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

MINUTES OF MEETING

OF THE

BOARD OF DIRECTORS

Saturday, June 5, 1999

Longboat Key Club

Longboat Key, Florida

DIRECTORS PRESENT

Rob Burgess	Wheeling Brake Block Inc.
Martin Chevalier	U.S. Automotive Manufacturing
Richard Cross	Vaapco, Inc.
Don Delvy	Dana Brake & Chassis
Pat Healey	Superior Friction
Robert Scott	Friction Material Company

DIRECTORS MISSING

Paul Myers	Haldex Friction Products

OTHERS PRESENT

Walt Britland, President	Federal Mogul
Gilbert N. Laycock	Friction Materials Standards Institute, Inc.
Thomas P. Weldy, Counsel	Morehouse Harlow & Weldy Attorneys at Law

Mr. Britland, President, called the meeting to order at 8:34 A.M.

MINUTES OF PREVIOUS MEETING

The Secretary advised that minutes of the Board of Directors Meeting of June 6, 1998 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, 1998 as written.

The Board Members decided to not read some of the individual reports. Therefore, the minutes will reflect the general discussions which, more or less, follow the published formal agenda.

PRESIDENT'S REPORT

Mr. Britland presented his report. Please refer to EXHIBIT 1 in the report booklet.

Mr. Britland welcomed all to the 1999 Annual Meeting and noted some of the changes that have transpired in the industry in the past several years and their effect on the Institute. Mr. Britland reviewed and gave a brief overview of the Committee Reports that would be presented over the course of the meeting. He thanked the various committee members for their participation and encouraged those who are inclined to participate to do so.

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

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

There was no discussion on this report.

MEMBERSHIP COMMITTEE

This report, presented by Mr. Pat Healey, Chairman of the Committee. Please refer to EXHIBIT 2 in the report booklet.

The report noted a net loss of eight members over the past year. The net loss of eight members came from a total loss of ten members and a gain of two members. Six of the losses were due to membership consolidation. Active Members lost five members. Regional Members lost three and gained one. Licensee Members lost two and gained one. The breakdown by membership type was: Active 39, Regional 35 and Licensee 10.

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

RESOLVED: To accept the Membership Committee Report as written.

There was a question as to why Raybestos Aftermarket Products Co., is a Regional Member. The Secretary noted that their membership is for the clutch category. Their manufacturing for clutches is in Germany and Mainland China, thus a Regional Membership. There was a question as to when the loss of a member affects income. The Secretary noted that sometimes members are current with their dues when they advise the Institute that they wish to drop their Membership. But more often there are open invoices for dues when a member drops out. In that case, the invoices are written off in the fiscal year in which the member drops out. A Board Member asked what is the effect on catalog sales when members drop out. The Secretary noted that this year, even with membership consolidation, catalog sales have gone up since last year. A Board Member suggested that member lists along with Officers and

MEMBERSHIP COMMITTEE (cont'd)

Directors be an integral part of the catalog. It was noted that, that topic would be covered in the Data Book section of the agenda. A question was posed concerning the potential membership gain if assemblers are allowed to be Licensee Members. A Board Member estimated that it could range from 10 to 30 new members.

Delinquent Fees 1999 - Oral - G. Laycock

The Secretary noted that the total of open invoices as of June 1, 1999, is $14,000, which is about average compared to the past three years. One member had not paid dues for six quarters and the Secretary recommended terminating this member, Western Friction Industries. Three members have open invoices going back to July 1, 1998. The total of Accounts Receivable (non-fee) billings was $704.07. The 1999 catalog had not been billed as of June 1.

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

RESOLVED: To accept the Delinquent Fees Report as presented.

The Secretary suggested that the Board vote for a conditional termination for Ohio Caliper, Total Brake and Leling Gold Phoenix Brake Lining Co. There was discussion concerning the length of time that elapses before the Institute cuts-off information to a member who is behind in its dues payments. The current time is twelve months. Several Board Members thought that this amount of time was too long.

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

RESOLVED: To stop all mailings to members who are (6) six months or more in arrears in dues payments. When bulletins are mailed a (6) six month delinquent member will receive a letter stating that a bulletin has been mailed but that its bulletin will be mailed only when back invoices are paid.

RESOLVED: To terminate the Membership of Western Friction Industries and write-off open invoices.

RESOLVED: To conditionally terminate the Memberships of Total Brake Industries, Ohio Caliper and Leling Gold Phoenix Brake Products Co. Ltd.,. If the dues are not paid by September 1, 1999 membership will be terminated.

RESOLVED: To approve the membership application filed by Fujian Guanlean Friction Material Co.

TREASURER'S REPORT

Mr. Britland commented that the Institute's expenses are being held in check but has a problem with eroding dues because of membership losses and consolidation. There was a question concerning the transition provision. The Secretary noted that there will be an automatic $5,000 expense item as a contribution to the Reserve for Transition. In a year such as this one where we are projecting a loss there will be no additional contribution. In a year where an Excess of Income over Expense is projected, it will be necessary for the Board of Directors to allocate a portion of the excess as an additional contribution before closing the books on the fiscal year.

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

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

INVESTMENT ADVISORY COMMITTEE REPORT

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

Mr. Scott reported that the total investment assets projected to June 30, 1999 were $253,459 versus $260,627 on June 30, 1998. Current yields on U.S. Treasury Notes average 5.25% down from 5.6% last year and Money Market yields have dropped to 4.47% down from 4.67% last year. The projected Investment Income for Fiscal Year 1998-99 is $14,776 down from $17,266 during the previous year. Estimated income for fiscal year 1999-2000 is $15,297. The report also included a summary of the Institutes' holdings 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.

A Board Member asked why there was such change from the Projected 1998-99 to the Estimated 1999-2000. The Secretary noted that the projected numbers are derived from nine months of hard numbers and three months projected. The Estimated 1999-2000 figure for dividends is more difficult to predict since it is not known what the monthly balance will be, nor what the interest rate will be, as it changes daily. To generate a number for the report an average balance of the preceding twelve months times an average interest rate is used to reasonably estimate income.

BUDGET COMMITTEE

It was noted that the only unknown in the budget is the rent figure as the Institute's lease expires in November 1999. A renewal of the lease may result in a rent increase. The Secretary noted that when he took over the Institute there was slightly less than two years left on the Institute's lease in New Jersey. Rather than repeat that situation, his plan will be to renew the current lease for a four year period, at which time he will be age 62, and then go year by year after that time. Institute counsel suggested that the Institute could renew for five years but add an amendment providing that if the Secretary dies or retires, the Institute's option on the lease terminates.

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 approve the Expense Budget of $213,585.

FEE FORMULA COMMITTEE REPORT

There was a question as to the status of mexican members as to Regional or Active Member. It was noted that they are Regional Members. To have friction manufacturers from Mexico as Active Members it would be necessary to change the Constitution. There was a suggestion to create a category of membership for assemblers which would have half the dues of an Active Member. This would result in dues of $1025 or $1150 for a one category and two category assembler respectively. A simpler approach would be to re-word the Licensee Category to include assemblers at $1000 Annual Dues. A Board Member suggested that the Institute open the Licensee Category to merchandisers who use the FMSI numbers. It was noted that the merchandiser is using the part number because the product was purchased from an FMSI member as a complete product using the FMSI number. It was suggested that the Constitution be revised to include assembler/rebuilders as Licensee Members. The Secretary noted that this could not be done at the Membership Meeting because of the requirement of prior notice for Constitution changes. What could be done is to recommend that the change be recommended by the Board and by the Members present. The Constitution could be revised, reviewed by Counsel, reviewed by the Board of Directors and then a mail ballot sent to the Active Members. Mr. Britland noted that this status change was suggested last year and rejected. There must have been valid reasons last year. What were the reason? Memories were vague as to why this revision was rejected last year. Several Board

FEE FORMULA COMMITTEE REPORT (cont'd)

Members voiced concern that if assemblers were allowed to become members, they might attend the Annual Meeting and make it an "entertainment" war by suppliers for the assemblers.

Several Board Members questioned whether the Fee Formula guidelines for fee adjustment should be based on forward looking estimates, because they question the Institute's ability to estimate future income streams. They voiced the opinion that the adjustment decision should be based on backward looking three year averages, which are shown in the report as two years of audited income (or loss) and current year projected.

A Board Member asked "how many catalogs were printed" (answer - 44,000) and what was estimated for catalog income net, of costs (answer - $12,000)-which gives the Institute a profit per catalog of $.27. He suggested that the catalog pricing be increased to give the Institute a higher profit per catalog. A fifty cent increase in catalog price at 44,000 catalogs would give the Institute an additional $22,000 in income which could cover the dues shortfall due to member losses. This discussion was deferred to the Data Book discussion.

The discussion moved back to the Licensee status of assemblers/rebuilders. A Board Member suggested the use of the term assembler, rather than rebuilder as the term assembler has a wider scope than rebuilder and using "rebuilder" would put us in conflict with APRA. It was noted that all rebuilders are assemblers, but not all assemblers are rebuilders.

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

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

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

> RESOLVED: To recommend that the fee structure be unchanged for the upcoming fiscal year.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Don Delvy, Chairman, presented this report. Please refer to EXHIBIT 7 in the report booklet.

Mr. Delvy listed the Committee Roster and reviewed the changes in its membership. He noted that the FMSI new part number assignments were up considerably from last year, particularly in the disc brake category. The report detailed the number of assignments by category. The 1999 Catalog was discussed noting

DATA BOOK AND TECHNICAL COMMITTEE REPORT

there were over 1,000 shoe illustrations. Mr. Delvy thanked the contributors of new assignments and carry-over information.

The report included a detailed list of contributors of new part number assignments.

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

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

There was additional discussion concerning the profit margin of the Data Book.

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

RESOLVED: To increase the profit margin of the Data Book to approximately $.75 as an increased source of income to the Institute.

A Board Member requested that catalog pages be set aside for a listing of Officers, Board of Directors, Active, Regional and Licensee Members. The Secretary noted that this could be done in several ways. The members could be listed on the outside back cover or inside back cover or pages in the body of the catalog.

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

RESOLVED: To allot four (4) pages of catalog text for Officers, Board of Directors, Active, Regional and Licensee Members.

BRAKE PERFORMANCE STUDY COMMITTEE REPORTS

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

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

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

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

The preceding two reports were not presented at the Directors Meeting, but presumably were read by the individual Directors. Mr. Britland asked for a volunteer to read the reports at the Membership Meeting. Mr. Richard Cross volunteered to present the reports to the Membership.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

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

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

The preceding report was not presented at the Directors Meeting, but presumably was read by the individual Directors. Mr. Britland volunteered to present the report at the Membership Meeting.

INSTITUTE PENSION PLANS

This report was presented by Gil Laycock, Secretary. Please refer to EXHIBIT 10 in the report booklet.

Mr. Laycock noted that the Institute Pension Plan which was initiated in 1981 contributes at a rate of 15% of eligible employee wages. The contributions for 1998-99 were projected to be $18,537. The employees direct the investment of contributions. Deferred contributions are allowed with all employees participating in this option.

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

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

There was no discussion on this report.

ANNUAL MEETING COMMITTEE REPORT

This report was prepared by Mr. Rob Burgess, Chairman. Please refer to EXHIBIT 11 in the report booklet.

Two possible sites for the 2000 Annual Meeting were proposed. They were:

Ocean Reef Club - Key Largo, Florida - A very exclusive, private 4,000 acre resort on the northern tip of Key Largo, Florida with room rates of $115 - single or double plus 11.5% room sales tax.

Sawgrass Country Club & Resort - Ponte Vedra, Florida - This is the Marriott at Sawgrass, southeast of Jacksonville, FL. Room rates range from $125 for hotel accommodations to $195 for condo type suites, plus 9% tax.

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

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

NEW BUSINESS

Mr. Laycock read a hypothetical scenario estimating the cost to each friction material manufacturer and plate manufacturer assuming FMSI did not exist. The Board suggested that it be presented as part of the Fee Formula Committee discussion.

Mr. Weldy advised the Board that Mr. Laycock had been served a subpoena to give a deposition in the Institute's office on June 16, 1999, in connection with a lawsuit brought in California. The plaintiff, who has named several asbestos manufacturers as defendants, including some Institute members, hopes that the Institute's records will provide information on the specific quantities of asbestos materials sold in California by Institute members. [Mr. Weldy pointed out that, under California law, liability can be based on a showing that the manufacturer market share of asbestos sales is significant - even absent any proof that the plaintiff was ever exposed to that manufacturer's product.]

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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 12:17 P.M.

G. N. Laycock
Secretary