

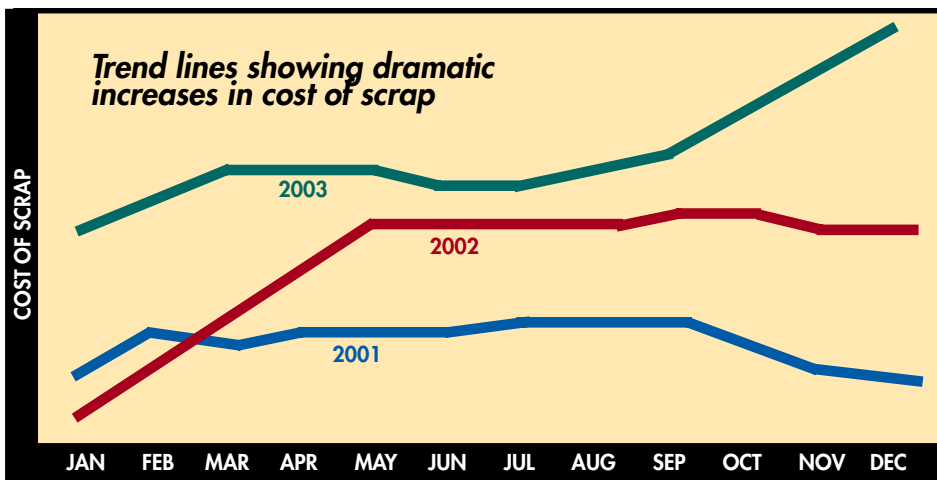


ITEMS

NEWSLETTER

January 2004

Recent Price Increases Based on Dramatic Jumps in Cost of Scrap



Nobody likes price increases. Customers don't like them for the obvious reason; they're paying more for the same product. As manufacturers, we're not crazy about them either, since notice of such increases often results in unpleasant conversations with valued customers.

When increases are announced, too often suspicions arise that the manufacturer is attempting to gouge the market in an attempt to increase short-term profits. In the case of our most recently-announced increase, nothing could be further from the truth.

The fact is that the upcoming price increase is due mainly to the unprecedented increase in the cost of scrap experienced by the cast iron industry over the past 3-4 months.

Foundries, such as AB&I, use scrap as the raw material for the products they make. This scrap is generated by a wide variety of sources, then sold as a commodity on the scrap market. Historically, scrap prices have not been based on a regional market; however, the international demand has grown and is now the force that is driving prices higher. Today, the Chinese are coming to the U.S. to buy scrap for use in their foundries, bidding the price up dramatically. The Chinese economy is growing by leaps and bounds, serving not only their domestic market, but exporting much of what they produce to North America and Europe.

These scrap price increases are not limited to cast iron alone. Scrap copper, brass, steel

and stainless are also going up significantly, a trend predicted by market analysts a year ago and expected to continue into the foreseeable future.

"People tell us that we shouldn't be increasing our prices because Allan Greenspan says there's no inflation," says Gary Wickham, plumbing division manager. "But in the area of metal scrap, there's plenty of inflation, and will be as we go forward into the new year."

The January price increase does not even put us even with our increased costs. If trends continue, as they may well do, additional increases will be necessary, not only for DWV material, but for anything that contains metal.

New price lists have been printed and are now available through your field sales representative or on the web. For more information, contact AB&I at 800-GOT-IRON.

In this issue...

- ✓ Kip's Perspective
- ✓ Diver Dan
- ✓ Couplings
- ✓ Just for Fun



Perspective

Why Honesty is Always the Best Policy

Being on the same page with regard to pricing provides benefits that extend far beyond the next deal

They say that nothing is constant but change. Anybody in business over the last couple of decades knows exactly what that little maxim means. In our case, that change means a price increase, often a time when rumors fly especially quickly and seem, at times, to take on a life of their own.

Now, being in management, it's my job to communicate as effectively as possible with my team members, customers and colleagues, to leave no stone unturned in making our company's policies as clear and understandable as they can be. If I do my job well, I can emerge from these times with just a few bumps and bruises brought on by a few customers generally ticked off at the thought of any price increase. If I don't do my job well, those bruises can morph into broken bones and more permanent damage. So, in the spirit of keeping myself healthy and intact, let me explain the AB&I Pricing Policy, developed over the years to serve all concerned as effectively as possible.

The AB&I pricing policy can be summed up in three lines:

- *We always publish our prices;*
- *We do not offer special or job pricing;*
- *We will meet only published prices.*

So, just what is behind these strangely straight-forward statements? Well, let's peel back the cover of the AB&I Bible and look at them a bit closer.

We always publish our prices. It is our belief that the market is most stable and provides the best service to everybody when pricing is consistent and fair to all. By publishing our prices in print, the

whole marketplace knows what to expect from AB&I.

There are so many rumors floating around out there, often perpetrated under the banner of "shrewd buying," that it occurs to us that the best way to get the truth out is to publish our prices for all to see and to stick with them.

We do not offer special or job pricing. Unpublished pricing, or negotiable pricing, always leads to inaccurate information and, ultimately, the discounting of everyone's inventory.

For years, we in the foundry business pursued special pricing for select customers, or protected job pricing on specified projects. We all know now that this "all over the map" philosophy of pricing leads to a game of deception, with buyers and sellers attempting to outfox each other in an ever-spiraling environment of distrust and gamesmanship. Instead of forging strategic alliances with the goal of mutual benefit, buyers and manufacturers were often pitted against each other in an adversarial way.

The other effect of special or job pricing results in the "E-Bay"ing of the plumbing supplies market – markets get dragged lower, creating no additional business and certainly no additional profit for anybody. Benefits, if any, are strictly short term, but the downside results can impact markets negatively for years.

We will meet only published prices. Notice we say "published prices," not "rumored prices," or "Bob-told-me-so-and-so-is-giving-him-this-price" price. For all the reasons detailed above, and just because it makes for bad blood and bad business, we will simply not respond to pricing rumors,

guesswork, and other price conclusions of the marketplace. By "price conclusion," I mean statements like, "He sold for Y, so he must have only paid X for it." These conclusions are almost always wrong, with neither the projected buying or selling prices being accurately represented.

Our prices are clearly stated, apply to all, and not subject to backchannel fluctuation. Now, we will occasionally miss out on a job because of our policy, but the lost business is never enough to justify the market drops that always seem to be a product of special pricing.

"Our prices are clearly stated, apply to all, and not subject to backchannel fluctuation."

We believe in a world where every distributor knows they are being treated honestly and fairly, because every distributor knows exactly the price of our products and what he or she must do to earn their discounts. The old cry of yesterday's purchasing agent who says, "You must have a better price," or, "You must have given my competitor a better deal," now falls on deaf ears, because it just isn't true.

AB&I distributors deserve to be dealt with honestly, and in the spirit of mutual benefit. Open lines of communication, especially with regard to pricing policy, are a basic cornerstone of the AB&I way of doing business. We do not want to compete with our valued distributors, nor do we want to lose their trust in what we say or do. Call us old-fashioned, but we really do believe that honesty is the best policy.



"Diver Dan" Spins Muddy Golf Balls into Gold

Florida man dredges used balls and chomping 'gators as hobby turns into a job

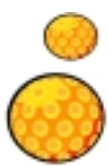


Ever dream of leaving your job and making your favorite pastime your new career? Well, scuba-enthusiast, Dan Becher, of Orlando did just that, and he's got the alligator bites to prove it.

Kissing his carpenter job in the Midwest goodbye some 15 years ago, Becher contracted with golf courses throughout Central Florida to retrieve lost golf balls out of their ponds, swamps and water hazards.

Sound like an off-the-wall way to make a buck? Consider this. Experts estimate that the average golfer loses 4.5 balls per round. Multiply that by the 500 million rounds of golf played every year by

Americans and you get an idea of how big the market is. Dan figures he pulls about 16,000 balls a month out of the muck. Do the math.



Americans and you get an idea of how big the market is. Dan figures he pulls about 16,000 balls a month out of the muck. Do the math.

Now don't quit your job yet. Math isn't the only subject to be considered here.

You should also consider biology. And zoology. And emergency medicine.

"I thought it was a log floating behind me," says Dan about his first 'gator attack. "I reached back to push it out of the way and put my hand right on his nose. He came out of the water, lunged and snapped his jaws. Then he came at me and started chewing my life jacket..."

Then there was the time the alligator saw Dan's bubbles and came over for a closer look. "He swam right over to me and stepped on my back, then started walking across the top of me," said Dan, who bolted straight upright, launching the 6-foot beast into the air.

But Dan says 'gators aren't the worst thing; the darn snapping turtles are the real bother. In fact, he carries a large bowie knife strapped to his leg, just in case. "If they latch onto your finger or hand, it's off with their heads," he said. "You can't open their mouths."

Despite the opportunity, there are only a handful of professional ball divers in the country, says Dan. The reason? "It's because of the claustrophobic effects of

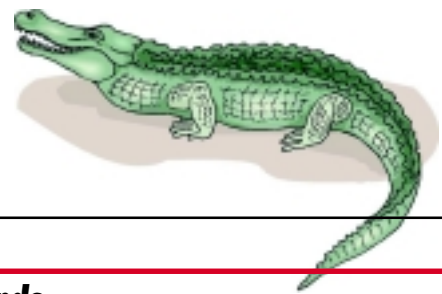
diving," he explains. "You're feeling around in the mud at the bottom of these ponds. It's pitch black and a little scary." Eh, yeah.

"You dive blind for 2-3 hours at a time without getting out," he says. "That's what's hard for some...it's the isolation of it."

But critters aren't the only threat. In Florida, summer brings another danger – thunderstorms. Since he's submerged for hours, he'll sometimes come up only to find the course has been cleared due to the storms.

"That's a big fear," says Dan. "I have to decide whether to stay in or get out and risk something happening while I'm trying to get to my golf cart...It's scary, something I think about a lot."

Still, just think, 16,000 golf balls a month. Now, if he resells them for just a buck apiece, subtract a couple hundred bucks for scuba air and another four bills for health insurance... Diver Dan just might have something there.



AB&I: Still Your "One Stop Shop" For All Major Coupling Brands



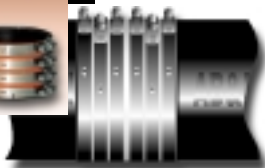
Whatever your coupling need, AB&I is sure to have the product you need when you need it. With large inventories of all styles on hand at both the Oakland headquarters and LA Service Center, your orders will be filled quickly.

"We want people to think AB&I when they need couplings," says Gary Wickham, plumbing division

manager. From standard couplings, to two styles of heavy duty couplings, to the full range of transition couplings, AB&I has it all, in sizes up to 15".

For more information about the full line of AB&I couplings, contact your field sales representative or AB&I at 800-GOT-IRON.

**Coupling Price
Increase
February 16, 2004**



Just for Fun...**New Computer Virus List**

AT&T VIRUS: Every three minutes it tells you what great service you're getting.

MCI VIRUS: Every two minutes it reminds you you're paying too much for the AT&T virus.

OPRAH WINFREY VIRUS: Your 200MB hard-drive shrinks to 80MB, and then slowly expands back to 200MB.

POLITICALLY CORRECT VIRUS: Never calls itself a "virus," but, rather, an electronic microorganism.

MARIO CUOMO VIRUS: It would be a great virus, but it refuses to run.

ARNOLD SCHWARZENEGGER VIRUS: Terminates but stays resident. It'll be back.

GOVERNMENT ECONOMIST VIRUS: Nothing works, but all your diagnostic software says everything is fine.

NEW WORLD ORDER VIRUS: Probably harmless, but it makes a lot of people mad just thinking about it.

FEDERAL BUREAUCRAT VIRUS: Divides your hard disk into hundreds of little units, none of which does very much, but each of which thinks it's the most important part of your computer.

TEXAS VIRUS: Makes sure that it's bigger than any other virus.

ADAM AND EVE VIRUS: Takes a couple of bytes out of your Apple.
CONGRESSIONAL VIRUS: The computer locks up, and the screen splits erratically with a message appearing on each half blaming the other side for the problem.

AIRLINE VIRUS: You're in Dallas, but your data is in Singapore.

PBS VIRUS: Your computer stops every few minutes and asks you for money.

ELVIS VIRUS: Your computer gets slower and slower, then self destructs, only to resurface at shopping malls and service stations across rural America.

NIKE VIRUS: Just does it.

JIMMY HOFFA VIRUS: Your programs can never be found again.

KEVORKIAN VIRUS: Helps your computer shut down permanently as an act of mercy.

STAR TREK VIRUS: Invades your system in places no virus has gone before.

HEALTH CARE VIRUS: Tests your system for a day, finds nothing wrong, then sends you a bill for \$4500.

GEORGE BUSH VIRUS: It starts by boldly stating, "Read my docs...no new files." It then proceeds to fill up all your free space with new files, then blames it on the Congressional Virus.

CLEVELAND INDIANS VIRUS: Makes your Pentium 4 perform like a Pentium 1.

**Something to Think About...****The One Dollar Bill**

The paper used is not paper at all, but a secret blend of cotton and linen with minute red and blue silk fibers running through it.

The seal on the back of the bill was developed by Benjamin Franklin. It consists of two circles, and it took him four years to develop it and two more to get it approved.

The left circle contains a pyramid, the left side of which is dark. At the time of the seal's development, the Western US had not been explored, nor had the US decided what it could do for Western civilization. The pyramid is uncapped, signifying that our country is not finished building itself. Inside the capstone is an all-seeing eye, the symbol of divinity. Franklin believed that one man couldn't do it alone, but that, together with others and the help of God, Americans can do anything.

"In God We Trust" is on the currency, along with the Latin ANNUIT COEPTIS which means, "God has favored our undertaking." Below the pyramid are the words, NOVUS ORDO SECLORUM, which means "A new order has begun."



The right hand circle features a bald eagle, the symbol of victory for two reasons. First, he is not afraid of the storm, and second, he wears no material crown.

The shield in this circle is unsupported, signifying that this country can now stand on its own. The words E PLURIBUS UNUM mean "One nation from many people."

Above the eagle are thirteen stars, representing the thirteen original colonies. The eagle holds arrows and an olive branch in his talons, demonstrating that this country wants peace, but is prepared to fight if necessary. The eagle wants to face the olive branch, but will turn his gaze toward the arrows if called upon.

There is a worldwide belief that the number 13 is unlucky. But consider this: 13 original colonies, 13 signers of the Declaration of Independence, 13 steps on the pyramid, 13 letters in E Pluribus Unum and Annuit Coeptus, 13 leaves on the olive branch, and 13 arrows in the eagle's talons.

Our dollar bill is a history lesson, a lesson we've seen thousands of times but, for many of us, never really paid close attention to.