FRICTION MATERIALS STANDARDS INSTITUTE, 588 MONROE TURNPIKE, MONROE, CT 06468

MINUTES OF MEETING

OF THE

BOARD OF DIRECTORS

Saturday, June 10, 1995

Longboat Key Club

Longboat Key, Florida

DIRECTORS PRESENT	
Walter Britland	Abex Corporation - Friction Products Group
Robert Scott	Friction Material Company, Inc.
Paul Myers	Heavy Duty Friction (PMI) Echlin
Ron Randall, Treasurer	HKM Friction, Inc.
William Wood	Motion Control Industries
Doreen Tomao, Vice President	Universal Friction Composites
Ronald Moalli	TEK-Motive, Inc.
Martin Chevalier	U.S. Automotive Manufacturing, Inc.
DIRECTORS MISSING	
William Aymond	Moog Automotive/Wagner Brake
OTHERS PRESENT	
Don Delvy	Brake Parts, Inc.
Andre Gagnon, President	Frictiontech Inc.
Mohammad Vakili	ITT Automotive
Thomas P. Weldy, Counsel	Morehouse Harlow & Weldy Attorneys at Law
Lori Dinihanian	Friction Materials Standards Institute
Gilbert N. Laycock	Friction Materials Standards Institute

Mr. Gagnon, 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 4, 1994 had been distributed. The 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 4, 1994 as written.

of FMSI numbers. It was suggested that in our

PRESIDENT'S REPORT

Mr. Andy Gagnon, President, delivered his report. Please refer to EXHIBIT 1 in the report booklet.

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

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

MEMBERSHIP COMMITTEE

Ms. Doreen Tomao, Chairperson of the Membership Committee, presented this report. Please refer to EXHIBIT 2 in the report booklet.

Ms. Tomao noted in her report that the Institute had 91 affiliates down one from June 1994. Active Members lost two to 34. Due to a loss of one member and consolidation of two Memberships in to one Regional Members stayed at 31 with a gain of two new members and a loss of two members. Licensee Membership increased one to 26.

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 for open invoices for fee billings as of June 1, 1995, was $7,750.00. The amounts owed by quarters are:

1st Quarter 1994-95 FY	$ 487.50
2nd Quarter 1994-95 FY	487.50
3rd Quarter 1994-95 FY	1,650.00
4th Quarter 1994-95 FY	5,125.00

All Active Members and Licensee Members are current. All open invoices are for Regional Members.

The total for open invoices for Accounts Receivable (non-fee billing) was $9,703.17. However, the majority (over $8700) was billed on May 31 for catalog billing.

Regional Membership Application Filed by: Leling Gold Phoenix Brake Pads Co., Ltd.

The Institute received an application from Leling Gold Phoenix Brake Pads Co., Ltd. The application has been reviewed by the Membership Committee and the have recommended its approval.

There were questions on the fact that since the factory is listed as "state owned", our accepting Leling as a FMSI Member might be construed as granting all "state owned" facilities in China the use of FMSI numbers. It was suggested that in our acceptance letter we note that the Membership is for the specific use of Leling Gold Phoenix Brake Pads Co., Ltd.

Regional Membership Application Filed by:
Leling Gold Phoenix Brake Pads Co., Ltd. (con't)

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

RESOLVED: To approve the Membership Application by Leling Gold Phoenix Brake Pads Co., Ltd.
Leling City, Shandong Province, China

TREASURER'S REPORT

Mr. Ron Randall, Treasurer, 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 $21,461. This was primarily due to income from the dissolution of the Institute's Trust fbo Harriet G. Duschek. The operating income was projected to be $171,976 with expenses projected at $182,542, Investment Income of $12,442 and the one time income from the Duschek Trust of $19,585. The report analyzed expense variances which were over $400 from budgeted expense. There were six variances of $400 or more, five were favorable and one was unfavorable. The report included a Balance Sheet Projected to June 30, 1995, a Statement of Income and Expenses Projected for the 1994-95 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

Ms. Doreen Tomao, Chairperson, presented the Investment Advisory Committee Report. Please refer to EXHIBIT 4 in the report booklet.

Ms. Tomao advised that the total investment assets projected to June 30, 1995 were $259,028 versus $232,386 at June 30, 1994. Current yields on U.S. Treasury Notes average 5.1%, up from 4.7% last year and Money Market yields are 5.3%, up from less than 3% last year. She 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 a question concerning the capital losses projected for the 1995-96 fiscal year. The Secretary explained that yield for Treasury Notes, with fixed interest rates, is determined by whether the note is purchased at a discount or a premium. When the notes maturing in 1995-96 were purchased the yields were very low, thus

INVESTMENT ADVISORY COMMITTEE REPORT (con't)

the notes were purchased at a premium. When the notes mature the premium charge above par is considered a capital loss.

There was also a question concerning the increase in money market funds from an actual figure of $12,385 in June 1994 to a projected figure of $42,947 for June 1995. It was noted that the primary reason for the increase was from the dissolution of the Duschek Trust (approximately $20,000).

BUDGET COMMITTEE

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

Mr. Chevalier reported that the Committee proposed an Expense Budget of $192,425 for the 1995-96 fiscal year. This is an increase of 5.4% over the projected expenses for the year ending June 30, 1995. 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, Insurance and Services and Repairs. Line items that showed no change were: Legal, Meeting Expense, State Property Tax and all Travel Categories. Line items that showed a reduction were: Audit and Depreciation. Rent and Utility Expense were unchanged but combined under Rent. Utility Expense categories were eliminated.

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

> RESOLVED: To accept the Budget Committee Report as written.

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

> RESOLVED: To recommend approval of the Expense Budget of $192,425 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.

Mr. Mintman's Report noted that the only change in the fee structure since 1987 was an increase of $100 to all basic fee categories in 1993. His report reviewed the Fee Structure and Income Projection for 1995-96. The projection for fiscal year 1994-95 shows a surplus or profit of $21,461 due mostly to one-time income from the Duschek Trust dissolution. The projection for fiscal year 1995-96 shows a loss of $24,641. Applying the 1991 guidelines to the three year average of Revenue over Expense for the years ending June 1995 and June 1996, including the Duschek Trust Income, no change in fee is recommended for 1995-96 and an

FEE FORMULA COMMITTEE REPORT (con't)

increase is recommended for 1996-97. However, the report states that if the income for the Duschek Trust is removed from the calculation, a fee increase is recommended for the years 1995-96 and 1996-97. The report further recommends that, for future projections, an estimate of income from catalog sales be included in the projection for the next fiscal year.

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

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

There was considerable discussion concerning the shortfall in income and how it should be approached from a dues standpoint. A great deal of the discussion centered around the Licensee Category of Membership and the benefit derived as compared to dues paid. It was the general consensus of the Board that the Licensee Dues be increased more than the Active and Regional Member Categories. After reviewing several combinations of changes it was decided to increase the total Fee Billings by about $14,400.

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

> RESOLVED: To recommend to the Membership that the Dues for Active and Regional Members be increased by $100 and the dues for Licensees be increased by $300.

There was additional discussion concerning the brake shoe and disc plate manufacturers who are currently members in the Licensee Category. Most friction material manufacturers use the brake shoe and disc plate designations as their part number when a lined set is sold to the aftermarket. The shoe and plate numbers are more recognizable to the aftermarket than the lining numbers which go on those shoes and plates. It was generally felt that the shoe and plate manufacturers should be considered for Active Member status and be able to be an Officer, to serve on the Board and have voting rights equal to friction manufacturers. This would require a revision in the Constitution and could not be accomplished at this meeting. However, the Board could recommend to the Membership that this course be pursued and the Constitution revision could be done by a letter ballot within the next few months and, if approved by the Membership, take effect next year.

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

> RESOLVED: To recommend to the Membership that a revision in the Constitution be under taken to change the Membership status of brake shoe and disc plate manufacturers from Licensee to Active Member.

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.

Mr. Wood's report noted the work done by the Maintenance Council of the American Trucking Association (ATA) concerning compliance to FMVSS 121 with their recommended Practice 628. He also noted that SAE J1802 was being reviewed at the SAE Brake Committee Meetings as his report was being written.

It was noted that the current test procedure with the fixture as described in the procedure has a great deal of variability of results from test to test in the same facility. A Director noted that ATA is made up of truck fleets but the people working on the procedure are an S.A.E. Committee and the Heavy Duty Brake Manufacturers Council.

A report was prepared by Mr. Mohammad Vakili with respect to the passenger car disc brake SAE J1652 Test Procedure and drum brake SAE J1653 Test Procedure. He noted that workshops will be held at the SAE Brake Colloquium in October. The report also noted the Final Rule Published in the Federal Register, February 2, 1995, concerning FMVSS 135 which goes into effect in September, 2000.

Board Members expressed concerns that a considerable amount of work being done on SAE J1652 and J1653 is by paid consultants. Some of these consultants are more aligned with original equipment than with the aftermarket. It was noted that there is pressure from the "large retailers" for a test that can be used to screen materials. It was suggested that there be greater participation in the Brake Manufacturers Council (BMC) Meetings as the BMC is the group that is funding the work which is generating J1652 and J1653. A member stated that the National Highway Traffic and Safety Administration (NHTSA) does not seem greatly interested in regulating the brake industry. It was suggested that the Institute could distribute to FMSI Members summaries of BMC meetings submitted to the Institute.

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

RESOLVED: To accept the Brake Performance Study Committee Report 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 121 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.

DATA BOOK AND TECHNICAL COMMITTEE REPORT (con't)

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

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

There was a question concerning making assignments for vehicles which are unique to Mexico or South America and not on the U.S. highways. The Secretary noted that we have assigned part numbers for vehicles in the U.S. and Canadian Market. It was noted that the vehicle population threshold to assign a part number has been lowered in the past several years. It was also noted that there is much greater detail being included in the illustration section concerning insulator and hardware.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

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

Mr. Mohammad Vakili gave an update on asbestos with respect to the Occupational Safety and Health Administration (OSHA) final rule published on August 10, 1994, regarding Permissible Exposure Limit (PEL) and cleansing methods for brake and clutch repair. Mr. Vakili reported on the Environmental Protection Agency's (EPA) attempt to obtain a voluntary agreement (to stop using asbestos) from original equipment manufacturers and thus require the aftermarket to justify the use of asbestos in friction material under a Significant New Use Rule (SNUR). He also reviewed the Automotive Parts Rebuilders Association (APRA) work in asking manufacturers to identify fiber content of friction materials. The report also discussed the increasing scrutiny being received by fiberglass as a possible carcinogen.

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

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

A Board Member asked if the Institute, either at the Board Meeting or Membership Meeting, could make recommendations as to how to identify asbestos and or non-asbestos materials. This request has been made for several years by APRA and specifically concerns the handling and disposal of used friction materials on brakes or clutches that are relined. A Board Member noted that cost estimates had been done evaluating riveting a metal tag to a brake shoe for Heavy Duty Applications to identify the material. The cost was $1.00 per set which in a highly competitive market is cost prohibitive. For clutches, notching the O.D. or I.D. of a facing has several negatives. Notching reduces the burst strength of a facing. It involves tooling costs for molded facings. If a manufacturer sells O.E. and aftermarket, may involve dual tooling at considerable cost. The argument from those manufacturers who are making non-asbestos materials is that it should not be necessary for them to bear the cost of identifying as non-asbestos when asbestos (at this time) is considered to be the problem.

FMSI 00853

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 were two plans in effect. The Simplified Employee Pension Plan (SEPP) for current employees contributes 15% of eligible employees salaries to the employees IRA and a pension trust established by the Institute for benefit of Harriet G. Duschek. Miss Duschek died December 22, 1994 at age 88. In the fifteen years of operation of this trust from January 1, 1980 to December 31, 1994, the trust paid Miss Duschek at total of $99,000. The trust balance as of December 31, 1994 was $19,565. The initial funding of the trust was $55,000 giving a net invasion of principal of $35,435. The trust agreement specifies that upon the death of Miss Duschek all assets revert back to the Institute.

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. Ron Randall, Chairman, presented this report. Please refer to EXHIBIT 12 in the report booklet.

Mr. Randall's report noted that a straw ballot had been sent to all attendees of last year's meeting. The ballot asked members to select their first, second and third choices of the five sites being considered by the Committee. The five choices were: Rancho Bernardo Inn, Loews Coronado Bay, Sonnenalp Resort, Grand Traverse Resort and the Resort at Squaw Creek. Over sixty percent of the ballots sent were returned and the leader in vote total was Rancho Bernardo Inn, San Diego, California. The report detailed the amenities offered at Rancho Bernardo.

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

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

In discussion with some members who had visited Rancho Bernardo it was felt that Loews Coronado Bay would be a better choice for the Committee to recommend to the Membership. It would be cooler (but possibly too cool), cost would be about the same and the accommodations were felt to be better than Rancho Bernardo.

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

RESOLVED: The Board recommends that the Membership consider Loews Coronado instead of Rancho Bernardo as presented in the Meeting Committee Report.

NEW BUSINESS

A proposal was put before the Board to authorize the purchase of an Apple Power Macintosh, an H.P. Laser Printer, a Scanner, Software (Quarkxpress, Deskpaint) and training totaling approximately $7000. The new equipment would move more of the catalog pre-production work in-house reducing or eliminating author alteration charges, new art work charges and set-up charges when the system is fully operational. The budget impact would be $1,400 per year for five years as a depreciation entry. Pay back once fully operational would be two and one half years to as little as one and three quarter years.

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

RESOLVED: To authorize the purchase of new computer equipment hardware, software and peripherals totaling up to $7,000.

A conflict was brought to the attention of the Nominating Committee and the Board of Directors concerning two members of the Board whose companies now have common ownership. Article IV Directors, Section 2 Eligibility; reads in part; "... there shall be no more than one (1) director from affiliated firms or corporations. For purposes of this Section, affiliated firms or corporation shall mean firms or corporations that have in excess of 10% common ownership." With the recent acquisition of Abex by Cooper Industries, Wagner Brake and Abex are subsidiaries of Cooper Industries. Bill Aymond and Walt Britland are the Board Members from Wagner and Abex respectively. Because of the difficulty in getting members to serve on the Board due to the mandated diversity and actual attendance at meetings, it was suggested that Article IV Section 2 of the Constitution be revised from "one (1) director" to "two (2) directors". This is a Constitution revision and thus must be done by letter ballot of the Membership.

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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