



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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August — 2004

Casteel Commentary Highlights:

While your company may only do a limited amount of research to improve casting technology, much of the engineering and process development to make new casting designs is research and development. A proper accounting of these costs may allow you to claim the R&D tax credit. The Casteel Commentary highlights this possibility. In addition, we are scheduling a speaker at the SFSA Annual Meeting to discuss this issue.

SFSA Annual Meeting



Changing Opportunities

SFSA Members:
Please note that the cutoff date for the SFSA Annual Meeting room block at the Ritz-Carlton Resort on Amelia Island is August 12. If you haven't made your reservations, please do so as soon as possible.

This year's Annual Meeting sessions will be of great interest to SFSA members. We will have Marty Regalia from the U.S. Chamber of Commerce at the SFSA Annual Meeting discussing the state of the economy.

The SFSA Marketing Committee will be presenting their forecast for demand in 2005. John Neville from the U.S. Small Business Administration will discuss

export financing, Eric Bates from Professional Tax Contracting Services will talk about how you can apply R&D tax credits to your business, and Raymond Monroe will give a review of steel casting industry capacity.

The Annual meeting is also an ideal place to catch up with others in the industry and discuss current business conditions.

Information about the meeting, along with registration and hotel forms, is available online here:

<http://www.sfsa.org/sfsa/annmtg/2004>

International Trade

AFS has initiated a trade activity led by Chuck Kurtti. As a result of their efforts, the International Trade Commission is conducting a 331 study to assess the impact of trade on the industry. Many of you will have received a questionnaire as a part of this study. I would recommend that you fill this out as completely as possible. Anyone that wishes can complete the form and if you have lost or misplaced the form it is available as a PDF file here:

<http://www.sfsa.org/sfsa/news/2004/ITC.pdf>

One response to trade pressures is to develop exports to serve niche markets where the North American reputation for integrity, technology, and dependability is a compelling value. Where failures are unacceptable, or lives are at risk, the cost of procuring a North American product can be insignificant. To promote exports, the U.S. has a number of financing programs to make

the resources available for success. We have added a speaker to the SFSA Annual Meeting to present the opportunities for financing available.

MACT

Just a reminder from Gary Mosher at AFS that August 20, 2004 is the deadline to file an Iron and Steel Foundry MACT Initial Notification Report form with your air permitting authority. All Iron and Steel Foundries that may be a major source of HAPS and thus covered by the MACT standards must file this form. The form should also be sent to the Regional EPA office that covers the location of the reporting foundry. Non-major (area) sources also may want to consider filing this form. The form does contain a check box indicating that the location is an area source.

Since some states have developed their own version of the form. Contact your state permitting agency to obtain a copy of the Initial Notification Form that they would like have submitted. The EPA has also developed a generic version of the form. To obtain a copy of the generic form as a PDF file, click on the link given below then click on the phrase "Initial Notification Report Form".

<http://www.afsinc.org/mact>

SFSA has initiated a suit and is working with AFS on the negotiation of the final MACT requirements. SFSA is seeking to delist steel foundries from the requirements. A number of companies have contributed to this effort.

Western Division

The SFSA Western Division is meeting in Portland on August 19 and 20. The meeting includes a tour of Varicast. All members are encouraged to attend further details of the meeting are on the SFSA website. There is no charge for the meeting.

Market News

Business continues to improve. On the whole in May, orders grew and outpaced shipments showing a growing demand in a strong market. Orders for capital goods increased again signaling continued strong demand for the next few months.

Commerce reported increased orders for iron and steel castings in the three-month average. The three-month average tends to give a clearer picture of market developments because of the volatility of reporting, and activity. Bookings and shipments continue to be strong from the SFSA Trend Cards.

Casteel Commentary

Steel Founders' has a unique role in the steel casting industry organizing research and development needed for the success of the industry. As business leaders or technical experts, we direct the research activities at the strategic issues that face the industry. Since the industry is made up of small and medium size companies, significant research is hard to support for each member and collaborative programs help meet the need for technical progress. Often, we agonize over the need for more useful or faster results.

While member companies may not conduct significant programs or traditional scientific research, each member routinely invests in research and development activities in the engineering and processing of new casting designs. It is not customary for our industry to view the development of new castings as research and development but this is precisely what many other industries do. When Intel develops a new chip, they are doing R&D. When Baxter develops a new drug for sale, this is R&D. As one member put it to me, when you are developing a new casting with rigging and processing, the scrap is research and the first successful casting is development.

To encourage innovation in industry, the U.S. tax code includes a research and development tax credit. It appears that much of the process development and product development that we do as an industry may be eligible for this credit. If the foundry spends its own money at risk on the engineering and process development and owns that information, then they are likely eligible for the tax credit. We may be able to claim a tax credit for heat treating trials, test casting production, solidification simulations, engineering and pattern modifications under this provision.

We are scheduling an expert on this tax credit provision to speak at the SFSA Annual Meeting in September. As business has improved, we must drive forward to improve our financial condition. Exploiting the provisions of the tax code designed to benefit domestic manufacturing can only help. You should plan to attend the Annual Meeting. Whether or not you come, you should investigate the opportunity to use the R&D tax credit to benefit your company.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

August

19/20

Western Division Meeting, Portland, OR

24/25

Marketing Committee Meeting, Chicago, IL

September

11/15

Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November

3/6

National T&O Conference - Hotel Inter-Continental, Chicago, IL

9

Specifications Committee, Washington, DC

**STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT**

SFSA Trend Cards 3 Mo Avg May Apr
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	17.3	19.0	13.9
Bookings	62.8	108.0	39.0

High Alloy

Shipments	47.0	19.5	15.6
Bookings	32.2	0.0	24.7

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,519	1,484	1,511
New Orders	1,565	1,606	1,490
Inventories	1,696	1,734	1,663

Nondefense Capital Goods (billion \$)

Shipments	61.6	61.2	62.0
New Orders	62.8	62.0	62.8
Inventories	105.7	106.1	105.6

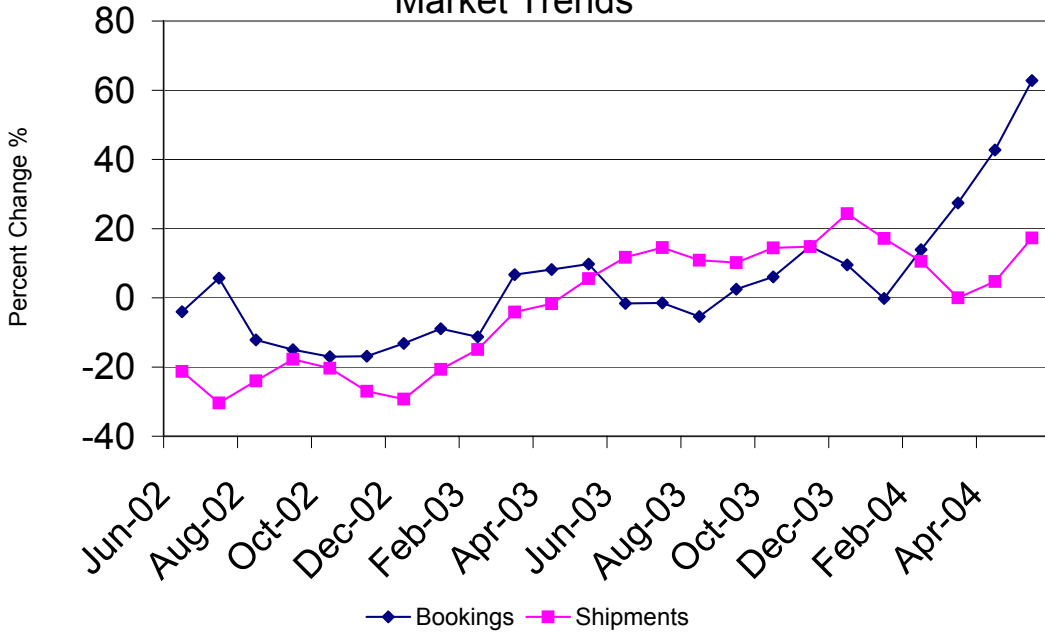
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	59.0	58.5	59.7
New Orders	60.1	59.0	60.1
Inventories	88.7	89.1	88.4
Inventory/Orders	1.47	1.51	1.47
Inventory/Shipments	1.50	1.52	1.48
Orders/Shipments	1.02	1.01	1.01

American Iron and Steel Institute

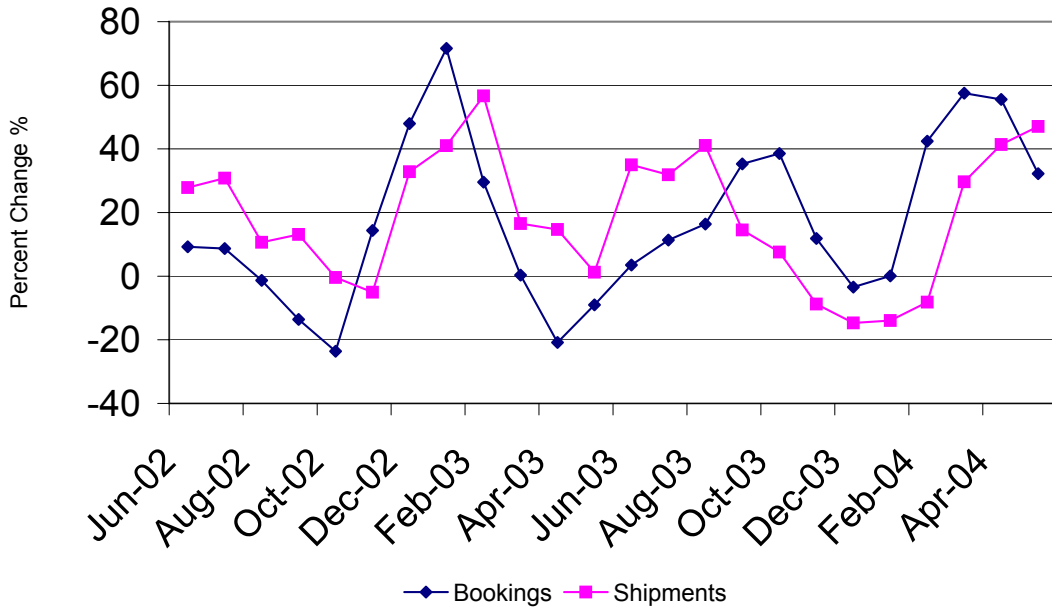
Raw Steel Shipments (million net tons)	9.5	9.2	9.1
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

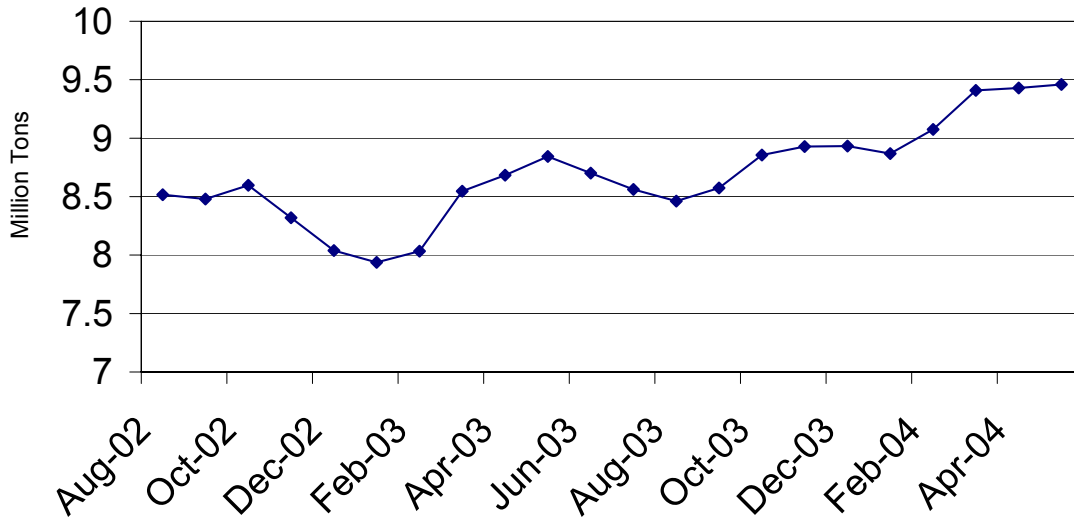
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

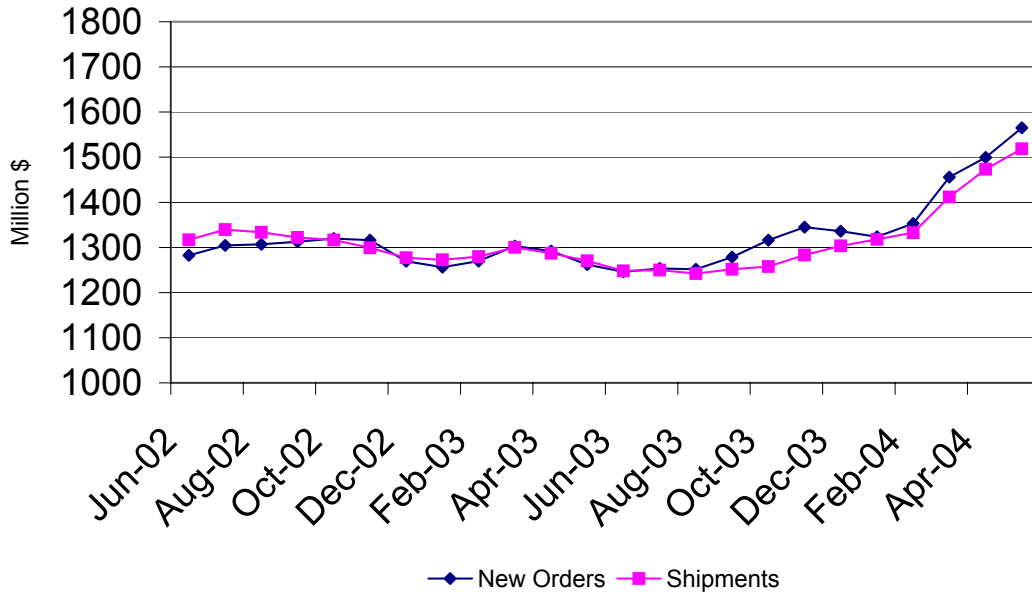
3 month average



AISI Data

Iron and Steel Castings

3 month average

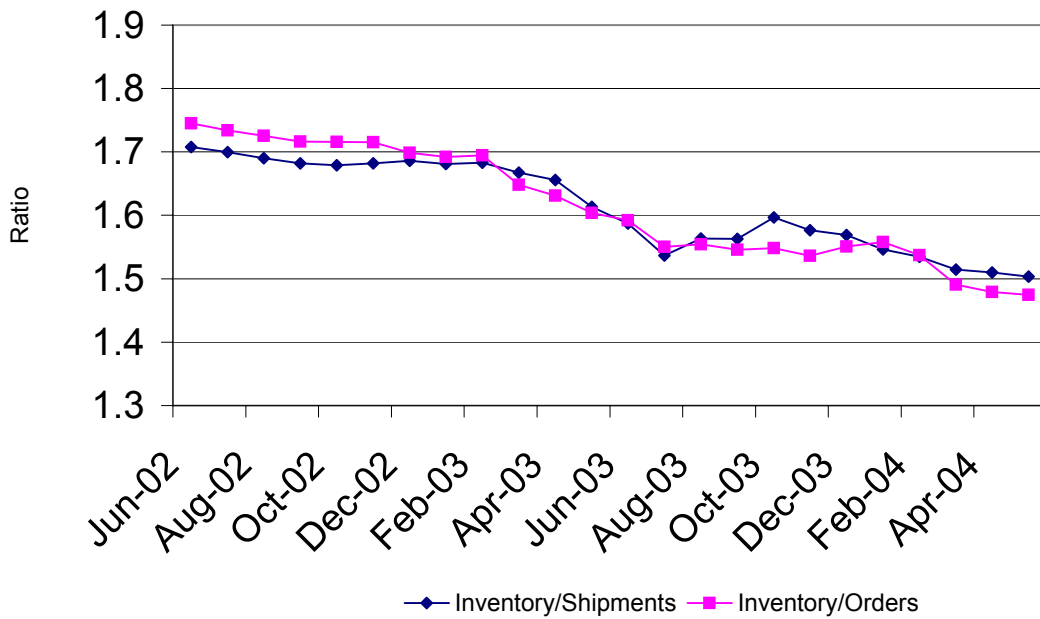


◆ New Orders ■ Shipments

SFSA

Nondefense Capital Goods less Aircraft

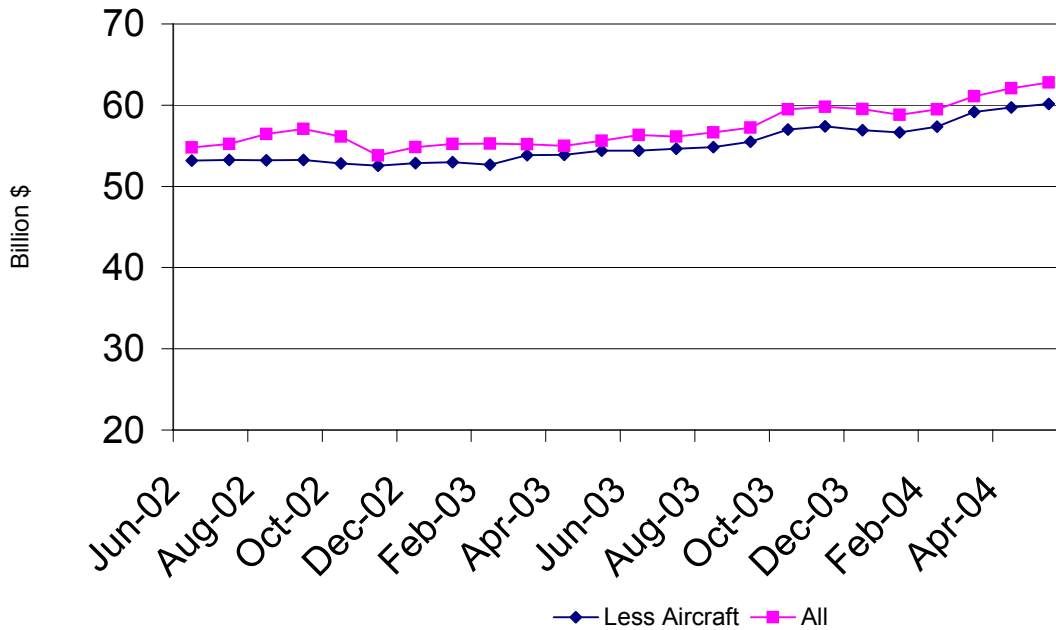
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

102nd SFSA ANNUAL MEETING & ACTIVITIES REGISTRATION
THE RITZ-CARLTON, AMELIA ISLAND, FL

Please register the following individuals for the Annual Meeting Sept. 11-14, 2004:
 (Please copy this form and submit one form per person/couple)

<u>First Name</u>	<u>Nick Name</u>	<u>Last Name</u>	<u>Check if Alumni</u>
_____	_____	_____	<input type="checkbox"/>

Please register the following spouse/guest:

Email Address:	_____
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Company _____

Address _____

Signature: _____

Fees

Meeting registration (1 st & 2 nd delegate from Co.):	\$975	(3 rd & after):	\$850	=	_____
Spouse, Guest, or Alumni	\$475		\$475	=	_____
Golf	\$140		\$140	=	_____
Monday Tour	\$65		\$65	=	_____
			TOTAL		_____

Payment Information

- A check is enclosed
- Charge my Visa, MasterCard or American Express

**PLEASE CHOOSE METHOD OF
 PAYMENT AND SEND WITH
 REGISTRATION**

Credit Card # _____ Exp. Date _____

Please sign me/us up for the following activities:

<u>Monday Golf Tournaments</u> <u>Men (\$140)</u>	<u>Men's</u> <u>Bakewell Golf Tournament</u>	<u>Senior Men's</u> <u>Schumo Golf Tournament</u>
1. _____	_____	_____
<u>Ladies' Golf (\$140)</u>	<u>Ladies' Tullie Taylor Golf</u> <u>Tournament (scramble)</u>	<u>Sunday Open Tennis Play</u>
1. _____	_____	1. _____
		2. _____
<u>Monday Tour (\$65)</u>		
1. _____		
2. _____		

Return this form to SFSA by AUGUST 5, 2004.

Sandra Walker
 SFSA
 780 McArdle Drive Unit G
 Crystal Lake, IL 60014
Fax: (815) 455-8241
 E-mail: sandra@sfsa.org

Hotel Cut-off Date is August 12.

Please make your hotel reservations directly with Ritz-Carlton, using the enclosed hotel registration form or by calling the hotel at (800) 241-3333.
 In all communications regarding the hotel stay, please refer to the ***Steel Founders'*** event.

Please list here any special needs; i.e. special dietary requests, special accommodations, etc.



THE RITZ-CARLTON
AMELIA ISLAND

Steel Founders Society of America

9-10-04 thru 9-14-04

Please complete the following information and return to The Ritz-Carlton, Amelia Island, via fax at (904) 261-9063 or mail to The Ritz-Carlton, 4750 Amelia Island Parkway, Amelia Island, FL 32034. You may also call (904) 277-1100 and ask for Reservations.

Name: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Phone #: _____ Fax #: _____ Number of Guests: _____

Arrival (Day and Time): _____ Departure (Day and Time): _____

(Check-in time after 3:00PM)

(Check-out time prior to 12:00PM)

Due to high demand, reservations are encouraged to be made at your earliest convenience.

Room Reservation Deadline is August 12, 2004

Please indicate preference (X)

King Bed (\$199.00)	<input type="checkbox"/>	Two (2) Double Beds (\$199.00)	<input type="checkbox"/>
Smoking	<input type="checkbox"/>	Non-Smoking	<input type="checkbox"/>

Rollaway beds are available for \$25.00 per night

Special Request: _____

(Room type based on availability)

Method of Payment: American Express _____ Master Card _____ VISA _____

Payment to be sent to Hotel _____ Enclosed _____ (Indicate amount)

Account Number: _____ Expiration Date: _____

Name as it appears on the card: _____

Signature of Card Holder: _____

Deposit and Cancellation Policy: A Deposit equal to two (2) nights room and tax is required in order to confirm your reservation. This deposit is due at the time your reservation is made. Should The Ritz-Carlton, Amelia Island not receive this deposit, the reservation is cancelled. Your deposit is refundable if reservations are cancelled more than seven (7) days prior to arrival. All deposit money is non-refundable if a cancellation is made within seven (7) days of arrival, or if you check-out earlier than your scheduled departure date.

Reservation Cut-Off: Rooms will be held for the attendees of The Steel Founder Society of America at this special rate for the dates of September 10, 2004, until September 14, 2004. Reservations will be received until August 12, 2004, or until the reserved block fills. At that time, reservations will be accepted on a space-available basis at the prevailing rate.

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS REGISTRATION CANCELLATION POLICY 2004

FOR CANCELLATIONS RECEIVED . . .

more than 10 business days prior	by 9/1	No Penalty
8 or 9 business days prior	by 9/3	50% of Fee
7 or less business days prior	by 9/4	100% of Fee



***Changing
Opportunities***

SUBSTITUTE REGISTRATIONS ALWAYS PERMITTED