MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS

Saturday, June 8, 1996

Loews Coronado Bay Resort

Coronado, California

DIRECTORS PRESENT	
Walter Britland	Abex Friction Products
Robert Scott	Friction Material Company
Paul Myers	H.D. Friction (PMI) Echlin
William Wood	Motion Control Industries
Ron Moalli	TEK-MOTIVE, Inc.
Doreen Tomao Vice President	Universal Friction Composites
Martin Chevalier	U.S. Automotive Manufacturing

OTHERS PRESENT	
Don Delvy	Brake Parts, Inc.
Mohammad Vakili	ITT Automotive
Thomas P. Weldy, Counsel	Morehouse Harlow & Weldy Attorneys at Law
Gilbert N. Laycock	Friction Materials Standards Institute, Inc.

Ms. Tomao, Vice President called the meeting to order at 8:35 A.M.

MINUTES OF PREVIOUS MEETING

The Secretary advised that minutes of the Board of Directors Meeting of June 10, 1995 had been distributed. The Vice President suggested that a reading of the minutes be dispensed with, as no corrections had been suggested. Upon motion duly made, seconded and unanimously approved, it was:

RESOLVED: To accept the minutes of the meeting of the Board of Directors of June 10, 1995 as written.

VICE PRESIDENT'S REPORT

Ms. Tomao, Vice President, delivered her report. Please refer to EXHIBIT 1 in the report booklet.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Vice President's Report as written.

MEMBERSHIP COMMITTEE

Mr. Bill Wood, Chairman of the Membership Committee, presented this report. Please refer to EXHIBIT 2 in the report booklet.

Mr. Wood noted in his report that the Institute had 93 affiliates, up two from June 1995. It was reported that due to the recently approved Constitution Revision, revising the Membership status of shoe manufacturers from Licensee to Active Member or Regional Member, the Active Membership now stands at 47. Regional Membership now is at 35. Licensee Membership has dropped to 11.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Membership Committee Report as written.

Report on Delinquent Fees - Oral - G. Laycock

The total of open invoices for fee billings as of June 1, 1996, was $13,562.50. The amounts owed by quarters are:

1st Quarter 1995-96 FY	$1,025.00
2nd Quarter 1995-96 FY	1,025.00
3rd Quarter 1995-96 FY	4,987.50
4th Quarter 1995-96 FY	6,525.00

All Licensee Members are current. The Secretary reported that there are two Active Members with open invoices, with one going back as far as July, 1995. There are seven Regional Members with open invoices. Open invoices by quarter are: Fourth Quarter Fiscal Year 1995-96 - 11 open invoices, Third Quarter - 4 open invoices and Second Quarter - 2 open invoices.

There was some discussion that the Institute should get more aggressive in its dunning for past due invoices. The Secretary noted that many members, particularly from Mexico and South America, do not consider a quarterly invoice due until the quarter is up. It was noted that the current schedule of reminder and dunning seems to work fairly well, so why try to fix something that is not broken.

Active Membership Application Filed by: RT Industries

The Institute received an application from RT Industries. The application has been reviewed by the Membership Committee and they have recommended its approval.

The Board discussed this application at length particularly concerning the fact that the Membership of Ultra Brake, a Division of RT Industries, had been terminated due to non-payment of invoices for Membership Dues and catalog purchases. Ultra Brake and RT Industries had continued using the FMSI designations after their Membership was terminated. The dollar amount of open invoices when Ultra Brake was terminated was $2,346.85.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To tentatively approve the Membership Application of RT industries, conditioned upon payment of past open invoices which were written off when Ultra Brake was terminated.

The Secretary noted that he will advise RT Industries of this condition and when the invoices are paid will move on to a ballot of the full membership.

TREASURER'S REPORT

Mr. Gilbert Laycock presented this report. Please refer to EXHIBIT 3 in the report booklet.

The Treasurer's Report projected an excess of total income over expense, or profit, of $10,985. The operating income was projected to be $192,139, with expenses projected at $189,628 and Investment Income of $8,474. The report analyzed expense variances which were over $200 from budgeted expense. There were five variances of $200 or more, two were favorable and three were unfavorable. The report included a Balance Sheet Projected to June 30, 1996, a Statement of Income and Expenses Projected for the 1995-96 Fiscal Year, a Seven-Year Financial Summary and a Chart of Income vs Expense by Month.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Treasurer's Report as written.

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. Bob Scott, Chairman, presented the Investment Advisory Committee Report. Please refer to EXHIBIT 4 in the report booklet.

Mr. Scott advised that the total investment assets projected to June 30, 1996 were $258,477 versus $259,028 on June 30, 1995. Current yields on U.S. Treasury Notes average 5.6%, up from 5.1% last year and Money Market yields are 4.8%, down from 5.3% last year. He reported that the effect of low yields on U.S. Treasury Notes purchased in 1992 and 1993 will be felt for some time to come. The report also included a summary of the Institute's position in U.S. Treasury Notes.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Investment Advisory Committee Report as written.

There was discussion concerning the fact that the majority of the Institute reserve is held in U.S. Treasury Notes and that we could get higher yields from other investment vehicles. It was noted that investments which have higher yields also have higher risk and the possibility of loss of capital. Comment was made that, on advice of our auditors, the Institute reserve should have targeted growth at approximately the inflation rate, hence our range of zero to six percent growth used by the Fee Formula Committee for adjustment of dues. The Institute is a not-for-profit organization and should not put this at risk by having growth of reserve greatly in excess of inflation.

BUDGET COMMITTEE

The report from Mr. Martin Chevalier, Chairman, read the report. Please refer to EXHIBIT 5 in the report booklet.

Mr. Chevalier reported that the Committee proposed an Expense Budget of $197,745 for the 1996-97 fiscal year. This is an increase of 4.3% over the projected expenses for the year ending June 30, 1996. His report noted that the salary amount was indexed for budget purposes but any salary increments are determined by the Board of Directors. Line items that were increased were: Payroll Taxes, Pension, Auditing and Depreciation. Line items that showed no change were: Rent, Telephone, Postage, Stationery & Supplies, Legal, Meeting Expense, State Property Tax and all Travel Categories.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Budget Committee Report as written.

BUDGET COMMITTEE (con't)

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To recommend approval of the Expense Budget of $197,745 to the Membership.

FEE FORMULA COMMITTEE REPORT

The Secretary read the report of the Fee Formula Committee. Please refer to EXHIBIT 6 in the report booklet.

The report detailed the income generated from Membership Dues for the various types of Membership, taking into account the Membership Revision with respect to brake shoe manufacturers (disc and drum) changing from Licensee to Active or Regional Member, dependent upon their location. The projected revenue from fee income was $193,600, compared to a proposed expense budget of $197,745, giving a projected loss of $4,145. Applying projected income from investment of $12,498 and an estimated income (net of costs) for catalog, print and bulletin sales of $12,000, gives a total Revenue over Expense of $20,353 for the 1996-97 fiscal year. Applying the 1991 fee adjustment guidelines, excluding the one-time income from the dissolution of the Duschek Trust received in 1994-95, the Committee recommended that the fee structure remain unchanged for the next fiscal year. The Committee also recommended that the five category Membership be charged the same Membership Dues as a four category member, although no five category member exists at this time.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Fee Formula Committee Report as written.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To recommend to the Membership that the fee structure be unchanged for the 1996-97 Fiscal Year.

BRAKE PERFORMANCE STUDY COMMITTEE REPORT

Mr. William Wood, Chairman, delivered the Brake Performance Study Committee Report concerning heavy duty applications. Please refer to EXHIBIT 7 in the report booklet.

In Mr. Wood's report he reviewed the SAE J1801 and SAE J1802 test component specifications and the Maintenance Council (TMC) of ATA listing of FMVSS 121 approved materials per their procedure RP628. Copies of the procedures and listing were contained in the Heavy Duty Supplement.

BRAKE PERFORMANCE STUDY COMMITTEE REPORT (con't)

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Heavy Duty Report of the Brake Performance Study Committee as written.

It was noted that there have been additional materials added to the TMC approval list. It was also noted that the government, under NHTSA, is getting involved in testing at the TRC Test Facility in Ohio and will be putting out "informational" reports on O.E. and some aftermarket materials. Paul Myers noted that the testing on the J1802 hardware shows more variability than when tested with production hardware. It was noted that one of the dangers of having published test results for a brake under a certain set of conditions is that, manufacturers will start compounding materials to perform well for that particular published test to sell material and not compound materials that perform well in the real world in a widely varying environment of performance requirements.

A report was prepared by Mr. Mohammad Vakili with respect to passenger cars. It is also contained in Exhibit 7 in the report booklet.

Mr. Vakili reviewed the progress, modification and commercial adaptation of SAE J1652. He noted that the commercial adaptation of SAE J1652 is not endorsed by the Brake Manufacturers Council (BMC) or SAE. He also reviewed the DEA (Differential Effectiveness Analysis) procedure, also commercially available. In a supplement handout he outlined the BMC issues going from the beginnings of edgecodes in 1964 to SAE J1652 being published in April 1995 and SAE J1653 still currently in the works. He reviewed SAE J1652 and J1653 procedures and claims and counterclaims by Messrs. Arnie Anderson, Tom Flaim and Jim Trainor concerning the testing procedures.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Passenger Car Report of the Brake Performance Study Committee as written.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Don Delvy, Chairman, presented this report. Please refer to EXHIBIT 8 in the report booklet.

Mr. Delvy's report reviewed the changes in the Committee Roster and noted that although the Committee did not meet during the year, Committee decisions were handled by mail ballot. His report noted that 95 new assignments were made during the year and detailed the breakdown by category. Bulletins published were noted as well as catalog information. The report acknowledged the contributors of new identities and carry-over information.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Data Book and Technical Committee as written.

It was noted that the individual and company who submitted the largest number of new assignments was not a member of the Institute and that a total of 45 of the 95 assignments were submitted by non-members.

There was a question concerning updating the 1983 Brake Block Identification Catalog or possibly adding that information to the next Automotive Data Book. It was noted that less than one third of the Active Members deal with brake block and that would be better kept as a dedicated separate catalog. A Supplement is being considered since block additions are relatively few and an inventory of the 1983 book still exists.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

Mr. Mohammad Vakili presented this report. Please refer to EXHIBIT 9 in the report booklet.

Mr. Vakili gave updates on asbestos, a therapy for mesothelioma, a new fiber being used in brake linings outside of the U.S., heavy metals (copper) in storm water in San Francisco Bay and marking of asbestos and non-asbestos materials. Regarding asbestos, the updates related to activities of the Environmental Protection Agency (EPA), Occupational Safety and Health Administration (OSHA) and the National Institute for Occupational Safety and Health (NIOSH). A supplement was available containing a listing of those original equipment applications where asbestos is being or has been used over the past several years and a table of test results concerning percent copper found in brake linings in some Original Equipment materials and a few aftermarket samples.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE (con't)

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Health and Environmental Affairs Committee Report as written.

There was discussion concerning the marking of brake linings and the need for exact identification as it was generally felt that companies to preserve customer goodwill, issue credit for returned sets even if they are not of their manufacture. It was explained that the initial thrust was to provide an asbestos/non-asbestos (red/green) indicator for handling and proper disposal of returned material. The microtaggants can do this with the use of a "black light" but they do go a step further in that the melamine plastic layers would be specific to a single company in terms of the color code pattern when viewed under a microscope.

Concerns were expressed about the speaker from Sustainable Conservation scheduled for the Monday Membership Meeting in light of the fact that Sustainable views brake linings as a major source of copper in the storm water in the Santa Clara Valley and thus into San Francisco Bay, particularly with Silicon Valley Electronics Industry in that area with their known usage of copper. The fact that an environmental group which is funded in part by Stanford Law School is asking for help from an industry was of particular concern to a number of members.

INSTITUTE PENSION PLANS

The Secretary reported on the Institute Pension Plans. Please refer to EXHIBIT 10 in the report booklet.

The Secretary reported that there is one plan in effect. The Simplified Employee Pension Plan (SEPP) for current employees. The Institute contributes 15% of eligible employees salaries to the employees SEPP-IRA. Estimated contributions for 1995-96 fiscal year are projected to be $17,325.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report on Institute Pension Plans as written.

ANNUAL MEETING COMMITTEE REPORT

Mr. Gil Laycock, Secretary, presented this report. Please refer to EXHIBIT 12 in the report booklet.

Larry Mintman's Meeting Committee recommended that the Institute return to Longboat Key which was the site of the 1995 and 1993 meetings.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Annual Meeting Committee Report as written.

There was a question as to why we go to hot places in June. The June Meeting is in the Constitution. It was explained that at hot places in June we get off season rates and low rates are believed to have an effect on attendance.

NEW BUSINESS

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There being no other business brought to the attention of the Board of Directors at this time, upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To adjourn

Adjourned at 12:30 P.M.

G. N. Laycock
Secretary