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Industrial Molds Group

April 2010 Newsletter

Industrial Molds, Inc.

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Engineering Corner: **Texture on a Part**

Texture on a plastic part changes the game, and makes precision shut-offs critical to getting visually appealing parts. "For a textured part, getting the proper shut-off is even more important because you need a certain amount of draft angle to get the part out of the mold, yet not create a mismatch condition in the texture areas," Kerry Smith, Account Supervisor at Industrial Molds says. "If you have part where the parting line jumps up and down, you will see these mismatched surfaces on the part because of the draft angle that is required. If you have 10-15

Industrial Molds to Exhibit at PDx/Amerimold:

If you're in the Cincinnati area May 11-13, you'll want to stop by the Duke Energy Center for the PDx/Amerimold (formerly the Moldmaking Expo) trade show. The company that owns EuroMold, the big European Moldmaking trade show, has partnered with Hanser/Gardner to produce a new trade show that will be bigger and better than ever. There will be seminars to attend on the various aspects of mold design and build, and lots of different exhibitors to visit. Be sure to stop by our booth # 743 and say hi to us. Let us show you what's new at Industrial Molds Group! For a free pass to the show, click on this link <https://register.rcsreg.com/r2/pdx2010/ga?promo=374INDL> , fill out your information and enter in this promo code **374IND**.



Steel Prices Set to Soar:

thousandths of an inch of mismatched plastic, that's a huge deal."

Smith adds that "Often we just cannot put as much draft angle on the part as the texture calls for, so that requires us to sit down with the texture company's engineer and the customer's product development person, to work it out," Smith explains. "If you cannot live with the recommended draft in the texture area, you may have to alter from full grain depth. The texture vendor may say we can go 50% of full grain depth based on the draft in a certain area. We encourage customers to tell us up front if a part is textured so we can get involved early on with the texture vendor, and make these decisions prior to tooling design. Adequate draft and good, clean shut-offs will lead to ideal cosmetics. Texturing adds complexity."

We like to keep our customers apprised of news that impacts the price of molds, and according to a CNBC.com report, global steel prices are set to increase by up to a third. Miners and steelmakers agreed to a groundbreaking change in the iron ore price system. The new deal will raise the cost of anything that uses steel, including molds. The deal by Vale of Brazil and Anglo-Australian BHP Billiton with Japanese and Chinese mills marks the end of the 40-year-old benchmark system of annual contracts and lengthy price negotiations. The industry instead agreed to move to quarterly contracts linked to the nascent iron ore spot market.

The new system is in response to last year's stalemate in the negotiations between miners and Chinese steelmakers, when both sides were unable to reach an agreement on annual prices. The balance of pricing power has shifted in the miners' favor due to the emergence of China as a voracious consumer over the past 10 years.

The new price system will increase the cost of iron ore to Asian steelmakers to about \$110-\$120 a ton during the April-June period, up between 80 and 100% from the \$60 level at which the 2009-2010 annual contracts were settled. Prices are expected to continue to climb over the summer, according to analysts.

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Are You Getting the Credit You Deserve?

R&D Tax Credits Are Valuable for Manufacturers

If you didn't take your R&D tax credits for last year, you still have time to document your R&D activity this year and take them on your 2010 return that you file in 2011. Many

activities that Industrial Molds does for its customers qualify as R&D, a big advantage for the company.

It can translate into an advantage for our customers, as they also qualify for the R&D tax credit. When company A hires Industrial Molds (company B) to design and develop a mold for a new product or component, Company A can recover that contract cost by up to 65%, as long as company B was doing qualified R&D activity. Company B (Industrial Molds) can also get the R&D tax credit because we are developing a mold for a new product or component in which there is an element of uncertainty.

"In many cases, both companies (A & B) qualify for the credit," says Don Gardner, vice president of Core Solutions Group, a national firm of engineers, Intellectual Property Attorneys, and tax professionals (www.coreadvisors.net) that help businesses with tax planning including the R&D tax credits. Don says that in respect to the moldmaking business, "it is a trackable environment for them."

As Tim Peterson, Vice President of Industrial Molds explains, "virtually every mold we build involves uncertainty. We never know the exact product we are going to get at the end," he says. "We machine the cores and cavities for the plastic component within a thousandth of an inch or so, but we are never sure the initial part that comes out of the mold will be the part we're expecting to get."

How often does the plastic come out to be exactly what the steel says it should be? Almost never, say moldmakers. Are you certain of the outcome when you put that mold in the press? Do you know exactly what you are going to build when you get a print? R&D isn't only developing something that never has been done before. It is also developing a design, a mold that makes a part the way the customer specifies it, but in which the outcome is uncertain. That is why you should hire an independent third party to come in and tell you what R&D *is* within the scope of your business and within the tax code. The wrong definition of "is" could get you in trouble.

Consult your CPA, or if he or she isn't familiar with the R&D tax credit IRS code, Industrial Molds can recommend Core Advisers to help you.

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Industrial Molds, Inc. | 5175 27th Ave | Rockford | IL | 61109

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