

*J. Clarke proposal  
(depending on shareholders opinion)*

Thank you very much for your letter dated May 2 which has been carefully reviewed.

I must express our very serious concern with the proposed PUT/CALL OPTION as now presented. Neither this latest proposal nor your original proposal meet the needs of Sava management or shareholders. Prima facie, your latest proposal appears even less attractive than your earlier formulation which, as you were already aware, was unacceptable. Either proposal is not so much an "insurance policy", but a date certain contract to sell 100% of the business with, at best, 40% being sold on an interest free deferred payment program. At worse, Goodyear is seeking a discount on the original "strike price" for the remaining 40%.

In practical terms, less than two years of operations is simply inadequate for Sava to establish a comfort level with the role of a minority financial investor in the joint ventures. Your original offer of 6 years seemed reasonable to Sava. The Sava management and shareholders very much want to remain minority participants in both joint ventures. However, we need a reasonable curing time to establish a comfort level, particularly after our last two meetings in Kranj. Mr. Valensi and Mr. Miller made it abundantly clear that Sava, as a minority investor, would enjoy minimal rights, Goodyear would run the business, and, "when we find the time" we will inform Sava "ex-post" what has been done. In an increasingly competitive world, there may very well be sound commercial reasons why the business needs to be run in such a fashion. However, I must tell you that the very raw approach has shaken Sava confidence in the Goodyear/Sava relationship and, as a consequence, Sava management and shareholders need the comfort a PUT Option affords.

In terms of the PUT price, if Goodyear expects to buy the future cashflows of the business at a discount rate on the order of 20%, logic and equity would suggest that the same rate be employed as the PUT price. Sava is prepared to contemplate a lower rate that such a discount rate would imply as the price for obtaining the "insurance policy". However, I repeat, Sava is not prepared to give Goodyear an interest free loan for the period of the CALL Option.

As you know, we had very reluctantly conceded that Goodyear should have a CALL Option as compensation for the PUT Option. Sava will live with its concession but, in reaching agreement on the structure of the PUT/CALL Option we expect fairness and equity.

In that spirit, we would propose the following PUT/CALL Option formulation:

**Sava shall have the right, for a period of five years (the "Option Period") from the "Operation Date" (the date upon which the joint venture shall become operational. In the case of the tire joint venture this date would be the day following expiration of the Conti notice period) to require Goodyear to purchase any or all of its initial minority shareholding in either the tire or engineered products joint ventures. During the "Option Period" Sava shall have the right, upon 30 days notice, to exercise its Option a maximum of six times ("Option dates") in respect of each joint**

venture, and the percentage of the original minority shareholding subject to the PUT Option(s) (25% in the case of the Engineered Products joint venture and 40% in the case of the Tire joint venture) at any one "PUT Date" shall be not less than 5%, except in respect to the last "Option Date" in respect of each joint venture. The "Exercise Price" for each 1% share of the each joint venture shall be the initially agreed sales price of 1% percent of the joint ventures compounded at 7.5%, less the nominal value of the pro-rata share of any cash dividends distributed to the 1% shareholding, compounded at 7.5% from the date of distribution to the exercise date.

Goodyear shall have a one time Option ( the CALL Option) , upon 30 days notice, for a period of 90 days from the expiration of the "PUT Option Period" to require Sava to sell to Goodyear any or all of its minority shareholding in either joint venture. In the event Goodyear shall exercise its right for less than 100% of minority shares in the Engineered Products joint venture or for less than 37.5% of the minority shares of the Tire joint venture (i.e. a level where Sava would lose it's legal minority shareholder rights), Sava shall have the one time right, upon 30 days notice, to require Goodyear to purchase the remaining minority shareholding in either joint venture.

We also have several other more minor comments on your May 2 paper which Mr. Fajfar will send to you in a separate fax to make our next meeting more productive.

In closing, let me say that the Sava management and our shareholders are anxious to reach closure on the remaining issues and move forward with the more productive business of building a new Goodyear/Sava operation. However, the risks and rewards need to be equitable and be seen to be equitable. I look forward to meeting you on May 12.

Yours etc.