MINUTES OF THE ANNUAL MEMBERSHIP MEETING

of the

FRICTION MATERIALS STANDARDS INSTITUTE, INC.

Wednesday and Thursday, June 19 and 20, 1985

at

Dunfey-Hyannis Resort, Hyannis, Massachusetts

ACTIVE MEMBERS PRESENT	REPRESENTATIVES
Abex Corporation	Robert E. Nelson
Allied Automotive (Bendix)	Francis E. Messier
Brake Systems, Inc. (a Raymark Successor)	Carroll Warner
Carlisle Corporation	Arthur V. Moore (6/19)
Certified Brakes	Larry Mintman
Delco-Moraine Division	Donald L. Emrick
Friction Division Products, Inc.	Robert D. Conger
Nuturn Corporation	Rita Grisham
P.T. Brake Lining Company	Stuart Comins, President
H. K. Porter Company, Inc.	Larry Belans
Virginia Friction Products, Inc.	W. Max Sleeth, Treasurer
Wheeling Brake Block Manufacturing, Inc.	Lee Burgess

PROXIES TENDERED	PROXY
Brassbestos Manufacturing Corp. (S. Simon)	E. W. Drislane
Cougar Brake Products Ind., Inc. (A. Tabori)	E. W. Drislane
H. Krasne Manufacturing Co. Inc. (W. Osborn)	E. W. Drislane
Reddaway Manufacturing, Inc. (F. W. Barton)	E. W. Drislane
Scan Pac Manufacturing Co. Inc. (H. Scandrett)	E. W. Drislane
U. S. Automotive Manufacturing, Inc. (S. Carroll)	Larry Mintman

OTHERS PRESENT	REPRESENTATIVE
Allied Automotive (Bendix)	John Riopelle
Allied Automotive (Bendix)	Gordon Smith
Artazcoz, S.A.I.C. (Regional)	Alberto Kahan
Canparts Automotive International (Regional)	Andy Gagnon
Carlisle Corporation	Bob Kickel
Delco-Moraine Division	John DiMatteo
Friction Division Products, Inc.	Jack Carney
P.T. Brake Lining Company	Michael Comins
P.T. Brake Lining Company	Steven Doyle
Frank B. Hall Co. (Guest)	Michael Dow (6/19)
Frank B. Hall Co. (Guest)	Richard Pierpont (6/19)
Kamp Associates (Guest)	Bruce Allen (6/20)
Kamp Associates (Guest)	Lee Penman (6/20)
Legal Counsel	David McBride
Friction Materials Standards Institute, Inc.	Edward W. Drislane, Secretary

Mr. Comins, President, called the meeting to order at 8:30 AM, June 19, 1985. As the first order of business, Mr. Comins called for a roll call.

MINUTES OF PREVIOUS MEETING

The Secretary advised that the minutes of the Membership Meeting of June 13 and 14, 1984 had been distributed. It was suggested that a reading of the minutes was not necessary. Corrections were called for and none were offered. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the minutes of the Membership Meeting of June 13-14, 1984 as written.

PRESIDENT'S REPORT

Mr. Stuart Comins, President, presented his report. Refer to EXHIBIT 1. Mr. Comins noted work done as regards catalogs, comments to regulatory authorities, the dues structure and general trends. He noted the award made to Mr. Bill Simon for his many contributions to the industry. Mr. Comins' report continued on the liability insurance difficulties facing the industry, and the Institute plans for presentations on liability insurance at this Meeting. In particular, he noted that there would be a presentation by Frank B. Hall & Company at the Wednesday, June 19 session, and then a follow-up on captive insurance by Jack Carney of Friction Division Products, with the cooperation of Kamp Associates, Insurance Consultants, at the concluding session on Thursday, June 20.

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

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

BOARD OF DIRECTORS ACTIVITIES

The Secretary reported on activities of the Board of Directors since the June 1984 Meeting. This reviews Board actions since the report to the Membership at the June 13, 1984 Meeting.

At a meeting immediately after the adjournment of the 1984 Membership Meeting, the Board elected the following Officers:

President - Stuart Comins, P.T. Brake Lining Company
Vice President - Bill Barton, Reddaway Manufacturing Co.
Treasurer - Max Sleeth, Virginia Friction Products
Secretary - Ed Drislane, Friction Materials Standards Inst.

The Directors were advised after the June Meeting that Mr. Don Testa had resigned from Raymark Corporation. This created a vacancy on the Board of Directors. The Directors considered this vacancy and elected to leave it unfilled until the June 1985 Meeting.

The Board met at a special meeting in New York City on October 25, 1984. The Directors voted to change the name on its records for the Bendix Corporation to Allied Automotive - Bendix Friction Materials Division.

The main reason for the special Board Meeting was to review the Institute's position on the Natural Resources Defense Council (NRDC) petition to ban the use of asbestos brake linings. The NRDC petitioned the Environmental Protection Agency (EPA) under the Toxic Substances Control Act (TSCA) to prohibit the "further use of asbestos in automobile and truck brake linings." A special Institute Committee had been formed to review an Institute position on a possible ban on the use of asbestos in automotive brake linings. This special committee (named the "Institute Regulatory Committee") had met earlier to consider a survey it had developed with input from the Membership on the time frame and development status for non-asbestos friction materials. The Directors reviewed the summaries of the replies. The Directors resolved that the Institute would comment to the EPA on the NRDC petition. The Directors outlined the viewpoints which should be expressed, with the following points:

1. Opposition to an immediate ban on asbestos in automotive brake linings.
2. Concern with possible hazards with substitute materials.
3. Most manufacturers are currently working on programs to develop safe substitute materials.

Mr. Riopelle, Chairman of the Health and Environmental Affairs Committee, and Mr. Drislane were asked to draft the comments which were sent to the EPA on a timely basis.

During the year, the Directors voted by mail to accept applications for Regional Membership filed by:

COBREQ - Companhia Brasileira de Equipamentos of Brazil
Grupo Industrial C & F, S.A. de C.V. of Mexico
Pyeong Hwa Clutch Ind. Co., Ltd. of Korea
R & D Friction of Canada

The Board of Directors at the June 18, 1985 meeting reviewed all reports from Committee Chairmen and Officers and approved the reports with certain changes. The Board discussed the presentations on liability insurance which were to be given to the Membership:
(1) Frank B. Hall presentation; (2) Mr. Jack Carney presentation on captive insurance with input from Kamp Associates.

In reviewing Membership applications, the Board of Directors did not approve the Licensee application filed by EPE, Incorporated. In review of this application the Directors noted that applicant was primarily a rebuilder rather than a primary manufacturer from basic materials. The Board approved the following applications: (1) Lucas Industries, Inc. as a Licensee; (2) Satisfied Brake Products as a Regional Member; (3) Tormos Frictiemateriaal, B.V. as Regional Member. The Board approved the application for Active Membership filed by Tappa Enterprises, Inc., and recommended its approval by the Membership.

The Board voted to terminate the Active Membership of Molded Industrial Friction Corporation for failure to pay its Membership Fee. The Board reviewed the delinquent fees from three Mexican Regional Members: Mex Bestos, Itapsa, and Pasta Clutch. All three are delinquent in dues payment because of controls by Mexico's National Bank. Services to all three will be suspended at this time and the Memberships will be terminated if payments are not received by December 1985. The Board approved the new Active Membership of Brake Systems, Inc. The Brake Systems, Inc. assets were sold to Echlin by Raymark Corporation, who also continues as an Active Member.

In approving the Treasurer's report, the Board directed that the Institute avoid catalog shortages by calling for zero under and 5,000 over when specifying overrun/underrun quantities. In reviewing the Budget Committee report, the Board recommended that the Bad Debts reserve be increased because of the possible write-off of the Mexican receivables. Actually, this will mean an increased bad debts provision in 1984-85 results rather than in the 1985-86 budget. Also, there will be budget increases in Salaries, Meeting Travel and Pension due to decisions by the Board of Directors. The Board authorized the Institute to purchase an IBM Personal Computer with letter quality printer.

The Board approved a Salary increase for the Secretary. It also inquired as to the Secretary's plans as regards possible retirement and will make a contingency study on steps to be taken if the Secretary retires or is otherwise unable to continue.

The Board discussed the Fee Formula for possible changes such as adding a disc brake pad category rather than continuing it under the brake lining category. The Fee Formula Committee will study this question and make recommendation.

In reviewing the Data Book Committee report, the Board did not accept the Committee's recommendation on continuing heavy duty disc pads in the 700, 7000 Series with the passenger car and light truck discs. They referred this back to the Committee and asked for resolution of this question before publication of the 1986 Automotive Data Book. They also questioned whether heavy duty disc pads should be broken out separately in the Historical Sales listing.

It was noted that there was no report for the Brake Performance Study Committee. The main item presented to this Committee was the identification of blocks where the Truck Trailer Brake Research Group (TTBRG) had asked for recommendations.

In a review of the Health and Environmental Affairs Committee (HEA) report, the Chairman commented on the OSHA standard and noted that it was likely that the Manufacturing Standard and the Construction Industry standard would differ because of questions of fixed site/versus movement between sites. It was noted that substitute materials being used to replace asbestos are now generating health data. Comments were made on the "right to know" laws as regards materials used by manufacturers and their customers.

The Board of Directors selected Sandpiper Bay, Port St. Lucie, Florida as the site for the 1986 Membership Meeting. Dates for the Meeting are June 16 to June 19, 1986. The Board also asked Mr. F. William Barton to succeed Mr. William Simon as a co-trustee on the Institute's Trust for benefit of Harriet Duschek. Mr. Barton accepted this Trusteeship.

The Secretary suggested to the Board of Directors that the Initiation Fee required of Active Members be eliminated. Its need is no longer valid, and it seems inequitable that United States Active Members are assessed an Initiation Fee while Regional Members are not. The Board directed that this proposed amendment to the Constitution be referred to the Membership at its June 19-20 Meeting.

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

RESOLVED: To accept the Secretary's report on activities of the Board of Directors as read.

TREASURER'S REPORT

Mr. W. Max Sleeth, Treasurer, read his report. Refer to EXHIBIT 3.

The Treasurer noted that the results projected to the June 30 year-end were based on data booked to April 30, with accruals and estimates to year end. With the projections, the excess of income over expenses was estimated at over $18,000. The Treasurer explained variances and noted (1) Fee income approximately $3,500 over projections; (2) a larger than expected net from Catalog Sales of near $8,000; (3) favorable expense variance of about $1,000; (4) investment income projecting about $1,000 over original estimates.

It was noted that the financial statements include a provision for Environmental Affairs of $7,300 which will bring the Reserve to $21,900.

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

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

MEMBERSHIP COMMITTEE REPORT

Mr. Rob Nelson, Chairman of the Membership Committee, prepared this report. In Mr. Nelson's absence, Ms. Rita Grisham read the report. Refer to EXHIBIT 2.

The Chairman's report noted net additions to the Membership where Active Members increased from 21 to 22, Regional Members from 24 to 27, and Licensees from 17 to 19. The Secretary noted that this report was prepared before certain Membership changes that were put into effect at the Board Meeting the prior day. These were the new Memberships of Tormos Frictiemateriaal of Holland, Satisfied Brake Products of Canada, and Lucas Industries of Troy, Michigan. Also, Molded Industrial Friction Corporation's Membership was terminated. It was noted that at the Board of Directors Meeting Tappa Enterprises, Inc. of Tappahannock, Virginia had its application for Active Membership approved. The Tappa Enterprises application was submitted to the Membership for its approval. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the Tappa Enterprises, Inc. application for Active Membership in the Institute.

The actions taken by the Board on the other applications were reported in the Secretary's Report on Board of Directors Activities.

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

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

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE REPORT

Mr. John Riopelle, Chairman of the Health and Environmental Affairs Committee, presented his report. Refer to EXHIBIT 9.

Mr. Riopelle noted the activity last Fall with the Natural Resources Defense Council (NRDC) petition for the banning of the use of asbestos in automotive brakes, and the Institute comments to the EPA. He also noted that it appears there will be separate OSHA asbestos standards for manufacturing industries and the construction industry. He also noted that asbestos substitute materials were now generating data and he specifically referred to input on Dupont's Kevlar and on refractory (ceramic) fibers developed by Sohio Carborundum. Copies of these letters were given to the Secretary who will distribute copies to the attendees after the Meeting.

As regards OSHA regulations, Mr. Riopelle noted that there were several States that had stayed with the 0.5 fiber limit with respirators after OSHA adopted an Emergency Temporary Standard (ETS) in 1983. Among these States were Hawaii, Kentucky, Oregon, New Mexico and Tennessee. Several Members commented on the "Right to Know" laws adopted by several States, and it was stated that a Federal Law on the "Right to Know" will become effective in November 1985.

It was noted that the Institute had commented to OSHA on the proposed revisions to the asbestos standard in May 1984. At that time the Institute commented that the 0.2 fiber standard without respirator was not an attainable level. The 0.2 and 0.5 fiber limits with respirator might be achievable but the problem is enforcement of respirator requirements. It was suggested that the Institute comment to OSHA on possible enforcement of respirator usage during an interim transition period to the 0.5 level without respirator. The Secretary noted that the Institute had presented a documented position on the OSHA proposals in May 1984 and questioned a new response at this time. A Member stated that as with most regulatory agencies there are new people in the standards setting offices, and we could at least re-state our position as regards any changes in the exposure levels.

In any re-statement to OSHA, the Institute might add emphasis on the substitute materials and possible risks associated with them. OSHA should be informed that industry is working on the asbestos problem and that industry is concerned with the substitute materials. Mr. Riopelle was directed to review the May 1984 response to OSHA and have his Committee review the OSHA response for possible up-dating, if the Committee feels that is appropriate.

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

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

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. F. W. Barton, Chairman of the Investment Advisory Committee, prepared this report. Refer to EXHIBIT 4. The Secretary read Mr. Barton's report.

The report noted that the Institute had completed the upgrading of its portfolio to all United States Treasury Notes, with the last Federal National Mortgage Association note maturing in the past year. Investment income was projected at a little over $29,000 for 1984-85, and it is expected that there will be a slightly lower figure for the next fiscal year. The current yield to maturity for the notes is approximately 11-1/2%. Notes currently are paying less than 10%.

The total Treasury Note portfolio at year end will be over $198,000 at cost (Market is higher). It is the Committee's plan to rollover notes as they mature into comparable Treasury Notes at the then-prevailing rates. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Investment Advisory Committee as written.

BUDGET COMMITTEE REPORT

Mr. Max Sleeth served as Acting Chairman of the Budget Committee. Refer to EXHIBIT 5 for the report.

Mr. Sleeth presented a preliminary Expense Budget of $119,980. This essentially allowed for Salary Increases slightly over 5% with most expenses holding steady or increasing only slightly over those for this past year. The Budget figures were reviewed and no exceptions were noted. However, based on actions taken during the Directors' Meeting, there were changes to be recognized in the final Budget.

Expense	Preliminary	Final Budget	Increase
Salaries	$68,500	$71,000	$2,500
Pension	10,275	10,650	375
Meeting-Travel	1,000	1,500	500

The budget figure for Bad Debts Provision would not be affected, as the provision would have to be made in the 1984-85 fiscal year.

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

RESOLVED: To accept the Budget Committee Report as written with the changes noted above.

FEE FORMULA COMMITTEE REPORT

Mr. Messier, Chairman of the Fee Formula Committee, presented his report. Refer to EXHIBIT 6.

Mr. Messier reported on the total declarations by Active Members and those Regional Members being charged the same fee schedule as Active Members. This, coupled with the regular Regional Member and Licensee counts, projected fee income of $109,400 for 1985-86, assuming no change in formula from that used in 1984-85. The report summarized preliminary expense budget level and projected investment income and developed an excess of income over expenses of over $5,000 for the next fiscal year. Any losses in fee income from termination of Members would be compensated for by the new applicants accepted earlier in the Meeting.

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

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

It was noted that the Board of Directors earlier had voted to maintain the same dues level for 1985-86 as was billed in 1984-85. That Fee Formula was:

	Basic	Per Category
Active Members and Regionals with Active Member rights	$1,050	$700
Regional Members - Individual	1,600	
Regional Members - Association	2,600	
Licensees	600	

As noted in the report on Board of Directors activities, the Committee was asked to review the formula for possible addition of disc brake linings as a category. Disc brake linings are now grouped with drum brake linings under the single category "brake linings." Also, there were comments on a separate statistical reporting line for "heavy duty disc brake pads," which comments are noted under Historical Sales Reporting.

PUBLIC RELATIONS COMMITTEE REPORT

Mr. Rob Nelson served as co-Chairman of the Public Relations Committee with Mr. Bill Simon. In Mr. Nelson's absence, the Secretary read the report. Refer to EXHIBIT 11.

The report noted the Institute award to Mr. Simon as well as the press release announcing election of Institute Officers at the June 1984 Meeting. Upon motion duly made, seconded and unanimously passed, it was:

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

NOMINATING COMMITTEE REPORT

Mr. W. Max Sleeth, Chairman of the Nominating Committee, advised on current terms of the Directors and on its recommendation for nominating Directors to serve until June 1987. The Chairman noted that the following four Directors were serving terms that will continue through June 30, 1986:

Mr. Robert E. Nelson, Abex Corporation
Mr. Robert H. Nelson, Nuturn Corporation
Mr. Norman Morse, Guardian Corporation
Mr. W. Max Sleeth, Virginia Friction Products

The Chairman recommended that Mr. F. E. Messier, Allied Automotive and Mr. Larry Mintman, Certified Brakes, whose current terms would expire on June 30, 1985, be nominated to continue in Office through June 30, 1987. In addition, the Committee recommended that Mr. Arthur V. Moore of Carlisle Corporation be nominated to serve a two year term until June 30, 1987. The Secretary advised that with this slate of Directors, the Institute make-up would be in conformance with Institute policy on representing classes of Membership based on levels of fee billing.

The President asked that these names be placed in nomination to serve two year terms expiring on June 30, 1987. The President called for nominations from the floor. No additional nominations were made. Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That nominations for the Board of Directors be closed.

The Secretary was directed to cast one ballot for the election of Mr. Francis E. Messier, Mr. Larry Mintman and Mr. Arthur V. Moore to the Board of Directors. The Secretary advised that the ballots had been so cast. Further, the Secretary advised that with the election of these three Directors, that the Board had the required seven Members.

FRANK B. HALL & COMPANY - LIABILITY INSURANCE

The President introduced two representatives of the Frank B. Hall & Co., Mr. Richard H. Pierpont and Mr. Michael G. Dow. Mr. Pierpont made this presentation with visuals which were subsequently reduced to hard copy and sent to those attending.

Mr. Pierpont discussed the changes going on in the insurance market. To illustrate the insurance curve, Mr. Pierpont distributed a chart showing a typical build up of reserves from premiums during the early years where claim payments are paid. This showed the Reserve for claims incurred but not reported as against the Claims Paid, with the differences being the reported reserve. The asbestos liability insurance built "reserves" during the early years where the aggregate dollar exposure was not accurately priced. The casualty insurers have been severely impacted by the product liability claims. Asbestos products and medical malpractice are noted examples of claims under "occurrence" policies. Disputes have arisen where the insurers provided coverage at different times, and the plaintiffs have made claims against the policy holder for events that occurred many years earlier.

New policies are being written on a "Claims Made" basis where the insurer will pay any valid claims made in the year in which the insured paid the premium. Premium rates will be adjusted on future renewals based on claims made. Commercial liability insurance will switch to "claims made" policies in 1986. There may be difficulties with retroactivity of the dates for the switch from the "occurrence" policies to the "claims made" policies, and most policy holders will attempt to avoid gaps in their coverage.

The "claims made" insurance will be on basic liability insurance, with "occurrence" insurance for catastrophe insurance. Basic liability is a difficult market, and the excess market is more stabile. Insurers are withdrawing from the basic liability market, and the insured must now assume a larger share of the risk.

This is an area where captive insurance for basic general liability would take the major share of the risk, and reinsurance could be available for the excess risk. Those interested in a captive should consider funding a prudent analysis of the group's general liability insurance, without adding other insurance areas where the problems are less acute. A minimum of ten incorporators would be necessary to establish a "captive." The preferred site is Bermuda, where professional management of captives is already in place. Once the insureds can get $1,000,000 of primary insurance, the captive will be able to access the excess insurance from the reinsurers.

Mr. Pierpont outlined the basic areas for emphasis: Loss control, Claims Management and Financial Analysis. These areas involve "preventive maintenance," down to stratification of losses to determine deductibles, etc. Mr. Pierpont detailed those three basic areas with charts.

In the question and answer period following Mr. Pierpont's presentation, it was noted that excess layers of insurance should be available once the basic $1,000,000 is covered. Also, it was stated that more knowledge of the brake lining industry's experience should help reduce costs if the industry's reduced exposure is demonstrated. Mr. Pierpont discussed certain points of comparison shown on the charts comparing current and revised insurance contracts. The President thanked Mr. Pierpont for his presentation.

DATA BOOK AND TECHNICAL COMMITTEE REPORT

Mr. Gordon Smith, Chairman of the Data Book and Technical Committee, presented this report. Refer to EXHIBIT 8.

Mr. Smith's report noted certain projects completed by the Institute and decisions and changes approved and recommended at its meeting in March 1985. Institute work included publication of a "Clutch Facings" catalog listing all FMSI facings in numeric order as well as in size progression for identification. In addition the "1985 Supplement to the 1984 Automotive Data Book" was published on a timely basis and the Institute prepared and distributed a cross reference listing of lined shoe set numbers versus FMSI numbers for popular domestic and imported cars.

It had been noted earlier in the meeting that the Board of Directors did not accept a Committee recommendation on continuing the assignment of 700/7000 Series numbers for heavy duty disc pads and that question had been referred back to the Committee. As regards the decision on the FMSI 4311J block assignment, the Committee had decided that the 4311J assignment would hold for the change in the inside radius, but that a note would be shown in the Data Book in 1986 noting the radius change. The Secretary asked Mr. Kickel if he was familiar with the question and the action taken earlier. Mr. Kickel concurred with the Eaton Corporation Engineers that the note was unnecessary.

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

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

HISTORICAL SALES REPORTING

Mr. Drislane read the report on the Historical Sales Program. Refer to EXHIBIT 12.

The Sales Statistics program continued with nearly full participation by United States manufacturers of automotive friction materials. There were a few reporting voids but no major complaints. One criticism raised was that the Institute did not show on its forms how a participant would report clutch facings where clutch buttons were involved. This question arose years ago, and it was decided to consider 4 buttons as one facing. However, the Institute had stopped explaining this some years back and that explanation will be added to the explanation of the program when information is solicited from Members in the future.

It was noted earlier that the Fee Formula Committee has been asked to consider a separate listing in the historical sales reporting for heavy duty disc pads. Currently, all disc pads are reported under one reporting classification.

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

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

BRAKE PERFORMANCE STUDY COMMITTEE

The Secretary noted that while EXHIBIT 7 was listed for the Brake Performance Study Committee Report, no report had been prepared by the Committee Chairman.

While there was no specific work done by the Committee this past year, it had been asked to make recommendations to the Truck/Trailer Brake Research Group (TTBRG) on a more reliable test procedure than Regulation V-3 (SAE J661) for selecting brake linings and blocks, and for a permanent system of identification which would permit identification after wear and other degradation of the linings on vehicles.

Mr. Nelson noted that he had appeared before the TTBRG in late June 1984 and had advised them of the work that Mr. Arne Anderson's special SAE Committee is doing on developing an improved test procedure. These efforts are aimed at identifying lining characteristics which might subsequently be coded on a lining. The problems of identification have not been addressed, and any tags or impressions on the linings will have added cost. A binary line system such as the universal product code might be developed for permanent identification.

A suggestion was made that the Brake Performance Study Committee meet with the intention of making recommendations for permanent identification. Another suggestion was made that the Committee might prepare a questionnaire for the Membership on its recommendations for improving the identification of materials. Mr. Nelson agreed to temporarily chair a sub-group to give direction to the Committee on the TTBRG request.

It was also noted that there were several proposals issued by the National Highway Traffic Safety Administration (NHTSA) concerning brake systems, but that they were directed primarily at Original Equipment. These concerned items such as the test rig for trailer timing, the burnish schedule for DOT 105 and 121 (because of the increased usage of disc fronts with the drum rears), and a new DOT 135 which is directed at harmonization of American regulations with the European standards, and which incorporates emphasis on front to rear brake balance.

ANNUAL MEETING COMMITTEE REPORT

Mr. Ed Eggert, Chairman, prepared the report on Annual Meeting Committee work. Refer to EXHIBIT 13. The Secretary read Mr. Eggert's report.

In summary, the report recommended the following three resorts for the 1986 Meeting:

The Cloisters, Sea Island, Georgia
Sawgrass, Ponte Vedra (near Jacksonville), Florida
Sandpiper Bay, Port St. Lucie, Florida

The Board of Directors at its meeting earlier in the week selected Sandpiper Bay as the site for the June 1986 Meeting. The Secretary was asked at that time to contact Sandpiper Bay to see if it was available. Sandpiper Bay was contacted and June 16-19, 1986 dates were blocked for the Institute's Meeting.

Where applicable, Meeting starting times of 8:00 AM were recommended. As the 1986 Meeting was to be in Florida, this would move the golf back to the morning. The Board Meeting on June 17 and the Membership Meeting on June 19 will be scheduled for 8:00 AM.

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

RESOLVED: To accept the report of the Annual Meeting Committee as written.

LIABILITY INSURANCE - JACK CARNEY, FRICTION DIVISION PRODUCTS

Because of the difficulties that most Members have in getting General Liability Insurance, even with an asbestos exclusion, the subjects of liability insurance and captive insurance companies were discussed at the June 1984 Meeting. Mr. Jack Carney, of Friction Division Products, Inc., was asked to serve as a Committee of one to determine if some approach could be made to make liability insurance available to the Members. Mr. Carney worked with Kamp Associates of Marlton, New Jersey, to survey the industry and make recommendations.

Mr. Carney prepared a written report which was distributed to the Members attending the June 20 session. He discussed the results of a questionnaire that was sent to the Membership in August 1984. The response was not encouraging as only a few Members expressed an interest in the idea of forming a captive insurer. In contacting insurers, it became apparent that the word "asbestos" was not popular, and that the only possible course was liability insurance with an asbestos exclusion. Mr. Carney's report recommended establishment of a captive insurance company, with incorporation cost of approximately $125,000. The report recommended polling of Members to find which Members would provide the $10,000 for development and implementation of a captive insurance program, and whether there was a sufficient number of separate companies necessary to establish a captive.

Mr. Lee Penman and Mr. Bruce Allen of Kamp Associates joined with Mr. Carney and the Members in the discussion that followed Mr. Carney's paper. Mr. Carney noted that Mr. Neil Merkl, an Attorney from the Wison, Elser, Moskowitz Firm in New York was unable to attend the June 20 session. That Firm has represented other industries in setting up captive insurers. It was noted that the brake lining business was probably, as a group, a better risk than most other asbestos products manufacturing groups for general liability insurance.

In discussing the Membership, it was noted that there were only 7 responses to the August 1984 questionnaire, and that 3 of those gave no information on the questions asked. It was suggested that perhaps the Institute was too small a group to recruit the necessary numbers for a captive. The larger companies are not interested as they have their own risk management sections. The Consultants noted that the minimum number of separate companies necessary to organize a captive was 11, as no company could have more than 10% ownership, and there would be the problem of losing one or more owners.

A suggestion was made to the effect that this group might "rent a captive." That is, use an existing captive to access the reinsurance market. Comments were made on the excessive premiums that asbestos removal contractors faced in their work, and that a certificate of insurance was necessary. This could add up to 20% to the contract price.

As regards who was still in the market, a Consultant advised that Great American and Evanston were the only insurance companies still offering General Liability insurance, and this is with the asbestos exclusion. At this point, the regular insurance market for primary liability insurance is closed.

There are advantages is organizing a captive and they involve tax shelter considerations and eliminating of commissions. Currently, a United States manufacturer cannot deduct so-called self insurance on federal income taxes. He can only take the deduction when the claim is paid. If paying a $50,000 premium to a captive, he could take the deduction when the premium is paid, and the insurer would settle his claims from his $50,000 premium until those funds are exhausted. The participant would essentially be self-insured. In addition, the participant would save about 20% on the commissions for insurance. Still further, the captive may be able to access the reinsurance market.

If sufficient interest could be established for organizing a captive, there could also be funding for a defense fund, where the participant pays a "premium" of say $50,000, and draws from the fund to pay defense costs up to the maximum of the premium that company paid. Again, while this is self-insurance, the premium, if paid to a separate captive, would be tax-deductible. This could be aimed at third party tort suits. In other words, the captive would not hold the risk. It would still be held by the manufacturer, but the captive would provide for tax deductible insurance premiums and could hopefully place some reinsurance. It was suggested that at minimum the availability of reinsurance should be studied. How many Members would be interested in accessing the reinsurance market, and how much would the Members pay to share in accessing that market? This would be an attempt to eliminate the insurance agent or broker as a middleman with the reinsurer.

Kamp Associates will prepare a questionnaire-survey to be mailed to the Membership on accessing the reinsurance market. The replies will be made to Kamp Associates. The questionnaire will ask whether the Member will provide loss information to Kamp Associates. Such information would be used in approaching the reinsurer. It was estimated that there could be about $10,000 in costs to approach the reinsurance market. How many Members would be willing to share in this cost?

A suggestion was made that the survey might add Members' customers who are, in some cases, larger than the Member companies. The questionnaire will be sent to the Delegate, and he is asked to "walk it through" his company so that it doesn't get lost along the way. The insurance is probably general liability with an asbestos exclusion. When completes the questionnaire will be sent to United States and Canadian Members.

AMENDMENT OF CONSTITUTION - INITIATION FEE

Under "Other Business," the Secretary had noted at the Board of Directors Meeting that he felt deletion of the Initiation Fee requirement for Active Members would be in the best interests fo the Institute. The Initiation Fee is covered in Constitution ARTICLE IX, FEES AND ASSESSMENTS, Section 1, Initiation Fee. It reads as follows:

> The Initiation Fee payable upon admission to the Institute shall be $1,000.00 except that any Member elected to Membership as a Charter Member by the incorporators at their first meeting shall not be required to pay any Initiation Fee. No Initiation Fee shall be charged to or be payable by any Regional Member or by any Licensee.

This last sentence penalizes the Active Member (the United States Member) even though the non-United States Member (the Regional Member) has essentially the same rights as the Active Member. Further, this fee, when written into the original Constitution, was an inducement for United States manufacturers in 1948-49 to join the Institute as Charter Members. The need for this inducement has long since been unnecessary. The Secretary further stated that in seeking the Initiation Fee from new applicants, the application process can be held up by six or even nine months where the Institute may lose more in regular Membership Fee money that would be realized from the Initiation Fee.

As notice is required to the Membership for amendment of the Constitution, ballots will be mailed to the Membership for amending the Constitution to eliminate the Initiation Fee for all classes of Membership.

OTHER BUSINESS

Mr. Mintman noted that the Institute had sent its Members a booklet entitled "How Does the Institute Serve Its Members?" This booklet was prepared by the Institute Office based on instructions from the Board of Directors at the June 1984 Meeting. The purpose was to show actions that the Institute had taken over the years in support of its Members, particularly as regards regulations. This booklet was distributed to the Membership in October 1984. Mr. Mintman noted that this booklet was valuable inside his company and he recommended it to others. The Secretary noted that additional copies are available from the Institute on request.

A Member noted that in many cases the Institute responded to Agencies such as OSHA, EPA, NHTSA and the like on regulations that would affect the industry. These comments were usually in response to regulatory initiatives. It was suggested that the Institute might engage the services of a representative in the Washington, DC area to state industry viewpoints before actions impacting our industry hit the proposal level. It was noted that there are individuals representing companies and associations in Washington that are in regular contact with the regulators. The President was asked to form a Committee to study if the Institute should add a spokesperson in Washington to voice concerns of this industry and the Members of the Institute.

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

RESOLVED: To adjourn

Adjourned at 10:50 AM, June 20, 1985

E. W. Drislane
Secretary