

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

MINUTES OF MEETING

OF THE

BOARD OF DIRECTORS

Saturday, June 9, 2001

Wigwam Resort

Litchfield Park, Arizona

DIRECTORS PRESENT

Robert Bosco	Anstro Manufacturing, Inc.
Walt Britland	Federal Mogul
Rob Burgess	Wheeling Brake Block Inc.
Don Delvy	Dana Brake & Chassis
Ono DiSanto	Capital Tool & Design
Ralph Neil	ABS Friction, Inc.

OTHERS PRESENT

Pat Healey, President	Superior Friction
Tim Duncan	Link Engineering
Gilbert N. Laycock	Friction Materials Standards Institute, Inc.
Thomas P. Weldy, Counsel	Morehouse Harlow & Weldy Attorneys at Law

Mr. Healey, President, called the meeting to order at 1:30 P.M.

The Board of Directors accepted the resignation of Mr. Michael Greenberg of Capital Tool & Design, due to his being in Italy for a Directors Meeting of his company. To ensure a quorum for the meeting, the Nominating Committee, nominated, Mr. Ono DiSanto of Capital Tool & Design to serve the balance of Mr. Greenberg's term.

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

RESOLVED: To elect Mr. Ono DiSanto to serve the balance of Michael Greenberg's term on the Board of Directors.

MINUTES OF PREVIOUS MEETING

The Secretary advised that minutes of the Board of Directors Meeting of June 3, 2000 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 3, 2000 as written.

PRESIDENT'S REPORT

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

Mr. Healey welcomed all to the 2001 FMSI Annual Meeting and reviewed the topics to be discussed. He noted the special opportunity this year to visit the Arizona Test Center arranged by Link Engineering to see vehicle testing. Mr. Healey acknowledged the contributions of Mr. Robert Scott and Richard Cross who are no longer involved with the Institute. Changes in Institute Membership in the breadth of membership were reviewed. Mr. Healey noted the success of the 2000 FMSI Library Edition Data Book as it contributed to the financial stability of the Institute, but, also noted a significant drop-off in sales of the 2001 FMSI Data Book. He thanked all members who participate on the various committees and in particular those companies and individuals who contribute new part identities and catalog information.

There was no discussion on this report.

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

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

MEMBERSHIP COMMITTEE

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

Mr. Healey's report noted a net increase of three members, to a total of 95 members. However, this increase was generated by the addition of eight new members and the loss of five members. The additions were in the Regional and Licensee categories and the losses were in the Active and Regional Member categories. Membership by categories are: Active - 39, Regional 39 and Licensee - 17.

There was no discussion.

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

RESOLVED: To accept the Membership Committee Report as written.

Delinquent Fees 2001 - Oral - G. Laycock

The Secretary noted that open fee billings totaled \$12,987.50, as of June 4, 2001, which was slightly less than average over the last three years. Three members had open dues invoices which would be one year old on July 1. They were: Korea Beral, Millennium Brake and U.S. Automotive. Additionally, Millennium Brake and U.S. Automotive had invoices for catalog billings of \$543.40 and \$5,313.00, respectively. The Institute had been

Delinquent Fees 2001 - Oral - G. Laycock (continued)

advised by Millennium Brake that a "check was in the mail" but, a check had not been received as of June 6.

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

RESOLVED: To terminate the Memberships of Korea Beral and U.S. Automotive for non-payment of dues and write-off the open invoices for Fees Receivable of \$4,350.00 and Accounts Receivable of \$5,313.00.

RESOLVED: To terminate the Membership of Millennium Brake if a check reported to be "in the mail" is not received by June 30, 2001, and to write-off open invoices for Dues and Accounts Receivable totaling \$2,593.40, if the check is not received and Millennium Brake is terminated.

MEMBERSHIP APPLICATIONS

The Institute had received an Application for Licensee Membership from WDSOURCE.com. The Application had been reviewed by the Membership Committee and they have recommended approval.

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

RESOLVED: To accept the Licensee Membership Application filed by WDSOURCE.com.

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

RESOLVED: To accept the Delinquent Fees Report as presented.

TREASURER'S REPORT

This report was prepared and presented by Mr. Gil Laycock. Please refer to Exhibit 3 in your report booklet.

Mr. Laycock, noted that Operating Income was projected to be \$178,821 and Expenses were projected to be \$210,809 giving an Operating Loss of \$31,988. Investment Income was projected to be \$13,238 giving a net loss of \$18,750. Contributing to the short fall were write-offs of Membership Dues and a reduced catalog income due to greatly reduced catalog sales as compared to prior years of standard catalog production. The report reviewed six expense items that varied from budget by more than \$300. The report noted that projected revenues from operations were the lowest since Fiscal Year 1994-95, while projected expenses have shown only small increases. Dividend and interest income will trend downward due to falling interest rates.

TREASURER'S REPORT (continued)

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

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

A Board Member questioned why 10,000 Library Edition Catalogs were re-printed at a cost of approximately \$28,000.00. The Secretary noted that the first printing was for 70,000 catalogs for which there were firm orders for 65,000 catalogs. After printing in late May to July 1, the 5,000 overrun had been sold and there were additional orders for 2,000 catalogs. The re-printing cost for 5,000 catalogs was \$21,000 and the re-printing cost for 10,000 catalogs was \$28,000. Additionally, there was a credit of \$7,000 due from the printer from their direct billing for the Library Edition. The Secretary felt there would be an on-going demand for the Library Edition, particularly, when all following catalogs would indicate "See 2000 Book" on all items removed from those catalogs. The net cost of re-printing 10,000 copies was approximately \$7,000. This is derived from the initial cost \$28,000 minus \$7,000 rebate, minus \$14,000 for the 2,000 catalogs which were sold immediately after printing. Several Board Members felt that the re-printing of 10,000 copies of the Library Edition was imprudent by the Secretary. Conversely, the Secretary noted that his job is to serve the members of the Institute and the friction material industry. The Board of Directors felt that the Secretary had overstepped his bounds and to that end instituted controls.

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

RESOLVED: The Secretary must get majority approval of the "current" Board Members for any expenditure in excess of \$10,000.

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. Gil Laycock, presented the Investment Advisory Committee Report. Please refer to EXHIBIT 4 in the report booklet.

Mr. Laycock noted that the projected Institute Investment balances increased significantly from the actual amounts of June 30, 2000. It was noted that balances at June 30, 2000, were down due to the need for cash to produce the 2000 FMSI Library Edition Data Book. When the proceeds from catalog sales were received the U.S. Treasury Notes and the Money Market balances were re-funded. He noted that the three year transition from holding \$35,000 blocks to \$40,000 blocks of U.S. Treasury Notes was completed. The average yield for U.S. Treasury Notes is 5.1 percent and Money Market Funds is 4.92%, but, trending downward. The projected capital loss of \$3,866, for Fiscal year 2001-02 was due to purchasing Treasury Notes (now maturing) at a premium during the

INVESTMENT ADVISORY COMMITTEE REPORT (continued)

last interest rate downturn three years ago. This will lower investment income for Fiscal Year 2001-02.

There was no discussion on this report.

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

RESOLVED: To accept the Investment Advisory Committee Report as written.

BUDGET COMMITTEE

Mr. Gil Laycock presented the Budget Committee Report. Please refer to EXHIBIT 5 in the report booklet.

Mr. Laycock reported that the budget for the Institute had been increased to \$220,045 for 2001-02 from \$216,685 for the 2000-01 Fiscal Year. The budget changes by expense category were reviewed. Budget increase was 1.6%.

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 \$220,045.

There was a question on Exhibit 5.1 Actual Expenses for Fiscal Year 1999-00 line item expense of \$26,950 for Transition Provision. The Secretary noted that the actual line item expense was \$5,000, however, when the closing entries for the Fiscal year were made and before the books were closed for the year, a significant profit was projected for the year and the Board of Directors voted to add \$21,950 to the budgeted \$5,000 and cap the Transition Provision at \$45,000. The budgeted amount of \$5,000 for Fiscal Year 2000-01 would complete the funding of the Transition Provision to \$45,000 and the Transition Provision line item was eliminated for the Fiscal year 2001-02. There was a question about the cost of the Annual Meeting for this year. The Secretary noted that with attendance down from last year and the elimination of the Board of Directors dinner on Friday, the cost should be down from last year.

FEE FORMULA COMMITTEE REPORT

Mr. Walter Britland, Committee Chairman, presented this report. Please refer to Exhibit 6 in your report booklet.

Mr. Britland reviewed the sources of Institute income, the guidelines established by the Board of Directors for fee

FEE FORMULA COMMITTEE REPORT (continued)

adjustment, projected income for fiscal year 2001-02 and the three year average of Income over Expense. The analysis of this average as compared to the guidelines for fee adjustment indicated that the fees should remain the same.

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.

There was a question concerning an estimated Revenues vs Expense for the forthcoming year 2001-02. Projected Revenues of \$189,150 minuses projected expenses of \$220,045 gives an operating loss of \$30,895 excluding catalog income. Investment Income of \$11,363 reduces the loss to \$19,532. If catalog sales net of costs is more than \$19,532 the Institute will end the year with a profit.

There was a question concerning the definition of membership categories and eligibility to serve on the Board of Directors. The second half of the question was whether a Licensee Member could move to the active, zero category or active, 1 category, pay the higher dues and be eligible to serve on the Board of Directors. It was noted that perhaps it is time to take a look at the Constitution to see what revisions could or should be made. Any revision would first be reviewed and approved by the Board of Directors and then reviewed and balloted by the full Membership.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

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

Mr. Delvy reviewed the changes in the committee roster and the new part number assignments made during the year. He noted the 156 new assignments were a significant increase over the last year. He noted that within three years, the Institute could reach D1000 and the extra digit could be a problem for computerize price sheets and cataloging. Catalog sales were significantly less than the average sales in the years before the Library Edition. Mr. Delvy thanked those people and companies that contribute new part and carry-over catalog information.

There was no discussion on this report.

DATA BOOK AND TECHNICAL COMMITTEE REPORT (continued)

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

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

The Secretary noted that a cross index of O.E. to FMSI part numbers and FMSI to O.E. part numbers and edgecode lists have been prepared, but, have not been distributed. Rather than run copies and mail to members, the Secretary proposed that a letter be sent to the membership advising them to e-mail the Institute a request for these documents and they would be e-mailed to the members. They are Excel files and take about 1 minute each to e-mail, but, would cost a total of \$5.00 to copy both documents and a considerable amount of postage to mail by U.S. Mail.

BRAKE PERFORMANCE STUDY COMMITTEE REPORTS

This report was prepared by Mr. Tim Duncan, Chairman. Please refer to Exhibit 8 in the report booklet.

Mr. Duncan reviewed the recent developments on the following topics:

- SAE Truck and Bus Brake Committees/Sub-Committees
- The Maintenance Council (TMC) of the American Truck Association (ATA) Meeting in Nashville, TN, May 12-15.
- ATA Brake Lining Performance Rating
- SAE Automotive Brake Committees
- Brake Manufacturers Council (BMC) Aftermarket Friction Products Effectiveness Characterization Guide
- The upcoming Annual SAE Brake Colloquium which will be in New Orleans, LA, October 28-31.

There was no discussion on this report.

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

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

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

This report was prepared by Mr. Howard Schmitt and presented by Mr. Walt Britland. Please refer to Exhibit 9 in the report booklet.

The report reviewed the current status of the National Emissions Standard of Hazardous Air Pollutants (NESHAPS) and their program

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE (continued)

for Maximum Achievable Control Technology (MACT) for Hazardous Air Pollutants (HAP). It also reviewed the Occupational Safety and Health Administrations (OSHA) Ergonomic Regulations, California Proposition 65, which lists over 700 chemicals that are known to cause cancer, birth defects or other reproductive harm and heavy metals in storm water initiated by the detection of inordinately high levels of copper in south San Francisco Bay that after re-testing are no longer there. The source of the copper was purported to be from brake lining wear debris.

There was no discussion on this report.

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

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

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 2000-01 were projected to be \$18,088. The employees direct the investment of contributions. Deferred contributions are allowed with all employees participating in this option.

There was no discussion on this report.

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

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

Two possible sites for the 2001 Annual Meeting were proposed. They were:

Longboat Key Club, Longboat Key, Florida. The basic room rate is: Club Suite Golf Course/Lagoon View \$170.00 or Club Suite Beach View \$185.00. All rates are subject to 10% tax plus a \$12.00 per room per night resort fee. The dates for Longboat Key Club are June 14-17, 2002.

ANNUAL MEETING COMMITTEE REPORT (continued)

Kiawah Island Resort, Kiawah Island, South Carolina. The basic room rate is: Scenic View Rooms - \$179.00 or Upgrade Ocean View Rooms \$179.00 (Limited Time Offer). Plus 11% tax and daily service charge of \$9.00 per room. The dates are: June 7 thru June 10, 2002.

Several Board Members felt that the dates for Longboat Key Club of June 14-17, 2002, would be a problem as that is the Father's Day weekend.

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

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

OTHER BUSINESS (continued)

The Institute Counsel advised that the Institute had been named as a defendant in an asbestos lawsuit in Pittsburgh, Pennsylvania. He has attempted to have the Institute removed from the lawsuit by explaining to the plaintiff's counsel that we are a trade association and do not manufacture friction products, to no avail. We have retained counsel in Pittsburgh who has filed his appearance in the case, but, has recommended that nothing be done until there is some movement by the plaintiff's lawyers. The total cost to date of the lawyer in Pittsburgh has been \$327.00. At some later date, if we are not removed from the case, our Pittsburgh counsel will file for summary judgment to have the Institute removed from the case.

NEW BUSINESS

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 4:08 P.M.

G. N. Laycock
Secretary