

STEELCRAFT 1996 DISTRIBUTORS MEETING
Bill Moore Speech

Good morning. Thank you for coming. With your indulgence, I'd like to begin with a very short story. It seems that one dark and foggy night the pilot of a supertanker received a visual signal from up ahead that said, "Veer ten degrees to starboard." So called the captain to the bridge and the captain said, "No way. We've got the momentum of ten million gallons of oil to shift. We don't veer, they do." And he signaled back, "We're a supertanker. Repeat. Supertanker. Veer ten degrees to port."

And the message came back, "I am a light house. Veer ten degrees to starboard."

Looking at all the changes and challenges Rick Barrera just outlined for us, I believe the signals we're getting from up ahead are also coming from a light house. It seems we must either veer ten degrees to starboard...or end up cleaning oil out of bird feathers for rest of our lives! And that's not what Steelcraft has in mind.

My purpose here this morning is to share with you Steelcraft's vision of the future...of the changes, the challenges -- and the opportunities -- that await us in the years ahead.

We'll look at the increasing rate of change in our markets.
Then we'll look at our opportunities for growth.

We'll talk about the changes underway at Steelcraft, changes that are improving our quality, our delivery speed, our product design and our marketing and sales support.

We'll look some of the challenges the market is posing for you, and at the solid opportunities available to those willing to embrace change and invest some effort and resources in the future.

First, let's look at the market.

This chart shows the June, 1996 Dodge forecast for commercial construction through the year 2001, in billions of square feet. As you can see, it forecasts a relatively stable market at just about today's level of construction -- no significant growth or decline. But there are significant changes in particular market segments and shifts in national demographics that we both need to factor into our planning.

But let's look even further out, to the year 2010.

According to the US Census Bureau, in 2010 there will be some 300 million of us living in the USA. This is an increase of 36 million people, whose demand for commercial construction will grow the market at the rate of about 1% per year.

Where these people choose to live, along with all those who choose to move between now and then, will determine where that construction growth will occur.

For the past several decades, the South and West have been attracting more than their share of the national population and that trend looks like it will continue.

These regions are expected to capture 80% of the population growth over the next

15 years. If your business is in the sunbelt, population will fuel some growth. But real growth can be achieved in any region... with the right marketing.

Also between now and the year 2010, the portion of our population aged between 40 and 64 will increase by over 29 million. Those over 65 will increase by 8 million. But the number of those aged 39 and younger will remain about the same as today.

That means the mix of commercial construction will be significantly different tomorrow than it is today. Residential construction, for example, will change in a couple of ways. Along with the growth in total population, there is a continuing trend toward smaller households, which drives the growth of total households beyond population growth. Much of this growth is in the 40-to-50 age group. As those are the peak earning years, we can expect the homes to be larger and more expensive. From the year 2000 to 2010, housing is expected to return to the level of the 80's, about 1.5 million starts. That's solid growth over the 1.2 million achieved during the last 5 years. And, of course, our aging population means there will also be a strong trend toward housing for retirees and for assisted living. That suggests a renewal of interest in condominiums and retirement housing which increase demand for commercial products.

In school construction, headlines from all over the country tell us that we can expect the recent rebound to be sustained over the next 10 years. This is due to increasing enrollments, particularly in areas where housing and population are growing, and rising numbers of adults engaged in continuing education. More students are graduating high school and more are going on to college. 23% of the adult population has completed college today, as compared to only 17% in 1980.

The need for school upgrades and renovations is also expected to be maintained at a high level. Even with declining birth rates in the US, the need for educational construction is expected to remain about constant, at a level 50% higher than the 1980's.

In the construction of health care facilities, our aging population is the whole story. The new health care construction of the next 15 years will be primarily clinics, chronic care facilities and integrated residential facilities. At the same time, intensifying competition from managed care providers will pressure facilities managers to use existing buildings more efficiently.

On average, individuals age 65 and over spend three-and-a-half times more on medical care than younger adults. As the population ages, expenditures for nursing home care will increase. So overall construction for health care facilities should continue at its current high rate.

In the Hotel and Motel segment, we expect a much higher rate of construction in the next several years. Part of this growth is due to a current expansion of gambling facilities around the country. In addition, with the aging population, there will be growth in retirement and recreational facilities. Over the next five years, we expect an increase in this segment of 90% over what we have experienced during the last five years. This is a perfect segment to utilize our innovative GrainTech product.

After suffering an eight-year recession, the office construction market is poised for a strong recovery. Driving growth in this segment is the move of the middle-aged segment of the population into their peak earning years and the growing number of

highly skilled workers in the finance, insurance, real estate and other service industries.

The office construction segment experienced extraordinarily high levels of construction in the early and mid-80's, then it collapsed, declining by 55% in the late 80's. And, while the level of construction projected for the next 15 years is still below the level of the early 80's, but it's a level 75% higher than we are experiencing today, and that's something of a pleasant surprise. This means an excellent opportunity for profitable growth, growth in a segment that responds to quality and service, in which work is primarily negotiated, growth that reduces our dependence on low-margin public bid work and allows us to become more profitable.

But new construction opportunities are only part of the story for the future of our businesses. According to a recent government survey, the existing national stock of non-residential structures is now close to 5 million buildings -- and as many as 100,000 new structures are added each year. But here's the most important statistic: The average age of the typical non-residential building is approaching 30 years, with one in five being built before World War II.

Over the next 15 years, a growing share of construction spending will be earmarked for improvements to this aging stock. As recently as the mid-1980's, additions and alterations accounted for less than a third of construction activity. But, by 2010, the market for work on existing buildings will be even larger than new construction.

In this segment, too, success depends on change. While it provides an excellent opportunity for profitable growth, the skills necessary to realize that opportunity will be different from the skills required today. We'll be telling you what we've learned about that a little later.

Here are the overall trends in commercial construction. The chart shows the average annual volume of construction awards, in billions of 1987 dollars, for the years 1991 to 1995 and compares that to the average from 1990 to 2010. As you can see, it shows modest growth, with the largest segment being office construction. These are averages, so we can expect some fluctuations year by year based on changes in economic conditions.

So what conclusions can we draw from all this data? Well, number one, we can see that the levels of construction today are typical of what we can expect for the next 15 years, with recessions causing declines periodically, but no significant total construction growth to count on.

We can also see, however, that there are significant opportunities for growth in selected segments -- in hospitals, health care facilities, retirement housing, schools, offices, hotels and motels. And we should note that these are all segments in which successfully increasing your share requires building new relationships with your customers.

There are also opportunities to expand your business by providing new services and developing new channels of distribution. This is much higher margin business, business that is not dependent on construction levels. Going after this business will also require changes in the way you do business, and we'll get into

that in more detail later, too, but, for right now, let me just say that Steelcraft has what it takes to help you do it.

Over the last six years Steelcraft has experienced major challenges and changes. We have been through three changes in ownership -- American Standard, MatscoTech and now Ingersoll-Rand. During these changes and uncertain times, the employees of Steelcraft kept focused on providing the quality, service and value I spoke of earlier, because we realized that our continued success depended on our continuing to earn the business and loyalty of you, our customers. On behalf of all 900 Steelcrafters, I would like to thank you for both!

It was during some of those turbulent years that our market went through a recession. Commercial construction dropped from 1.4 billion square feet in 1989 to 900 million in 1992. That's a market decline of 33% -- over 500 million square feet. But during that same period, Steelcraft sales remained relatively stable, which means we were able to help you actually gain market share. Now the market has recovered, up 31 %, or 300 million square feet, since 1992, and our sales are up almost 50%! That represents solid growth of share for all of us!

We grew that share by working as hard as we could to be a more valuable supplier.

We expanded our offering of custom doors and frames.

We reduced our lead times to 4 weeks for custom doors,

5 days for stock

and 10 days for express shipments.

We patented the new architecturally appealing glasslight trim.

We brought out GrainTech doors and frames, A doors and steel-stiffened doors.

We instituted the pre-cut stick program.

We brought Comcraft and TSF-PRO on line. And we greatly expanded our shop training programs.

We may not yet be all the way to where we want to be, or to where you want us to be, but we are committed to leadership -- and we are making progress. To get the most accurate picture we can as to how we're doing at Steelcraft, we periodically engage an external research firm to do a market assessment that compares our performance to that of our competitors. In their research, the firm contacted both Steelcraft and non-steelcraft dealers, selected from the DHI Directory. So let's look at how we compare.

Here's how we're doing in terms of service factors -- pretty consistent improvement across the board.

Here's how we stack up in terms of product and marketing factors -- again, consistent improvement.

Here's how we compare in overall performance.

And here's a look at the growth of our SDI share. We're growing faster than any of our competition. But, while our status as the leader of our industry is very gratifying -- and something we've all worked very hard to make happen -- we're not satisfied. We know we can do even better and we intend to.

Given our market leadership position and the resources within both Steelcraft and Ingersoll-Rand our goals for the future are aggressive and very challenging. Our goals have been set to provide our customers a strong competitive advantage.

Our first goal is to be **Clearly the best in our industry.** To us that means **100% Quality** -- Our quality today is the highest in our industry but we know its not nearly as good as it can or will be. We are implementing new systems and processes to help us achieve continuous improvement and drive us toward absolute perfection.

100% On-Time and Shortest Leadtime -- We are investing heavily in automated systems and new equipment. We are even changing our basic philosophy about how to process orders and manufacture product, in order to bring about dramatic improvements in our service and speed. By the year 2000, our goal is to get our on-time performance to 100% and reduce our lead times to these:

Stock -- Same day. If you call by 4:00 PM, we'll have a full truckload on the road the same day. We will also consider regional facilities to get stock product to you overnight.

Express in 24 hours

Scheduled or Custom Doors, Frames, and sticks in one week, with an even broader array of custom products.

Special and Finished Paint -- Products such as finished paint, Stainless Steel and other highly specialized products within two weeks. Moving our industry to finished paint is one of the most significant changes we intend to bring about. Within five years, 50% of what we make will be finished painted. This will allow you to provide a product that looks better and is much more durable than field painting and save your contractor anywhere from \$25 to \$150 per opening! The

upgrade of our finishing capability and that is underway. All you have to do is to get your contractors to exclude doors and frames from their paint contracts and increase use of KD products.

Continually Develop New Products, Services and Markets -- Our goal is to introduce products that provide enhanced value to you and, more importantly, to the contractors, architects and owner who are your customers. 1997 will be the year of significant new Steelcraft Product introductions. Claud Fredericks will be introducing a number of new products later today. And we will also introduce new services to enhance your profitability and ease of doing business with Steelcraft.

Be the Most Specified and Preferred Supplier by Architects, Contractors and Owners -- Specification leadership is an area where we will significantly benefit from being a part of Ingersoll-Rand. Al and our Marketing Team will be discussing our plans to achieve this goal in detail.

Leverage Strengths and Customer Value to Double Sales every five years. -- I know your concern right now is that if we are not meeting our current lead times, how in the world are we going to do it with twice the volume and even shorter leadtimes? By investing heavily in new equipment, systems and processes, that's how. You will see evidence of this when you visit our plant tomorrow.

Be Clearly a Great Company to be a part of, by working together to achieve:

- Steelcraft Core Values
- Steelcraft of the Future & Total Partnership
- Security through growth in Sales & Profitability
- An organization that thrives on change and growth

Drive profitability by investing in People and Technology to allow continuing reinvestment and attractive returns.

The best way to summarize the future of Steelcraft is this chart, which shows that our emphasis for the future is **FASTER**: What this means is:

- more flexibility in employees, equipment and systems,.
- improved accuracy, our key challenge in providing 100% quality and the goal of all of our systems development effort,
- increased speed, which is our key to improved competitive strength,
- the use of the latest and best Technology,
- a true Employee partnership that allows us to work together to improve all aspects of our business, and finally
- Research and Product development.

The flow chart below shows that we intend to interface directly with the architect and employ data and process-management systems that enable us to achieve our strategic goals.

But even more important to achieving our strategic goals, is your continued confidence and trust. We know that the growth we have experienced has stressed our processes, equipment and capabilities and resulted in some serious challenges regarding service. We that has to change and change rapidly if we're to meet your service expectations and continue to grow.

Toward that end we've taken some very definite steps and employed some very innovative technology. To help me tell you about it, I'll be using some video

backup from Steve Vogel, Vice President of Finance; Phil Tan, Director of Quality and Product Development and Brett Knickerbocker who is Group Process Manager for Manufacturing Processes and several of Bretts associates from our shop.

First, there's our proprietary specification and bidding software, Comcraft. Comcraft is streamlining and improving the flow of information from you to us. And now, Comcraft also includes all the products of the entire Ingersoll-Rand Architectural Hardware Group.

ROLL VIDEO CLIPS - Comcraft comments

Another innovation we're made to improve our performance is IMPACT. Our new IMPACT information and control system is linking and coordinating every aspect of our operations internally -- enabling us to respond faster to you and your customers.

ROLL VIDEO - IMPACT comments

We've also made innovative changes on the factory floor. New DNC machinery and demand-flow process management is making us the more productive every day.

ROLL VIDEO - machinery and process comments

The technology we've installed and the changes we've made to our process management represent a major commitment to continually improving the quality, service and value that I keep talking about

ROLL VIDEO - commitment, quality, service, values comments

With people like that on our team, I'd say Ingersoll-Rand got a real bargain. You know, one of the most common questions that I'm asked these days is how I feel about being part of Ingersoll-Rand. And, having answered this question lots of times now, I have my answer organized into three parts: #1 - It's great to be part of a team that is comprised of strong performers such as Von Dupric, LCN, Glynn Johnson and Schlage. Each company shares the same values and commitment to leadership. Being part of this team gives Steelcraft a brand new vision and standard of excellence.

#2 - With Ingersoll-Rand, we're getting more support -- both people, with the skills we need to accelerate our rate of improvement, and investment, to help us bring new technologies and processes on line.

And #3 - Finally, I would also express my pleasure at being on the team with Brian and the other members of the Architectural Hardware Group. Brian's background in our industry, his Human Relations experience -- along with his love of sports -- make him an excellent and sometimes challenging coach, a coach who continually encourages us to improve, to excel, to achieve our goals and to earn the right each and every day to say -- We've got what it takes.

We're a stronger and more capable company now that we're part of Ingersoll-Rand.

Now let me ask you a question: How many of you are directly involved in global competition?

Are you sure?

How many of you have seen this press release?

Well, just in case you missed it, the article says that Sanwa Shutter, the largest construction hardware company in Japan, has just purchased Overhead Door, the largest rolling steel door company in America. It says that Sanwa bought Overhead Door because of their extensive distribution network and their capabilities in the areas of installation and service. Will that mean we have to start meeting new “global” standards of service in order to compete? It just might. Let me show you something...

ROLL SANWA VIDEO

Here’s a \$1.7 billion-dollar company with global ambitions that’s just moved into our back yard in a big way. They’re the leading door manufacturer in Japan, with over 500 locations. They probably install more door hardware than any company in the world. They’re a threat to not only your door business, but all your business -- and their core strategy is to distribute and install hardware directly, with a heavy emphasis on installation and service 24-hours a day, 365 days a year.

To put this in perspective, I don’t want to imply that global competition is driving greater changes in the market than the changing expectations of our customers or the changing demands of our national economy, demographics and technologies -- but it will have an impact. And Sanwa just might have a big impact.

But the good news is...

“You’ve Got What It Takes” to beat Sanwa -- and anybody else who comes along.

The largest construction project in the world is currently the new Hong Kong Airport. It is not only the largest, but possibly the most complex and sophisticated construction project in the world as well. But, in competition with Sanwa Shutter and other world-class manufacturers, the contract for 3.5 million dollars worth of doors was awarded in January of 1996 to Steelcraft and our Hong Kong distributor, Jardine Matheson. In fact, Jardine Matheson’s total contract was worth over 7 million dollars -- in Sanwa’s back yard!

So you definitely do have what it takes to go head to head with any competitor in the world. But the key to taking them on successfully...is the willingness to change. And, while change always represents a challenge, it also always represents an opportunity -- a golden opportunity to improve our productivity and our profit.

Consider, for example, the impact of communications technology. Think of the new technologies we’ve put to work in the last 10 years -- Faxes, PC’s, e-mail, voice-mail, CD-ROM’s, the Internet, the World Wide Web, lap tops, video conferencing...Each of these of these technologies required an investment of uncertain return and was a challenge to learn how to use -- but can you imagine operating without your PC or your FAX machine now?

Now consider the typical bid process most of you go through today:

The architect designs the project.

All the details are in the architect’s CAD computer system.

He prints them out and provides them to the contractors who then ask you to bid.

Then, either by re-entering the data into your own computer or by doing it manually, you cost it, establish margins, price it and submit the bid.

If you secure the bid, you either print out or manually prepare an order that is FAXed to Steelcraft, where we manually enter the data into our order processing system.

And each step in the process represents time delays, opportunities for errors and costs.

But now consider where we're going with COMCRAFT. In the future, we see COMCRAFT being used to download design and specification data via modem from the architect, automatically price it and place the order, again via modem, directly with Steelcraft. Consider the benefits of this: improving your value to the customer and reducing your costs. That's the formula for profitable growth.

That's the opportunity offered by change.

Also changing, are the expectations of your customers. Over the last several years, we have researched customer needs and found several very consistent trends. Owners want value; yes, they want cost effective solutions -- but they want durability, unique functional value and trouble-free operation -- and their needs are getting more sophisticated every day. They need lower sound transmission, increased disability access and safety, more sophisticated security and access control, and more and more service.

To meet these needs, we must work together to sell our combined value to owners. An excellent example of this is the work recently done for Steve Wynn, the owner of Mirage Resorts in Las Vegas. Together with our distributor, Houston Lumber, we supplied the doors and frames for Steve Wynn's Treasure Island Hotel -- and

he has just awarded us the new Bellagio Hotel which is currently the largest construction project in US! We landed both of these projects by working together, with the owner and the design-build contractor, and providing unique solutions to their needs. Working together we make an unbeatable combination.

To meet the changing needs of architects, I think it's time we take a whole new approach in dealing with them. Historically we've dealt with the specification writer on technical details. I believe that's like trying to get the tail to wag the dog. We need to be involved in the design phase where we can leverage our unique products to control what the specification writer is told to specify. During the design phase, architects are more interested in architecturally appealing design than what gage the hinge reinforcement is. They want more glass, larger sizes and more creative applications. They want unique appearance, new textures, and larger size doors. I have heard repeatedly that they want the ability to customize a standard product. They also want us to be easier to work with and access to our expertise to help them design in the best value. And here again, Steelcraft's got what it takes.

The changing expectations of contractors are very simple. What they tell us is that they can no longer find skilled carpenters to accurately install doors, frames and hardware. Contractors have told us that selling the entire package was an excellent first step toward meeting this need. Now we need you to sell it installed. And again, you've got what it takes with Steelcraft.

Steelcraft is committed to making revolutionary changes in our businesses, changes that will increase our combined competitive advantage, changes that will allow you to make proposals to your contractor customers that gain you significantly more business at higher margins -- and your customers will love you.

You must take advantage of the opportunities provided by a changing world, .created by the changes we're making at Steelcraft. But, as great as they are, these opportunities are not as great as those you can generate yourself -- by pro-actively initiating change.

One of the greatest opportunities lies in marketing.

****** the following section has been nominated for extraction******

Let' start with research. Do you know which school districts in your markets have the largest construction budgets over the next 2-3 years? Which products do they tend to work with? Which contractors? What issues do the maintenance staff have with your products? What are their training needs? What services can you offer to meet maintenance and service needs? If you can identify the people to work with in each geographic area and market segment you serve, and find out how to utilize unique products such as GrainTech to meet their needs, you can build up customer preferences that win contracts without bidding..

How about your customer base? Have you analyzed it to see if there are old customers you're not doing business with anymore that you should be working with? Have you tried to find out why have you lost them? Do you keep an upto-date list of prospective customers, contractors, institutions and corporate customers? Have you considered a dealer structure to expand your distribution?

How about Marketing Communications? How do you build awareness for your company's products, services and value? How easy are you to deal with,

especially for those customers who are more concerned with getting exactly what they need, when they need it, than they are with its cost? Do you have a catalog that doesn't require your customers to be AHC's to understand it?

Do you have a counter staff that serves customers in a way that makes them want to return? How about the small contractor, to whom you might not want to sell on account? Will you take his credit card?

What types of activities or events do you routinely provide to build relationships with current and prospective customers?

Do you have proactive programs to sell products and services, such as offering to help institutional and corporate facilities comply with current safety and disability codes?

Do you segment your markets so you can judge whether you're investing the right resources on the right customers? Do you know if what you're doing is enhancing your value to your customers and making them want to do business with you again?

We're all familiar with the Golden rule: Do unto others as you want done unto you. But, in Marketing, we have the Platinum Rule: Do unto others as **they** want done unto them!

If you follow this rule, your business will grow. Its as simple as the first law of physics - For every action, there is re-action.

If you take the action of investing more effort in analyzing your markets to define and prioritize the segments and customers you want to pursue...

If you are creative about how you build awareness in the market and innovative in the programs and tools you use...

If you sell quality, service, ease of doing business and value...

The reaction you will get is profitable growth.

Now how many of you who has someone that can spend dedicated time helping you develop and implement marketing programs?

Well, you all should answer that in the affirmative because as a Steelcraft distributor, You've got what it takes. A key responsibility of Steelcraft District Sales Managers is to provide you with marketing support and help you develop and implement these types of programs. And we back our DSM's up with new tools and support from Cincinnati. Al Urbaniak and his team will detail this support a little later in the meeting.

Now, in closing, let me say that, when I reflect on all the changes we're making at Steelcraft... the leadership goals we've set...

and the new technology we've implemented to let us leapfrog our current capabilities...

I'm reminded of the 1996 Olympics just completed in Atlanta.

The goals we've set for Steelcraft remind me of the Olympics. The Olympic motto is Faster, Higher, Stronger. And the spirit of the Olympics is continuous

improvement... constantly driving for new records, outstanding individual performance and finally, team excellence.

****also nominated for extraction******

Now I don't know about you, but I was mesmerized each night watching the athletes perform and excel. Although there were many inspiring moments, two stand out in my mind as pinnacles of championship performance - moments that, for me, provide lasting inspiration.

The first is the final vault of US gymnast Keri Strug, who, even though her ankle was hurt, successfully completed her final vault to insure a team victory and gold medal. Courage, determination and performance.

The second was Carl Lewis's performance in the long jump. If you remember, he was almost failed to qualify for the competition, making it in only on his last jump. But in the final competition, on his very first jump he set a mark that no one else could meet and won the gold medal for the fourth Olympics in a row. It was his 9th Gold Medal.

Courage, determination and excellence need also to be applied in our businesses.

Do you know, by the way, who supplied doors and hardware to the Georgia Dome where many of the Olympic competitions were held? Steelcraft -- Steelcraft and our distributor, Southern G F.

The spirit of faster, higher, stronger is the spirit that all of us at Steelcraft work to bring to our business. Faster -- in speeding our product through our administrative and manufacturing processes, working together, just as a relay team, to pass the baton smoothly and quickly, and provide you the shortest leadtime in the industry.

Higher -- levels of quality higher than your expectations, Steelcraft quality that delights your customer and helps build your reputation as a provider of value.

And Stronger -- new products and new marketing programs which give you stronger competitive advantages, innovative products and creative programs that help you profitably grow your business.

We -- the Steelcraft Team -- are committed to unbeatable, world class, Olympic performance, through the personal involvement, commitment and innovation of 900 Steelcrafters. Day after day, we will be faster, higher and stronger. And, through the support and resources of Ingersoll-Rand, we will employ the latest technology, stay well ahead of our competition and exceed your needs and expectations. That's our commitment to you.

And, just as we've made this commitment to you, we're asking for your commitment in return.

We ask for your loyalty -- We expect to earn all of your business. We will continually improve our value and our strength in the market, continually adding Steelcraft resources to support you. In return, we ask for all of your business -- all of the time -- and that we work together as true partners.

And we ask you to grow. -- Our goal is to double our business every 5 years. To do that in an industry which is relatively flat means we must take market share from our competition.

And we want to see you grow at the same rate. We want to see you invest resources and implement programs that allow you to profitably double your business every five years. If you commit to changing your business, to being more proactive and investing in the future, we can achieve this goal together. Otherwise, additional distribution is the only way we'll reach it.

Today, we're going to show you that **Steelcraft has what it takes**.

We can provide you the support you need to change and grow your business.

And we honestly believe that **You've got what it takes** to be innovative industry leaders.

Together, we're going to grow our market share and make the next 5 years the most rewarding ever! -- because **We've got what it takes**

Thank you