan Chen
³-ÈÈÈ° Mack Cai

FTS 1520

Ö÷îâ£° E-mail 3-14-07

Dear Allan:

Attached please find a wordfile.
Best regards,

Maureen Gardner

Don't get soaked. Take a quick peek at the forecast



with the Yahoo! Search weather shortcut. Microsoft Excel 97-2003.xls

Mr. Shen Jing Rong
Chairman of the Board / General Manager
Hangzhou Zhongce Rubber Co., Ltd.

May 10, 2007

Dear Mr. Shen:

On behalf of FTS, I am writing this letter to you and through you, to Hangzhou Zhongce Rubber Co., Ltd, (HZ) to inform you about a lawsuit against multi-defendants, including FTS and Hangzhou, due to an accident allegedly caused by the defective tires produced by Hangzhou and distributed in the US by FTS. A copy of the complaint is attached for your reference.

The tires involved in the accident is a LT245/75R-16 Compass Telluride CR861 tire, serial number 7DT3FTS 2304. The claim is that the tread separated, from the tire wrapping around the wheel, the van swerved and overturned. The claimant Joao Paulo Da Silva claims serious personal injuries. Another occupant, Souza claims that he suffered a closed head brain injury. Also, it was claimed that two occupants were thrown from the vehicle and died. Their names are Figueiredo and Melo. Figueiredo died on August 12, 2006. Melo died on August 24, 2006. We have no doubt that the estates of the dead people will bring claims for damages against us. It is only a matter of time.

Quality issues have always been the major concern of FTS. It is a common knowledge that defective tires can cause accidents which take human life. Unfortunately, this is exactly what is alleged to have happened here in the United States. The complaint alleges that the HZ tire was defective as follows:

- The inner liner was too thin;
- The inner liner did not have enough butyl;
- The rubber between the belt edges was insufficient;
- The belts were misaligned;
- The aging resistance was inadequate;
- The tire lacked nylon belt plies;
- The tread-belt adhesion was inadequate;
- The components were contaminated during manufacture;
- Inadequate warnings, inadequate testing contributed to the separations and other claims.

Some of the allegations involve those issues that FTS has raised with HZ for almost a year. Ever since FTS found out that the gum strip were removed unilaterally by Hangzhou, FTS has been overwhelmingly nervous and alarmed. FTS has so many times engaged Hangzhou in resolving the problems. HZ has

FTS 1522

continued to ignore FTS' requests for information and help on this issue. Although Hangzhou finally put the gum strip back in the tires, it is apparently too late for this event. Yet there are still many tires (we don't know how many) without gum strips which could keep on causing serious problems, even death and serious body injuries like the current accident. Additionally, once the gum strips were put back into the tires, the strips were much smaller than specified by FTS.

It is obvious that there are disputes between FTS and Hangzhou regarding HZ's quality control and issues of damage compensation... In September, FTS and its attorneys traveled to HZ to explain the possible problems that could arise from HZ's unilateral, undisclosed change in the tire design. This included the possibility of a recall. But right now, the parties are facing the same danger in terms of a potential recall by the United States government. As FTS presented to you on many occasions in the past 2 years, an accident of this nature caused by the tires carrying no gum strip can trigger the US government investigation, and followed by a recall ordered by NHTSA. To avoid the potential risk, FTS has been trying very hard to negotiate with Hangzhou to set up a warehouse storing some tires for the purpose of dealing with the potential recall. Hangzhou did not do anything about it. Right now FTS is exposed to great danger of loss, even bankruptcy. The accumulation of the tension between the parties motivated FTS' suggestion of mediation with that FTS was hoping to have Hangzhou together to actually do something to control the situation. Such suggestion was, nevertheless, turned down by Hangzhou. HZ stated that there are no problems between the companies. This is not true.

Since we are sued together, we have all the reasons to work together to solve the problem. There is no way out other than complete cooperation. Upon receipt of this letter, please be prepared to supply to FTS the following documents:

1. The engineering manual/specification for each type of tires sold in the US;
2. The testing report for each kind of tires and for each design-changed production of tires;
3. Your guarantee that HZ will stand behind its tires and pay for the defense of this terrible lawsuit and to pay for all costs incurred by FTS in a recall.

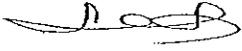
FTS hopes that Hangzhou will have someone specifically in charge of this matter and keep in close contact with FTS. FTS will do its best to defend the case, so should Hangzhou. Please be aware, a case like this one will be very difficult to defend. As the manufacture, in a matter of product liability, Hangzhou shall be the ultimate party to be responsible. Considering that, we expect Hangzhou puts this as its first priority.

Your attention is highly appreciated.

Best regards,

FTS 1523

BEACON LAW FIRM



Lee Liu

FTS 1524