MINUTES OF MEETING

of the

BOARD OF DIRECTORS

Tuesday, June 24, 1980 at 8:30 A.M.

at

The Homestead, Hot Springs, Virginia

DIRECTORS PRESENT

Gordon A. Carrigan, President	S. K. Wellman Corporation
Francis E. Messier, Vice President	Bendix Corporation Automotive Aftermarket Operations
William Simon	Brassbestos Manufacturing Corporation
Joseph W. Greenen	Nuturn Corporation
Stuart Comins	P. T. Brake Lining Company

OTHERS PRESENT

Robert E. Nelson	Abex Corporation
James W. Armstrong	Bendix Corporation
Robert P. Gorman, Counsel	Robert P. Gorman, Esquire
Edward W. Drislane, Secretary	Friction Materials Standards Institute

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Mr. Carrigan, Chairman, opened the meeting at 8:30 A.M.

MINUTES OF PREVIOUS MEETING

The minutes of the Board of Directors meeting of February 25, 1980 had been distributed. No corrections were suggested.

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

RESOLVED: That the minutes of the February 25, 1980 Meeting be accepted as written.

PRESIDENT'S REPORT

Mr. Carrigan, President, read this report. Refer to EXHIBIT 1.

Mr Carrigan discussed the changes which took place after Mr. Moalli's and Mr. Cutler's resignations.. He noted the work that Mr. Moalli did during his time in office, the loss of Mr. Doug Ogilvie and Mr. Jack Black, and other subjects that would be discussed at this Annual Meeting.

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

RESOLVED: To accept the President's report as written

MEMBERSHIP COMMITTEE REPORT

Mr. Carrigan had served as Chairman of the Membership Committe, and because of the many changes during the past year, continued with these responsibilities after assuming the Presidency. See the Membership Committee Report, EXHIBIT 2.

Mr. Carrigan reported on the changes in membership during the year, which showed a net increase in Active Members of 1 (Krasne), a net loss in Regionals of 1 (Add Ferodo Ltd., Lose Friction Materials of Israel and Borg & Beck de Mexico), and net increase of 2 in Licensees (Add Kashiyama and Toledo Pressed Steel).

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

RESOLVED: To accept the report of the Membership Committee as written.

TREASURER'S REPORT

Mr. William Messier, Treasurer, prepared this report. Refer to EXHIBIT 3. The Secretary read Mr. Messier's report.

Mr. Messier's report, based on a trial balance of April 30, 1980, projected substantial excess of income over expenses for the full fiscal year. The projection was for an excess of $17,000 of income over expenses. His report analyzed variances, with the most significant difference being the decrease in Pension Expense resulting from pension payments being made from a separate Trust rather than from the Corporation. To accomplish this change, $55,000 was transferred on January 1, 1980 to an irrevocable trust for Miss Duschek's pension.

The Secretary at this point stated that two Regional Members were delinquent in their dues payments, and that neither had responded to follow-up correspondence on their fees. Friction Materials Corporation of Dimona, Israel had not paid any quarterly fee installment for this fiscal year, and also had a small unpaid balance from the previous year. A Director stated that the Israel plant was shut down and was no longer in operation. Also, Borg & Beck de Mexico, whose initial one year fee had been paid through September 30, 1979 had not paid any fee installment since that time.

Based on these fee delinquencies, the Board of Directors voted to terminate the Memberships of both Friction Materials Corporation of Dimona, Israel and Borg & Beck de Mexico, S.A.

At its June, 1979 meeting the Board decided to pursue collection of an unpaid fee owed by Hayes-Albion Corporation, a former Active Member that resigned during the membership year. Through Counsel that fee was collected.

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

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

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. William Simon, Chairman, delivered the report for the Investment Advisory Committee. See EXHIBIT 4.

The Chairman reported that there would be a net reduction in investments of about $43,000 based on projections to June 30, 1980. This was attributable primarily to the $55,000 contribution to the Trust for payment of Miss Duschek's pension. Investment Income would be down from about $13,700 to $12,400. Investment Income for 1980-81 was estimated to be approximatly $12,500.

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

RESOLVED: To accept the Investment Advisory Committee report as written

BUDGET COMMITTEE REPORT

Mr. Francis E. Messier, Chairman of the Budget Committee, presented this report. Please refer to EXHIBIT 5.

Mr. Messier's report presented an Expense Budget for 1980-81 of $95,470, a slight reduction in budgeted expenses under that for 1979-80. This was due to the fact that pension payments to Miss Duschek would be paid from the separate Trust which was established on January 1, 1980 for those payments. This dropped the Pension Expense item from $6,000 to zero. Other line items in the budget showed either small increases --such as salaries and salary related-items--with most items projecting the same or only slightly higher amounts for 1980-81 over those for 1979-80.

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

RESOLVED: To accept the report of the Budget Committee as written.

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

RESOLVED: To adopt an overall Expense Budget of $95,470 for the 1980-81 Fiscal Year.

FEE FORMULA COMMITTEE REPORT

Mr. Greenen, Chairman, presented his Committee's report. Refer to EXHIBIT 6.

The report indicated categories reported by the Members for 1980-81. Active Members had 20 Basic Fees, and 36 Categories. Eight Regional Members marketing products in the United States market using the Institute's copyrights and trademarks reported 9 categories. With the other Memberships (2 Regional Associations, 10 Regional Members-regular, and 12 Licensees), the current formula projected Fee Income of $89,600 for 1980-81. This coupled with projected Investment Income of $12,500, would produce an excess of income over expenses of about $6,000, based on the Expense Budget.

One Director questioned two of the Regional Members' declarations. It was stated that Fras-Le was actually participating in two categories, Brake Blocks and Clutch Facings, rather than just the Brake Block category shown. The Secretary was directed to contact Fras-Le concerning declaration of an additional category. A Director provided a sheet, published by Prudential Supply of New York City, Fras-Le agents in the United States, showing their use of FMSI Numbers for marketing Clutch facings.

A Director questioned Don International's reporting of only one category, as shown in the tabulation. The Secretary examined the table, and indicated that the table was in error, as Don is reporting two categories --Brake Linings and Brake Blocks. The error was in showing two categories for Colfriccion, who actually participate in one category only.

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 maintain the same Fee Formula for 1980-81 as used in 1979-80.

Active Member - Basic Fee $1,150; Category $700
Regional Member with Active Member rights - same fee as Active Member
Regional Member (Regular) - $1,450
Regional Member Association - $2,400
Licensee - $550

PUBLIC RELATIONS COMMITTEE REPORT

Mr. William Simon, Chairman, reported on Public Relations activity during 1979-80. Refer to EXHIBIT 12.

Mr. Simon pointed to this past year's changes with election of Officers in June 1979 followed by the February 1980 elections, after the resignations of Mr. Moalli and Mr. Cutler, and the attendant press releases.

A Director asked concerning the releases, and if the Institute wasn't supposed to have copies of these write-ups as they appeared in the media for distribution to the Members. The Secretary indicated that he did cut copies of the releases as they appeared in magazines that the Institute subscribed to, but that these were but a few of the magazines to which releases were sent. It was suggested that the Members be asked to send in copies of releases concerning the Institute to the Office so that the Membership could be advised. The Directors referred to the Committee Chairman the question as to how best to inform Members on media publication of Institute press releases.

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

RESOLVED: To accept the report of the Public Relations Committee as written.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Phil Grim of Abex Corporation is Chairman of the Data Book and Technical Committee. In Mr. Grim's absence, Mr. Drislane read the Chairman's report. Refer to EXHIBIT 8.

The Secretary noted that Mr. Grim's report was written based on a Committee Meeting in October 1979. There had in certain cases been actions taken on some of the items in this report that did affect the report contents.

In part of his report, Mr. Grim referred to "hybrid" lining sets as a set which had an integrally molded lining at one position and a riveted or bonded lining at the other position. An example would be the FMSI 7089 assignment for the 1980 Chevette, where the inner is bonded and the outer is integrally molded. The Committee voted to show this with the double asterisk (**) which indicated integrally molded, and that the overall lining-steel thickness would be shown. While there was no objection to this treatment, the use of the word "hybrid" was questioned. It was indicated in some quarters that the term "hybrid" may be used to indicate different lining materials on a brake.

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

RESOLVED: To have the Data Book and Technical Committe review the use of the word "hybrid" in describing a combination integrally molded lining at one position with a bonded or riveted lining at the other, and select a better description for this type set.

The Directors reviewed the Committee's recommendations on discontinuance of use of the EDP Numbers in Institute caralogs. The Committee had been in favor of discontinuing publication of the EDP Numbers in the catalogs, but in canvass of the Membership it was determined that one member was using these EDP Numbers and they would not, therefore, be discontinued. A Director asked how the Institute assigned the numbers, and was advised that they were assigned in sequence of issuance, and had no relationship with type of product, (ie, brake lining, brake shoe or clutch facing) and that assigning was strictly arbitrary. It was suggested that the one member could take care of his problem by using the EDP Numbers already assigned, and then arbitrarily assign new EDP Numbers to any new releases. The Secretary was asked what effort or problem was involved in EDP Number assignment. He indicated that there was no problem, but that if these numbers were a waste of space in the catalogs, and were not used, they should be deleted.

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

RESOLVED: To discontinue the printing of the EDP Numbers in the Institute catalogs.

An area of concern covered in the report was the usage of metallic type linings. This particularly referred to the semi-metallic types being used as original equipment on the disc fronts of several domestic cars. The Committee in October recommended that the Institute not indicate metallic type in its technical bulletins and catalogs for several reasons, as indicated in the report. The Directors concurred with this Committee position at the Board Meeting on December 4, 1979. A Director stated that there was a need for information on the original equipment usage of semi-metallic types. Another Director stated that the presentation of types of materials could present a major problem, in that one party might then wish to indicate linseed oil types versus dry mix types, or woven versus molded clutch facings. It was stated that the FMSI numbers and catalogs should indicate dimensional and drilling information only.

It was generally agreed that information on metallic usage was needed, but that it should be handled just as done with the special April bulletin to the Membership which indicated FMSI Numbers, and position for the semi-mets. This could be done after the original equipment information is on hand, and metallic usage would not be shown in the catalogs. Counsel asked if a copy of the April bulletin was available. The Secretary produced a copy which Counsel reviewed. The wording included a disclaimer at the beginning with the Institute's formal disclaimer at the end of the bulletin. The Directors concurred that future information to Members will take this form of a special bulletin, and the information on metallics will not be shown in the Institute catalogs. It will then be up to the Members to inform their customers on usage, or to catalog this information as they see fit.

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

RESOLVED: To accept the report of the Data Book and Technical Committee as written, with provision that information on metallic type disc brake linings be published in special bulletins and not in the catalogs.

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

Mr. James Armstrong of Bendix Corporation chairs this Committee. Mr. Armstrong read the Committee report. Refer to EXHIBIT 9.

The Chairman summarized activities by Federal regulatory agencies such as EPA in Toxic Substances control and Hazardous Waste Management, OSHA with its workplace standards and the NIOSH recommendations, the status of legislative activity relative to an asbestos hazards compensation act, and general Institute activities and replies and contacts with the EPA.

Mr. Armstrong indicated that the EPA was aiming for non-asbestos disc brake linings by 1985. In response to a question, he indicated that this was EPA action and it would affect imported linings as well as those produced domestically. He indicated that there was considerable lack of understanding on the part of the regulators as regards industry's need for lead time. In some cases personnel were unaware that some semi-metallic types used an asbestos backing. As regards substitutes, it was stated that EPA or other government regulators cannot guarantee that the substitutes for asbestos are free from health problems. This is of concern in the fiberglass area where fiberglass is known as an irritant which has caused rashes and which workers find problems in handling. If the long term health hazards are due to the fibrous nature of the material, it could be that all fibrous materials are suspect.

Questions were asked as to what the Institute did as regards the regulatory initiatives. Mr. Armstrong indicated that the Institute made contacts with several parties in the EPA's Office of Toxic Substances. We replied to the EPA on their advance notice of proposed rulemakeing noting that their high exposure allegations for brake repair workers were not supported by the facts. The Institute sent a Task Force to Washington to reword the EPA's questions on the replacement of asbestos in friction materials, limiting the questions to the light duty disc brake area only. As stated in Mr. Armstrong's report, the Institute revised the wording of the cautions printed in all the Institute's catalogs. The Institute worked with an Asbestos Information Association ad hoc committee on friction materials in developing questionnaires and interpreting answers on training and labelling practices for friction materials manufacturers and users.

As regards waste disposal, Mr. Armstromg advised on the regulations published by EPA in the Federal Register of May 19, 1980. These concern the disposal of hazardous waste in line with the requirements of the Resource Conservation and Recovery Act (RCRA) of 1976. Mr. Armstrong indicated that Mr. Bob Pigg of the Asbestos Information Association would have more on this in his talk with the Membership on June 25.

A statement was made that the Committee doesn't represent all Institute Members. A Director stated that it was important that the Chairman select those to serve the Committee, and that Members of a Technical Committee should be qualified to serve. One Director indicated that membership on such an important Committee should be open to everyone, but it was stated that this could make the committee unworkable. It was suggested that there could be two levels of a committee. One would be the Working Committee with qualified technical participants, and there could be another Advisory Committee which could be staffed with representatives of every Member.

It was suggested that if the Institute did a better job of informing the Membership on activities in this area, there could then be a two-way flow of information between the Members and the Committee. The Secretary indicated that he sent information on activities in this area to the Members on an "as-needed" basis. The information is sent to those with technical interests in this area. In this way the information is sent to the party who must deal firsthand with the problem In most cases, this is not the Delegate-Alternate. It was stated that the mailing should be sent to the Delegates and Alternates and it would be their responsibility to see that the information was sent to the parties involved. In this fashion the Institute could ask for any input from the members, and the Institute would maintain a steady dialog with the Members.

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

RESOLVED: That the Institute Office send information regarding asbestos, Federal and State regulations, hazardous waste management and similar type information to the Delegates and Alternates on a regular basis.

As regards waste disposal, Mr. Armstrong noted that the regulations published in the Federal Register on May 19, 1980, are a major step in implementation of the Resource Conservation and Recovery Act (RCRA) of 1976. These impose requirements on generators of hazardous waste (the friction materials manufacturer), transporters of hazardous waste, and the waste disposal site operators. There will be additional costs in transporting the waste. Manifests will be required. There are certain exceptions to the requirements with the major exception being for generators of less than 2200 Pounds (1,000 kilograms) per month. For this limitation, this is the total of all wastes that could be considered hazardous waste as defined in the regulations. It is noted that asbestos is included in the list of hazardous wastes in the May 19, 1980 listing, but there is a question as to whether this is for raw asbestos, or waste in which asbestos may be only part of the composition as would be the case with friction materials. It was stated that the Institute should send summary information on waste disposal to the Membership. (Based on Mr. Pigg's presentation later at the Membership Meeting., his comments on waste disposal regulations along with a copy of his notice to the AIA Membership concerning waste disposal, and the Federal Register Notice of May 19, 1980 are being sent to the Membership).

It was pointed out that waste disposal will become a matter of major concern to our Membership based on the chemical waste problems that received media attention with Kepone, Love Canal, and the like. Asbestos is not the only concern in this area, but other materials used in friction materials manufacture such as phenol, toluene, and other solvents are subject to the regulations on toxic waste management.

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

RESOLVED: To accept the report of the Health and Environmental Affairs Committee as written.

FMSI 04450

BRAKE PERFORMANCE STUDY COMMITTEE

Mr. Robert Nelson of Abex is Chairman of the Brake Performance Study Committee. Mr. Nelson presented this report. Refer to EXHIBIT 7.

Mr. Nelson discussed the Institute's work with the Vehicle Equipment Safety Commission (VESC) relative to revision of the V-3 Procedure. The revision dealt primarily with the edge code, and a possible problem with the minimum 1/8" edge coding height, should new lining releases go below 1/8" in thickness. The Institute had called this to the attention of VESC. With this and some other considerations, VESC proposed revision to the V-3 Procedure. The Institute was represented at a Washington hearing by the Secretary, and the proposed changes to V-3 were in line with earlier recommendations. The Institute advised VESC that it was in accord with the changes as drafted after the January 1980 hearings.

The Institute continued its work with the Defense Construction Supply Center (DCSC) as regards revision to the Federal Specification for brake lining procurement HHL-361. The DCSC is recommending a procedure based on the V-3 (SAE J661a) Procedure. This was in accord with FMSI recommendations after DCSC had earlier proposed procedures based on full inertia dynamometer prodedures. This has been under review for several years, and the Institute has maintained contact with DCSC and there should be no surprises in this area.

In a review of NHTSA activity, there does not appear to be any significant movement as regards a Federal Replacement Brake Lining Standard, and other NHTSA activities on DOT 121, 105, and 130 do not impact our industry directly at this time.

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

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

USE OF INSTITUTE COPYRIGHTS

At this point, a Director questioned non-Member use of the Institute copyrights. This related to non-Member use of the Institute's copyrighted numbers in marketing his products. Counsel stated that he did not specialize in copyright law, but would review specific instances of unauthorized usage of the copyrights as they might occur. The Secretary stated that Shenier & O'Connor, who do the Institute's copyright and trademark work, prepared a study on the Institute's copyrights. The Secretary will send a copy of this report to Mr. Gorman.

ANNUAL MEETING COMMITTEE REPORT

Mr. J. M. Moore of Reddaway is Chairman of the Annual Meeting Committee. The Secretary read Mr. Moore's report. Refer to EXHIBIT 14.

The Chairman's report recommended that the Institute plan its 1981 meeting at Sandpiper Bay, in Port St. Lucie, Florida. This was based on some criticisms of the accessability of the Homestead, and some difficulties in making golf arrangements beforehand. Several Directors did not like the Florida location in June, and stated that their arrangements with the Homestead had been fine. It was stated that the Institute normally returned to the same location for two years, if arrangements were staisfactory. It was suggested that other non-Florida locations be considered for 1982. One mentioned Hilton Head Island, South Carolina.

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

RESOLVED: That the Institute's 1981 Annual Meeting be held at the Homestead, Hot Springs, Virginia.

A question was raised as to the dates. The Secretary indicated that he had reserved space on a temporary basis should the Institute return to the Homestead. While indicating that the dates held were earlier than the 1980 dates, the Secretary did not have the exact dates with him. (The dates reserved were June 15-18, 1981).

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

RESOLVED: To accept the report of the Annual Meeting Committee, with exception that the 1981 Meeting will be held at the Homestead.

HISTORICAL SALES REPORTING

The Secretary reported on historical sales reporting for the calendar year ended December 31, 1979. See EXHIBIT 13.

The report indicated that 15 out of 19 Active Members reported statistics at least once during 1979, and that three Regional Members with rights of Active Members reported. There were no comments on the report.

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

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

INSTITUTE PENSION PLAN

Prior to the Meeting, the Secretary had written the Board of Directors concerning possible termination of the Institute's Defined Benefit Pension Plan, which is funded with insurance purchased from Connecticut General Life Insurance, and with a separate side investment fund. The criticism of the Plan is that the paper work for compliance with ERISA is overwhelming, and the costs therefor are mounting each year. The Secretary had submitted a plan, where the Pension Plan be terminated, and in its place the Institute adopt the new Simplified Employee

Pension Plan (SEP) using Individual Retirement Accounts (IRA). This could be done by grouping smaller salary increases, increased costs for the SEP, less all costs of the Pension Plan, and arriving at a cost figure which would approximate the total of any planned wage increases for the 1980-81 fiscal year.

The Directors reviewed the costs and options of such changes. They reached agreement on levels of salary increases, and authorized the purchase of term life insurance at a cost of $30 per month for the Secretary.

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

RESOLVED: To discontinue the Institute's Employee Pension Plan at the earliest feasible date, and authorize payment of the expenses necessary to properly terminate the Plan.

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

RESOLVED: To establish a Simplified Employee Pension Plan (SEP) with Individual Retirement Accounts (IRA) with eligibility requirements in accordance with Internal Revenue Service requirements.

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

RESOLVED: That the Institute's contribution to the Simplified Employee Pension Plan (SEP) would be 15% of wages to a maximum of $7,500 per year per employee.

INSTITUTE OFFICE SPACE RENTAL

The Secretary advised that the lease on the Office Space at Bergen Mall Office Center in Paramus would expire on December 31, 1981. The major tenant in the Building, Witco Chemical Corporation has been expanding into small offices as leases expire, and the Secretary is concerned that we may not be able to renew our lease after expiration. The Landlord has not indicated anything as regards renewal. The Secretary is seeking authorization to contact other Landlords as well as the Bergen Mall Office Center with the intention of either remaining in Paramus, or renting other space if that is not possible.

Upon motion duly made, seconded and unanimously made, it was;

RESOLVED: To authorize the Secretary to contact the Bergen Mall Office Center as concerns renewal of the lease on the Institute's Office space.

INDEMNIFICATION OF OFFICERS

At the June 1979 meeting of the Board of Directors, a resolution was passed to have Counsel prepare an indemnification plan for Officers and Directors. Counsel prepared such a plan for consideration at this meeting. He stated that this was specifically authorized by New York statute, and as the Friction Materials Standards Institute, Inc. is a New York Corporation, it was drafted to comply with New York law. Counsel noted that he had considered drafting a Plan which would include Committee Chairmen, but felt that since the Board of Directors must approve Committee action, this may not be necessary. Also, if it were drafted to include Committee Chairmen, it might not be drawn in accordance with the New York statutes. There was some discussion on this point, and it was decided that the wording should be that which would leave no doubt but that it was in harmony with New York law.

Counsel explained that any such indemnification would have to be added to the Institute's By-Laws, which means that any indemnification plan approved by the Board of Directors would have to be submitted to the Membership for ratification.

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

RESOLVED: To recommend to the Members amendment of the Institute's By-Laws to provide for indemnification of Officers and/or Directors for losses suffered in their capacities as Officers and/or Directors.

NOMINATING COMMITTEE

Mr. James Mellow of Nuturn Corporation served as Chairman of the Nominating Committee. Mr. Francis Messier of Bendix and Mr. William Simon of Brassbestos served as Members of the Committee. It was the intent of the Directors at the June 1979 Meeting that the Committee would advise of their Nominations for the Board of Directors prior to the Meeting, and the Secretary would advise the Membership of the Nominees when sending out details on reservations for the Meeting. Mr. Messier indicated that the Committee had not selected Nominees in time for pre-notification of the Membership.

It was recommended that when the Committee has proposed to the Membership a slate for the Board of Directors, it would call for a recess after which the Members could place others in nomination from the floor. It was stated that this should compensate for the Committee's failure to announce its slate beforehand, but that for 1981 the Committe should advise the Office of the Nominees for the Board of Directors prior to the Office sending Meeting Notices to the Members. This would mean notification of the Institute Office by May 1, 1981.

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There being no other business brought to the attention of the Board of Directors, upon motion duly made, seconded and unanimously passed, it was

RESOLVED: To Adjourn

Adjourned: 12:15 P. M.

E. W. Drislane
Secretary