2013
Annual Report

Serving the fastener industry of North America
for more than 80 years

INDUSTRIAL FASTENERS INSTITUTE
2013

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EXECUTIVE SUMMARY

The following briefly highlights what you will read in the 2013 Annual Report:

- The fastener industry continued its steady growth, perhaps somewhat ahead of the slowly rebounding North American economy, particularly in the aerospace and automotive segments. In fact, production was somewhat constrained not by lack of demand, financing, or plant and equipment, but by a shortage of skilled labor. IFI aggressively addressed this issue with a focus on identifying new sources of skilled or trainable labor, employee retention in the industry and training.
- The U.S. economy showed about 1.9% GDP growth with Institute for Supply Management (ISM) numbers in the mid to high 50's, ending the year at 57. That implies growth.
- Items detrimental to even stronger growth were first, expensive and burdensome new or expanded government regulations; political uncertainty; the unknowable effects of Obamacare; tax uncertainty and the federal deficit.
- The IFI itself continued to prosper ending the year with a net from Operations only of $26,162 vs. $18,915 budgeted and a positive fund balance of $125,908, reserves of just over $1.7 million and Board directed actions reinvesting reserve funds in the industry. This included maintaining our technical leadership in the industry, in projects to help retain and train Members' employees, in government affairs initiatives of importance to the industry and in discrete R&D investments in new technologies such as the project on ultra high strength fasteners.

INTRODUCTION

This is the fourteenth IFI Annual Report to the Membership summarizing the operations, financial position and value proposition delivered to the members, while depicting the economic, political and business environment in which we operated in 2013. It also projects what that environment is expected to look like in 2014. We are again dispensing with the graphs, as they would still show steady but stubborn growth. In general, 2013 was a good year for the industry with continued very strong growth in the automotive, aerospace and energy (fracking) sectors, some government stimulated growth in construction and a turnaround in housing and industries supporting that segment. U.S. GDP growth will settle out to be about 1.9% due to unexpected strength at year's end, with 2014 expected to be even stronger at 3.0% or greater. As noted, the ISM ended at 57 with a strong year end increase in the manufacturing orders component at 63.6 and with production at 56.5. U.S. exports were up at 59.5. This is moderate to strong growth and would translate to GDP growth of 4.7% if sustained. For reference, overseas PMI's were 52.7 in Germany, 58.4 in the UK and 51 in China, all showing recovery, but China slowing. No serious inflation has surfaced or is expected as its PMI component was 52.5, down 3 points at year end. The year-end U.S. trade balance was a negative $40.6B, mostly China ($28.9B) as petroleum products imports were down $39B. The Federal deficit ended the year at about $640 billion, down from its high of $1.4 trillion. The Fed did commence the tapering off its buying in mid-December based on moderate growth, the labor market rebalancing and no inflation. It will continue. A Federal budget deal was struck at year's end for spending $1,012 trillion in 2014 and $1.016 trillion in 2015.

Operationally, as noted, IFI ended 2013 with a $125,908 overall profit, excluding unrealized gains. Reserves are a very healthy $1,717,204 at market value. Calendar year 2014 is budgeted to produce a $44,000 surplus from operations and a positive $186,000 surplus overall. We are investing significantly in 2014 to ensure industry technical leadership and put in place a Technical Director succession program; in the *9th Edition Inch Fastener Standards;* and in full tuition training grants for Members' employees to attend our IFI/FTI programs. We will also be subsidizing Member selected topics one day training seminars in a number of different geographical locations. The first of these will be "Fastener Materials – From the Mill to the Header" in Chicago. These will be at no cost to Members.

Staff continues with Joe Greenslade as Director Technical Engineering; Bob Hill, Div. I – Industrial Products Manager; Pat Meade, Div. II – Aerospace Fasteners Manager; John O'Brien, Div. III – Automotive Industry Fastener Group Manager; Barbara Grachanin and Michelle Lightfoot, Administrative Assistants and Rob Harris, Managing Director. On a part time subcontractor basis we have added Laurence Claus and Salim Brahimi as instructors and technical meeting reps representing the IFI and the United States at fastener technical committee meetings. The Laurin Baker Group continues as our Washington Representatives; Bev Malcolm continues handling our Meeting Planning; Walthall, Drake & Wallace LLP, CPAs are our Auditors and Jones Day continues as legal counsel.

THE MANUFACTURING ENVIRONMENT

The Introduction provided a look at the general economy, so we are now going to focus on the economy as it impacts the manufacturing environment where we live. One major question is when will the Fed tighten monetary policy which could apply the brakes to economic growth. As noted, this has started and most economists believe this will continue even though consumer price inflation has not yet risen to the point that asset bubbles begin to appear. Given that perspective, 2014 could prove to be a moment of truth for the economy, as the past three years of effective contraction in the federal budget's growth is eased, and quantitative tapering accelerates. At year's end, Congress negotiated the $1 trillion spending bill for 2014.

That means that the low economic growth rates we have been seeing now could, in fact, be the "new normal" and the 5-6-7% GDP growth rates of the past are no more. That may well be true in North America, Europe and Japan but would not be true for China or the rest of developing Asia or even for Mexico, though the recovery in Mexico has been very, very slow. These geographic areas are where the growth will occur, and you either localize production in those areas or export to them, or you must be satisfied with the growth that will exist here. The World Bank's GDP growth projections for 2014 are 2.5-3.0% in the USA, 1.9% in Europe, 7.5% in Asia and 3.9% in Latin America.

Turning to manufacturing, whereas wages used to absolutely drive where it occurred, now its driven by logistics and the length and security of the supply chain, access to and prices of raw material and energy, productivity, currency exchange rates and the quality of the product produced. Labor availability and cost is still a factor but is not as dominant as it once was. The average U.S. manufacturing labor rate in 2012-13 was $35.53. Norway was the most expensive at $64.15, Switzerland $60.40, Germany $47.38, France $42.12, Italy $36.17, Japan $35.71, UK $30.77, Spain $28.44, then dropping dramatically to $6.48 in Mexico, $2.01 in the Philippines, $1.36 in China and $1.17 in India (*Financial Times*).

The 2013 "McGlardy" manufacturing study clarified the state of manufacturing in the U.S. About 32% of manufacturers were found to be thriving, 61% holding in place and 7% were declining in their business areas. Companies in the $50M - $500M made up a significant percentage of those doing well, but 2013 vs. 2012 showed the metal fabrication, and surprisingly the aerospace sector, to be off by about 50% vs. 2012 and off even 25% in the automotive sector. CY 2013 thus actually exhibited some softening in the manufacturing sector. It also exhibited a troubling new trend in the aerospace sector, where the OEMs and upper tiers exhibited a shift to seeking serious price concessions from suppliers, a-la automotive. This trend is expected to continue despite the incredible backlog of aerospace orders.

The survey also revealed that for 2014 manufacturers are shifting their growth strategies with 60% now focused on new products and process improvements, 40% on IT upgrades, 25% on facilities expansion and only 20% on acquisitions. Of those surveyed, 83% intended to focus on growth in the U.S. based on increased penetration of existing markets, 50% by introducing new products, 45% from identifying new customer segments and 30% by moving into new geographical regions but only 10% by trying new marketing channels.

In 2013 manufacturing companies had a combined spend of $3.2 trillion on materials and $147 billion in capital expenditures. With respect to costs and margins, 84% of manufacturers project a cost of materials cost increase averaging 4.8% in 2014, fuel surcharges and shipping charges increase of 5.5% and a 3.9% cost increase for energy and utilities, and are budgeting accordingly. The cost of debt in 2014 is projected to be relatively stable with only a 1.3% increase expected. Pricing to customers in 2014 is expected to increase by 39% of the respondents based on a mix of the following: general price increases, adding fees for services or adding surcharges. Where the opportunity exists, some “unbundling” of pricing like the airlines is part of some companies’ strategies. Wages and benefits in 2014 are projected to increase relatively slowly with 3.3% the expected average increase. Group insurance was projected to increase on average 8.6%, but the “Obamacare” mess is making that anyone’s guess.

By segment, the demand for motor vehicles and parts were +7% in 2013 and projecting +4% in 2014 and 2015; heavy truck +4% 2013 <u>and projecting significant growth to +13% 2014 and +9% 2015</u> and appliance +7% in 2013 with the rebound in housing projecting +5% in 2014 and 2015. Fabricated metal was +4% for 2013 projecting +3% in 2014 and +5% in 2015.

With the “boomer” retirements pending, finding skilled help remains the major, major concern. This is largely being addressed in manufacturing with 80% reliant on inside or industry-based training – thus IFI’s focus on this issue; 30% by direct collaboration with community/college-based training programs; 22% by paid apprentice programs (like Europe) and 5% by looking outside the U.S. for skilled labor pools.

In the international trade arenas, the U.S. dollar remained the dominant exchange currency (81%) but the Chinese Yuan replaced the Euro as number two with 8.7% of all trades. Pending international and bi-lateral trade agreements are seen as key to international trade growth.

THE FASTENER INDUSTRY

We again have limited information on the industry as we have not purchased Freedonia or any other group’s industry studies in several years. As noted, in keeping with general industry performance, fastener sales to the automotive, aerospace and energy sectors remained very strong and the other sectors very dependent on the end use industry. Overall, our best estimates are:

U.S. Fastener Consumption	$14.6 B
U.S. Made & Used in U.S.:	$10.0 B
Imported	$4.6 B

U.S. Exported:	$3.4 B
Total U.S. Produced	$13.4 B

In 2012, U.S. imports declined by just over 4% while U.S. exports grew by just under 6%. CY 2013's numbers were probably lower but in the same direction. We know that imports from China declined just over 10%; Japan just under 6.5% and Taiwan by just over 1%. Exports increased almost 10% to Mexico (largely automotive) and 24% to France (largely aerospace). Imports averaged $3.15/kg and exports $21.4/kg in 2013. Nice business!

Freedonia's latest publicly available data showed 2011 world fastener sales at $65.5 B projected to grow to $94.6 B in 2018. Worldwide sales growth is projected to grow by 9% CAGR in the period 2012-18 with U.S. growth 4.3%/year.

Fastener manufacturers reported capacity utilization on average to be 71.4%, up from a 69.3% average in 2012. It is expected capacity utilization will increase again in 2014. Inventory turns stayed around 4 on average, still tying up lots of cash. Finding capable employees remained the key concern in 2013 and IFI continued to expand its industry training programs. Our program with El Camino College training aerospace fastener manufacturing personnel continued with multiple groups graduating and 60 trainees employed in the industry. Similarly, our IFI/FTI fastener specialist training programs continued to expand with multiple week long programs in LA and Cleveland and the two day automotive program in Detroit and two day aerospace program in LA. In 2014 this will further expand to four full week programs with two in Cleveland, one in LA, and one in Spokane, WA. The two day automotive program will again be held in Detroit and two 3 day aerospace programs will be held in the LA area. New hydrogen embrittlement workshops were held in Detroit and LA and will be repeated. The IFI/FTI workshops generated almost $50,000 in new revenue for IFI, which is helping fund our training grants to IFI Members.

IFI will also add Members' only no cost one day seminars on a variety of subjects in Chicago, Cleveland, Detroit & LA.

The availability, supply and pricing of raw material – mainly CHQ and IQ wire and rod – was less of an issue than in past years with most reporting no availability problems and not a lot of concerns about steel prices after the early year increase in scrap didn't translate into major price increases. Inventories provided something of a piggy bank to resist price changes. The continuing slowdown in China kept pressure off the steel market. Spot market prices for wire FOB mill seemed to level in the $680-700/net ton range. As scrap prices eased in the 2/Q, CHQ prices stabilized too. Scrap exports fell 18.2% in 2013 vs. 2012 to 12.8 million tons of which 29% went to Turkey. As the year continued and the scrap price further eroded, the \$670-690/net ton level seemed to hold.

The wire rod consumed in the U.S. was about 3.3 M M/T of which that supplied to the U.S. from offshore sources was about 1.1 million tons with about just under 40% from Canada offset by minimal U.S. shipments the other way.

Energy prices ended the year on a fairly quiet note – U.S. oil prices were \$97.50/bbl for domestic WTI and \$109.30/bbl for highest quality Brent from the N. Sea. The new domestic oil production outlook for North America is very rosy, further exacerbating European manufacturing competitiveness in world markets, as does our relatively weak dollar. There is a lot of speculation on oil hitting “peak demand.” “Peak” demand is based on there being supply side constraints on the oil market – increasingly dismissed due to the vast shale deposits worldwide – new “Peak” arguments are now being based on demand decreases due to mature markets and substituting gas for oil. Those proponents see “peak” coming in as little as 5 years. The question about decreased demand is whether it’s structural or cyclical and what about emerging users. We do know oil demand is closely tied to GDP growth which may have the previously discussed “new normal” at a much lower level. If demand is structural not cyclical, talk about “peak” may be mostly meaningless.

We do know the impact of shale has been that U.S. electricity prices are 50% lower than Europe and 20% lower than China. That is a major manufacturing competitiveness issue, as is the current fact that industrial gas prices are 3 to 4 times higher in Europe than in the U.S. or Russia. This energy price gap is playing out in decisions re/manufacturing capacity locations. Only our own federal government can screw this up, which is why our close attention to government affairs issues is so important.

AUTOMOTIVE

The automotive manufacturing segment of the industry, and parts supply to same, was robust in 2013 with domestic auto and light truck sales +7.5% up to 15.53 million units. It was noted that sales growth slowed at the end of the year which is expected to be somewhat telling for 2014.

Recapping full year sales for 2013:

- Ford up 10.7% to 2.44 million LV deliveries
- GM up 7.3% to 2.79 million
- Chrysler up 9.0% to 1.79 million
- Toyota up 7.4% to 2.24 million
- Honda up 7.2% to 1.53 million
- Nissan up 9.5% to 1.25 million
- VW down 6.9% to 0.407 million
- Hyundai up 2.5% to 0.720 million
- Subaru up a whopping 26.2% to 0.425 million
- Daimler up 12.6% to 0.344 million
- BMW up 8.1% to 0.376 million
- Mazda up 2.5% to 0.284 million
- KIA down 4% to 0.535 million
- Mitsubishi, Porsche, Jaguar, Land Rover, Audi and Volvo were all below 0.200 million

Collectively, the Detroit-3's share was up 8.9% to 7.02 million units.

AEROSPACE

The aerospace industry continued in its growth mode with most sales growth coming from offshore purchases and not domestic. CY-2013 total sales are projected to be $220.1 billion, down about $2 B from 2012 of which $67 B will be civil aircraft, $56 B (–6%) military aircraft, $21 B (–4%) missiles, $45 B space and $31 B in related products and services. CY-2014 is projected to increase to $232 B. Perhaps most instructive are the results from the November Dubai Air Show where $200 billion in new aircraft orders were placed including 255 rewinged 777X's with 150 going to Emirates, 55 to Etihad and 50 to Qatar Airlines. Emirates also ordered 50 jumbo A-380's and another 50 went to Etihad. Bombardier also had a good show selling 74 Q400 turbo props. The multi-billion dollar UAE fighter order was not resolved yet though betting is on the British Typhoon or French Rafale. This type of overall aerospace growth is expected to continue in 2015 (+4.1%) and 2016 (+3.6%).

The shift to Dubai, Abu Dhabi & Qatar as the key transfer points for long haul flights continued in 2013. Dubai with 59 million passengers is now second to only Heathrow with 65 million passengers. Dubai grew by 13.8% in 2013 vs. Heathrow growing only 0.9%. The longer term implications of this for where aircraft maintenance will occur are not yet clear.

Actual deliveries for 2013 for Boeing were a net of 648 planes, up 7.8% from 2012. This included 440 x 737's, 24 x 747's, 21 x 767's, 65 x 787's and 98 x 777's. Airbus delivered 625 aircraft during the same period. Airbus did outsell Boeing in 2013 taking net new orders for 1412 aircraft versus Boeing's new order book 1355. Sales in 2014 are expected to slow down. With respect to 2014 production, Boeing intends to ramp up to 42 x 737's/month vs. 38 in 2013 and is projecting to increase to 12 x 787's by 2016 versus 10 in 2013.

Deloitte continues to project 5% overall growth in aerospace and production level increases of up to 25% by 2023. U.S. defense spending will continue to decrease and the 2014 spending cap is currently $30 billion less than in 2013, but subject to some adjustments in the 2014 and 2015 budgets.

INDUSTRIAL PRODUCTS

Again, the Industrial Products segment depended on which segment you served, but all were improving with even commercial and residential construction gaining, though government funded construction remained slow. Construction spending is forecast to rise 8-10% in 2014, the best in several years. As noted, heavy truck is expected to be a star in 2014 increasing 13% following a tepid 4% increase in 2013 to be followed by a 9% increase in 2015. Even appliance showed a nice 7% increase in 2013 to be followed by 5% increases in 2014 and 2015. Big appliance news is Whirlpool's intention to reshore washer production from Mexico to Clyde, OH.

John Deere's 2013 sales were +5% in 2013 to $37.8 billion generating a $3.54 billion net profit. Sales in 2014 are expected to decline about 3% in North America, 5+% in Europe and South America with Asian sales up slightly.

Caterpillar remains off, mostly because of falling demand for raw material, with no significant improvement expected in 2014. Other industrial component products segments are projected to track the components end use markets.

IMPORTS/EXPORTS

IFI did not acquire the fastener import data in 2013, largely because of an interruption in the data service provider we use and the data is now being made available via *American Fastener Journal* at no cost. The 2012 data was reported in the "Fastener Industry" section of this report.

We do know that U.S. fastener exports have increased by just over 6% with most going to Mexico and Canada – largely automotive, and the balance largely aerospace grade to Europe. We also know that fastener imports have declined just under 5%, largely due to the economy. Import prices averaged about $2.30/kg while export prices are averaging about $9.70/kg. Key import sources remain Taiwan –1%, China –9%, Japan –9%, German –2% and Canada –12+%.

GOVERNMENT AFFAIRS

2013 was the year of the first government shut down since 1995 and continuous Continuing Resolutions to fund the government. The year began with the country actually having gone over a so-called "Fiscal Cliff" only to be jerked back again one day later when agreement was reached to extend the 2001 and 2003 tax cuts affecting rates on income, interest, dividends, and estates for the large majority of individuals. The government was to operate under a Continuing Resolution until March 27, 2013, and automatic budget cuts known as sequestration were to go into effect that same month.

Yet another continuing resolution was signed by the President on March 26, 2013 which extended current spending levels until September 30, 2013 but the debt ceiling fight was delayed and became part of the reason for the shutdown of 2013. As September 30, 2013 grew near, it was clear that a perfect storm was developing that would end in a bitter clash that pitted President Obama and Congressional Democrats against Congressional Republicans and lead to the first partial Government shutdown since 1995 and the postponement of IFI's first Fastener Fly-In, originally scheduled for October 9 and 10.

The perfect storm grew out of the confluence of several key events: The scheduled October 1 beginning of the sign-up period under The Affordable Care Act (ACA); the end of the government's 2013 fiscal year on September 30 without an agreement to continue funding for FY 2014; and the approaching U.S. debt limit, estimated to be reached October 17, that would need to be raised in order for the government to issue new debt.

Many Republicans in Congress saw this as an opportunity to accomplish several key goals: defunding, delaying or changing the President's signature health care law, known as Obamacare, and reducing government spending. They reasoned that the President and Democrats would be so interested in continuing basic government programs and raising the debt limit to allow for more borrowing that they would surely compromise on the ACA. And Republicans also thought they just might be able to squeeze out some additional spending cuts along the way.

They were wrong on both counts. First, the President and Democrats in Congress played hardball and then, Republicans were unable to agree among themselves on a strategy to avoid a shutdown when it became obvious that they would not succeed in their efforts to defund the ACA or make further reductions in government spending. As a result, when no agreement was reached to continue funding the government by midnight on September 30, a (partial) shutdown began.

With the U.S. Treasury stating that as of October 17 the government would reach its statutory borrowing limit and be unable to raise funds to pay its obligations, the prospect of a first-ever U.S. government default became a distinct possibility. And despite grumblings from conservatives that the Obama Administration had a great deal of flexibility in managing the payment of U.S. obligations, the capital markets began to get extremely nervous.

Meanwhile polls began to show that most Americans blamed Republicans more than President Obama or Congressional Democrats for the dysfunction, and that view was exacerbated by the public spectacle of Republicans arguing among themselves about who was to blame and how to fix it. That left House Republican Speaker John Boehner in the unenviable position of playing poker with no money and the worst possible cards in his hand. To make matters even worse, his only possible strategy was to bluff, but since everybody else could see his hole cards, they knew he couldn't win.

So in the end Boehner and Republicans folded, agreeing to continued funding for the government through January 15, 2014 and an increase in the debt ceiling until February 7, 2014, and no changes or delays in the ACA. The only thing that allowed them to save any face at all was the creation of a bipartisan, bicameral negotiating committee charged with seeking ways to reduce the impact of the sequester.

After weeks of negotiations in November and early December 2013, Budget Committee Chairs Senator Patty Murray (D-WA) and Rep. Paul Ryan (R-WI) announced a 2-year budget agreement, which passed Congress immediately before Christmas. The agreement agreed to a new discretionary spending cap for fiscal year (FY) 2014 of $1.012 trillion, which roughly split the difference between the earlier House and Senate figures and allows for $520.5 billion for defense activities and $491.5 billion for non-defense programs. This action also scaled back for 2 years the scope of automatic sequester cuts mandated by the 2011 debt limit law by a total of $63 billion. The top line spending level agreed to for FY2015 is $1.014 trillion. By mid-January 2014, it appeared clear that FY2014 would continue with a bipartisan government spending plan and the prospects for a FY2015 budget by October 1, 2014, look fairly bright.

The clear dysfunction in Washington over its own fiscal affairs causes uncertainty in the financial markets, and certainly makes business planning difficult if not impossible. Unfortunately, in a divided government until at least January 2016, this is unlikely to change. However, the mid-term congressional elections in November 2014 could provide an opportunity for Republican gains in the House and a Republican majority in the Senate if Obamacare implementation problems and a lagging economy continue. The mid-term elections will occur about the time that many companies will be making renewal decisions about the healthcare plans they provide their employees. Most experts agree that costs will rise because not enough healthy young people are signing up for healthcare in the federal exchanges and the Administration has delayed many of the mandates that insurance companies needed to continue to provide coverage at "reasonable" rates. It remains to be seen how many employers will drop their coverage and put their employees into the federal exchange system and IF that system can withstand that kind of demand.

Despite the dysfunction and the partisan bickering, IFI was able to win a few for the good guys and be ever vigilant in all other areas. Here's a summary of 2013 government relations activities:

1) <u>IFI Helps Secure Fastener Exclusion in Revised Export Control Regulations</u>

As of October 15, 2013, most fasteners are no longer controlled on the US Munitions List (USML) or under the Export Administration Regulations (EAR). This was the result of a multi-year effort and a big win for those manufacturers that export certain types of fasteners. On April 16, 2013, the Department of Commerce and the Department of State issued final rules implementing the first stage of export control reforms covering aircraft parts and components, including a final new definition of "specially designed" that applies to all categories. (Other stages of the reform effort covering other categories of the USML are forthcoming.) These final rules become effective on October 15, 2013.

IFI was very active in submitting comments during the various stages of public comment and working with the Commerce Department on these rules. In the final rules issued on April 16, the "specially designed" definition contains specific language excluding fasteners from the definition and IFI has confirmed with the Commerce Department that "fasteners are not controlled by either the USML or EAR, period." We believe this is a huge success for manufacturers of fasteners currently controlled by the USML or EAR. All other non-aerospace fasteners currently controlled by the USML or EAR will no longer be controlled once the other categories of the USML are updated because the definition of "specially designed" including the fastener exclusions will remain consistent throughout the revised export control regulations.

2) National Labor Relations Board (NLRB) and Department of Labor (DoL) Activities

On July 30, 2013, the Senate confirmed five members to the NLRB, giving it all five members for the first time since 2003. Unfortunately, a full NLRB does not bode well for employers, nor does an appeals court decision in 2013 that sided with the NLRB in the *Specialty Healthcare* “micro unions” case. In that case, the NLRB sided with the unions who had organized a small subset of the employee base and said that if an employer thinks workers have been improperly excluded from a union-proposed bargaining unit, then the onus is on the employer to show that those workers share an “overwhelming community of interest” with the included workers. This ruling combined with the NLRB’s Democratic majority means employers can soon expect a new Ambush Election rule (i.e., “card check”), and other case decisions making “micro unions” within facilities easier.

But all is not lost. IFI is an active member in the Coalition for a Democratic Workplace (CDW) which has successfully kept “card check” and other anti-management rules such as the poster rule from being enacted to date. IFI and others involved in the fight against the overreach of the NLRB had a recent victory in the poster case. The CDW and the National Association of Manufacturers (NAM) sued the NLRB over its requirement for private sector employers to post employees’ rights under the Fair Labor Standards Act and 2 different courts had ruled in favor of CDW and said the NLRB could not require such posting. The NLRB had until January 2, 2014 to either petition the US Supreme Court for review of the US Courts of Appeals decisions or request an extension of time to file its petition. The agency did neither and therefore, the decisions of the appellate courts stand and CDW and other plaintiffs have won the challenge to the NLRB’s rule that would have required over 6 million businesses to post a very bias notice. HOWEVER, despite the court decisions knocking down the NLRB’s rule, federal contractors, and thus many Division II Members, are still obligated to post a notice identical to the NLRB posting under a separate rule published 3 years ago by the DoL. NAM filed suit on December 18, 2013 challenging that rule and we will keep IFI members updated on the status of that lawsuit.

The Supreme Court will hear oral arguments in the *Noel Canning* recess appointment case in January 2014. The case involves a legal challenge to President Obama’s January 4, 2012 unlawful recess appointments to the NLRB. In January 2013, the U.S. Court of Appeals for the D.C. Circuit held in *Noel Canning v. NLRB* that the recess appointments were unconstitutional. Since then, two other federal appeals courts also have ruled the appointments unconstitutional (*NLRB v. New Vista Nursing and Rehabilitation* (Third Circuit) and *NLRB v. Enterprise Leasing* (Fourth Circuit). We expect the High Court to issue a decision sometime before June 2014. If the Supreme Court rules the appointments were invalid, any decisions or any regulations issued during the time the recess appointees served will likewise be invalid.

Finally, DoL has indicated it will issue a final “persuader” rule in March 2014. The proposed rule, which was released June 21, 2011, was designed to silence employer opposition to union organizing. If the final rule is similar to the proposal, it will substantially interfere with employers’ access to legal advice on labor matters and with attorney-client privilege. CDW plans to challenge any final rule in court that is substantially similar in impact to the proposed rule.

3) Occupational Safety and Health Administration (OSHA) Activities

In the latest skirmish in the continued Battle Royale between employers and organized labor, OSHA issued a “letter of interpretation (LOI)” stating that during inspections of non-union workplaces employees can be represented by anyone selected by the employees, including outside union agents. IFI is a member of the Coalition for Workplace Safety (CWS) and as such, we signed a letter to OSHA with 56 other organizations urging them to withdraw the LOI. The CWS letter was provided to House Republicans who held hearings on the issue. NAM and the CWS are working on potential next steps to stop this process that was done without congressional consent or administrative procedures for rulemaking. In addition, IFI forwarded information from a NAM-hosted webinar with Jackson Lewis, a law firm specializing in workplace-related issues, which offered further explanation about the OSHA policy and a number of actions that employers can take to protect themselves and their rights should such an incident occur.

On November 7, 2013, OSHA released a proposed rule requiring businesses with more than 250 employees to file their incident/accident reports electronically on a quarterly basis. Companies with more than 20 employees will also have to file electronic reports on an annual basis. OSHA expects that ultimately they will release all reports filed by these businesses to the public. IFI will work with NAM and other metalworking associations to oppose this proposed regulation which will not improve workplace safety and unnecessarily raise public concern.

4) Conflict Minerals

IFI continued to update members on the conflict minerals reporting requirements contained in the Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). The Act requires publicly-traded companies to report to the Securities and Exchange Commission (SEC) if their products contain metals derived from so-called “conflict minerals” (columbite-tantalite, tin, tungsten and gold from the Democratic Republic of

Congo). In order to be able to meet this requirement, publicly-traded companies will have no choice but to conduct "due diligence" inquiries of their supply chains, which will include IFI members.

IFI has provided a fact sheet on this issue to all IFI members, numerous updates throughout the year, and we continue to participate in compliance meetings with other manufacturing groups to learn as much as possible. However, based on our recent conversations with NAM and OEMs like Boeing, Ford, and Honda, this process is going to be frustrating and ugly for a while. More information will certainly be forthcoming in 2014.

5) House Manufacturing Caucus Briefing on the Defense Industrial Base Including Fasteners

On May 8, 2013, the Alliance for American Manufacturing (AAM), a trade association representing United Steelworkers among others, released a report entitled *"Remaking American Security: Supply Chain Vulnerabilities & National Security Risks Across the U.S. Defense Industrial Base".* Chapter 6 of the very lengthy report was about fasteners. IFI was first approached in December 2011 by the consultant hired to research and write the report, and held several conversations with the author in 2012 to provide the consultant with basic information about fasteners and DoD procurement of aerospace fasteners, by far the largest by volume of safety-critical fasteners purchased by or for DoD. The final report concluded that most if not all DoD purchases are subject to quality issues and counterfeiting and only by buying U.S. materials could the U.S. fix this "vulnerability". The fastener chapter was so poorly written and inaccurate in terms of its portrayal of the Fastener Quality Act (FQA) that the Board decided to work with our DC consultants to prepare a fastener quality paper, which was provided to key audiences on Capitol Hill in the event the report got any attention.

On July 23, 2013, the House Manufacturing Caucus held a briefing on the Defense Industrial Base and the AAM report was one part of the event. IFI made sure key contacts on the Hill and the DoD witness were educated and armed with our fastener quality paper prior to the briefing and IFI's Washington consultants attended. The report's author continued to use fasteners as one of the examples of places in the Defense supply chain where "vulnerabilities" exist, without any substantiating evidence. The other presenters spoke in more general terms about the importance of having "trusted supplier" programs and systems for insuring that parts are not counterfeit.

We believe that we have done what we needed to do to avoid the report becoming an immediate problem for IFI and the Fastener Quality Act, but it is clear that the author and his sponsor, the Alliance for American

Manufacturing, will continue to hawk their report to anyone who will listen, with a long-term goal of requiring that DoD purchase only U.S. products made from U.S. raw materials. As we know, although it might be tempting to endorse such a strategy, the better approach is a robust quality assurance system and buyer responsibility for utilizing qualified suppliers.

6) Tax Reform

There was much bipartisan talk about comprehensive tax reform in 2013 and IFI ensured that our position was part of the discussion. House Ways and Means Committee Chairman Dave Camp (R-MI) set up a series of tax reform working groups within his committee to focus on specific areas of tax reform. In April 2013, IFI submitted a position paper on comprehensive tax reform to the working groups focused on manufacturing and small business/pass-throughs. While Chairman Camp has not released a detailed proposal yet, he does support a comprehensive approach with top tax rates of 25 percent for corporations and individuals and a modern, competitive international tax system. While base-broadening likely will be part of any proposal, the Chairman has not indicated what tax expenditures (deductions and credits) he will propose to eliminate.

On the Senate side, in late June 2013 Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) sent a letter to their Senate colleagues announcing their intent to take a “blank slate” approach, and start with a tax code that does not include “special provisions" in the form of exclusions, deductions, credits and other preferences that some refer to as “tax expenditures.” The tax writers asked their colleagues for input by July 26, 2013 on “special provisions” that should be added back into the code. Unlike Chairman Camp, the Senators’ letter did not specify a target tax rate. Rather, the final rate would be determined by how many “special provisions” are included in the tax code. While Chairman Baucus and Ranking Member Hatch did NOT seek input from stakeholder groups at this time, IFI made sure that key Senators with IFI member presence in their states had a copy of our tax reform position paper and we participated in numerous Hill meetings to educate key Members of Congress on our tax reform positions and to urge the retention of the Last-In Last-Out (LIFO) accounting method.

In November 2013, Chairman Baucus began releasing several sections of his draft tax reform proposal. To say the business community did not like it would be an understatement. An overarching concern is that Chairman Baucus has not publicly said to what level he would reduce the top business income tax rate, only saying that he plans a less than 30% top bracket, and it is unclear if he intends to address the individual rate at all. The draft proposes to make permanent Section 179 Equipment Expensing for up to $1 million and phased out at $2 million. However, the same proposal eliminates Bonus Depreciation and other significant cost recovery provisions such as Like-Kind Exchange and Last-in-First-Out (LIFO). In addition, companies with overseas facilities in particular raised concern over a 20% minimum tax on foreign earnings. IFI will once again make sure its position is shared with the Senate Finance Committee prior to its deadline.

To further complicate matters, in December, President Obama nominated Senator Baucus to be Ambassador to China. It is expected that Senator Ron Wyden (D-OR) will be the new Chairman of the Finance Committee for the remainder of 2014, and again in the next Congress if Democrats retain the majority in the Senate. Senator Wyden is co-author of a tax reform plan along with Indiana Republican Senator Dan Coats titled the Bipartisan Tax Fairness Act of 2011, which while not perfect, did include lowering of both individual and corporate rates. The fate of comprehensive tax reform this year is unclear but what is clear is that the stage is set in the House and Senate for work to be done in the next Congress.

Conclusion

IFI continues to act strategically when faced with legislative and regulatory issues that face our industry. We join coalitions when it makes sense to do so and we take IFI-only action when it is critical to the industry. Regardless of the dysfunction in Washington these days, and sometimes because of it, it continues to be important for the fastener industry to ensure that its positions are heard and that actions in Washington do no further harm to manufacturing competitiveness. The year 2014 will see our first Fastener Fly-In since the days of the Fastener Quality Act amendments in 1999 – but hopefully, not the last.

INSTITUTE OPERATIONS

The Institute did well this year with the previously noted positive balances both from Operations and including special projects. Reserves continued to build to $1,717,204 at market value at year end.

Sales of the *Inch Fastener Standards,* 8th Edition continued to decline, as projected, but this project has generated a steady stream of new revenue in both the hard cover and, with the change in delivery system to a dongle based computer key, electronic version too. Selling the desktop printed version has eliminated the excess inventory problem encountered with earlier editions. The IFI Technology Connection subscription sales continued to slowly grow; hitting $91,000 in revenue in 2013, and this is a sale that keeps on generating repeat revenue every year. The Institute's Annual Meeting at the Marriott Marco Island Resort in Florida and the Fall Meeting at the Hyatt Regency Lake Tahoe Resort in Nevada were both very good events, rich in take home value and offered great networking opportunities. The Lake Tahoe venue was on most everyone's "bucket list" and the beauty of the place did not disappoint. Marco Island offered a great beach experience and our "Soaring Eagles" awards went to two true industry icons, Mr. Barry MacLean of MacLean-Fogg Company and Mr. Bengt Blendulf. The blend of technical, business, government affairs and economic forecasts were parts of both programs. These meetings together were subsidized by about $25,000 in line with a Board mandate to maintain meeting content. This included adjusting meeting fees so additional attendees from a Member company would have lower cost and covering membership candidates' meeting attendance fees.

Coordination with other associations, both in the fastener or other metalworking industries, and with those representing key customer segments continued. Our office co-location with the Precision Metalforming Association (PMA) continues to produce cost savings and joint activity opportunities. Our information exchange program with the automotive Original Equipment Suppliers Association (OESA) supplied timely information as does the co-location of our Aerospace Division meetings with the Aerospace Locknut Manufacturers Association (ALMA) and our support provided to the Aerospace Industries Association (AIA). Our participation with the National Association of Manufacturers (NAM) has us cooperating on a variety of industry and government affairs initiatives. This expands the depth and breadth of our influence in Washington as does our work with The Laurin Baker Group. Within the fastener industry, our coordination with the NFDA, MWFA, Pac-West Distributors Association and the Fastener Industry Coalition (FIC) continued when common cause was identified, but we will retain our world recognized independent identity. We teamed up with Pac-West to develop select Fastener Training Institute training programs offered in Cleveland, Detroit and Los Angeles. Educational involvement was a key theme in 2013 as Division II continued to work with the State of California Community College system on the Aerospace Fastener Manufacturing curriculum at El Camino College and we held FTI programs. This should expand again in 2014, as the need is there. The 2013 IFI FTI Training Grant Program ($20,000) covered the full tuition cost of 8 employees from 8 different companies attending the FTI programs which is driving even more demand for this training. In 2014, we will also sponsor no cost Members' full day programs in Chicago, Cleveland, Detroit and LA covering member selected technical topics. The first will be in Chicago in February addressing "Fastener Materials – From the Mill to the Header." In addition to our IFI/FTI workshops, we are also offering metallurgy and heat treating web-based seminars. These efforts are a step forward in IFI formalizing the fastener training aspects of our fastener industry mission and at the Board's direction will be further enhanced in 2014 and beyond.

MEMBERSHIP SERVICES

Trade associations exist to afford collective representation of an industry's interests that individual companies cannot easily do sufficiently on their own. Their mission is to influence customers, governments and the public in the interests of the industry. Today trade associations are almost a necessity in a globally competitive business world, and almost all governments recognize them as institutions that advance the nation's industries in ways no other organization could.

Members, and non-members contemplating IFI membership, frequently ask can I afford to be a member of a trade association? Is the money I pay worth the investment? By joining this association will I gain opportunities and information to better run my business? What key issues is our industry facing that an association can deal with better than I can on my own? These are the key questions as to why companies join associations. IFI's challenge remains to provide a value proposition in which the reward consistently exceeds the cost. This is particularly true when confronted with difficult times, customers who don't want to understand the industry and its issues, and government decisions that directly impact the association's members. The association is the venue where ideas and information can be exchanged to the benefit of all.

What, therefore, is it that IFI strives to provide its members?

1) Networking opportunities with peers and key suppliers to the industry is almost everyone's first consideration.
2) A voice and source of advocacy for the industry which is recognized by the public, the industry's customers, and the government.
3) A forum to collectively develop and share the cost of information gathering, training, carrying out industry specific technical and business oriented projects, and as a vehicle to coordinate projects of joint interest to the industry and with the key customers of and the suppliers to the industry.
4) A mechanism by which to represent the industry on technical and standards-based issues nationally and internationally in the interest of the member companies and their supply base.
5) The vehicle to coordinate with other associations in N. American manufacturing's best interest.

These are the functions performed by the IFI's Divisions, Committees, Working Groups and by the Staff of the Institute, under the supervision of the Board of Directors. For 2012, the scope of these activities is briefly summarized below. IFI provided qualified staff to attend industry and government meetings requiring more than 60 days of travel on behalf of Members. This shared representation is a saving as Members who do not all, therefore, have to attend these meetings themselves. This also allows for coordination amongst and between the various bodies and activities rationalizing the decisions being reached by the industry. Over the course of the year IFI staff and/or designated Company members will attend multiple day meetings of the following:

- ASTM – F-16
- ASME – B-18 and B-1
- SAE – Fastener Committee and E-25
- International Standards Organization (ISO) – TC2
- Aerospace Industries Association working group and regular NASC meetings
- The Aerospace Government/Industries Working Group (GIFWG) on fasteners
- At the National Association of Manufacturers (NAM)
    - International Economic Policy Committee and the Subcommittee on China
    - Coalition for a Sound Dollar
    - Coalition for the Future of Manufacturing
    - Associations Council
    - OSHA Policy Group
    - NLRB Working Group
- Selected consortium dealing with issues of importance to the industry
- The Research Council on Bolted Joints
- The Metalworking Industries Associations Executive Committee
- The Automotive Industries Action Group (AIAG) – Packaging & Logistics and Quality Committees
- The Metalworking Manufacturing Coalition
- The Original Equipment Suppliers Association (OESA) meetings, workshops and seminars on the automotive supply chain.

The Institute thus provides the vehicle by which Member companies can coordinate and collaborate with other like-minded organizations on issues of concern. These relationships leverage the political reach of the Membership in government affairs and on issues of business concern. This spreads the cost of such activities over a broader base and makes accessible the best thinking of the combined groups without incurring the costs belonging to multiple organizations. Key groups the IFI regularly coordinates with include:

Fastener Organizations:

- European Industrial Fastener Institute (EIFI)
- Fastener Institute of Japan (FIJ)
- Brazilian Fastener Institute (SINPA)

Other Metalworking Organizations:

- Precision Metalforming Association (PMA) – stamping & pressing
- Precision Machined Parts Association (PMPA) – screw machine
- Spring Manufacturers Institute (SMI) – spring making

- Taiwan Industrial Fasteners Institute (TIFI)
- Chinese Fastener Association
- National Fastener Distributors Association (NFDA)
- Pac-West Distributors Association
- Midwest Fastener Distributors Association
- Fastener Industry Coalition
- Forging Industry Association (FIA) – forging
- Tooling & Manufacturing Association (TMA) – tools & molds
- American Bearing Manufacturing Association (ABMA) – bearings
- American Gear Manufacturing Association (AGMA) – gears
- American Iron & Steel Institute (AISI) – steel mills
- Metal Treating Institute (MTI) – heat treat, platings & coatings
- National Tooling & Manufacturing Association (NTMA) – CNC
- National Association of Manufacturers (NAM)

Other key Institute activities include developing and/or acquiring and disseminating industry information. These surveys and studies are also able to be done on a shared cost basis. Included are:

- Benchmarking Surveys
- Washington newsletters from a variety of Association sources (NAM, AIA, etc.)
- Periodic e-mails, broadcast faxes and website updates on critical issues impacting the industry
- Regular economic updates

Finally, at our Annual Spring, Fall, and periodic Divisional meetings, critical issues speakers and presentations were hosted on a shared cost basis. In 2013 these included:

- Dr. Robert Genetski on the Economy and a Forecast
- Laurin and Jennifer Baker's IFI Government Affairs Briefings
- Laurie Harbour on Harbour Results Business Audits
- Lou Longo of Plante Moran on International Business Operations
- MAPI Chief Economist, Dan Meckstroth, with an Economic Forecast
- Rick Maldonado on Dealing with Obamacare
- Gene Marks of Business Strategy Under an Obama Administration
- Matt Delawder, SWD INC. and Todd Lindberg J & M PLATING, INC. on the Latest in Metal Coating & Plating
- Anders Karlsson, EIFI Chairman, on Fastener Activities in Europe

Dealing with common problems and developing common opportunities, along with networking, are what drives most memberships in trade associations. Your participation in the IFI is always appreciated and gives you a voice in deciding what those issues will be and how they will be dealt with. Perhaps most important, it provides you a seat at the table in helping shape the future your business will exist in.

ENGINEERING TECHNOLOGY ACTIVITIES IN 2013

IFI Engineering Technology Staff Roles:

The IFI Engineering Technology continued to play roles in several activities during 2013. The activities included:

- Intense involvement in national and international standards work
- Technical information dissemination
- Technical publishing
- Technical training

Fastener Standards Activities:

The IFI Engineering Technology staff participated in the fastener standard activities of the following organizations:

- American Society of Mechanical Engineers (ASME) – two meetings
  - B18 Fastener Standard Committee
  - B1 Screw Thread Standard Committee
- American Society for Testing and Materials (ASTM) – two meetings
  - F16 Fastener Committee
  - A01 Committee of Steels, Stainless Steels and Related Alloys
  - B08 Committee on Metallic and Organic Coatings
- SAE International – two meetings
  - SAE Fastener Committee
  - SAE Ship Systems Fastener Committee
- Research Council for Structural Connections (RCSC) – one meeting
- International Standards Organization (ISO) – five international meetings
  - TC2 Fasteners Committee
  - TC44 Welding and Allied Processes Committee
- IFI Fastener Standard Working Groups

The IFI Engineering Technology staff participates actively in all of these committees to promote and protect the interests of the IFI members. In addition to the number of meetings listed above that require physical appearances, dozens of web conferences were held throughout the year, plus hundreds of hours working on these standards activities between meetings and web conferences.

Few standards organization participants thoroughly understand fastener manufacturing, inspection, and testing details. This sometimes results in proposals that unintentionally increase production difficulties and drive up costs. Participation in these various committees by the IFI staff strives to educate the other participants on fastener technology and prevents potentially harmful revisions from being adopted.

At least half to two-thirds of the IFI Engineering Technology staff time and resources are devoted to fastener standard activities.

Noteworthy fastener standards developments and activities in 2013:

- Dozens of fastener standards were revised and published during 2013. As they were published, they were listed in the *IFI Monthly Technical Update Letter* to members. Similar announcements were shared with the fastener industry through articles in various trade publications throughout the year.

- The ASTM B08 committee adopted a revision to the scope of ASTM B633 that was sought by the F16 Fastener Committee to direct fastener users to ASTM F1941 instead of using B633. New ASTM B633 Scope:
    - 1.5 B633 may be used for fasteners but specific specifications have been developed for manufacturing fasteners in Committee F16 which may be more applicable (See Specification F1941/F1941M).

- ASTM F1941/F1941M and ISO 4042 are continuing development of their next revisions. These are comparable electroplating standards. These are incorporating the use of top coats, sealers, and friction modifiers and a new numbering system to identify all finish variations. A lot of work is also going into more clearly defining how to avoid hydrogen embrittlement. These standards will probably be balloted in late 2014 or early 2015.

- The U.S. ISO TC2 delegations are the working group leaders in the revision of ISO 3269, Fastener Acceptability Standard, to update it from an AQL quality plan to an C = 0 plan. Work on this document will continue through 2014.

- ASME B18.16.6, Locknut Standard (Inch Series) has been revised to expand beyond one style of nylon insert locknut to cover a wide variety of styles of nylon locknuts plus various types of all-metal locknuts. This has replaced IFI-100/107 which will be withdrawn in early 2014.

- The ASME B18 committee and ASTM F16 committee continued to withdraw US created metric fastener standards so that users can be directed to the use of ISO metric fastener standards to be more compatible with the rest of the world in hopes of facilitating the growth of exports of U.S. manufactured products. The withdrawal of all of the ASME B18.3.1M – 6M metric socket products standards was completed in December of 2013.

IFI Products and Publications:

- IFI *9th Edition Inch Fastener Standards* Book: The IFI staff worked most of 2013 in the development of the IFI 9th Edition of the Inch Fastener Standards Book. This revision will be published in the first quarter of 2014. This will be the first three-year update since moving to desktop publishing technology used to publish the 8th Edition. In the past the cycle averaged about 12 years making each edition extremely outdated by the time a new edition was published. Even with this shortened publication cycle 49 of the 99 standards in the 9th Edition book will have been revised since the publication of the 8th Edition. The plan is to publish a new edition approximately every three years in the future to help the fastener industry stay more current on their important standards.

  The *9th Edition* will again be available in the hardback version and in the *IFI Key* digital version that enables users to put the book on an unlimited number of computers, but allowing use only when the *IFI Key* is inserted into one computer at a time.

- IFI Technology Connection™:

  The *IFI Technology Connection*™ continues to grow slowly. Most new subscribers are opting for the subscription that allows all of their employees and customers to access the Connection through the secure area of their website. The Connection remains the most comprehensive fastener standard resource tool available. It is expected that the number of subscribers will grow well into the future. Data on a specific fastener can be found in seconds and printed out, whereas to gather the same information from the standards books takes many minutes to over an hour depending on how much data the user seeks.

- Technical Book and App Publishing:
  - *Mechanical Fastening and Joining* by Bengt Blendulf was published in the first quarter of 2013. The content is a compilation of articles written by Mr. Blendulf over thirty years. This is a very comprehensive book on mechanical joint technology that is a tremendous tool for the suppliers and end users of mechanical fasteners.
  - *TORQUE Book for Fasteners* was published in mid-2013. This is the most comprehensive document on how to calculate tightening torque values using the T = DKP formula plus much more related information concerning fastener tightening. This book not only explains the concepts and formula behind fastener tightening, it also includes all of the computational data needed to do tightening calculations.
  - TORQUE App for Smartphones was approved by the IFI Board at the Spring Membership Meeting. The development was concluded at the end of 2013 and this new smartphone application will be introduced for both iPhones and Android phones in the first quarter of 2014. This app is based on the data in the *TORQUE Book for Fasteners*. It is targeted at fastener suppliers at all levels and end users.

- Trade Journal Publications and IFI Updates
  - The IFI technical staff had a total of twelve fastener technology articles published in *Fastener Technology Magazine* and *DISTRIBUTOR's LINK* in 2013. These articles are intended to keep the entire fastener industry informed on the status of fastener standards work and on developments and concerns relevant to the fastener industry.
  - Early in each month an *IFI Technical Monthly Update* is distributed to all members. The content consists of a listing of various fastener standards developments and publications from the previous month, plus announcements about future training opportunities and newly available technical information thought to be of value to member companies.

    Additionally, the monthly tally report of the number of "hits" registered for each IFI member through the "*IFI Find a Supplier*" program from the previous month is included. This is a supplier identification database application that is accessible to anyone through the IFI web site. In 2013 there were a total of 32,762 hits for IFI members from potential buyers seeking domestic producers of mechanical fasteners.

Educational Programs:

- *Fastener Training Institute*: An important role of the technical staff of the IFI is to participate in the development and presentation of fastener related technical training. Several years ago the IFI entered into a collaboration agreement with the Fastener Training Institute for the development and presentation of various technical training courses related to mechanical fasteners. The IFI staff participated in presenting the following classes in 2013:

    - *Fastener Training Week* – January in Los Angeles, California and November in Independence, Ohio
    - *Automotive Fastener Training* – April in Dearborn, Michigan
    - *Aerospace Fastener Training* – October in Los Angeles, California. This was the first program addressing specific subject matter relevant to aerospace fastener suppliers.

  Cooperative efforts will continue with the Fastener Training Institute in 2014. Specific program dates and locations are available on their web site at: www.fastenertraininginstitute.com

- NEW! IFI Member Only Training Programs

  The IFI Board approved the development of a series of one-day training programs to be given in various convenient locations exclusively offered to IFI members on a "No Charge" basis starting in 2014.

  The first program entitled, *Wire Manufacturing and Processing – From the Mill to the Header,* will be presented in Chicago in February 2014. The session was completely booked within two weeks of announcing its availability. If this program is well received and the feedback is positive, the same or similar programs will be given in Detroit and Los Angeles later in 2014. If these programs are well accepted, an entire series of programs using the same format will be developed and presented at the various locations on a rotating basis throughout future years.

OUR DIVISIONS

DIVISION I: INDUSTRIAL PRODUCTS

Division I are those manufacturers who supply fasteners and formed parts to the makers of industrial products, the construction industry and to distribution. Most of our fastener standards are developed for this segment of the industry. The Division meets twice yearly and often hosts speakers on topics of timely interest to the whole membership. Many of our technical special projects are triggered by the needs of this segment. This Division provides support to our technical engineering activities, to the Research Council on Structural Connections and to the Bolting Technology Council. Our activities with ASTM, ASME and ISO are largely driven by Division I. This Division has as Division Manager, Bob Hill. The Division was chaired by Brad Tinney, BIRMINGHAM FASTENER, INC. with Jeff Liter, ELGIN FASTENER GROUP, LLC as Vice Chairman.

DIVISION II: AEROSPACE PRODUCTS

Division II manufacturers supply very specialized products to the aerospace industry and the Department of Defense. Their products are frequently made from the more exotic materials and often have complex geometry in their design. Their supply to the government means they must comply with defense procurement agency constraints. This Division has an Affiliate Member category which are those key distributors in the supply chain providing product to the major aerospace airframe, engine and flight component OEMs. The Division tends to be quite active in government affairs due to the many regulations governing the sale and use of the products their fasteners go into. This Division has been the fastest growing in the IFI, and has as Division Manager, Pat Meade. The Division successfully, with a community college program, trains machinery operators for the industry and currently 60 graduates are hired into industry. The Division was chaired by Donnie Autry, MACLEAN-ESNA. The Technical Chairman was Owe Carlsson, ALCOA FASTENING SYSTEMS and the incoming Division Chairman is Mike Lawler, PENN ENGINEERING.

DIVISION III: AUTOMOTIVE INDUSTRY FASTENER GROUP (AIFG)

Division III represents those manufacturers supplying product to the automotive OEMs and the Tiers that supply the OEMs. It meets bimonthly, usually in the Detroit area to facilitate participation. Because of the nature of the automotive industry – frequently confrontational and always price and volume driven – the Division never lacks for projects to undertake, new business and legal issues to learn and best practices lessons from which all can benefit. The Division coordinates activities with USCAR, AIAG and OESA. This Division has as Division Manager, John O’Brien. The Division hosts the annual “John D. Fischer” Memorial

Golf Tournament in which Division members, the Institute's current and past officers and Associate Division members participate. The 2013 winning team for the golf tournament was Micha Fulgham, Tom Cerreto and Rob Monahan. The group was chaired by Ray Gurnick, SEAWAY BOLT & SPECIALS CORP.

ASSOCIATE SUPPLIERS' DIVISION

The Associate Division members are the key suppliers of the raw material, machinery, equipment and services used in the production of fasteners/formed parts. They provide the Institute expertise in their particular area and brief Members on new technology, operational practices, business developments and trade issues impacting their ability to supply the fastener manufacturing market. Without the associate suppliers, there would be no industry. Twice a year they provide very focused briefings on one of their particular areas of expertise, a unique value to the Members. This group was chaired by Alan Hariton, HARITON MACHINERY COMPANY, INC. and Matt Delawder, SWD INC.

Industrial Fasteners Institute

2010 - 2015
Strategic Plan

Approved: December 7, 2009 and September 18, 2011
to be Reviewed by the Board: March 2, 2014

GOAL 1: Maintain Financial Stability of the Institute

Objectives	*Strategies*	*Responsibility*	*Evidence/Timeline*	*Status*
A. Maintain a minimum of two (2) year of budgeted operational expenses in the IFI Reserves	1. Prepare and report to the Board the level of IFI Reserves as managed by CCAM, Capital Asset Management, LLC	· Managing Director	· Quarterly report to the Board · Give early notice to the Board of any unplanned possible requirement to draw on Reserves	· Being done · None required. Training investments being paid for out of Operations & Current Projects. Reserves currently $1,717,204 at market value.
	2. Review performance of IFI Reserves	· Treasurer · Managing Dir.	· Quarterly and at the annual Finance Committee Meeting	· Done with Carnegie on 8/21/13
	3. Schedule CCM to present to the Board at the annual Finance Committee Mtg.	· Managing Director	· At the last Fall Meeting of the Board and at the 2012 Finance Committee Meeting	· CCM attend Finance Committee Meeting in Cleveland – 8/21/13
	4. Establish annual ROI objectives and investment guidelines for CCM	· Board of Directors	· Done: < 30% Equities, 70% Fixed; with 10% Liquid	· Basis market volatility and fixed return opportunities currently 1.2% Cash; 81.0% Fixed and 17.8% Equities
B. Develop annual budgets that balance with revenue	1. Forecast projected revenue & expenses	· Managing Director	· In preparation for the annual Finance Committee Meeting	· Done for 2014
	2. Establish a 12 month budget that balances with expected revenues	· Finance Committee	· For approval by the Board and IFI Membership at the Fall Meeting	· Done for 2014

Objectives	Strategies	Responsibility	Evidence/Timeline	Status
	3. Reforecast revenue and expenses quarterly and explain variances	· Managing Director	· Quarterly	· Year End projections done quarterly
C. Manage Operating Budget Expenses as budgeted	1. Maintain operating expenses in line with the annual budget	· Managing Director	· Monthly budget reviews	· Tracking with results as budgeted
	2. Identify areas to reduce expenses	· Managing Director	· At quarterly reviews with the Treasurer and in year end projections for the Board	· Nothing recommended at this time
	3. Identify revenue shortfall and report to Executive Committee in a timely manner		· At quarterly reviews and in year end projections for the Board	· Noted 8th *Edition* sales leveling out much faster than projected – 9th *Edition* delay until end 1/Q 2014.
D. Manage Annual & Fall Meeting Expenses in line with direction of the Board	1. Plan meeting and budget in line with direction set by the Board based on the "breakeven principal"	· Managing Director and Chairman with Meeting Planner · Managing Director and Meeting Planner	· Pre-Annual and Fall Meeting projection to the Executive Committee · Post meeting report out to the Board	· Meeting Budgets prepared – 2014 Annual & Fall Meetings. Budgeting $13K subsidy for speaker upgrades & content maintenance.
E. Look at options to maintain revenues from non-dues sources at "20%" each year.	1. Track non-dues revenue from current sources. i.e. P & I	· Managing Director	· Quarterly reviews with updated year-end projections	· In P & I Report and on Financials
	2. Analyze and report out other new non-revenue options as they become known	· Technical Director	· By submission of Non-Dues Revenues Program Approval Request form	· Being presented at Board Meeting, including any new proposed projects
	3. Approve new non-dues projects	· P & I Committee	· Recommend approval and funding to the Board and Membership via Project Approval Process and Annual Budgets when submitted	· Pending P & I review and Board recommendations · New engineering applications guide approved
	4. Benchmark like organizations for new ideas	· Managing Director	· Measure ideas brought forth and performance to maintain non-dues revenue at "20%" or more annually for review at Annual Meeting	· Budgeted for 2014 over 20% with 9th *Edition* sales

GOAL 2: Have a Clear Value Proposition and Communicate Effectively

Objectives	***Strategies***	***Responsibility***	***Evidence/Timeline***	***Status***
A. Develop and implement communication tools to inform the members and the industry on relevant matters	1. Identify methods to communicate effectively with all members	· Managing Director · Technical Director · P & I Committee Establish a process to start with an agenda item at the Annual Mtg.	· Define initial deliverables to accomplish objective - IFI Annual Report and a summary abstract - Other (to be defined) – "State of the Industry" periodically, quarterly? Semi-annual? · Define schedules for other deliverables · Nuts and Bolts Quarterly news release · Monthly Technical Update along with Hit List update	· Being done · New projects defined & 6 editions delivered · Done Monthly
B. Provide annual reviews and bi-annual updates of the Strategic Plan	1. Review Plan for accuracy and alignment with goals 2. Make adjustments when necessary	· Strategic Plan Committee	· Acceptance of proposed changes at the Annual Meeting by the Board	· Provided for review with these comments
C. Review the value proposition to be clear to all current and prospective members	1. Provide a one-page summary of what the IFI is, does, and stands for, for current and prospective members (see Goal 2A)	· Managing Director	· For approval by the Board at the 2010 Annual Meeting and delivered to the Membership and prospective new members thereafter	· Revisit & upgrade
D. As the technical voice of the industry, implement tools to maintain the IFI as the leading fastener association in the eyes of the fastener community	1. Have representation in all key industry related organizations	· Technical Director	· Attend, and when possible, lead technical organizations of concern: ASME, ASTM, ISO, SAE, SCBT	· Being done with ASME, ASTM, ISO, SAE, & SCBT-ISO TC2 hosted at IFI HQ
		· Division Managers	· Gain access to key customer and supplier groups representing industries of concern to us	· In process. Particularly strong in the automotive and aerospace business areas
	2. Identify key industry markets: i.e. aerospace & automotive, and have IFI attendance and representation at those industries' gatherings	· Managing Director	· Attend key industry organizations' meetings and committees: MMC, NAM/CMA, OESA, USCAR. In 2010 create a list of key customer groups and/or associations that can improve IFI visibility for Divisions?	· List prepared – J. O'Brien attending OESA, P. Meade GIFWG/NASC, R. Harris NAM & selected Member USCAR

Objectives	Strategies	Responsibility	Evidence/Timeline	Status
E. Promote involvement of the highest level management personnel from member companies at IFI meetings and activities from Division II executives	1. Develop program for outreach for Division Managers (Pat M., John O., Bob H.) to contact Senior Officer level personnel to try to reach top executives in each Division.	· Board	· Board members to selectively send personal invitations to the Annual and Fall Meetings to Senior Officers with whom they have a personal/business relationship.	· Personal correspondence from the Chairperson being used for all meetings
		· IFI Chairman (previous and current), Division Chairmen, and Division Managers	· Send periodic letter to top executives of member companies to encourage their involvement in IFI meetings and activities. · Add “Executive Summary” to Annual Report to make more readable – bullets of annual accomplishments and consider sharing quarterly newsletter with executives.	· All Principal Delegates encouraged in Annual/Fall Meeting attendance · An Executive Summary has been included in the Annual Report

GOAL 3: Maintain Position as the Industry's Top Technical Resource and Facilitator

Objectives	*Strategies*	*Responsibility*	*Evidence/Timeline*	*Status*
A. Staff IFI appropriately to support a strong technical presence	1. Maintain a Technical Director as a key employee of the Institute 2. Review job description to maintain role in line with the IFI mission	· Managing Director	· Technical Director on staff at all times and jointly ID potential protégés · Written job description review annually · J. Greenslade protégé for succession planning	· Done · Distributed & reviewed · Laurence Claus contracted with for 2013-14 on a project basis for Technical Director evaluation
	3. Promote a web-based technical database (ITC)	· Technical Director	· IFI Technology Connection	· Completed and earning revenue
B. Maintain participation in key industry standards and technical committees	1. Identify and participate in national and international committees and organizations that promote fastener standards, manufacturing, and technology	· Technical Director	· Annual report of committees' work to the Board at the Annual and Fall Meetings · List of IFI staff and company participants on various standards organizations. (web site, annual report, membership directory?)	· In Board Notebooks and IFI Annual Report · Provided
C. Expand training options for fastening, fastener manufacturing, and other processes associated with same, i.e., heat treat, plating & coating, etc.	1. Recognizing the need to promote fastener manufacturing excellence, methods, new developments, and applications, create training resources through alignment with relevant organizations to advance such education such as the Fastener Training Institute and El Camino College	· Technical Director and Division Managers	· Report to Board at Annual and Fall Meetings IFI's participation in educational groups of interest—target would be one group per Division over the five-year period	· IFI/FTI four week long fastener training classes in 2014 · IFI/FTI auto fastener training in Detroit in 2014 and aerospace in LA
		· Technical Director	· To solicit interest in IFI as a participant in the educational arena, submit not less than three articles for publication in technical magazines annually	· In process
	2. Evaluate developing an annual IFI Scholarship program with a key educational institution or organization	· Managing Director and Technical Director	· Introduce concept for discussion at the 2010 Annual Meeting	· New (Members only) no cost training seminars starting 2014 · Discussion this meeting re implementing an IFI funded IFI/FTI training grants program for Members – making it a smarter industry – 20 grants in 2013 ($20K) and 25 grants in 2014 ($25K)

Objectives	Strategies	Responsibility	Evidence/Timeline	Status
D. Expand the use of former industry executives to represent and promote IFI to members, prospective members, and their customers	1. Pattern this development on Division II success with Pat Meade and new Division III initiative with John O'Brien	· Managing Director	· Survey industry segments / groups of segments for a potential nucleus for an Industrial Products Division Manager	· All positions now filled
E. IFI develop and provide Fastener Industry materials to promote industry recruitment in the future.	1. Develop materials to explain the opportunities for young people in the fastener industry. 2. Investigate providing opportunities for pursuing veteran recruitment and training. 3. Provide PR for fastener industry to dispel manufacturing image as blacksmiths. (YouTube? MacLean info as starting place). 4. Educate members as to what recruitment opportunities within each community and/or nationally. 5. Create IFI Committee to pursue all aspects of future employee recruitment.	· Working Group formed, led by Jennifer Friel	· Provide report regarding objectives and resources required to pursue. · Production Company hired	· U-Tube Project successfully completed in 2012 and provided to the Membership. Project completed on schedule and under budget. · Members training seminars being initiated 2014 – "Fastener Materials Mill to Header"

GOAL 4: Promote the Best Interest of North American-Based Fastener Manufacturing

Objectives	*Strategies*	*Responsibility*	*Evidence/Timeline*	*Status*
A. Provide awareness of, and interaction with, global fastener associations, companies, and user industries	· Engage with fastener associations nationally and globally in order to promote awareness of IFI and educate our members of global activities.	· Managing Director	· Invite attendance at selected IFI meetings and reciprocate by attending theirs – CFA, EIFI, JIFI, SINPA, MWFA, NFDA, PWFA, etc.	· EIFI Chair attended 2013 Annual Meeting · Discuss at Board of IFI sponsoring IFI Chairs trip to EIFI Annual Meeting
B. Explore export opportunities and the development of those opportunities for domestic manufac-turers	· Explore U.S. Dept. of Commerce export assistance programs	· Managing Director · Division Managers	· Identify Export Assistance Programs presentations and training	· Export assistance programs identified to Members
C. Organize foreign trips for member education	· Consider trip to Brazil, Jennifer Friel investigating with Nilo	· Managing Director	· Discussed at 2013 spring meeting.	· SINPA resistant to the trip
D. Explore educating importers about domestic capabilities	· Promote buying domestically at regional fastener association meetings	· Director of Engineering	· Contact regional distributor associations regarding the availability of the program for future meetings and/or newsletters, etc.	· J. Greenslade has given programs at distributor meetings

GOAL 5: Identify Growth Opportunities for the Institute Membership

Objectives	*Strategies*	*Responsibility*	*Evidence/Timeline*	*Status*
A. Expand the membership by specific targets annually.	1. Expand the potential new member list and develop an “active” marketing campaign to attract new members.	· Managing Director	· Monthly tracking of new membership development status - MSDR · Quarterly report to Board on new membership development activities	· MSDR implemented · Reporting Annual Mtg. – · In 2013 two new members added.
		· Division Chairmen	· Division Managers to have potential new members attend next scheduled meetings	· Targeted potential new members being addressed all Divisions
		· Managing Director	· Review at every Board Meeting as a priority	· To be reviewed Annual Board Meeting
B. Member retention program	1. Engage with all current members and encourage an active participation in IFI activities. Periodically Survey member satisfaction? Each meeting survey speakers and content satisfaction? Investigate online surveys? Contact those who did not attend to find out why they do not attend by Division Managers (e-mail? phone? face-to-face? letter?)	· Managing Director	· Division Managers to invite potential new members attend scheduled meetings	
		· Division Chairmen	· Reference Goal 2E	· Potential new Associate attending Annual Meeting

Objectives	Strategies	Responsibility	Evidence/Timeline	Status
C. Revisit in the future Strategic Planning Reviews Evaluate adding new fastener Divisions, i.e., construction, plastic fasteners, special applications	1. Review key markets in which to expand the IFI influence	· Managing Director	· Develop “new membership” options and alternatives list for Board discussion · Survey Membership for new “end use” market segments they believe might be sustainable as focus for discrete meeting(s) and present at 2010 Spring Board Meeting	· Pending · Done – suggestions all followed up
	2. Meet with key manufactures in these potential new markets to gauge interest in joining IFI and what IFI can bring to the table	· Managing and Technical Directors	· Provide Board preliminary list of proposed meetings and factors supporting their inclusion on list for same	· Have discussed with construction fastener companies – ITW facilitated
	3. Evaluate horizontal expansion of existing Divisions, i.e., DoD Land & Sea vs. just Aerospace. (Invite DoD to speak at meeting to explain their needs in the future.)	· Division Managers	· Discuss at Division Meetings when this goal is accepted by Board for action · Investigation was undertaken to explore the possibility of medical screw division and it was determined this is not viable.	On-going work but determined medical devices would not work – captive market.

GOAL 6: Have an Effective Government Affairs (GA) Program and Washington Presence

Objectives	*Strategies*	*Responsibility*	*Evidence/Timeline*	*Status*
A. Define the proposed focus, intent, and level of GA representation the Institute is recommended to support Have Baker Group participate in some Division meetings (non-membership meetings) via web conference	· Review current Institute level GA issues – legislative & regulatory – and define the industry's specific interest in each	· Managing Director	· Reviewed at the 2010 Annual and Fall Meetings and Budget adjustments made	· GA role expanded IFI Wash., DC fly in scheduled for October 9-10, 2013, Bakers' coordinating
		· Laurin Baker Group	· Review in the 2010 Membership Meeting GA presentation focusing on pending key issues that impact the industry	· Scheduled for 2013 Annual Meeting
	· Each Division should identify Division specific GA issues – legislative & regulatory – it has an interest in and is willing to independently fund	· Division Managers	· Review at the next scheduled Division meetings and list any Division targets for action	· Done at Division II & III
B. Create an effective line item budget for government affairs	· Review anticipated expense and value expected from this program · Separate lobbying from other GA activities and maintain ≤ 10% of Member dues budgeted	· Managing Director	· To be approved annually at the IFI Finance Committee and Board Fall Meetings	· In 2013 & 2014 Budget
C. Review effectiveness of current represen-tation	· Gauge the member's satisfaction with the level and scope of representation?	· Managing Director	· Survey Membership prior to the Fall Finance Committee and Membership Meetings to guide the GA budget	· Done
	· Communicate regularly with Membership	· Laurin Baker Group	· Quarterly article from Jennifer Reid in the "What's Happening at IFI" columns in FTI and LINK	· Being done

Calendar of Meetings and Events

2014

JAN 20 – 24	FTI – Fastener Training Week	Los Angeles, CA
MAR 1 – 4	IFI ANNUAL MEETING	The Ritz-Carlton – Ft. Lauderdale, FL
MAR 4 – 6	FTI – Aerospace Fasteners for Business	Los Angeles, CA
MAR 19	Division II Meeting	Santa Ana, CA
APR 23 – 24	FTI – Automotive Fastener Training	Troy, MI
APR 28 – MAY 2	FTI – Fastener Training Week	Spokane, WA
MAY 4 – 7	ASTM F16 Spring Meeting	Toronto, Canada
MAY 8	ASME B18 Spring Meeting	Toronto, Canada
MAY 15	Division III Meeting	Birmingham, MI
MAY 21 – 22	FTI – Hydrogen Embrittlement	Rosemont, IL
JUN 4 – 6	RCSC Annual Meeting	Loveland, CO
JUN 24 – 26	FTI – Aerospace Technical Training	Los Angeles, CA
JULY 22	Division III Meeting and “JDF” Golf Outing	Western Golf and Country Club Redford, MI
JUL 28 – AUG 1	FTI – Fastener Training Week	IFI HQ – Independence, OH
AUG 13 – 14	FTI – Hydrogen Embrittlement	Los Angeles, CA
SEPT 9 – 10	ASME B18, SAE Fastener Committees Fall Meetings	IFI HQ – Independence, OH
SEPT 20 – 23	IFI FALL MEETING	Hotel Viking Resort – Newport, RI
OCT 13 – 17	ISO TC2 Meeting	Milan, Italy
OCT 29	Division II Meeting	Santa Ana, CA
NOV 9 – 12	ASTM F16 Fall Meeting	New Orleans, LA
NOV 17 – 21	FTI – Fastener Training Week	IFI HQ – Independence, OH

2015

MAR 21 – 24	IFI ANNUAL MEETING	Ojai Valley Inn & Spa Ojai, CA
SEPT 19 – 22	IFI FALL MEETING	Inn at Harbour Town Hilton Head, SC