MINUTES OF MEETING

OF THE

BOARD OF DIRECTORS

Saturday, June 4, 1994

La Quinta Hotel Golf and Tennis Resort

La Quinta, California

DIRECTORS PRESENT

Walter Britland	Abex Corporation - Friction Products Group
Larry Mintman	AlliedSignal Braking Systems
Robert Scott	Friction Material Company, Inc.
Andre Gagnon, Treasurer	Frictiontech Inc.
William Wood	Motion Control Industries
Doreen Tomao	Universal Friction Composites
F. William Barton	Reddaway Manufacturing Company
Ronald Moalli	TEK-Motive, Inc.
Martin Chevalier	U.S. Automotive Manufacturing, Inc.

OTHERS PRESENT

Don Delvy	Brake Parts, Inc.
Rita Grisham, President	T&N Industries/Ferodo America, Inc.
Thomas P. Weldy, Counsel	Morehouse Harlow & Weldy Attorneys at Law
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 5, 1993 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 5, 1993 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 many-fold activities of the Institute and acknowledged the efforts of the various Committee Chairpersons.

Report on Delinquent Fees (con't)

advising the member that services are terminated and if the open invoices are not paid the members name will be submitted to the Board of Directors for termination of Membership. It is also noted that upon termination the right to use copyrighted FMSI designations and registered trademarks is also terminated. If invoices are unpaid in 15 months the Board of Directors is balloted concerning termination of Membership.

One Board member noted that 15 months is a long time to carry a "deadbeat" and the time frame for termination should be reduced. Another Board member noted that may be possible for a supplier of component parts or hard goods which would be necessary for someone to produce a product but not possible when the product is information such as part numbers. One Board member suggested that all invoicing state terms such as Net 30 to keep the Institute invoices from going to the bottom of the pile or at least prioritizing the payments.

Licensee Membership Application Filed by:
Interstate Brake Products Inc.

The Institute received an application from Interstate Brake Products Inc. 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 Interstate Brake Products Inc.

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 $482. Operating income is projected to be $14,208 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 in statistics cost due to a reduction in frequency of reporting. All variances, from budget, greater than $250 are detailed in the report. The report included a Balance Sheet projected for June 30, 1994, a Statement of Income and Expenses projected for the 1993-94 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.

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, 1994 were $231,886 versus $247,588 at June 30, 1993. Current yields of Treasury Notes average 4.7% and Money Market yields are still less than 3%. Interest rates have recovered slightly from their lows but the effect of previous low yields on Treasury Note Roll-overs 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.

One Board member asked if there was a target dollar amount as far as the Institute Reserve is concerned. The Secretary noted that there was not a specific target and that the reserve is an accumulation of Excess of Income over Expenses over the last 45 years starting with the initial assets of the BLMA of $14,801. Another Board member asked if the Harriet G. Duschek Trust was part of the reserve. The Secretary noted that the Duschek Trust is a separate fund set-up in 1980 to pay a pension to Ms. Duschek. Any funds remaining in the trust at the time of Ms. Duschek's death revert back to the Institute.

BUDGET COMMITTEE

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

The Committee proposed an Expense Budget of $179,488 for the 1994-95 fiscal year. This is an increase of 2.3% over the projected expenses for the year ending June 30, 1994. The increase of $4,091 was detailed by individual or grouped line item. Accounts showing increases were Rent, Office Expenses, Payroll Taxes and Depreciation. Accounts which were unchanged were: Professional Services, Insurance Expense, Meeting General Expense, Meeting Travel Expense and State Property Tax Expense. Accounts which showed decreases were: Travel (Catalog and General) and Utilities Expense.

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

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

The Board reviewed a preliminary proposal for the purchase of an Apple Power Mackintosh Computer, Scanner, Laser Printer and Quark Xpress Software to enable the Institute to do all of the pre-production page layout for the Catalog in-house and go the printer

BUDGET COMMITTEE (con't)

with a complete proofed catalog layout. The current method is to submit Lotus 123 Files to the printer and have the printer do the page layouts and submit for proofing. The estimated cost of the equipment is about $5,000. After considerable discussion about what should be included in the system one Board member suggested authorizing the Secretary to spend up to $10,000 for the proposed system. Another Board member felt that the proposal was lacking in detail and felt that more study should be undertaken before the Board made any expenditure authorization. The Board also reviewed the various Insurances carried by the Institute.

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 the first change since 1987 in the fee structure was made last year. The income from Membership Dues using the existing fee structure was projected to be $163,650. The proposed expense budget is $179,488 giving a net loss of $15,838 comparing operating income to expenses. The projected investment income of $12,211 reduces the net loss to $3,627. The projected net loss for the fiscal year 1993-94 is $482. 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 was considerable discussion concerning the various sources of income. The net of catalog sales over costs, though not studied under the income portion of the Expense Budget, was considered for possible inclusion. The Secretary explained that the income from catalog sales in a fiscal year is generally from the prior year and the catalog costs in a fiscal year are for the current catalog being produced. A number of variables affect the "net" figure such as: catalog volume from year to year, if all over run copies are sold or not sold, art work costs for new illustrations, author alterations during proofing. It was noted that the variability of the noted factors was probably the reason the net of sales over costs for catalogs was not included as a predictable source of income.

The guidelines for raising or lowering dues set up in 1991 were discussed. It was noted that these guidelines were recommended by the Institute Auditors to have a defined mechanism in place to allow the Institute reserve to grow at approximately the inflation rate which has been in the 3% range for several years. However, if the inflation rate jumped to 12% the guidelines obviously would have to be adjusted. Several Board members objected to the

FEE FORMULA COMMITTEE REPORT (con't)

"...dues will be raised" notation if the three year average of "Excess of Total Income over Expenses" is negative.

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

RESOLVED: To change the wording in the 1991 guidelines for adjustment of Membership Dues from "...will be raised" to "...may be raised" if the three year average of "Excess of Total Income over Expenses" is negative.

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

RESOLVED: The Board of Directors recommends that the Fee Structure for Fiscal Year 1994-95 remain the same as Fiscal Year 1993-94.

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 presented updates on the SAE J1801 and SAE J1802 procedures for brake block applications, and also a recommended practice proposed by the Maintenance Council of the American Trucking Association (ATA) for FMVSS 121 Brake Lining Classification.

Mr. Wood read Mohammad Vakili's report concerning passenger car brake effectiveness test procedures. Details of SAE J1652 procedure for disc brake were presented. It was also noted that there is a procedure SAE J1653 for drum brake, but, very little work has been done on it. It was noted that the disc brake procedure dyno test is reproducible and correlates to the vehicle test (SAE J843). The test did not correlate to the Chase (SAE J661) test.

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

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

Several Board members voiced opinions that with the Heavy Duty Procedure J1801/2 the selling by edgecode will cease and be replaced by selling by brake effectiveness number. Another member noted that some in the industry are equating lining effectiveness with lining life. There were concerns noted that the larger manufacturers will get preferential treatment from the dyno testing companies. It was noted that this concern had been voiced to the Maintenance Council.

BRAKE PERFORMANCE STUDY COMMITTEE REPORT (con't)

Mr. Wood noted the SAE Specification J1802 specifically refers to "FMSI 4515E" as the identity used for testing on its procedure. Based on this fact we can anticipate requests for the FMSI 4515E drawing from Members and potentially from non-members. The secretary noted that members can receive single copies of FMSI assignments at no charge but the Institute has not distributed assignment drawings to non-members. Based on work done by Institute Counsel, Tom Weldy, regarding Article II, Section(d) of the Institute Constitution, the Institutes Not-for-Profit status under IRS 501 (c)(6) could be in jeopardy if we restrict dissemination of information to members only. The Board members discussed what we should charge non-members for a copy of the FMSI 4515E assignment drawing. There were recommendations ranging from $5.00 to $50.00 for a copy of the print. Based on a fully loaded cost of $1.50 per minute to operate the Institute office and 5 minutes to take the call, run a copy and address an envelope $7.50 was determined to be the nominal charge for a copy.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Don Delvy, Chairman, presented this report. Please refer to EXHIBIT 8 in the report booklet.

Mr. Delvy noted the roster of the Committee and the changes which have taken place over the last year. There were no committee meetings and all committee decisions were handled by mail ballot. It was noted that 133 new assignments were made and were detailed by category. These assignments were published in six bulletins. It was noted that the catalog page count had risen to 216 and the price had been increased slightly over the 1993 pricing. Mr. Delvy acknowledged those members and their representatives who had contributed to new part assignments and catalog data for carry over assignments and requested that all members with new part design data and catalog research share their information with the Institute.

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 general discussion on insulator shims, anti-rattle clips and sensors. It was noted that the FMSI assignment drawings for lining and plate contain specific information concerning all attachments either attached to or included with the original equipment set. There are notes which appear in the catalog illustration section on those parts which have differing hardware for different applications with no change in the lining or shoe. There was also a discussion concerning the "Library Edition" of the catalog. It was noted that there were as many interpretations of what a "Library Edition" should be as there were members of the committee.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

Ms. Grisham read this report. Please refer to EXHIBIT 9 in the report booklet.

Mr. Vakili's report presented information of interest to the industry concerning refractory ceramic fibers, heavy metals in storm drain water (attributed to brake lining), an asbestos update and information concerning occupational asthma. The information presented on refractory ceramic fibers dealt with the application of a Significant New Use Rule (SNUR) under EPA because they have been classified as a "probable human carcinogen". The heavy metals in storm drain water is based on work done in northern California in the Santa Clara Valley. On asbestos the EPA has attempted to have manufacturers "voluntarily" stop using asbestos. No U.S. auto makers responded to the EPA request. Occupational asthma or asthma induced by on-the-job exposure is being studied and one lawsuit has been filed by an employee who claims to be suffering from occupational asthma.

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, 1993, has assets of $25,373. It was noted that since 1980 the trust has paid Ms. Duschek $92,400 and still has 46% of the principal remaining. The report also contained a chart showing Projected Trust Principal Balances at December 31, for the years 1994 through 1997.

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

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

The Secretary noted that Miss Duschek is 87 years of age and that the Institute annually checks with the Baptist Home for the Aged in the Bronx, New York, concerning her condition.

Concerning the possibility of having to add additional funding to the trust should Miss Duschek live beyond 1997, it was suggested that Institute Counsel review the pension agreements to determine if this is in fact necessary.

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 1993. At the 1993 Annual Meeting, the membership voted to drop the quarterly reporting and solicit data for year-end results only (the first quarter report had been completed). There were 12 companies reporting data in the first quarter and for year-end reporting it took two requests to get 17 members to respond. There are 58 members eligible to participate. The report noted that a ten-year summary was distributed to all members who participated in year-end statistics.

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

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

ANNUAL MEETING COMMITTEE REPORT

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

Mr. Randall reported that the Committee recommended that the 1995 Annual Meeting return to the Longboat Key Club in Longboat Key, Florida (site of the 1993 Annual Meeting). He reported that the island side golf course had recently had all of its greens replaced and received Golf Magazine Silver Medal.

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

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

A Board member questioned the room rates of $130 and $145 noting they seemed to recall a lower rate in 1993 when we went to Longboat Key. The Secretary advised that the initial offering from Longboat Key was the same as in the current Meeting Committee Report and that a "two-digit" room rate was negotiated by the Institute prior to the meeting announcement. Several Board members complained that we always seem to go to a place that is hot and suggested looking at resorts with a more moderate climate.

NEW BUSINESS

Several Board members brought up the topic of identification of friction materials concerning asbestos/non-asbestos. Doreen Tomao noted that she had surveyed clutch rebuilders concerning identification methods and had received only a thirteen percent return of surveys. The Secretary noted that he had been asked to speak to this topic at the APRA Meeting in February and had sent out a request to the friction material manufacturers for recommendations on how to identify asbestos or non-asbestos materials and received only two responses. Therefore, he did not comment on identification methods at the APRA Brake and Clutch Meeting. It was noted that a permanent identification throughout the life cycle of the product is necessary for proper disposal of friction material at rebuilding and even if the product is not rebuilt, because it is just as illegal to improperly dispose of a used set of asbestos disc brakes as it is to improperly dispose of a deriveted asbestos clutch facing or brake block. It was suggested that a Committee be formed in the Membership Meeting with representation from all facets of the industry to at least study this concern and have an opinion or recommendations before one is forced on the industry.

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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