



MASTER

DIAL COMM 8\*235-3992

DATE December 18, 1974

COPIES R.D. Ardizzone  
J.T. Hughes  
R.J. King  
T.A. Vanderslice

DEPT Outdoor Power Equip. Operation  
Corporations Park, Bldg. 702  
ADDRESS Scotia, N.Y.

SUBJECT Year End Summary

Mr. T.C. Doty, Manager  
Financial Planning & Analysis  
Special Systems & Products Group  
Fairfield, Connecticut

I. Receivables

Collections have gone extremely well. Statistics are shown in Exhibits A & B. Our forecast of the distribution of dealer collections is shifted more into 1975 due to the present unfavorable economic outlook, and market conditions.

II. Dealers/Distributors

1. Dealers

W-H has offered former Elec-Trak dealers a one year contract for the purchase of parts at dealer net prices. (Some key parts are heavily back ordered).

W-H has also indicated they will sell accessories/attachments, as available, to our former dealers to complete a retail sale. (Some key attachments are in very short supply or unavailable).

2. Equipment Distributors

W-H has agreed to set OPEO up as a "parts distributor" to allow us to provide our former equipment distributors with parts and accessories/attachments at distributor net prices.

Former Elec-Trak distributors will place orders on OPEO for parts/accessories and OPEO will place orders on W-H for drop shipments. W-H will bill OPEO and OPEO will bill distributors.

This program is designed to encourage and allow distributors to service their former dealers competitively and reduce inventory during 1975. Distributors will probably not be satisfied with this but legal counsel feels this constitutes sufficient committment on GE's part.

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We are currently ready to announce a transitional policy to the distributors according to plan. (See the strategy flow diagram in Exhibit C attached).

### 3. Parts Distributors

OPEO has offered discounts to former active parts distributors to encourage them to keep parts. All but three have accepted the program. The balance of parts have been offered to Friesen in Canada and he may take some or all of the balance at a discounted price. If not, we will transfer to master dealers.

### III. Consumers

Consumer complaints are being resolved by Jack Irvine/Jim Stackhouse. Those that require legal action are being funneled to Jim Hughes for action and recommendations. Jim Hughes is currently involved in some potentially serious consumer problems including a group who have complained to both the Penna, and N.Y. State Consumer Protection Board.

### IV. Employee Placement

An updated history of payroll during 1974, salaried placement results and present payroll status are shown respectively in Exhibits D, E, and F. We have been very fortunate in placing our employees. It may be noted that none have had to leave unemployed, and further that all exempts have left at equal or greater salaries.

The future may not be so optimistic however, since the job market has virtually disappeared. Our strategy has been, and will continue to be such that we are "there" when and where replacement positions or any positions open. To accomplish this, we are of necessity, being repetitive, and trying not to leave any stone unturned.

A summary of best possible offer candidates is shown in Exhibit G. Some dates are estimates, based on anticipated release from W-H, or job completion. An overview of the shutdown with respect to employees is shown on the graph in Exhibit H. Actual numbers will probably fall between the two curves.

### V. Operations

Statistics supporting summary of operations and investment/cash flow are shown in Exhibits I, J & K for your review, and for our meeting on December 19.

Sincerely,

J. F. Caruso



COLLECTION FORECAST SUMMARY  
(000)

	Last 4 Months Collections		12/31/74 Estimated Dec. Balance	Forecasted 1975 Collections		Total Collections Forecasted
	8/25/74 Forecast	12/17/74 Forecast		8/25/74	12/17/74	
L & G Dealers	\$ 990	\$ 722	\$ 855	\$ 435	\$ 520 *	\$ 1425
<u>Distributors</u>						
Equipment )	175	150	50	0	25	175
Parts )			20	0	10	10
Parts Distributors						
Active )	0	9	85	0	35	44
Non Active )	0		65	0	10	10
Industrial Dealers	20	16	15	0	5	21
Law	5	0	30	0	5	5
Finn	15	14	100	10	20	25
Terminated (No Equip.)	15	10	70	0	10	15
AVCO	<u>10</u>	<u>29</u>	<u>10</u>	<u>0</u>	<u>10</u>	<u>10</u>
Total	<u>\$1230</u>	<u>\$ 950</u>	<u>\$1300</u>	<u>\$ 445</u>	<u>\$ 650</u>	<u>\$1675</u>
						<u>\$ 1600</u>

\*See (Exhibit B)

EXHIBIT A

DEALER RECEIVABLE SUMMARY

12/11/74

<u>INSTRUMENTS</u>	<u>FORECAST 1974</u>	<u>FORECAST 1975</u>
Ext. Agreement	-	\$ 4,000
"1/3" Notes (1)	\$ 18,000	64,000
June Notes (2)	-	69,000
Master Dealer Notes (3)	-	241,000
Uncollectable (\$38,000) Notes (Equip. to be moved) (4)	-	20,000
Cash (5)	97,000	117,000
Attachments	<u>-</u>	<u>5,000</u>
	\$115,000	\$520,000

- (1) Those notes with remaining balances written since September and due in 3 payments.
- (2) Those floor plan notes written to date-final due in June 1975.
- (3) Those floor plan notes to be written as equipment transfer is completed - due June 1975.
- (4) Equipment already on 1/3 notes but payment doubtful-will be moved at further discounted price to master dealers on new notes
- (5) Cash from dealer who do not have notes.

EXHIBIT B

RDardizzone  
12/18/74



REV. 12/18/74  
JFC

OUTLINE - DISTRIBUTOR STATUS NOVEMBER 22, 1974

A.) Objective - To correct the current distributor problem in the balanced best interests of protecting the General Electric image and use of Company funds.

B.) Current Thinking -

1. Distributors feel that General Electric put them out of the Elec-Trak business in a manner which will cause them to suffer losses; they want GE to take back all of their inventory which they say is now "obsolete".
2. We feel that distributors should be allowed to operate at their distribution level at least for a transitional period which should extend through one more selling season. This would give them proper opportunity to exit by depleting inventories.
3. Wheel Horse, generally, does not want to deal with our ex-distributors.

C.) Strategy

1. We feel that refusing to do anything for distributors at this point could cause significant financial and other tangible losses to General Electric Company. Therefore, we will offer distributors a transition period, probably a year, during which they can continue buying parts and accessories at distributor pricing (GE to absorb any cost over Distributor price). Our first approach at securing this treatment will be an attempt to get Wheel Horse to enter into a "transitional" agreement, if not a permanent one with our ex-distributors. This alternate does not seem very likely according to present evaluations and if our attempts fail, we (GE) will try to purchase parts and accessories from Wheel Horse for drop shipment to distributors, for the same period. We feel strongly that Wheel Horse should comply with that offer, but must anticipate the possibility of having to approach AMC, should Wheel Horse refuse. The greatest liability in this approach, would occur if distributors had to purchase parts and accessories at list price. If that were to occur,

our liability could be as high as \$40,000 to \$50,000, depending on sales and service this coming season.

2. The possibility exists (greater than 50% chance) that distributors will refuse to accept the alternate outlined above. At that point a decision must be made as to whether GE should hold ground, or make a more generous offer of reconciliation. Our legal counsel presently suggests that we hold ground. He estimates that our efforts to keep distributors in business for a year, at our loss, would probably be interpreted as being more than fair. However, anticipating a possibility of continuing, a special offer can be tailor made at the time, if needed. We would probably offer the distributor his stock at a substantial discount (20%), or possibly offer him return options with slight restocking charges and/or time extensions. The cost of this alternate could be from \$115,000 to \$150,000, depending on the extent to which equipment was returned. The cost estimate assumes very little recovery in returned equipment.
3. The possibility would still exist that distributors refuse that package and insist on complete return of equipment and parts. We would again be faced with the decision to hold, or to give in and accept complete return of inventory. We would be subject to a maximum loss of \$250,000 to \$350,000, by accepting complete return of inventory.

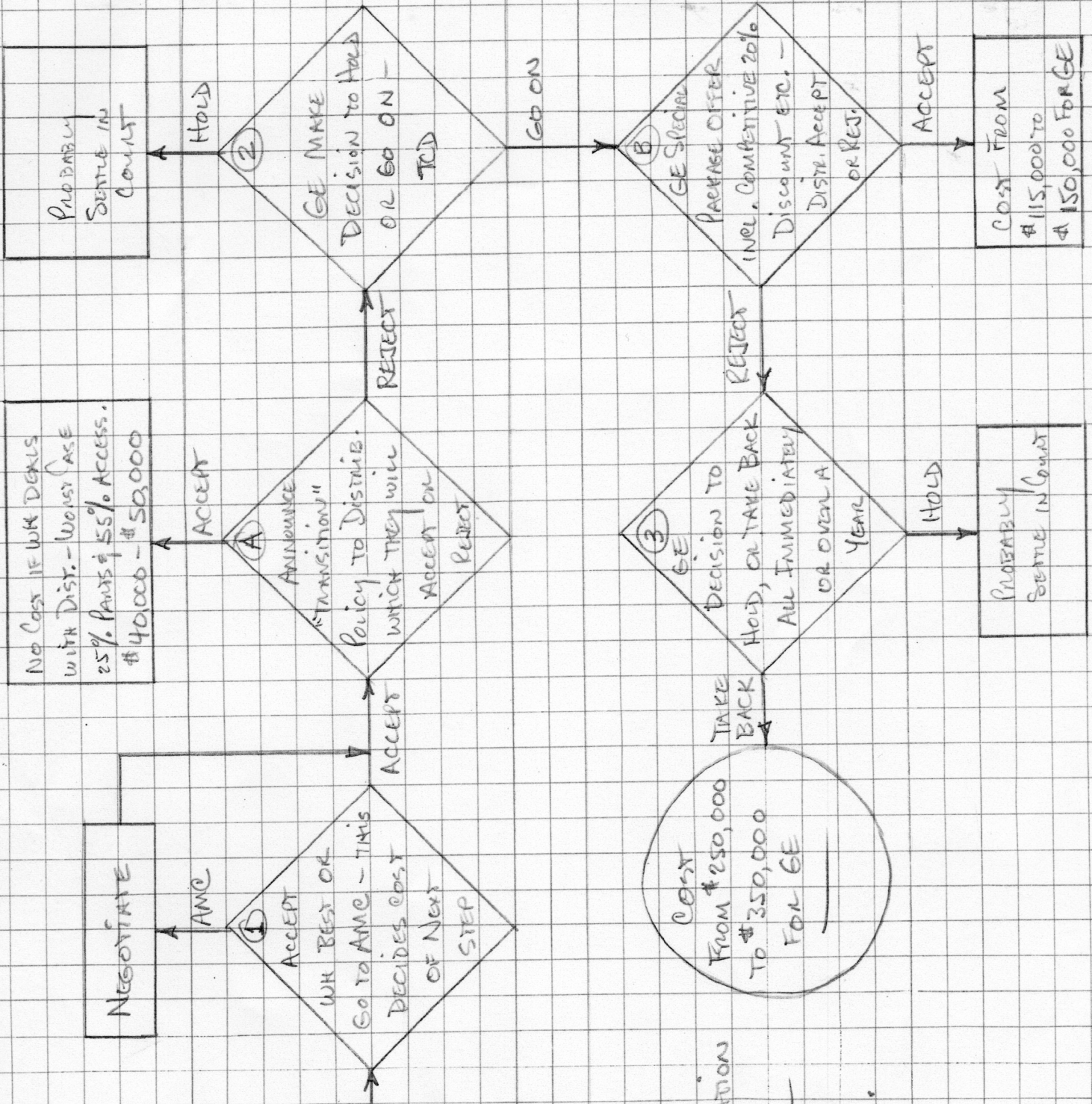


11/22/74

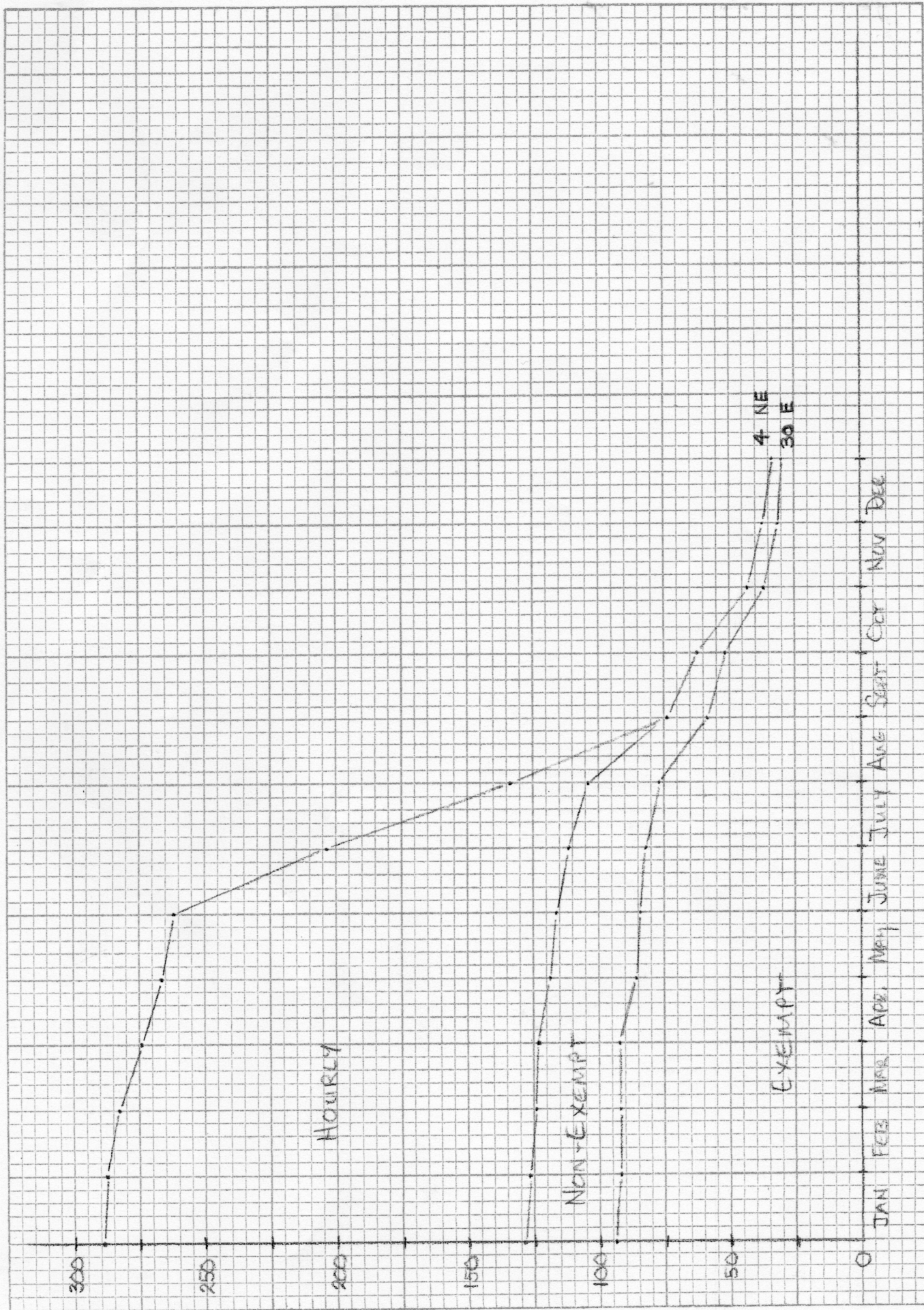
GE/WH MEETING  
 1. GET WH TO SELL TO DISTRIB. AT DISTR. PRICES.  
 2. GET WH TO SELL TO GE - BEST PRICE.

COST FROM \$250,000 TO \$350,000 FOR GE

\* PRESENT RECOMMENDATION IS TO "HOLD" AT DECISION POINT ② - RE-EVALUATE AFTER WHEEL HORSE MEETING.



### O.P.E.O. PAYROLL HISTORY - 1974





1974 SALARIED PLACEMENT RESULTS

	Thru 9/30/74		9/30/74 to 12/20/74		Total	
	E	NE	E	NE	E	NE
Transfers to other GE Components	26	21	9	3	35	24
Transfers to Wheel Horse	19	3	2	-	21	3
Transfers external to GE - Serv. Pro.	2	-	3	-	5	-
Voluntary resignations	8	2	-	-	8	2
Retirements	1	1	-	-	1	1
<b>Total Placed</b>	<b>56</b>	<b>27</b>	<b>14</b>	<b>3</b>	<b>70</b>	<b>30</b>
	<u>83</u>		<u>17</u>		<u>100</u>	
<b>Details of GE transfers (Based on Level or Grade only)</b>						
Promotions	10	6	2	-	12	6
Laterals	12	10	5	1	17	11
Downgrades	4	5	2	2	6	7
<b>Totals</b>	<b>26</b>	<b>21</b>	<b>9</b>	<b>3</b>	<b>35</b>	<b>24</b>
	<u>47</u>		<u>12</u>		<u>59</u>	

PAYROLL STATUS AS OF 12/20/74

	<u>WH Loan</u>	<u>Close Out</u>	<u>L.O.W.</u>	<u>Placed</u>	<u>Total</u>
Exempt:					
Mfg/Rel.	3	3	1	2	9
Mkt.	-	9	1	2	12
Fin.	-	5	-	1	6
Eng.	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total	6	17	2	5	30
Non-Exempt	-	2	-	2	4

NOTES:

1. All 7 exempt and non-exempt in "placed" category have January dates.
2. 6 of 17 exempts in "close out" will be notified of L.O.W. during the first part of January.
3. It is expected that Ralph Stevens will graduate from the Employee Relations Management Program and leave OPEO during January.
4. At least 2 of 6 "WH Loans" will return to GE payroll in January. Economic pressures may precipitate further notification by WH.



