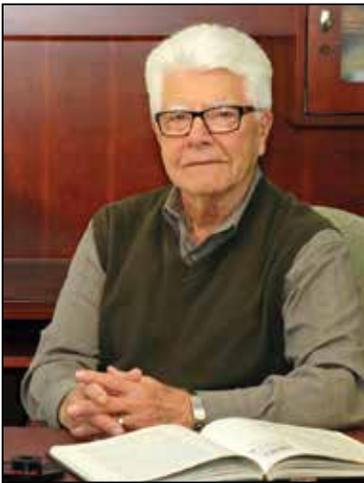




Technology
Chemicals
Machinery

Newsletter

Spring 2016



From the Chairman,
Jim Dunstan

Inside:

- 3 AAMA Award
Tribute
NEW Azon MLP Kit
- 4 Recognition



Azon Saves Energy

Eight is a lucky number

Eight is a lucky number for the Chinese. So on the eighth day of the eighth month (August), China hosted the 2008 Olympic Games in Beijing; and there on the grounds of the Olympics was China's largest convention center; every window in the building was manufactured with Azon thermal barrier chemicals and produced on Azon machinery, all exported from our factory in Kalamazoo, Michigan. Two months later (October), Azon Polyurethane (Shanghai) Co., Ltd., or APC, as we refer to it, was founded. It was the realization of a dream; it came true after twenty-two years.

I began this newsletter with an excerpt from my most recent writing: *The People and The Times*. I'm alarmed by all of the heated, isolationist, anti-trade, hateful rhetoric coming from the mouths of both sides of the leading presidential candidates during the run up to the elections this fall. December 8, 1993 (a lucky day for me), found me in the East Room of the White House to witness the signing of the NAFTA (North American Free Trade Agreement) accords by President Bill Clinton. My being there was perhaps one of my most exciting and rewarding business experiences as a founder of Azon. The room was packed. All of the members of the Cabinet; members of the Congress; many business leaders and reporters from all the national media (television and the press) were there. Also, there were three former presidents in attendance: Jimmy Carter, George H. W. Bush, and Gerald Ford, whom I had the privilege of meeting personally. I must not have paid attention, but the First Lady—Hillary—was most certainly there. I would not have imagined that in 2016 as a candidate for president, she would find

herself explaining her position on NAFTA. I was there because of my status as a director of the National Association of Manufacturers (NAM) and because of my lobbying with two West Michigan freshman Congressmen: Fred Upton, and Pete Hoekstra. My pushing the passing of NAFTA found me appearing on local TV news, sometimes debating the importance of free trade with our two largest trading partners—Canada and Mexico. One memorable debate was between a female union leader from a local General Motors plant, against whom I was no match. I remember a moment in my debate with her where I challenged her to find a sweater anywhere that didn't have the words: "Made in China" on the label. Free trade, especially with Canada, has provided jobs for Azon worker partners. Two of the largest manufacturers of sliding patio doors in the world (doors sold in the USA), are found in Ontario, Canada, and are produced with Azon chemicals and machinery, providing good paying jobs for Azon worker partners and their families. I have written extensively about the loss of traditional manufacturing jobs in America and that the candidates seeking to win the presidential election promise to return those jobs to our shores; that will not happen because of the disparity in the cost of labor between countries with a large pool of cheap labor. The cause and effect of the loss of jobs in America to low-cost labor began decades ago. In addition to textiles, the manufacture of sports footwear, particularly

continued page 2 ►

tennis shoes, were among the first to suffer the loss of their markets to low-cost labor countries in Asia. When I first ventured into Korea in the early 1980s, the typical factory worker there was getting \$.98 an hour for a 60 hour work week; there was no such thing as overtime pay, vacations, workman's compensation or health care. Ironically, the very chemicals that found their way to the 2008 Olympics, were blended in mixers that we had acquired after the closing of the Cincinnati-based USA Shoe Company that had lost their business to Korean shoe companies. Today, there are very few shoe manufacturers in the States. Since its beginnings in the late 1800s, Wolverine still manufactures shoes here. They make many popular brands such as Hush Puppies® and Merrell®. To remain competitive, most of their shoe lines are sourced by way of third party manufacturers located in Asia and elsewhere, however, the top quality Wolverine 1000 Mile brand boots and shoes are still handmade in Big Rapids, Michigan. I remember my own expressed concern with the widespread loss of shoemakers in America: As a strategic commodity, who would make boots for our troops? Thankfully, Wolverine still makes quality boots and shoes in the U.S.A. for our military. The second largest retailer in the world next to Amazon is Walmart. There would not be a Walmart if not for China. The rhetoric of "we will bring good high paying jobs back to America," plays well with our workers. What is missing is the message that the buying power of the wages of today's workers who shop at Walmart, goes further at the checkout counter, as is the case when people buy lower priced imported products from Asia and elsewhere.

It has been said: "A little knowledge is a dangerous thing." During the recent Republican debates, the Ford Motor Company was derided for

their plan to invest 2.5 billion dollars for a new factory in Mexico. Ford has been in Mexico for ninety-one years; it built the first automobile plant in that country. In more recent years, Ford has built the favored V8 rear wheel drive sedans that had a large market, but not large enough to warrant dedicated assembly in the U.S. where front wheel drive passenger cars dominate the field. The automobile market has been trending to SUVs, crossovers,



and expanded cab trucks. The Ford F150 truck is the leading seller in all categories. With the decline in the sales of sedans, to make more room for the vehicles that the public favors, Ford is moving its sedan sales to Mexico where they will also build a car to compete with the Toyota Prius. Interestingly, the largest automobile factory in North America is the Volkswagen factory in Mexico that exports automobiles north to the USA. Volkswagen employs 15,000 workers in Mexico and by 2018 will invest seven billion dollars there to build a larger SUV. As the most vocal candidate proposes to attach a 35% tariff on all Fords built in Mexico, what does he propose for all of those Volkswagens coming from Mexico? America cannot engage in a trade war where everyone is a loser, particularly our 38 million workers whose labor is involved with foreign commerce. As the world's third most populous country, with the leading economy, we have to find a way to provide jobs and expand the middle class.

I have written about our wealth in energy resources. I knew little about fracking in the beginning; that would change after I lost a considerable amount of money investing in two

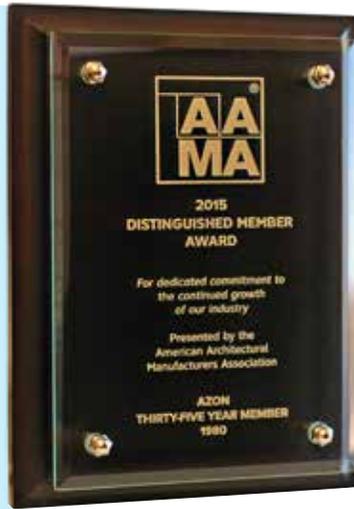
fracked gas wells ten years ago. It turns out, that in the search for natural gas, we have the leading reserves in the world and as a consequence we are the world price leader for petro chemicals. Fracking in North Dakota proved to be a boom for our economy, making us energy efficient and ultimately contributing to the decline in worldwide oil prices. Increasing domestic oil extraction became a double-edged sword, when

only a few years ago oil was selling for over \$140 a barrel, oil production was increased by OPEC and Russia. For countries like Venezuela, Russia, and Iran, oil is their primary export commodity; in the case of Iran and Venezuela, their economies are supported by oil. With the price of oil below \$40 dollars a barrel due to over production and declining consumption, these countries cannot afford to sell oil below \$100 a barrel.

Consequently, oil produced by fracking in North America became too expensive, resulting in huge losses in the oil industry that has resulted in a downturn in that sector of the economy. Now comes the other edge of the sword: Lower oil prices translate to lower prices at the gas station, perhaps with the greatest impact on the economy (in a positive way) since the Arab oil embargo of the early 1970s. For decades our wealth was being transferred overseas every time we filled up our vehicles at the pump and every time we boarded an airplane. With lower gasoline prices, American consumers have more discretionary money to spend on all manner of things, perhaps the purchase of a new car or pickup truck. Last year (2015) was an absolute boom year for automotive sales, with over seventeen million cars and trucks sold. It was a great year for the workers who built them as well as for automotive parts suppliers.

Some years ago, out of respect for my readers, I made a resolution that the Newsletter would not be a vehicle for expression of my personal political views. As international trade policies have become a leading topic of concern

Azon receives AAMA 2015 distinguished Member Award



Azon was recently recognized for being an active member of AAMA for thirty-five years. Patrick Muessig represented Azon at the February annual AAMA meeting, which was held this year in Huntington Beach, California.

For the over three decades, Azon has played an active role in establishing guidelines (where none existed), for producing aluminum thermal barrier

windows through its participation in AAMA (American Architectural Manufacturers Association). Window companies were not prepared to deal with different substrates and finishes; this proved problematic almost from the beginning.

For a window to achieve an AAMA performance certification, the prescriptions must be supported by international test methods to have credibility. AAMA is dependent on volunteer members—window design and fabrication professionals—before it can publish guidelines on how to build windows that will be subjected to all manner of harsh environmental conditions. To achieve this, AAMA establishes task groups made up from its members who deal with every aspect of window manufacturing, including: structural performance, finishes, meeting energy performance standards and more.

The issue of dry shrinkage arose when the anodizing process was accelerated to reduce energy costs. The unexpected effect was the dry shrinkage phenomenon, resulting in damaging water penetration at the ends of windowsills. AAMA established a dry shrinkage task group comprised of individuals from affected window companies and material suppliers. Azon became one of the most vocal members of the task group, which, after nearly ten years of hard work, AAMA published a TIR (technical information report) guideline dealing with the dry shrinkage issue. Consequently, both the Kawneer Company and Azon had invented and patented mechanical lock machines: the Kawneer Lancer and the Azon Azo-Brader™, that put an end to dry shrinkage so successfully that Azon offers a thirty-year warranty against dry shrinkage where these machines are used to manufacture an aluminum thermal barrier window—the only such guarantee in the industry.

After thirty-five years, the work goes on in AAMA, with the thermal barrier task group guided by Azon and its representatives in the quest for ever higher performing aluminum windows. ■

Tribute



Upon the passing of two of our longtime stalwarts last April: Jeff Ford, on the 5th, and just nine days later, Rick Riegler, on the 13th, was a very sad and traumatic experience for those of us who had labored with these men for many years. Their passing, as it did, brought with it a challenge for me to write something about them, not a memorial or a eulogy but more in keeping with a tribute. I could not tell their story without talking about the others who died before them that were also part of the narrative: Sam Rich, Bob Dalrymple, and Jay (Jim) Lurges.

The chronicle: *The People and The Times*, that I authored, took the good part of a year to write; I spent many long hours composing it on my computer. The book was distributed on Friday, the 8th of April 2016, during a catered luncheon at our headquarters attended by our worker partners and family guests of those who were part of the story. It was an emotional experience, particularly in the dedication of our research and testing laboratory building that is henceforth known as the:

Jeffery R. Ford
Innovation Center

NEW Azon MLP curtain wall thermal barrier kit



- Highest shear of all thermal barrier
- Mechanical lock profile
- Azo/Tec® design assistance provided

Jeff Lurges earns AAMA credential



Azon after working for many years in automotive sales. In truth, his exposure to the window business reaches back nearly four decades ago when he was a teenager in the family company with his brother Jay Lurges (deceased), Dan Olinger, and Randy Cleaver. He was selling windows thirty-two years ago before he went into the automobile business. Upon his return, Jeff has worked in the Azon chemical

infrastructure waterstop business and in Azon performance chemicals. Selling has been his passion for his entire life; so it became a challenge for him in his role as a messenger when he was called upon to take the Azon story to architects and construction engineers.

Adding to his credentials, on January 14, 2016, Jeff proudly received an AAMA Fenestration Associate Professional Certification (FAPC). He achieved this recognition only after a year of arduous study. Now, after passing an examination, he could add the FAPC designation to his calling card.

Jeff exemplifies the high standards that are reflected by the Azon leadership goal—saving energy in aluminum windows. ■

Jeff was among the fourteen Azon worker partners who were recently recognized for their longevity on the job. He was recognized for his past ten years of service when he rejoined

continued from page 2

Eight is a lucky number

for the electorate, it has become an issue that is an easy target for attack with stirring messages to workers who have experienced the loss of their manufacturing jobs. It is my observation that the loss of labor-intensive employment in our country may be blamed on low-cost labor countries. It is by no means a new phenomenon. I remember when the label, "Made in Japan" denoted something cheap. In 2016, Made in Japan means a product is of high quality and innovation.

I recall a time in China when telephone landlines were almost nonexistent. To provide money for the military, the Chinese government resorted to giving

their generals economic concessions in hotel construction and cell phone manufacture and sales. Phones made in the USA by Motorola dominated wireless communication in China until the Chinese learned how to make phones themselves. Today the cell phone you carry in your pocket was most likely made in China, although they are designed and engineered in Silicon Valley in the USA. Azon has been an exporter to China for nearly two decades, with the prospect of selling a complete mechanical lock profile system that will be built in Kalamazoo, to the largest curtain wall company in China. In early May, we're hosting the *Chinese National Standards Committee* for windows, who will revisit us to learn about the latest technology for building high performance energy saving architectural windows.

The point of my sharing all of this is out of alarm for the anti-trade, anti NAFTA rhetoric coming from both Donald Trump, campaigning as a Republican, and Socialist, Bernie Sanders, running as a Democrat. With the writing of my last Newsletter, I had decided that I would turn this project (that began in 1990), over to others; but even after celebrating my 89th birthday in February, as we marked the thirty-ninth year of the beginning of Azon on February 25, 2016 (the legal start date was April 1, 1977), I realized that I still have a few things that I want to say.

I believe that good things happen providentially; but if there is luck, the number eight has been lucky for us. ■

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