MINUTES OF MEETING

OF THE

BOARD OF DIRECTORS

Saturday, June 5, 1993

Longboat Key Club

Longboat Key, Florida

DIRECTORS PRESENT

Walter Britland	Abex Corporation - Friction Products Group
Larry Mintman	AlliedSignal Friction Materials
Andrew Gagnon, Treasurer	Frictiontech Inc.
Ron Randall	HKM of California, Corporation
Douglas Willsie	ITT Automotive Parts Supply Division
William Wood	Motion Control Industries
Doreen Tomao	Raymark Friction Company
F. William Barton	Reddaway Manufacturing Company
Ronald Moalli	TEK-Motive, Inc.

OTHERS PRESENT

Mohammad Vakili	HKM of California Corporation
Ed Eggert, Vice President	Reddaway Manufacturing Company
Rita Grisham, President	T&N Industries/Ferodo America, Inc.
Thomas P. Weldy, Counsel	Payne, Morehouse, Shafer & Harlow Attorneys at Law
Lori Dinihanian	Friction Materials Standards Institute
Gilbert N. Laycock	Friction Materials Standards Institute

Ms. Grisham, 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 6, 1992 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 6, 1992 as written.

PRESIDENT'S REPORT

Ms. Rita Grisham, President, delivered her report. Please refer to EXHIBIT 1 in the report booklet.

Ms. Grisham noted that the over weekend meetings provide a dual benefit of less time out of the office and reduced airfares.

PRESIDENT'S REPORT (con't)

Positive comments were made concerning the work of the various Institute Committees. More specifically: the Data Book and Technical Committee with new part number assignments totaling 112. A catalog produced and sold to members at a reduced cost from the previous years' catalog. It was noted that 62 years have past since the first catalog was published with standardized numbers by the Institutes' predecessor.

The Brake Performance Study Committee was acknowledged for its work concerning regulations covering vehicle brakes and performance. Also acknowledged was Bob Nelson as the first Chairman of the Committee in the 1960's, and also for his many contributions to the Institute and industry. The environmental concerns addressed by the Health and Environmental Affairs were noted. The work of other Committees such as Membership, Financial, Golf and Annual Meeting was also noted. Ms. Grisham thanked the Institute staff for their work and noted the past Presidents of FMSI in attendance.

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 that the Institute now has 87 affiliates down from 88 in June 1992, with Active Members decreasing from 34 to 33, Regional Membership numbers remained the same, with two losses and two additions and Licensee Membership being unchanged.

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 2, 1993, was $9,875. The amounts owed by quarters are:

1st Quarter 1992-93 FY	$ 0
2nd Quarter 1992-93 FY	462.50
3rd Quarter 1992-93 FY	3,550.00
4th Quarter 1992-93 FY	5,862.50

Compared to FY 91-92 collections are better in the current year by $2,650.

A discussion followed concerning the unauthorized use of FMSI numbers. One example cited was the rebuilder. Rebuilders may obtain permission to use the FMSI numbers by a request submitted by a member who is selling friction material to the rebuilder. Permission is granted to the rebuilder to use the FMSI numbers contingent upon the continued purchase of friction materials from that member. Another case cited is the instance where a company is buying a small percentage of their friction material from a member, but, is also manufacturing the majority of their material. Concern was noted that in this instance the manufacturer was using the Institute's numbers without membership. Several Board members suggested that membership be required for a manufacturer of friction materials to use the Institute numbers to eliminate the 10% buy/90% manufacture company obtaining permission to use FMSI numbers by his 10% purchases from a member. A "Licensing Agreement" was suggested which would specify the conditions under which the FMSI numbers could be used, for rebuilders who are not manufacturing friction materials. To address the instance of a 10% buy/90% manufacture company from using FMSI numbers without membership the following motion was made, seconded and unanimously passed, it was:

> RESOLVED: To investigate a Constitution Revision requiring that a manufacturer of friction materials in commercial quantities from basic raw materials must become a member of the Institute in order to obtain permission to use the Institute number system.

This resolution would be considered by the Constitution Review Committee with Institute Counsel.

Another area of concern was the language of Article II Section d of the Constitution:

> To collect, assemble and disseminate to members of the said industry, ...

It was noted that perhaps it should say disseminate to members of the Institute rather than industry, however, this revision should be looked at to see that it does not endanger our tax exempt status.

<u>Membership Application Filed by Friction Products Company</u>

The Institute received an application from Friction Products Company, Medina, Ohio. The application has been reviewed by the Membership Committee and the have recommended its approval.

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

> RESOLVED: To approve the Membership Application by Friction Products Company, Medina, Ohio.

Since this is an Active Membership Application, it will also be voted on by the general Membership in the meeting on June 6/7, 1993.

TREASURER'S REPORT

Mr. Andy Gagnon, Treasurer, presented this report. Please refer to EXHIBIT 3 in the report booklet.

The report projected an excess of expenses over total income or loss of $2,437. Operating income is projected to be $4,346 more than budgeted income primarily due to unbudgeted income from catalog sales. The largest single variance from budget, other than payroll and associated costs, was a favorable variance for catalog travel of $901, due to the elimination of one catalog trip. All variances greater than $250 are detailed in the report. The report included a Balance Sheet projected for June 30, 1993, a Statement of Income and Expenses for the 1992-93 Fiscal Year and a Seven Year Financial Summary.

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

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

A question was raised concerning the unfavorable variance for telephone resulting from prints sent by fax particularly international calls. It was suggested to limit prints sent by fax.

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

RESOLVED: To limit prints sent by fax to five (5).

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. Ed Eggert, Chairman, presented the Investment Advisory Committee report. Please refer to EXHIBIT 4 in the report booklet.

Mr. Eggert advised that the total investment assets projected to June 30, 1993 were $243,914 versus $233,211 at June 30, 1992. Current yields of Treasury Notes average slightly over 5 1/2% and Money Market yields are now less than 3%. Interest rates continue to be low and roll-overs on Treasury Notes will continue to reduce the overall average yield. The effect of these low interest rates will be felt for some years 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.

BUDGET COMMITTEE

Mr. Ron Randall, Chairman, presented the Budget Committee Report. Please refer to EXHIBIT 5 in the report booklet.

The Committee proposed an Expense Budget of $176,095 for the 1993-94 fiscal year. This is an increase of 7.4% over the expense

BUDGET COMMITTEE (con't)

budget for the year ending June 30, 1993, however, it is a 3.2% increase over the projected expenses for the year ending June 30, 1993. The major portion of the increase is reflected in salaries which are authorized by the Board of Directors. Other individual or grouped line items showed small or no change from the prior year's budget. Unchanged were: Rent, Professional Services, Insurances, Travel Expenses Utilities and State Property Tax. Those items showing increases were: Office Expense, primarily telephone, Payroll Taxes, Pension Expense and depreciation.

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

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

FEE FORMULA COMMITTEE REPORT

Mr. Larry Mintman, Chairman of the Fee Formula Committee, presented this report. Please refer to EXHIBIT 6 in the report booklet.

Mr. Mintman noted that there have been no changes in fees since the fee structure which was revised in 1987. The income from Membership Dues using the existing fee structure for the 1993-94 fiscal year was projected to be $145,950. The proposed expense budget is $176,095 giving a net loss of $30,145 comparing operating income to expenses. The projected investment income of $15,836 reduces the net loss to $14,309. The projected net loss for the fiscal year 1992-93 is $2,437. Applying the guidelines established in 1991, the Fee Formula Committee recommended that the Fee Structure be increased for the coming fiscal year.

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

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

There were several options noted for increasing the Institute income. A number of scenarios were presented with dues increases and the calculated revenue increases which would be generated. Concerns were expressed that too large an increase could cause a loss of Membership. It was suggested to broaden the base of the Active Membership by including the Licensee Members in a more active role with a dues structure comparable to Active Members. This would allow Licensee Members to serve on the Board of Directors. Several Licensee's do attend the FMSI Annual Meeting with some regularity and are an important part of the aftermarket brake industry. The Membership losses and potential losses due to consolidation of membership by companies was reviewed. It was noted that any changes in membership classification to adjust for multi-division members would require a Constitution Revision which would necessitate prior notice to the membership.

Catalog pricing was discussed as a way of increasing unbudgeted income for the Institute. It was noted that the price reduction from $1.20 to $1.10 for the 1992 and 1993 catalogs respectively was an error. If the $1.20 price been maintained it would have meant an additional $5000 income to the Institute at current sales levels. The catalog was originally intended as a service to members and not as a significant revenue generating entity. The catalogs were sold at approximately 10% over cost. Catalog cost consist of: printing cost + artwork cost + allowance for author corrections. It was recommended that the percentage over cost be increased on future catalog pricing.

It was generally felt that too large a single increase could lead to reduced orders and that successive incremented increased would be the best approach.

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

RESOLVED: The Board of Directors recommend to the Membership that the fee structure for the next fiscal year increase $100 on the basic Membership charge.

One Board member suggested that the category increments in the fee structure be considered as an additional increment to increasing revenue. It was generally felt that this area could be held for possible increases in the forthcoming year.

Several members agreed that a committee such as the Constitution Review Committee, established last year, look at broadening the base of the Institute Membership.

BRAKE PERFORMANCE STUDY COMMITTEE REPORT

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

Mr. Wood presented an update of the status of SAE J1801 and SAE J1802 procedures for brake block applications. The performance guidelines for J1802 are the next task which will be worked on for brake block. The automotive test procedure work is progressing. Comparative dynamometer testing has shown significant variability from test to test on different dynamometers using the same material.

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

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

Concerns were noted that if/when J1802 is accepted the now existing edgecodes would be superseded and that many users of industrial friction material use the edgecode EF, FF, etc., as guidelines for friction replacement. It was noted on the automotive side that the Brake Manufacturers Council is seeking input and financial support to go further with the testing. It was noted that friction manufacturers should participate in the generation of the specification which they will have to live with rather than complain about it after the fact. On the heavy duty side the Maintenance Council of A.T.A. is pushing to have a requirement that linings be certified to meet FMVSS 121 by independent laboratory testing. The fleet owners are backing this due to the slowness of the progress of J1802.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Doug Willsie, Chairman, presented this report. Please refer to EXHIBIT 8 in the report booklet.

Mr. Willsie noted the roster of the Committee. There were no meetings of the Committee. All committee decisions were handled by mail ballot. There were, during the past year, additions of new FMSI part identities in all categories: disc lining, disc plate, drum lining, drum shoe, clutch and brake block for a total of 112 new assignments. A total of five bulletins were produced with new part additions. The 1993 Automotive Data Book was the same page count as 1992 but sold at a reduced cost of $1.10 per copy. Mr. Willsie acknowledged those who contributed parts or data for the generation of new FMSI assignments and also those who contributed information concerning carry over applications for existing assignments.

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

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

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

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

Mr. Vakili presented an update on the Environmental Protection Agencies (EPA) current approach to the use of asbestos in the automotive industry. The EPA is seeking voluntary commitments from the vehicle manufacturers to phase out asbestos usage in the time frame contained in the now abandoned EPA Asbestos Ban. Mr. Vakili noted that EPA and OSHA are planning to jointly publish an updated Work Practice Pamphlet. The Clean Air Act CFC Labeling requirements were reviewed. FMSI members were encouraged to read Federal Register, EPA Report, February 11, 1993 40 CFR part 82 Protection of Stratospheric Ozone Labeling: Final Rule.

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

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

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 are 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. The trust pays Ms. Duschek $550 monthly and as of December 31, 1992, has assets of $30,960. It was noted that since 1980 the trust has paid Ms. Duschek $85,800 and still has 56% of the principal remaining.

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

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

A Board member asked about Ms. Duschek's condition. Ms. Duschek is 86 years old and resides at the Baptist Home for the Aged in the Bronx, New York. For over five years Ms. Duschek has been unable to recognize friends or relatives. Each year the Institute communicates with the Baptist Home for the Aged concerning her condition and they generally report with a picture and general comments about her condition. In prior years the picture provided showed Ms. Duschek sitting in a wheelchair, however, in the picture received in December 1992 was of Ms. Duschek in bed.

HISTORICAL SALES REPORTING

The Secretary reported on the Historical Sales Program for the past year. Please refer to EXHIBIT 11 in the report booklet.

The report covered the activities of the Historical Sales Statistics Program for the calendar year 1992. It was reported that the number of participants ranged from 17 to 21 during the year. There are 52 members eligible to participate in the program. The percentage of participation ranged between 33 and 40 percent. The number of companies participating in each category by quarter was given. It was noted that a Ten Year Rolling Summary was distributed to each contributor of fourth quarter data.

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

> RESOLVED: To accept the report on Historical Sales Reporting as written.

There was some discussion concerning the "usefulness" of the data generated from the Historical Sales Statistics. The fact that only 33 to 40 percent of eligible members participate in the program leads one to believe that if taken to a vote it would not have majority support. This should be brought up before the Membership for their discussion.

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 the Annual Meeting will be held at La Quinta Hotel Golf and Tennis Resort in La Quinta, California. La Quinta was the site of our 1992 meeting and was well received by all who attended. it was necessary to reserve space more than 12 months in advance. The room rate is $100.00 per night European Plan plus occupancy tax. The meeting dates are June 3-6, 1994.

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

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

There was some discussion concerning the cost of the meeting and the amount defrayed by the current registration fee of $50. The Secretary noted that the registration fee essentially covers the cost of the Sunday Dinner only and the additional costs of hors d'oeuvres and refreshment for receptions, coffee breaks at meetings and golf prizes are borne by the Institute.

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

RESOLVED: The Registration Fee for members for future meetings will $100. The Registration Fee for spouses/guests for future meetings will be $75.

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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 11:40 A.M.

G. N. Laycock
Secretary