FRICTION MATERIALS STANDARDS INSTITUTE, INC., E-210 ROUTE #4, PARAMUS, N.J. 07652

MINUTES OF MEETING

of the

BOARD OF DIRECTORS

Tuesday, June 15, 1976, at 8:30 A.M.

at

Innisbrook, Tarpon Springs, Florida

DIRECTORS PRESENT

J. W. Greenen	Maremont Corporation
F. E. Messier, Vice-President	Bendix Corporation
R. R. Moalli	Raybestos-Manhattan, Inc.
E. R. Zacharias	Carlisle Corporation
S. S. Conway	Abex Corporation
G. A. Carrigan	S. K. Wellman Corporation
W. M. Sleeth	Royal Industries Brake Products

OFFICERS PRESENT

W. Simon, President	Brassbestos Manufacturing Corporation
E. W. Drislane, Secretary	Friction Materials Standards Institute
R. P. Gorman, Counsel	Clapp & Eisenberg

COMMITTEE CHAIRMAN PRESENT

R. E. Nelson (Brake Performance)	Abex Corporation

GUEST PRESENT

R. Join	Federation of European Manufacturers of Friction Materials (FEMFM)

Mr. Simon, President, called the Meeting to order at 8:30 A.M.

MINUTES OF PREVIOUS MEETINGS

The Minutes of the Meetings held June 17-18, 1975 had been distributed. No corrections were suggested. Upon motion duly made, seconded, and unanimously passed, it was;

RESOLVED: That the Minutes of the June 17-18, 1975 Meetings be accepted as written.

PRESIDENT'S REPORT

Mr. Simon reported on the activities of the Institute over the past fiscal year. In particular, he discussed the response that the Institute made to OSHA concerning the proposed 0.5 fibers/cc limit for occupational

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exposure to asbestos. In addition, Mr. Simon mentioned the Asbestos Seminar that was held by the Institute in December, 1975, the work of our Data Book and Technical Committee, and our liaison with the Federation of European Manufacturers of Friction Materials. Please refer to Exhibit I in the reports for the June 1976 Meeting.

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

RESOLVED: That the President's report be accepted as written.

MEMBERSHIP COMMITTEE REPORT

The report of the Chairman of the Membership Committee, Mr. Greenen, was read. In essence, he reported that there was an increase of one regional member and one licensee during the past year. There were no resignations or withdrawals from any class of membership. Please refer to Exhibit II in the reports of the June 1976 Meeting.

On completion of the report the Chairman advised that an application for active membership had been received from Scan-Pac Manufacturing Inc. The Secretary had earlier sent background information on Scan-Pac to all members. The Membership Committee recommended to the Board of Directors that the Scan-Pac application be accepted. Scan-Pac is a manufacturer of friction materials using the Johns-Manville sheeter material as the basic ingredient for its product. Scan-Pac finishes this stock to various industrial sizes. Scan-Pac does not use the copyrighted FMSI numbers in marketing their products. The application from Scan-Pac was in good form.

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

RESOLVED: That the Board of Directors recommends to the Membership that Scan-Pac Manufacturing, Inc. be admitted as an Active Member of the Institute.

At this point, the subject of the Bendix acquisition of all the outstanding stock of Jurid Werke, a Regional Member, was discussed. Earlier the Secretary had sent the Board of Directors a memo concerning the Bendix Corporation which had acquired all the outstanding stock of Jurid Werke. Bendix felt that Jurid Werke should not also have to pay Annual Fees for the rights of membership since Bendix was paying the Annual Fee. Counsel requested that this subject be tabled until after lunch, so that he could get further background on the question.

After discussion of possible precedents with domestic member acquisitions of domestic affiliates it was pointed out that domestic membership rights were available to the acquired domestic subsidiary for the one fee paid by the parent. There had not been any similar precedent for a domestic acquisition of a foreign member. The Constitution and By-Laws did not specifically cover this situation. Counsel stated that the question was: "Does the domestic parent's membership cover the foreign subsidiary?"

Differences between the acquisition of a domestic subsidiary and a foreign subsidiary by a domestic parent were discussed. A domestic subsidiary prior to acquisition could vote. In response to a question it was indicated that

Jurid's Regional Membership in the Institute was primarily for use of the copyrighted FMSI numbers and numbering systems in marketing their products in the United States. Further, Jurid Werke declared in all four categories. Counsel stated that the decision on this question was primarily a business decision, but that the precedent established would be carried into the future. It was the consensus of the Directors that a subsidiary which was wholly owned should be covered by a parent's membership. Counsel stated there was no need to take further action, other than having a resolution adopted covering this particular subject. Documentation in the minutes would establish practice for the future.

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

RESOLVED: That an Active Member's rights from membership in the Institute are available to that member's wholly-owned domestic or foreign subsidiary.

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

RESOLVED: That the Membership Committee report be accepted as written.

TREASURER'S REPORT

Mr. Andre Laus, who had been our Treasurer for the past several years, resigned in the Spring of 1976. In accordance with our Constitution and By-Laws the President assumed the duties of Treasurer. Please refer to Exhibit III. In the Treasurer's Report Mr. Simon referred to the strong balance sheet and the expense portion of the income statement which projected that our expenses would come in just about the budgeted level.

These figures, which were based on a trial balance taken as of April 30, 1976, projected net income of about $12,000 for the 1975-76 fiscal year. This income would bring the Institute's surplus figure to in excess of $150,000.

A Director questioned the size of the surplus, and whether there would be any problems with Internal Revenue Service. Counsel indicated that this subject was discussed at the June 1975 Meeting. He had researched this question prior to that Meeting. After a review of correspondence and work papers, Counsel indicated that the surplus of an association could be two to three times the amount of the annual budget, and he gave examples where even this rule is not enforced. Since the Institute's surplus is only about twice the Institute's annual budget, it is not felt that there is any problem with an unreasonable accumulation of surplus. The Institute's status as a tax exempt organization should not be challenged on this basis.

After reviewing the matter, the Board decided unanimously that the surplus was needed because: (1) The Institute wishes to preserve its traditions of not increasing the dues structure, yet costs inevitably will increase with inflation; (2) The asbestos problem likely will result in expensive studies or other extraordinary costs to the Institute; (3) Miss Duschek's pension has not been funded yet.

A Director commented that the 10 year financial summary should be of interest because it shows that the annual dues structure has not been changed over the last five years.

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

RESOLVED: That the Treasurer's report be accepted as written.

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. Sleeth, Chairman of the Committee, submitted this report. Please refer to Exhibit IV.

Mr. Sleeth indicated that most of the Institute's funds were invested in time deposits earning 7-1/2%. Total assets including the savings accounts, time deposits and the deposits for Miss Duschek's retirement totaled in excess of $153,000. (All figures were projected from data available as of April 30, 1976.) The Chairman projected interest income for the 1975-76 fiscal year in excess of $10,000.

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

RESOLVED: The report of the Investment Advisory Committee be accepted as written.

BUDGET COMMITTEE REPORT

Mr. Doug Ogilvie, Chairman of the Budget Committee, submitted this report. Mr. Drislane read the report. Please refer to Exhibit V in the reports of the June 1976 Meeting.

The preliminary budget prepared by the Committee, with the assistance of the Secretary, called for an overall expense budget of $83,195, approximately a 4% increase over the 1975-76 budget. However changes to depreciation and pension expense increased the overall 1976-77 budget to $83,855. The biggest item in the budget is salaries ($41,500).

Subsequent to draft of the preliminary budget, the Secretary recommended to the Board of Directors that a stencil printing machine be purchased for approximately $1,000. This particular item would be a capital asset. The purpose of a stencil printer would be to copy items from sources such as the Federal Register or the news media, and reproduce multiple copies at a lower cost than on a Xerox machine. When copies in excess of 20 are needed the mimeo is considerably cheaper than the Xerox machine.

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

RESOLVED: That the Institute Office purchase a stencil printing machine for approximately $1,000.

The Secretary indicated that this capital item would increase depreciation in the expense budget from $430 to $490 for the 1976-77 fiscal year.

Another item that developed later in the meeting was that pension payments for Miss Duschek were increased from $400 monthly to $450 monthly. This results in a $600 increase in the budget item for pension payments. (From $4,800 to $5,400)

The Directors reviewed the line items in the proposed budget and the overall expense figures.

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

RESOLVED: That the report of the Budget Committee be accepted as written.

FEE FORMULA COMMITTEE REPORT

Mr. Andre Laus, who had resigned as Treasurer of the Institute, had also been Chairman of the Fee Formula Committee. The Secretary asked Mr. R. J. Kick of Delco-Moraine Division to review and submit a report for this Committee. Mr. Kick agreed to submit this report with the understanding that the other member, Mr. Gatke, would have the opportunity to review and make any suggestions for change. A copy of the report was sent to Mr. Gatke and no changes were suggested. Mr. Kick's report is Exhibit VI in the reports for the June 1976 Meeting.

Mr. Drislane read the report. An item of interest was the listing of the membership and the categories which they had declared. This listing was attached to the report submitted by the acting Chairman. It will be noted that there are 19 Active Members with 41 categories for the 1976-77 fiscal year.

Based on a review of the preliminary budget figures and the category declarations, it was recommended that the fee formula remain the same in 1976-77 as it had been the prior year. Based on these figures, an operating deficit of approximately $6,600 was projected, but with the anticipated interest income, it was projected that income would exceed expenses by $4,400.

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

RESOLVED: That the fee formula for 1976-77 be continued as it was in the past fiscal year. Active Members: Basic $1,050, per category $650; Regional Members: Individual $1,300 Association $2,200; Licensee $500.

The secretary indicated that there would be four Regional Members paying the higher Active Member dues levels in 1976-77. The Fee Formula had been drawn up without including Jurid in the proposed Regional Members income. (The Jurid acquisition by Bendix is discussed under the Membership Committee report earlier in these minutes.)

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

RESOLVED: That the report of the Fee Formula Committee be accepted as written.

PUBLIC RELATIONS COMMITTEE REPORT

Mr. Kelly, Chairman of the Public Relations Committee submitted this report. Mr. Drislane read the report. Please refer to Exhibit XII.

The Chairman reported that the Public Relations Committee had worked on news releases for the election of officers in June 1975, the luncheon honoring former Counsel, Mr. Stickles, and the Asbestos Seminar that was held by the Institute in December 1975. Based on recommendations at an earlier Meeting some of the news releases were circulated to the Directors for their examination. In particular there were photographs of Mr. Gatke congratulating Mr. Simon on his election in June 1975, and the photograph of speakers at the Asbestos Seminar.

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

RESOLVED: That the report of the Public Relations Committee be accepted as written.

DATA BOOK & TECHNICAL COMMITTEE REPORT

Mr. Ron Moalli, Chairman of the Data Book & Technical Committee submitted this report. Please refer to Exhibit VIII.

Mr. Moalli highlighted the Committee's activities during the past year. Among the items discussed were the changes in use of the 800-8,000 series numbers which heretofore had been assigned to brake linings for foreign make cars. In the future, assignments will be made in the 800 or 8,000 series only if there is a predecessor number such as 8026 to precede a new drilling assignment such as 8026A. Another major step was the introduction of metrics into our bulletins and catalogs. The Committee developed rules and guidelines for conversion to metrics. The Institute will make a gradual introduction of metrics and will debug the system before wider use of metrics is used.

The Committee assisted in preparation of the 1975 Brake Block Identification Catalog, of which all copies were sold shortly after printing. The Committee recommended design standardization for catalog covers. This was put into practice with the 1975 Brake Block Identification Catalog, 1976 Brake Shoe Identification Catalog, and the 1976 Supplement to the 1975 Automotive Data Book. In essence these catalogs have large letters for FMSI at the top, with illustrations of content appearing below. Colors for the catalogs were also standardized.

At the June 17, 1975 Meeting of the Board of Directors, the Data Book and Technical Committee was charged with the responsibility for reviewing a program for an industrial friction material catalog and reporting back to the Board on the scope and planning necessary for such an undertaking. Mr. Moalli reported on the survey for which the Committee prepared questions. This was circulated to Committee members and to others it was known had industrial friction material background. This questionnaire had 18 questions to get a feel for the possible volume of the catalogs, the interest in such a catalog, some ideas for the make-up of the catalog, and ways for gathering information for it. The results of the survey were included in Mr. Moalli's report. While the survey indicated some interest in an industrial friction material catalog, there were also comments to the effect that it would take an awful lot of man hours to gather the data, and there would be a question as to the reliability of the data gathered.

Mr. Moalli concluded that the results of the survey were interesting and informative but didn't provide an answer. Mr. Moalli stated that this is a preliminary report to the Board of Directors on the questionnaire results only. However, neither he, as Chairman of the Committee, nor the Committee itself is prepared at this time to make a final report to the Board of Directors. The results of this questionnaire will be reviewed at the next Committee meeting after which he will report to the Board.

Several Directors wished to express their thanks to Mr. Moalli and his Committee for their efforts in the past year.

Upon motion duly made, seconded and unanimously approved it was;

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

BRAKE PERFORMANCE STUDY COMMITTEE REPORT

Mr. Nelson, Chairman of the Brake Performance Study Committee, reported on the activities of the Committee over the past fiscal year. Please refer to Exhibit VII in the reports for the June 1976 Meeting.

Mr. Nelson reported on the write-ups of FMVSS 105-75 (Hydraulic Brake Systems) and FMVSS 121 (Air Brake Systems). He also discussed the meeting that he and Mr. Drislane had with the NHTSA in Washington and at the Winchester plant of Abex Corporation. Further review was made of activities as regards Docket 1-4 (Replacement Brake Lining Standard). The sole activity in this area is research being done by Professor Cook, at the University of Illinois. Further contact will be made with Professor Cook. Also, Mr. Nelson discussed the AAMVA Equipment Approval program and he noted that by January 1, 1978 many members will be recertifying their linings thru AAMVA at a considerable cost. Also mentioned were activities and changes at the Vehicle Equipment Safety Commission (VESC), and the regulations put into effect by the State of Minnesota. In essence Minnesota went for Regulation V-3.

A major item for the Brake Performance Study Committee was a review of the work done by the Quality Control Sub-committee. In March 1976 the Quality Control Sub-committee submitted to the parent Committee their recommendations in the Quality Control area, which took the form of a booklet entitled a "Quality Control Program for the Friction Materials Industry."

When this was reviewed at the Brake Performance Study Committee meeting there was considerable controversy as to the Scope section and the wording of the text. Discussion centered on the Scope section, and whether it inferred a minimum quality control program as some contended, or whether this was appropriate wording, as others contended. The feeling expressed by some members was that the entire quality control program as such might be considered a minimum requirement for members. They felt that government regulators or others might allege that a member who did not perform the tests indicated in the program was not giving sufficient emphasis to quality control in his factory. The Secretary stated that when the Committee prepared the booklet they were quite aware of the possibility of such allegations and tempered the words accordingly. In particular they avoided the use of the word "must" but did use the words "should" or "could".

The Committee decided that a poll would be taken to get Committee reactions as to the wording of the Scope section and other sections of the program. These answers are now being sent to the Institute Office for compilation after which a summary will be sent back to the Committee for their review.

It was pointed out that Legal Counsel was present at both the Quality Control Meeting and at the Brake Performance Study Committee Meeting. (Mr. Mike Cole of the Clapp & Eisenberg office.) This particular concern was expressed to Mr. Cole and he did make some specific suggestions at the Quality Control meeting. Because of these considerations, when the polling of committee members is complete and a new program drawn up, a draft will be sent to Legal Counsel for review before it is issued to anyone. It was suggested that Committee members list their areas of concern so that Counsel can consider them.

The President commended Mr. Nelson and his Committee for their activities during the past year.

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

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

QUALITY CONTROL SUB-COMMITTEE REPORT

Mr. John Easton, Chairman of the Quality Control Sub-Committee submitted the report. Please refer to Exhibit VII-I. Mr. Drislane read Mr. Easton's report.

In summary the report stated that the Committee had met, completed their assignments and submitted a booklet entitled "A Quality Control Program for the Friction Materials Industry." This was submitted to the parent Brake Performance Study Committee in March 1976. The Quality Control Sub-Committee has completed its assignment pending approval of the parent committee.

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

RESOLVED: That the report of the Quality Control Sub-committee be accepted as written.

ASBESTOS STUDY COMMITTEE REPORT

Mr. Harry Wagner, Chairman of the Asbestos Study Committee submitted his Committee's report. Please refer to Exhibit IX. The Secretary read Mr. Wagner's report.

Mr. Wagner discussed the proposals by OSHA for a reduction in the permissable exposure to airborne asbestos fibers to the 0.5 fiber/cc level. He discussed the Seminar that the Institute sponsored in December 1975 to help emphasize the urgency of the problem as well as to assist the members in coping with the 2.0 fiber/cc limit that is due to take effect on July 1, 1976. Mr. Wagner mentioned the cooperation of the Institute and its Asbestos Study Committee with the Asbestos Information Association. He mentioned specifically the very professional job that the AIA and their contractor the Weston Company did in preparing an industry response to OSHA.

Mr. Zacharias commented on this report and wished to point out the very fine job that the Asbestos Information Association and their consulting contractor did in preparing a response to OSHA. He commented specifically on the report that Dr. Hans Weill rendered concerning the medical aspects of the proposed changes in the OSHA regulations. Dr. Weill indicated that there is a threshold limit value (TLV). He also indicated that most of the "new" medical findings concerning occupational exposure to asbestos were really not new and he questioned their use to justify reduction in exposure levels to the proposed 0.5 fiber/cc level. Directors indicated that it was their hope that the proposed 0.5 fiber/cc limit would not become effective. A Director recommended membership in the AIA for friction materials manufacturers, in order to assist the AIA at this very critical time.

It was stated that another professional response to OSHA (other than AIA and Weston) was that submitted by Johns-Manville. A Director pointed out that Johns-Manville has a film that can help communicate the need for asbestos. Reference was made to Asbestos Research Council film entitled "Asbestos at Work."

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

RESOLVED: That the Asbestos Study Committee Report be accepted as written.

FEDERATION OF EUROPEAN MANUFACTURERS OF FRICTION MATERIALS (FEMFM)

At the conclusion of the discussion on asbestos, the President asked Mr. Robert Join of the FEMFM if he could comment on developments in Europe.

Mr. Join described the make-up of the FEMFM as a group of four trade associations: Italy, France, Great Britain and Germany. He indicated that the FEMFM has given support and followed the work of the International Standards Organization (ISO). ISO is a working organization on procedures and equipment which the United States recognizes. The American National Standards Institute (ANSI) is the U.S. representative. The Society of Automotive Engineers (SAE) is a supporting group for ANSI.

The problem in Europe is that vehicle manufacturers object to standardization of replacement brake lining and contend that replacement brake lining should be the original equipment material. The FEMFM would favor a small machine test for approval of replacement brake linings. The United Kingdom currently does not favor a small sample machine test. Germany could be considered in favor of a small sample machine. Currently

France and Italy have no particular restrictions on the use of replacement brake linings. The work that was being done with the aim of developing a small sample machine test could be wound up since the TC-22 of ISO had decided to wind up activities of its SC2/WG2 (a Sub Group) which was working on the classification for brake linings. The FEMFM of course would not like to see the work of the SC2/WG2 group wound up.

Mr. Join touched on the Economic Commission for Europe (ECE), a UN organization, and its Regulation 13. Regulation 13 could in essence allow the vehicle manufacturer to specify the replacement brake lining. It is conceded that Regulation 13 would be difficult to implement. The European Commission (EEC-Common Market) derived their Directive 320 from the ECE's Regulation 13 and have promoted this approach for replacement brake linings. The FEMFM has authorized machine testing to test correlation with vehicles on 12 brake lining tests. Four vehicles will be tested with 3 categories of lining. The material will also be checked on a small sample machine and a dynamometer to study possibilities of correlation.

Mr. Conway suggested that regulations affecting the European community could also affect the United States, since the United States recognized ISO. It was pointed out that 250,000 (about U.S. $60,000) francs were budgeted by FEMFM for support of this technical work to check on correlation.

Mr. Join said that enforcement of Regulation 13 would be difficult even though the motor car companies are promoting the concept of OE only for replacements. He indicated that the ECE (UN group) promotes the concept of free trade. A problem is that the vehicle manufacturers are consulted by ECE, but the FEMFM was not formally accepted as a consultant.

A question was raised as to whether any ISO procedure or standard had been accepted by the United States? It was not felt that any as yet had been accepted. It was pointed that while ISO is similar to SAE and ANSI in that they may write a standard, others implement the regulations. The struggle on quality levels for replacement, and the use of the vehicle, dynamometers or sample test machines for qualification is similar to that in the United States. A question was raised as to why were brakes and brake linings singled out and not other vehicle components. It is not known why, and European brake lining manufacturers would be more satisfied with a regulation similar to that used for tires in the replacement market.

Mr. Join moved to the subject of asbestos and the problems in Europe. He mentioned that Dr. Selikoff had been to Europe and reported on a paper that Dr. Rohl had given alleging that concentrations as high 20-50 fiber/cc had been reached in brake repair shops. Later in his discussions in Europe, he apparently reduced this to 0.25 to 4.0 fiber/cc.

Mr. Join stated that Dr. Rohl backed off on statements as to heavy concentrations of chrysotile asbestos in brake lining wear dust. However, he had emphasized that this affected about 900,000 workers in the United States. Obviously, Dr. Selikoff favored the new 0.5 fiber/cc level which is essentially a zero fiber limit.

There is a significant study going on in Luxembourg concerning the dose-response relationship between asbestos and illnesses attributed to asbestos. In general, the report indicated that there was no case of asbestos induced asbestosis or cancer in the general population that had developed from environmental exposure to asbestos. Mr. Join indicated that there had been no additional proof of the deleterious effects of asbestos since the World Health Organization Meeting in 1972.

In response to a request of a Director, Mr. Join offered a copy of Regulation 13 to be printed in English and sent to the Institute Office for distribution to the Directors. The President thanked Mr. Join for this informative talk on his association's activities in Europe.

After Mr. Join's presentation, an agenda item concerning the relationship of Friction Materials Standards Institute (FMSI) to the Federation of European Manufacturers of Friction Materials (FEMFM) was discussed. It was stated that it would be advantageous to the Institute and its members to keep abreast of developments as they were taking place in Europe. Mr. Moalli pointed that there were three areas that could be considered as possibly interrelated: (1) Braking regulations, (2) The asbestos dust problem, and (3) Cataloguing and prints. It was stated that information on the latter would not be exchanged. Efforts will be concentrated on brake regulations and asbestos dust. In response to a question, it was stated that there was no link between any European or UN groups and the United States Department of Transportation's National Highway Traffic Safety Administration (NHTSA). It was also stated that the American Association of Motor Vehicle Administrators (AAMVA) were not involved with European or UN groups, even though they had approved European laboratories for certfying brake linings. It was suggested that the relationship between the FMSI and the FEMFM be a loose association with interchange of information. It was also stated that the FMSI Directors would be interested in Directive 320 on classifications of brake linings. When new information is developed in this area, Mr. Join was requested to send such information to the Institute.

It was stated that the best liaison would be to invite the Secretary of FEMFM to attend the FMSI Board of Directors and Membership Meetings, and in turn that FEMFM invite the FMSI Secretary to attend their General Council and General Assembly meetings. It was pointed out that the FEMFM has four such meetings a year but that the significant meeting would be the Spring session which this year was held in Rome.

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

RESOLVED: That FMSI and FEMFM would continue liaison by having their respective Secretaries attend each other's Director and Membership Meetings on an annual basis.

INSTITUTE DEVELOPMENT COMMITTEE REPORT

Mr. Conway, Chairman of the Institute Development Committee submitted the report which is shown as Exhibit X.

Mr. Conway stated that the Committee's report concerned changes in the Constitution and By-Laws which had been circulated to the Membership to be discussed in a separate agenda item entitled, "Constitution and By-Laws" later in the meeting.

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

RESOLVED: That the report of the Institute Development Committee be accepted as written.

ANNUAL MEETING COMMITTEE REPORT

Mr. F. W. Barton, as Chairman of the Annual Meeting Committee, submitted Exhibit XIV. Mr. Drislane read the report for the Chairman.

In summary Mr. Barton recommended three areas for consideration for the 1977 Membership Meeting: (1) The midwest--Illinois/Wisconsin; (2) The southeast--North Carolina/Georgia; and (3) The southwest--Phoenix/Scottsdale. The Secretary advised that Mr. Barton had called him a week or so before the Meeting and particularly wished to recommend Marriott's Camelback Inn, in Scottsdale, Arizona. Counsel pointed out that the Board of Directors or the President are charged with the responsibility for selecting the site for the Annual Meeting. Upon review, the Directors generally concurred with the recommendations of the Committee.

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

RESOLVED: That the June 1977 Meeting of the Institute would be held at Marriott's Camelback Inn in Scottsdale, Arizona.

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

RESOLVED: That the report of the Annual Meeting Committee be accepted as written.

HISTORICAL SALES REPORTING

The Secretary read the report concerning Historical Sales Reporting. The members who had participated were listed. Sixteen (16) Active Members reported at least once during the 1975 calendar year. Two (2) Regional Members with the rights of Active Members had participated by submitting their statistics to the Accountants. It was indicated that 2 members were having difficulty gathering data and did not favor continuing quarterly reporting. They preferred that reporting be returned to a semi-annual basis. After some discussion, it was stated that the quarterly reporting basis was satisfactory and would be continued.

The Secretary at this point brought up a problem which Counsel had studied concerning outside requests for sales statistics. If access to sales statistics is denied an outsider and that outsider could be harmed by not having such information, the Institute could be faced with a problem. However, Counsel stated that he had reviewed this situation and was changing his recommendations concerning access to this data based on later discussions with others. Counsel stated that since there is good access to Membership in the Institute for qualified applicants that the Institute is on solid ground in refusing to give this data to others. Those qualified for membership have access to membership and therefore cannot claim that they are being unfairly denied access to this information. No change will be made in our handling of outside requests for information.

It was brought up that the Federal Trade Commission had contacted the Institute Office seeking information on sales statistics. At that time, the Secretary advised Counsel of this request and was advised to send this information to the FTC. Also the Secretary was told to advise the member involved (Royal Industries) concerning this request by the FTC.

A Director stated that anytime there is an outside request of this nature for the statistics that the Board of Directors should be advised. Giving such information to the FTC is beyond what the Membership and the Directors planned when the Historical Sales program was instituted. The Secretary was directed that if any future request is received from governmental organizations, that after consultation with Counsel the Board must be advised that such information is being sent to the requesting organization.

Discussion returned to the subject of reporting on a quarterly basis. Mr. Moalli pointed out that at the June 1975 Annual Membership Meeting that Historical Sales reporting would be put on a quarterly basis for a one year trial period. At this time it was up to the Directors to decide on continuation beyond that one year trial period.

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

> RESOLVED: That the Historical Sales Reporting would be continued on a quarterly basis.

LEGAL COUNSEL

Mr. Gorman advised the Board of Directors that after reviewing their work for the past year, that the retainer be continued on the same basis in 1976-77 as it was in 1975-76. The retainer was $5,500 for 1975-76. He stated that while there were items that may have taken more time than they had planned, they might be considered indoctrination for these new responsibilities and should help Clapp and Eisenberg in servicing the Institute in future years. Mr. Gorman also advised that he would be moving his office, as part of Clapp and Eisenberg, to Princeton, New Jersey. He would be in the Newark office on occasion. He would plan on having Mr. M. R. Cole continue to attend our committee meetings. Mr. Gorman felt that there would be a continuation of services without any significant change to the Institute, but he did wish to advise that he would be working primarily out of the Princeton office.

CONSTITUTION AND BY-LAWS

In 1975-76 the Members voted to amend the Constitution and By-Laws in accordance with recommendations of the Institute Development Committee which were subsequently endorsed by the Board of Directors, and reviewed by Legal Counsel. The areas amended were those dealing with Article 3, Regional Members; Article 4, Meetings of the Board of Directors; Article 6, Duties of the Treasurer; Article 7, Schedule for the

Annual Membership Meeting; and Article 9, Fees and Assessments for Regional Members. After receiving the members' ballots, the Secretary questioned Counsel concerning the wording used in the Constitution and By-Laws as to the validity of a mail ballot for making amendments to the Constitution and By-Laws. Counsel reviewed the Constitution and felt that while the wording was somewhat ambiguous that the members did have the right to vote these amendments by mail. The Constitution and By-Laws are being amended in accordance with the vote of the Membership in 1976.

Based on a review of the Constitution and By-Laws, Counsel recommended that the use of a mail ballot for amendments be specifically stated in the Constitution. The Institute Development Committee reviewed this recommendation and concurred. "Amendment of the Constitution and By-Laws" was added to the agenda for the Membership meeting, and notice was given to the Membership. The Board of Directors reviewed the recommendation by Counsel and upon motion duly made, seconded and unanimously passed it was;

RESOLVED: That the Board of Directors recommends to the Membersip that amendment be made to Articles 7 and 11 of the Constitution to specifically permit amendment by use of a mail ballot.

PENSION PROGRAMS

The Secretary reviewed the financial status of the pension program for Miss Duschek and the Institute's Employee Pension Plan. A financial report for Miss Duschek's plan was projected to June 30, 1976 and is enclosed as Exhibit XI in the reports for the June 1976 Meeting. Also a report is made on the Institute Employee Pension Plan for the period ending March 31, 1976.

The pension plan was discussed by the Directors. It was pointed out that a report was prepared in August 1975 with the idea of perhaps purchasing an annuity for Miss Duschek. At that time the Directors decided that no action would be taken. It was reaffirmed that no further action would be taken as regards purchasing an annuity for Miss Duschek. Payments would continue to be made by the bank. In addition, since the annuity question was resolved, the Institute will have the full pension amount paid directly by the bank. (Currently the bank has been paying $300 monthly and the Institute has been paying $100 monthly.) Mr. Conway suggested that due to increases in the cost of living that Miss Duschek's pension be increased to $450 per month.

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

RESOLVED: That Miss Duschek's pension would be increased to $450 per month effective July 1, 1976.

INSTITUTE LEASE--OFFICE SPACE IN PARAMUS, N.J.

The Secretary advised that the lease on our space in Paramus would expire on December 31, 1976. He had been in contact with the landlord, and had received two proposals for continuing at East 210 Route 4: (1) To continue with the existing lease with an increase in the annual rental of $600 a year; and (2) a rental of $9.50 per square foot with 1976 as the base year for rent escalation. (Both would mean about $8,200 in 1977). Mr. Greenen indicated that even with the projected increases this would still be less than what the Institute paid at 370 Lexington Avenue five years ago.

The Directors generally agreed to delegate details on a new lease to the Secretary. A 5 year lease to start on January 1, 1977 was recommended.

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

RESOLVED: That the Secretary be authorized to negotiate a five year lease for space at East 210 Route 4, Paramus, New Jersey, at terms most favorable to to the Institute.

DEPARTMENT OF COMMERCE--CENSUS

The Secretary advised that he had been contacted by the United States Department of Commerce soliticiting industry comments and recommendations for the 1980 Census. The Secretary indicated that he would like to pass on such information to the Membership. A Director questioned as to how much work was involved in this request by the Department of Commerce. The Secretary advised that there would be very little work for the Institute Office because it would be in the form of a bulletin to the Members asking them to submit recommendations directly to the Department of Commerce.

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

RESOLVED: That the Institute Office circulate to its Members a request by the Department of Commerce for recommendations on the 1980 Census.

WORLD TRADE ACT OF 1974

The Secretary advised that he had been asked to bring up this subject to the Directors and the Membership. The problem concerns what some members feel is an uneven set of restrictions. They suggest that brake lining--from Brazil and Mexico--is coming into the United States under reasonably favorable circumstances. The same members are unable to export to Brazil and Mexico because of tariff and other barriers. Concern has been expressed on the ease of access Brazil and Mexico have to the United States automotive replacement market. Two Members expressed this concern.

This subject was discussed at the June 1975 Board of Directors Meeting and it was decided that this was a complex problem and that the Institute would take no action. At that Meeting a Director indicated that he would send information to the Institute concerning the Trade Act and tariff negotiations for distribution to the Membership. No material was received by the Office.

It was pointed out that there are tariff negotiations going on continually. They have been going on in Switzerland for the last year and a half. The automotive group has been represented. The Automotive Service Industry Association (ASIA) and the Motor and Equipment Manufacturers Association (MEMA) have kept their members abreast of the problems with tariff and non-tariff barriers as regards automotive aftermarket parts. A Director stated that in addition to the tariff and non-tariff barriers there is another problem. United States manufacturers are saddled with huge costs for compliance with the asbestos regulations, and these costs are not incurred by those exporting to the United States. The United States manufacturer must protect his worker (with additional cost to his product) but the foreign manufacturer may or may not be required to put similar controls in their work places. This is an additional cost incurred by United States manufacturers that is not incurred by others.

A Director stated that the MEMA is doing a good job in alerting members in this particular area. This would be a formidable job for the Friction Materials Standards Institute. Since the FMSI is involved in only one area of the automotive replacement market it was felt that the Institute should not take on similar responsibilities when they are being done capably by others. In particular, Directors emphasized the work done by MEMA. MEMA publishes a monthly report which gives an up-date on negotiations and other facts relevant to International Trade. It was stated that those concerned about international trade should contact or join the MEMA to seek this information. It was stated that it would not be proper for the Institute to gather copies of the MEMA report to circulate to its Membership when some members are not directly supporting the MEMA. As service is available by joining the MEMA, the Directors do not recommend that any action be taken as regards tariff negotiations, international trade and countervailling duties. It was recommended that those interested in these subjects contact the MEMA.

EMPLOYEE MEDICAL INSURANCE

The Secretary advised that the Institute office does not have any Blue Cross-Blue Shield program for its staff. (Mr. Drislane indicated that he personally was not concerned as he had adequate coverage through his wife's employer.) The problem relates to the two on the staff who do not have basic medical insurance. One Director stated that without the facts on the cost of medical insurance no decision could be made at this Meeting. It was pointed out that two employees are not sufficient for a group. Individual membership would be considerably more expensive than group enrollment. Ordinarily 4 or more employees are required to start a group Blue Cross-Blue Shield plan. The Secretary was directed to gather information concerning the costs and availability of medical insurance for the office staff for consideration by the Board.

INSTITUTE COPYRIGHTS

The Secretary had earlier advised the Board of Directors concerning a recommendation made by Copyright Counsel, Shenier and O'Connor, concerning the Institute copyrights. Shenier and O'Connor ran a study in 1975 concerning the validity of the Institute copyrights and indicated that they were valid, and unauthorized use would constitute infringement. At that time Mr. O'Connor (of Shenier & O'Connor) felt the Institute had a strong right to a trademark with FMS and FMSI. The Secretary advised Mr. O'Connor that it might be difficult to establish a trademark of this nature because of the problem in getting Institute Members to use the symbol © to indicate that FMS and FMSI were registered trademarks. Mr. O'Connor replied to the effect that this would not be a significant problem, and that he still felt that FMS and FMSI could be registered as trademarks. Mr. O'Connor indicated that the applications for registration would cost about $250 each. He felt that this would materially strengthen the Institute's copyrights. One Director stated that this was a sound suggestion.

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

RESOLVED: That Shenier and O'Connor proceed with applications for registration of FMS and FMSI as trademarks.

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

RESOLVED: To Adjourn.

Adjourned: 3:30 P.M.

E. W. Drislane
Secretary