

MINUTES OF MEETING

of the

BOARD OF DIRECTORS

Monday, June 15, 1987

at

Camelback Inn, Scottsdale, Arizona

DIRECTORS PRESENT

Robert E. Nelson

Arthur V. Moore

Larry Mintman

Rita Grisham

Larry Belans

Abex Corporation

Friction Products Group

Carlisle Corporation

Motion Control Industries

Certified Brakes

Allied Signal Corporation

Nuturn Corporation

Friction Material Company, Inc.

OTHERS PRESENT

F. William Barton, President

W. Max Sleeth, Vice President

Randal W. Habeeb, Counsel

Edward W. Drislane, Secretary

William F. Wood (Chairman, Brake

Performance Study Committee)

John Riopelle (Guest Speaker)

Reddaway Manufacturing Co.

Virginia Friction Products

Harwood Lloyd, Attorneys at Law

Friction Materials Standards Institute

Brake Systems Inc.

Allied Automotive - Bendix Friction

Materials Div. (retired)

Mr. Barton, President, called the meeting to order at 8:30 AM. The Secretary noted that the Board was down to five members, due to the loss of Mr. Messier and Mr. Comins, who both resigned during the year. It was noted that there was a quorum for this Board meeting.

MINUTES OF PREVIOUS MEETING

The minutes of the previous meetings held at Sawgrass on June 17, 1986 and June 18, 1986 had been distributed. It was suggested that the Secretary dispense with the reading of the minutes. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the minutes of the meetings of the Board of Directors of June 17-18, 1986 as written.

PRESIDENT'S REPORT

Mr. Barton, President, read this report. Please refer to EXHIBIT 1 in the report booklet.

Mr. Barton touched on regulatory actions affecting our industry as well as some of the actions taken by mail ballot during the year. He noted that changes were planned in the fee formula, changes had been made in the Constitution, and that details on the Institute's finances would be covered in reports of the Treasurer and certain Committee chairmen. He also noted that the Institute would be a co-sponsor of a conference on fibers in friction materials to be held this Fall.

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

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

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

Ms. Rita Grisham, Chairman of the Health and Environmental Affairs Committee, presented this report. Please refer to EXHIBIT 9.

Ms. Grisham's report referred to the OSHA and EPA activity during the past year, including the requirement of NIOSH Method 7400 for measuring asbestos dust concentrations. The EPA hearings on banning asbestos were discussed as were certain reports by outside contractors for EPA. In the discussion that followed, it was noted that EPA had accepted a report on the asbestos ban from the American Society of Mechanical Engineer's (the Battelle Institute report). This study indicated a difficult problem for replacement automotive brake linings if a ban is adopted. Another contractor, ICF, was preparing a report which apparently took the EPA line on the proposed asbestos prohibition. It was noted that in a recent publication of the EPA regulatory agenda, that they plan to have completed a review of studies on the suggested ban by June 1988. EPA has apparently continued to avoid the issue of possible problems with other fibers.

As regards other fibers, it was stated that the Hazard Communications rules put out by OSHA (Part 1910.1200 CFR) direct the manufacturer or importer to advise the user of possible hazards in their products. This section, among other things, mandates material safety data sheets and certain container labeling. This extends the warning requirements to materials other than asbestos where those fibers may be considered possible hazards to the user.

It was noted that some Members are already including warning labels where using fibers other than asbestos. The Secretary asked that copies of such labels be sent in to the Office so that sample warning signs could be illustrated to the Membership. Two directors volunteered to send in samples of labels they were using on their packaging.

Continuing the discussion on regulatory actions, it was noted that there will be a National Emissions Standard for Hazardous Air Pollutants (NESHAPS) coming from EPA in July 1987. The no visible emissions rule will be replaced with more stringent controls at each point where emissions might be discharged into the environment.

The Board of Directors had earlier, by mail ballot, endorsed Institute co-sponsorship of the Fibers in Friction Materials Symposium scheduled for October 7-8, 1987 to follow the SAE Brake Meetings in Atlantic City. Along with the Institute and SAE, the Asbestos Institute will act as a co-sponsor. Ms. Grisham indicated that the Asbestos Information Association (AIA) would also be a co-sponsor. The Institute's participation will essentially be limited to promotion of the symposium, along with a brief participation by the Secretary in the welcoming of the attendees.

The Institute's "Friction Materials Work Practices Guide" which was published in 1978 has been rendered obsolete with the new OSHA regulations. There has been some interest in publication of a new guide. The Health and Environmental Affairs Committee up-dated the one page insert for its catalogs during the past year. This is the "Recommended Procedures for Reducing Asbestos Dust During Brake Servicing." The recommendations were based on the new OSHA standards, and adapted certain parts of OSHA's Appendix F (1910.1001 CFR) for the recommendations. The Institute had earlier distributed copies of EPA's "Guidance for Preventing Asbestos Disease Among Auto Mechanics." Certain recommendations in EPA's booklet were not in harmony with OSHA's Appendix F. These regulatory efforts on work practices may make the question of an Institute booklet moot. The question on a new "Work Practices Guide" will be referred to the Health and Environmental Affairs Committee.

The Board had been advised earlier on the invitation to Mr. John Riopelle to address the Membership at the June 16 Meeting. Mr. Riopelle indicated he would give a presentation concerning worldwide regulations on asbestos, with emphasis on controls in friction materials factories. Also, he would discuss the improvement in fiber counts which may be partly traceable to the now required NIOSH Method 7400 for measuring asbestos dust counts. Mr. Riopelle indicated he would illustrate his presentation with overhead projections, and he gave the Secretary a set of charts for subsequent distribution to the Membership.

In response to a question on certain improved counts after a thorough factory cleaning, Mr. Riopelle indicated that how much of the improvement was due to the cleaning and how much to the new counting method could not be established, but this was the reason for the importance of a survey the Institute had sought on fiber counts. The Members had earlier been asked to send in results on asbestos fiber air sampling before and after adoption of NIOSH Method 7400, but the response from the Members had been nil (2 responses).

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

RESOLVED: To accept the report of the Health and Environmental Affairs Committee as read.

#### MEMBERSHIP COMMITTEE

Ms. Rita Grisham, Chairman of the Membership Committee, read this report. Please refer to EXHIBIT 2 in the report folder.

Ms. Grisham's report summarized the changes in Membership during the year. These noted that Active Members increased from 21 to 22; Regionals showed no change at 27; Licensees increased from 21 to 24.

The Secretary noted that Toledo Pressed Steel, a Licensee had indicated earlier in the year that it would be discontinuing its Membership. Toledo had not paid its Membership Fee for the 1986-87 fiscal year. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That the Licensee Membership of Toledo Pressed Steel be terminated for failure to pay its Membership Fee for the 1986-87 fiscal year.

A Director noted that Midwest Tool had purchased certain Toledo assets and could be eligible for Licensee Membership. He advised that he would send the Institute information on Midwest Tool.

The Directors discussed Burr-Bilt Products which is now known as Performance Friction. This manufacturer was formerly in Canton, Ohio and is now located in North Carolina. An Officer noted that Mr. Rob Nelson was now Sales Manager for Performance Friction. A Director noted that he had seen truck disc pads with FMSI Numbers on the packages. The Secretary was directed to contact Performance Friction to solicit their application for Membership. A Director volunteered to send along the full name and address in North Carolina.

The Secretary noted that one stale receivable was that of Artazcoz, S.A.I.C. of Argentina. He indicated that he was prepared to ask for their termination as they had not made payment on their 1986-87 dues since the billing of July 1, 1986. However, immediately before the meeting he had been contacted by Artazcoz who stated that their "Check is in the mail." (Upon return after the meeting, the check had been received and the proceeds were collected). No action was taken on Artazcoz.

The Secretary advised that an application for Regional Membership had been filed by Industria de Balatas ("Indubal") of Santiago, Chile. This application had been received on June 4, and was immediately sent out to the Membership Committee for its review. The Committee recommended approval. Indubal is a manufacturer of friction material in Chile. They indicated that their Membership would be for use of the Institute's copyrights and trademarks outside of the United States, with current distribution in Chile only. The application had been received in good form along with the required prepayment of the first year's membership dues. Copies of the application were distributed to the Directors. It was noted that the Board of Directors vote on Regional Membership applications is final.

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

RESOLVED: To accept the application filed by Industria de Balatos (Indubal) for Regional Membership in the Institute.

The Secretary noted that with the exception of the Artazcoz receivable, that the only problems were some slow payers from Mexico. Mexbestos, S.A. runs late with its payments, but has made payments this past year, even though they are late. Both Pasta Clutch, S.A. and Itapsa, S.A. were terminated as Regional Members during the year for failure to pay the membership dues.

A Director stated that he understood that Wagner would take over as the Active Member in 1987-88. Currently, Wagner is a Licensee and the Guardian Division of

Cooper Industries is the Active Member. He stated that it was likely that there would be only one membership, and that would be Wagner Division of Cooper Industries as the Active Member. The Secretary stated that he had not been advised of such a change by either Wagner or Guardian, but that the change sounded logical.

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

RESOLVED: To accept the report of the Membership Committee as written.

#### TREASURER'S REPORT

Mr. Larry Mintman, Treasurer, read this report. Please refer to EXHIBIT 3 in the report package.

Mr. Mintman's report projected an excess of income over expenses of a little over \$9,600 for the 1986-87 fiscal year. It was noted that the report is a projection, based on estimates for income and expenses in May-June 1987. The most significant variance developed from the net from sales of catalogs - this being in the \$10,000 neighborhood. This came about because of our substantial overrun with the 1986 book, our write-down to \$1.00 at June 30, 1986, followed by the sale of all catalogs from the overrun during 1986-87.

It was noted in the report that the Institute had made a provision of \$7,300 for the last four years (1982-83, 1983-84, 1984-85, 1985-86) for an environmental reserve. This reserve at June 30, 1986 totalled \$29,200. No provision was made during 1986-87 for adding to the reserve. The Directors considered this reserve, and decided to make no additional provision for it. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To discontinue additions to the Reserve for Environmental Affairs.

The Secretary was asked to check with the Accountants on suitable action as regards this \$29,200 reserve.

The Secretary noted that the 1986 Tax Reform Act directed that the Reserve method for booking bad debts be discontinued. From now on companies with doubtful receivables will write them off as they become uncollectible, and cannot make a provision to establish a reserve. There is a question as to whether the Institute, as a not-for-profit association, must follow the same tax accounting procedures as taxable entities. The Institute has used the reserve method for several years and will have about a \$4,000 reserve at June 30, 1987. Again, this question will be referred to the Accountants before the next audit.

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

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

INVESTMENT ADVISORY COMMITTEE

Mr. Art Moore, Chairman, read the Investment Advisory Committee report. Please refer to EXHIBIT 4 in the report package.

Mr. Moore's report projected a little over \$288,000 in investment assets at June 30, 1987, despite about a \$3,000 drop in investment income this year. The increase in assets reflects the excess of income over expenses realized during the 1986-87 fiscal year. Investment income is projected to drop still further in 1987-88 based on the drop in interest rates. Investment income will lag interest rates as we have continued our policy of investing in only United States Treasury notes with 3 to 4 year maturities, and our lower yielding notes are now almost half the portfolio. Still, over \$24,000 investment income is projected for the current fiscal year.

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

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

BUDGET COMMITTEE

Mr. Sleeth, Chairman, presented the Budget Committee report. Please refer to EXHIBIT 5 in the report package.

The Committee recommended an expense budget of \$140,085 for fiscal 1987-88. This is about a 4.5% increase over the 1986-87 budget. Details of recommended budget items are listed in the report opposite the budget items for 1986-87. The main items of expense in the budget are Salaries, Rent and salary-associated Pension Expense. There are no major line item changes proposed in the 1987-88 budget.

The Secretary explained that it is the Board of Directors responsibility to prepare and submit the budget to the Membership. The Membership has final say as to approval of the budget.

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

RESOLVED: To recommend an Expense Budget of \$140,085 for the 1987-88 Fiscal Year in line with the Budget Committee report.

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

RESOLVED: To accept the Budget Committee report as written.

FEE FORMULA COMMITTEE

Mr. Robert E. Nelson, Chairman, presented this Committee report. Please refer to EXHIBIT 6 in the report package.

The Chairman noted that it had been resolved at the June 1986 Meetings that a new basis for the fee formula would be used effective July 1, 1987. The old formula had four categories: (1) Brake linings; (2) Brake Blocks; (3) Clutch Facings; (4) New un-lined brake shoes. It had been decided that the new formula would have the following categories: (1) Disc brake linings; (2) Drum brake linings; (3) Brake Blocks; (4) Clutch facings.

Essentially, the new formula would drop the "New un-lined brake shoe" category, and would split the earlier "Brake linings" category into two categories: "Disc brake linings" and "Drum brake linings." It was the intent of the Board to recommend a new formula that would be "revenue neutral" at least in the first year of use.

The Committee, in its report, came up with several formulae that would produce equivalent income with the 1986-87 fee schedule. These revolved around new basic fees and new category amounts. Three examples were shown and were referred to as Plan 1, Plan 2 and Plan 3.

Plan 1 basic fee of \$1,400; category charge of \$400

Plan 2 basic fee of \$1,500; First 2 categories at \$350; Last 2 at \$400

Plan 3 basic fee of \$1,300; category charge of \$450

The fees were analyzed to indicate how the Active Member would be affected. An analysis indicated that 5 members reporting one category in 1986-87 (brake linings) would move to 2 categories in 1987-88 (disc brake linings, drum brake linings) and these would have the biggest percent increase under Plans 1, 2, 3 (from \$1,850 to \$2,200) (19% increase). An additional plan, referred to as Plan 4, was suggested to ease the increase:

Plan 4 basic fee of \$1,600; First 2 categories at \$250; Last 2 at \$500.

This would ease the 1 category transition to 2 categories (from \$1,850 to \$2,100), a 13.5% increase. Questions were asked concerning the effects on the classes of directors which might change because of the new fee categories. The Secretary noted that the Constitution states that the classes referred to in ARTICLE IV read "annual fee payable to the Institute is within the top one-third bracket of annual fees paid," or "middle one third bracket" or "lowest one third bracket." The fee paid does not need to be the highest one third, or middle one third, or lowest one third. For example, the highest fee would be \$3,100, but the highest one third bracket would include the two members in the \$3,100 level and five of the next group in the \$2,600 level. For the lowest one third this would be six members in the lowest \$1,850 level, but could include one Member in the \$2,100 level (as there are seven members in each bracket:  $1/3 \times 21$  Members).

The Nominating Committee Chairman indicated that those recommended for nomination to the Board of Directors for the 1987-88 fiscal year would meet the Constitutional requirements for diversification by classes.

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

RESOLVED: That the recommended fee formula for Active Members and Regional Members with Active Member rights include a basic fee of \$1,600 plus a \$250 category charge for each of the first two categories in which a Member participates, and a \$500 category charge for each of the last two categories in which the Member participates.

This is summarized as follows:

|                             |                  |
|-----------------------------|------------------|
| Member in one category:     | \$1,850 per year |
| Member in two categories:   | 2,100 per year   |
| Member in three categories: | 2,600 per year   |
| Member in four categories:  | 3,100 per year   |

The Secretary noted that, as with the budget, the Board of Directors recommends a fee formula for Active Members, and the Membership has final vote on the fee. On the other hand, the Board has final say on the fee for Regional Members and Licensees. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That the annual fee for Regional Member associations be \$2,600 for the 1987-88 fiscal year; that the annual fee for Regional Members (regular) be \$1,600 for the 1987-88 fiscal year; that the annual fee for Licensees be \$600 for the 1987-88 fiscal year.

The Secretary noted that he was concerned on future fee revenue where possible merger/acquisition activity could reduce the Institute's Membership significantly. It was suggested that the Institute consider a formula that takes into account the number of different manufacturing locations in North America as an additional set of fee "categories." In an earlier memo to the Board, the Secretary took note of the Echlin and Allied Automotive activity. He noted that for the present, certain manufacturers have decided to maintain separate memberships. This is the case with Allied Automotive, where the Certified Brakes group indicated it will maintain a separate membership. Also, Friction Materials Inc. and Brake Systems, Inc. are both subsidiaries of Echlin and they too are maintaining separate memberships. Were this to change, the Secretary suggested that where a member has more than three separate manufacturing facilities in North America that additional membership fees be billed to that Member.

As this consolidation of memberships did not effect 1987-88, a Director stated that he felt it was more important to be certain that there was no undue concentration of power from two or more votes from controlled groups. Two approaches were considered: (1) a limitation on Director eligibility from related corporations and (2) possible limitation on a Delegate's vote from related companies. With these considerations, it was suggested that the Directors move to another agenda item which had been listed as "Constitutional Considerations - Affiliated Members."

#### CONSTITUTIONAL CONSIDERATIONS - AFFILIATED MEMBERS

This subject was added to the agenda as the result of the merger/acquisition activity in the friction materials field over the past year. Echlin's acquisitions of existing companies such as Brake Systems, Inc., Distex Industries and the assets of Molded Industrial Friction Corporation, R & D Friction of Canada, and Allied's acquisition of Certified Brakes are the most prominent examples. In addition, to questions on the fee income of the Institute, questions could arise on control of the Institute. There are two areas where control could be

impacted: (1) Membership votes and (2) Board of Directors votes. While there are some areas of Membership balloting that could be of concern, the most likely area would be in balloting for the Board of Directors, and in Board of Directors' control of the Institute.

A Member noted that there were other areas of overlapping affiliation and noted that Echlin retained a 26% interest in Raymark. This is through its ownership of common stock in Raymark after the Echlin acquisition of Brake Systems, Inc.

The Directors felt that the first area of concern should be eligibility to serve on the Board of Directors. With that objective, wording was suggested for adding an eligibility section to the Constitution's Article IV on "Directors." Proposals to amend the Institute's Constitution and By Laws must be submitted to the Membership for balloting. Acting on this input, Legal Counsel prepared the wording for proposed amendment of the Constitution by adding the following Eligibility Section to Article IV:

Active Members in good standing shall be eligible as candidates for election to the Board of Directors. Notwithstanding the foregoing, there shall be no more than one (1) director from affiliated firms or corporations. For purposes of this Section, affiliated firms or corporations shall mean firms or corporations that have in excess of 10% common ownership.

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

RESOLVED: To submit to the Membership a proposed amendment of the Constitution to limit the eligibility of candidates for Membership on the Board of Directors of individuals from affiliated members in line with the specific wording drafted by Legal Counsel.

#### FACTORY SERVICE BULLETINS

The Secretary noted that he had received a suggestion that the Institute subscribe to a technical bulletin service and relay the information on to its members. The service is ATC (Automotive/Technical Communications) located in Stratford, Connecticut. The suggestion was that the Institute subscribe to the service, and cull from these bulletins information on brakes or brake parts. He contacted the ATC, and they were reluctant to serve the Institute in that fashion, as our one subscription could cost them the loss of ten or more subscriptions from member manufacturers who are already subscribers. We corresponded further with ATC on this subject to see if there was some middle course we could take to get the information and somehow advise our members without ATC suffering a subscription loss. They offered to provide a service at \$600 per year that would provide us with a special index on brakes which we could distribute to our Members. They in turn would provide those bulletins to our Members ordering them at \$10 per bulletin.

The Directors discussed this service. As the direct service was available to those sufficiently interested to pay the subscription price, and if we were to subscribe and distribute as originally suggested we would be undermining a

worthwhile service, the Directors were negative as regards the Institute becoming involved with this service. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That the Institute would not participate in the subscription to or distribution of technical service bulletins.

#### PRODUCT LIABILITY INSURANCE

The subject of Product Liability Insurance and the possibility of forming a captive for providing such insurance was a major agenda item at recent Board of Directors and Membership Meetings. The Secretary noted that the Institute Office circulated a questionnaire on product liability insurance in the Summer of 1986. All United States Active Members, all United States resident Licensees and all Canadian Regional Members and Licensees were circularized. Based on the response rate (seven interested; nine opposed; thirty no replies) the Board of Directors, by mail ballot, voted to take no further action on this question.

One Member took exception to the Board's action and the Secretary advised the Board. No further action was taken. This subject was again brought to the attention of the Board for possible review. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To take no action as regards Product Liability Insurance.

#### PUBLIC RELATIONS

The Secretary advised that there would be no Public Relations Committee Report at this meeting. Mr. Belans had volunteered to help with the public relations releases through the H.K. Porter Company's Advertising Group in Pittsburgh. Because of Porter's sale of the Huntington facility to the new Member, Friction Material Company, this avenue of public relations distribution is no longer available. Mr. Belans indicated that the release on election of officers at the June 1986 meeting was distributed, and he had noted the announcement in the trade press.

#### CONTINGENCY PLANNING ACTIONS

The Institute took action in two areas to handle possible emergency staffing problems at the Institute Office. The Institute established a Cash Management Account at Merrill Lynch, and arranged with the accountants to have them provide emergency office management services should the need arise. As these items were noted earlier in the President's and Treasurer's Report, there was no further discussion on this subject.

#### DATA BOOK AND TECHNICAL COMMITTEE

Mr. Francis Hudson is Chairman of the Data Book and Technical Committee. In his absence, Mr. Bob Nelson read the Chairman's report. Please refer to EXHIBIT 8 in the report package.

The Chairman noted highlights of Committee activity during the past fiscal year. The major business of the Committee was acted on at a meeting on April 29, 1987. The Committee resolved to have a complete semi-metallic disc pad application bulletin issued for all such usage from the 1960's through 1987. Changes were voted for the Data Book including a consolidation of shoe listings from two to one; reference to discontinued numbers when the "14 year rule" drops an application; and a special black indexing tab for the Catalog to indicate catalog sections.

A Director questioned the dropping of the DA brake system code, asking what did "DA" indicate. The DA designation was added for air disc brakes several years ago. The Committee decided to drop the DA designation and list all caliper disc brakes with the "D" designation. One Director commented favorably on the addition of the tab indexing for the Data Book. The Secretary advised that the Printer indicated this would add about \$.01 to the cost of a catalog copy.

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

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

#### BRAKE PERFORMANCE STUDY COMMITTEE

Mr. Bill Wood, Chairman of the Brake Performance Study Committee, presented this report. Please refer to EXHIBIT 7 in the report package.

The Chairman noted that the proposed SAE J1801, J1802 recommended practices for friction rating and marking had been balloted, and that there were 3 and 4 disapprovals respectively. Mr. Arne Anderson of Ford Motor Company who had chaired a special SAE Task Force to come up with new brake lining effectiveness ratings and marking procedures has retired. Mr. Randy Petresh of Rockwell has taken over this Task Force. With the ballot disapprovals, changes will be necessary in the proposed J1801, J1802 procedures.

Mr. Wood gave a brief up-date on NHTSA rulemaking with DOT 105, DOT 121 and the proposed DOT 135 Systems standards, and he noted that Federal Specification HH-L-361F was replaced with HH-L-361G. Mr. Wood noted that several interested parties were not aware of the new Specification.

He noted that the Institute should be certain that the brake lining manufacturer interests are considered when any new friction rating test and marking procedures are adopted. This can be done by those who participate in SAE Committee work. Also, the Institute should further investigate Federal Specification HH-L-361G and provide input to the Federal authorities thereon.

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

RESOLVED: That the Brake Performance Study Committee report be accepted as written.

#### ANNUAL MEETING COMMITTEE

Mr. Ed Eggert is Chairman of the Annual Meeting Committee. Mr. Barton read this report. Please refer to EXHIBIT 12 in the report package.

Mr. Eggert recommended that the Institute hold its June 1988 meeting in Monterey, California. He specifically noted the Monterey Beach Hotel, and had contacted them for group rates. As there had been earlier objection to the higher rates at two locations in the Monterey area (Lodge at Pebble Beach and Quail Lodge in Carmel), Mr. Eggert noted that the group rates at the Monterey Beach Hotel were quite competitive.

The President asked the Secretary about the golfing available in Monterey, and the Secretary advised that he had contacted the Monterey Beach Hotel on Thursday, June 11 - immediately before the meeting. They advised that the courses at Pebble Beach and Spyglass are open to the public, but they do not book advance reservations. Those wishing to play must check in at the clubhouse on the day they wish to play, and then get starting times. The Monterey Beach Hotel indicated that they had working arrangements with two golf courses: Carmel Valley Golf Club (belongs to Quail Lodge) and Rancho Canada Golf Club. They could arrange reservations at these two courses.

After further discussion, the Board indicated its approval of holding the June 1988 Meeting in Monterey. It was noted that no one had inspected this site. Assuming the site is satisfactory and is available for the week of June 12, 1988, the Directors approved Mr. Eggert's report.

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

RESOLVED: To accept the report of the Annual Meeting Committee as written.

The Directors added that if the Monterey site was not satisfactory or available for the June 1988 dates, that Sawgrass be selected as a back-up site. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That Sawgrass, Ponte Vedra Beach, Florida, be the back-up site for the June 1988 Meeting if the Monterey site is either unsatisfactory or unavailable.

#### HISTORICAL SALES REPORTING

The Secretary reported on the Institute's Historical Sales Reporting Program. Please refer to EXHIBIT 11 in the report package.

Essentially, the sales reporting statistics program was unchanged from that in previous years. However, the Secretary noted that there were more difficulties with the data sent to the Accountants than there had been in previous years. As a result, the reports were usually late, and corrections had to be made subsequent to the report. The difficulties were apparently the result of changing responsibilities at reporting companies, either with new people reporting, or with significant changes in the structures of reporting companies caused by acquisitions and mergers. The Members were asked to review each report before sending the data to the accountants to be certain it was consistent with earlier data.

#### INSTITUTE PENSION PLANS

The Institute has two pension programs: (1) A Trust set up in 1979 to pay Miss Duschek, retired Secretary of the Institute, \$550 per month for the remainder of her life, and (2) A Simplified Employee Pension Plan (SEP) funded with contributions to employee IRA's. See EXHIBIT 10 in the report package. Mr. Drislane presented this report.

It was noted that the only paper work for the SEP Plan for current employees is drawing the checks for deposit to the employees' IRA's. Contributions of \$11,250 were projected for 1986-87.

The Duschek Trust showed a net invasion of principal at December 31, 1986 of a little less than \$4,300. The Trust started with a contribution of \$55,000 and there was approximately \$50,700 in assets on hand as of December 31, 1986. The Trust has made payments of \$550 monthly for benefit of Miss Duschek since January 1, 1980.

In response to a question, Mr. Drislane advised that Miss Duschek resides at the Baptist Home for the Aged in Bronx, New York. He has not had direct contact with Miss Duschek recently, but has contacted her guardian and her Sister-in-law.

#### OTHER BUSINESS

The Chairman asked if there was any other business for the Board of Directors Meeting. None was suggested.

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

RESOLVED: To adjourn.

Adjourned at 12:15 PM

E. W. Drislane  
Secretary