



ITEMS

NEWSLETTER

November 2003

Best Set™ Closet Rings Now Available in Reducing 4x3 Size



Traditionally available in 2" and 4" heights, the Best Set has become the closet flange preferred by plumbers and contractors. This latest addition rounds out the product line, making the Best Set available for an even wider range of applications.

"We listened to our customers," said Wickham, "many of whom have been requesting this new reducing 4"x3" size for some time."

The new size Best Set will be available for shipping in just a few weeks. An informational brochure is currently under development, and will be available by mail or through our website very soon.

For more information concerning Best Set closet rings, contact your field service representative, or AB&I at 800-GOT-IRON.

The Best Set™ closet ring, long heralded by plumbers in the field as easy and quick to install, is now available in a reducing 4"x3" size.

"We decided to begin production of this reducing Best Set in response to demand for a quality closet ring for apartments," said Gary Wickham, plumbing division manager. The special reducing 4"x3" size has been designed to accommodate the smaller space

requirements of multiple-unit residential applications.

The Best Set closet ring was designed by AB&I engineers in collaboration with working plumbers and contractors.

"Our basic idea," said Wickham, "was to create a closet flange that was easy and fast to install," since speed of installation can dramatically affect the real cost of a closet ring.

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**Perspective**

Half The Lies People Tell Me Aren't Even True... ...or, "How's business?"

It seems like everywhere I go, from sales calls to trade shows, the question on everybody's lips is "How's business?" During the recent ASA/ISH show in Vegas, I'll bet over 50% of conversations were started with that simple question.

Now, I know that this line is often used just as an icebreaker, to get the conversational juices flowing, but being the literal sort of guy I am, I'm always tempted to answer seriously. My first response usually tends to be, "compared to what?"

Typical responses I hear out there are things like, "OK," or "pretty good," or "about even." I've always thought, if we wanted to be truthful, that a better response would add a comparative qualifier; something like, "pretty good these past couple'a weeks compared with the second quarter," or "about flush with last year," or "we're down 30% below projections." If we really want to tell the world, or our colleagues, how business is, we should endeavor to be honest and useful. On the other hand, if we think it's none of their damn business, maybe we should just shrug or change the subject.

We cannot assume that the person we ask, or who asks us, has the same point of reference as ourselves. For example, I ran into a contractor about a month ago and asked the obligatory question, "How's business?" He said, "It's really OK." Well, I found out a couple of weeks later that he filed for Chapter 11. I wondered about his criteria for success - was it that he was still in business? Or maybe he just got an extension on a loan? Better still, maybe somebody sold him at a cheap price

without checking his credit? Who knows, but the point is, his criteria for "OK" was clearly not the same as mine. Most likely, his world was falling apart and he didn't particularly feel like sharing that fact with an arm's length business associate.

If I had been more specific in my question, perhaps I would have gotten a better answer. If I had asked, "How are profits compared with last year?," maybe this contractor and I would have been on the same page. Maybe that would have resulted in more accurate communication. Or not.

This lack of effective communication comes screaming out whenever we try to put together a budget. A big part of this process involves taking the temperature of the market, so we ask our colleagues, "How's business?," or some other equally vague questions. Since the questions are vague, so are the answers, and we end up repeating these responses back into our budget projections.

It's good business to stay in touch with the market, but we would all be better off if we asked more direct questions and got more direct answers. Instead of asking, "What do you see going forward into next year?," we might ask instead, "Where do you see your sales volume in six months, 12 months, and where do you see your profits in those same periods compared to your sales?" The closer we can pin ourselves down to think concretely about the future, the better planners we can all become. Is business going to be more profitable, or more competitive? What steps can we take to accommodate market trends and,

hopefully, beat the averages. Taking a stab at these questions can often reveal how good (or poor) we are at strategic planning.

Not that this necessarily will result in more accurate projections for budgeting purposes. Sometimes the more accurate we try to be, the more ridiculous things get. What if, for instance, we started telling everybody who asked that sales are up 4.674% above last year, and that we're budgeting a 5.149% increase for the next six months. Will that really be more useful? Such exacting statistics may sound more credible because of their specificity, but we all know the reality. Can we project out three places to the right of the decimal and still be credible? Of course not. Still, I wonder how long it would take for somebody to quote our figures back to us if we started projecting a 5.149% increase next year. Sometimes saying it often enough can help make it true, but I doubt it in this case.

If the consensus, however, is that things are measurably better than last year, and that most of us are calling for a single digit increase for next year, that could fuel the optimism we all need to stay ahead of the curve.

Where do you think your sales and profits will be in the next six months compared to the last six?

We've got a new pipe labeling system under development that will dramatically improve our ability to track pipe in the ground, as well as more clearly communicate the country of origin and other important product information. I'll keep you posted as things progress.



Update on Import Litigation: AB&I Wins Empty Victory

The August edition of this newsletter reported on a recent decision handed down by a Federal court in a lawsuit brought by AB&I against two Chinese foundries accused of unfair trade practices. The court ruled that they (the court) had no jurisdiction with the foundries, since, technically, these Chinese foundries were not doing business in the USA.

AB&I attorneys argued vigorously that these foundries were, indeed, doing business here, and produced testimony and written documentation to support our claim. Nonetheless, the court ruled against our claim, and that was that. Or was it?

Before rendering the ruling, the judge directed the defendants to produce certain documentation and to comply with other directives detailed in the decision. These directives were part of discovery motions, and the defendants were required to comply.

The plot thickened considerably when one of the defendants, Hua Wang Centrifugally Spun Factory, allegedly failed to pay its bills to the lawfirm representing them in this case. Accord-



ingly, the firm stopped doing work for their client, and deadlines for required filings came and went.

Since Hua Wang failed to comply with the instructions of the court to provide discovery material, their motion to dismiss was denied by the judge. The net result was that AB&I won a default judgment against this one defendant.

In winning the default judgment, AB&I was awarded an instruction by the judge to Hua Wang to not sell below their costs in the US, and to not engage in other unfair business practices. In other words, the judgment put everybody back at square one, with no definitive fines or other sanctions. In essence, the judge told Hua Wang to comply with the law.

In theory, AB&I could re-argue the case and demonstrate that these foundries are doing business in the US and are selling below their cost, a violation of federal trade law. Costs to AB&I would be very high, and chances are good that the next judge would affirm the rulings of the first judge, and that the Chinese foundries would, once again, prove to be beyond the reach of American courts.

Distributors and contractors are cautioned that these Chinese foundries are taking the position that they have no presence in the US, and can therefore not be held accountable to our legal system. If at least one of these foundries is refusing to pay its legal bills in the US, how much success can a contractor or distributor expect to have in requesting their assistance in case of a quality problem with some of their product? You decide.

American foundries, including AB&I, have a long tradition of standing behind their products, protecting the public as well as the industry in general. Customers are encouraged to consider this fact when making buying decisions.

AB&I Extends Sympathies to Victims of Southern California Fires

AB&I wishes all our friends and colleagues who have been touched by the horrendous wildfires in Southern California all the best as they begin the recovery process and work toward getting back to normal.

As an Oakland-based foundry, we can remember all too well the devastation that wildfire can wreak on a community. It was just over a decade ago that a massive fire destroyed some 3,000 homes and apartments in the Oakland hills, displacing thousands of people and leaving an indelible mark on the hearts and minds of the entire Bay Area.

One interesting effect of the Oakland fire was in increased awareness of the importance of fire protection in the building trades. As homes were rebuilt, fire retardant materials were widely used, in everything from roofing to landscape products. Cast iron DWV was used in a majority of homes rebuilt after the fire, in recognition of the fact that iron, unlike plastic, does not burn, so will not produce any toxic or noxious gases when exposed to fire. Southern California contractors will doubtless consider the use of fire retardant materials when they rebuild, and that is all to the good.

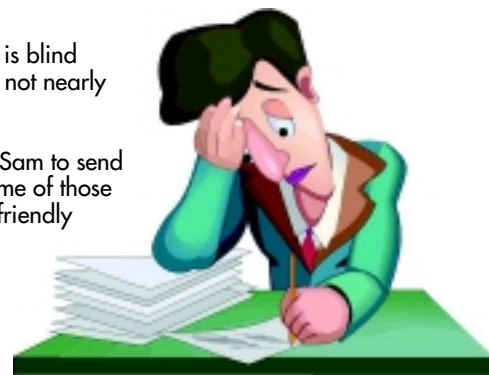
Three Simple Ways to Avoid Being Audited

What do you think of when you hear the word "audit?" For many people, the first thought is blind terror. While it's true that some audits are about as comfortable as a colonoscopy, many are not nearly so bad. Here are three tips to avoid a call from the friendly IRS:

1. Don't use the envelopes the government sends you! While it's nice of Uncle Sam to send you those nice, large envelopes to mail your tax return in, what you may not know is that some of those envelopes are pre-coded for a random audit. To lower your chances of being selected for a friendly chat, buy your own darn envelope and mail your tax return in that.

2. Avoid Red Flags! The government has collected billions of bits of information about taxpayers of all sizes and stripes, and has boiled much of this info down into averages. If you're a contractor, for example, and claim an expense for office supplies that exceeds the average for contractors, that's a red flag. One or two of those might earn you a letter from the IRS asking you to pay more tax or explain yourself. Several red flags could result in a full-blown audit.

3. Make sure you pass the economic reality test. If you're claiming \$50,000 in income, and deducting \$30,000 in home mortgage expense, that won't pass the smell test with the government. Make sure your expenses are in line with your income. Not passing the economic reality test can get you an audit faster than you can say, "I plead the Fifth."



Just for Fun...

More Great Rules to Live By...

1. If you're choking on an ice cube, don't panic. Simply pour boiling water down your throat and the blockage will be instantly removed.
2. Clumsy? Avoid cutting yourself while chopping vegetables by getting somebody to hold them.
3. Suffering from high blood pressure? Just cut yourself and bleed for awhile, thereby relieving the pressure.
4. A mouse trap, placed on your alarm clock, will prevent you from rolling over and hitting the snooze button.
5. If you have a bad cold, take a large dose of laxative before going to work. You'll be too afraid to cough or sneeze.
6. Everyone seems normal until you get to know them.
7. Never pass up the opportunity to potty.

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Forbes List of Top Earning Dead Celebrities

Elvis, dead for 26 years, leads this year's list of Top Earning Dead Celebs, published by Forbes.com. With megahits like "Don't Be Cruel," and "All Shook Up," Elvis earned \$40 million in the year ending September 2003.

Runner up on the list was "Peanuts" creator, Charles Schultz, making do with just \$32 million.

Third on the list was J.R. Tolkien, whose "Lord of the Ring" books have been transformed into profitable Hollywood movies and \$22 million for J.R.

Beatles John Lennon and George Harrison earned \$19 million and \$16 million, respectively, making them fourth and fifth on the list.

Musical composers Rodgers and Hammerstein earned \$7 million, song writer Cole Porter hauled in \$6 million, as did Dr. Robert Atkins of diet fame.

Also on the list, with unspecified earnings, were Dr. Suess, Dale Earnhardt, rapper Tupac Shakur, Bob Marley, Marilyn Monroe, Frank Sinatra, and James Dean.

