

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-09-27** | Period of Report: **1996-06-30**
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FILER

FEDERAL SCREW WORKS

CIK: **34908** | IRS No.: **380533740** | State of Incorporation: **MI** | Fiscal Year End: **0630**
Type: **10-K** | Act: **34** | File No.: **000-01837** | Film No.: **96635483**
SIC: **3452** Bolts, nuts, screws, rivets & washers

Mailing Address
2400 BUHL BUILDING
DETROIT MI 48226-3602

Business Address
2400 BUHL BLDG
DETROIT MI 48226
3139632323

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended June 30, 1996

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-1837

FEDERAL SCREW WORKS

(Exact name of registrant as specified in its charter)

Michigan

38-0533740

(State or other jurisdiction
of Incorporation or
organization)

(I.R.S. Employer
Identification No.)

535 Griswold, Suite 2400, Detroit, Michigan 48226

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code 313-963-2323

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$1 par value

(Title of class)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part 3 of this Form 10-K or any amendment to this Form 10-K. [X]

As of September 3, 1996, the aggregate market value of the common stock of Registrant held by non-affiliates was \$17,709,468.

The number of shares outstanding of each of the Registrant's classes of common stock, as of September 3, 1996, is as follows:

DOCUMENTS INCORPORATED BY REFERENCE

Certain information from the following documents has been incorporated by reference herein in response or partial response to the items indicated:

Document -----	Form 10-K Part No.; Item No. -----
1. Annual Report to Stockholders of the Registrant for the year ended June 30, 1996 (hereinafter referred to as "1996 Annual Report") attached hereto as Exhibit 13	Part I; Item 1, 2 Part II; Item 5, 6, 7, 8
2. Proxy Statement of the Registrant dated September 27, 1996	Part III; Item 10, 11, 12, 13

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3. 1995 Form 10-K	Part IV; Item 14
4. 1994 Form 10-K	Part IV; Item 14
5. 1993 Form 10-K	Part IV; Item 14
6. 1992 Form 10-K	Part IV; Item 14
7. 1989 Form 10-K	Part IV; Item 14
8. Form 10-Q for the quarter ended March 31, 1995	Part IV; Item 14

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

(a) General Development of Business.

(1) The Registrant, originally incorporated in 1919, is principally engaged in the manufacture and sale of various industrial component parts. During the fiscal year for which this Annual Report is being filed, there were no material developments with respect to the Registrant's business, except for those described in Registrant's 1996 Annual Report on pages 9-12, attached hereto as Exhibit 13. This information is incorporated herein by reference.

(2) Inapplicable.

(b) Financial Information About Industry Segments.

(1) (2) Industry segments.

The Registrant is engaged in a single business segment as described on pages 5-6 and 25 of the 1996 Annual Report of the Registrant, attached hereto as Exhibit 13. Amounts of revenue, operating profits and identifiable assets attributable to the single business segment are included on pages 13 and 14 of the 1996 Annual Report of the Registrant, attached hereto as Exhibit 13. This information is incorporated herein by reference.

(c) Narrative Description of Business.

The description of the business set forth on pages 5-6, 9-12 and 25 of the Registrant's 1996 Annual Report, attached hereto as Exhibit 13, is incorporated herein by reference. The following information supplements that description:

(1) (i) See Narrative Description cross-reference above.

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(ii) See Narrative Description cross-reference above.

(iii) See Narrative Description cross-reference above.

(iv) While Registrant holds a number of patents, Registrant believes that the successful continuation of its business is not dependent on any single patent or group of patents, trademarks, or licenses. (Registrant retains the rights to certain royalties related to an exclusive license agreement with semiconductor manufacturer Silicon Systems incorporated (SSi), whereunder SSi will produce and market certain phonetic speech synthesizer chips under the SSi product name. Registrant does not consider the royalty agreement to be material to Registrant's business.)

(v) No material portion of the business of the Registrant is seasonal in nature.

(vi) There are no practices and conditions of the Registrant or known to the Registrant relating to working capital items which are material to an understanding of the Registrant's business in the industry in which it competes.

(vii) See Narrative Description cross-reference above.

(viii) As of August 31, 1996, the Registrant had an estimated backlog of firm orders amounting to approximately \$15,500,000, all of which are expected to be filled within the 1997 fiscal year. The comparable backlog as of August 31, 1995 amounted to approximately \$15,000,000.

(ix) No material portion of the business of Registrant is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government.

(x) The manufacture and sale of Registrant's products is an extremely competitive business. Because industry statistics are not available, Registrant

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is unable to accurately determine the number of its competitors nor to state its competitive position in its principal market as a supplier of parts to automotive customers. However, Registrant believes that it is generally considered a leading producer of its principal type of product in an estimated \$650 million annual market served by approximately thirty major domestic suppliers, no one of which, or no small number of which are dominant. Registrant is aware, however, that there are companies making similar products, with greater sales and resources than Registrant. Registrant is aware that in recent years the activity of foreign competitors manufacturing similar products has increased. The quality of the product, the product's price and service to customers are the principal methods of competition.

- (xi) Research and development activity expenses during each of the last three fiscal years is not deemed material.
- (xii) Registrant has experienced no material effects in complying with government environmental regulations.
- (xiii) See Narrative Description cross-reference above.

(d) Financial Information About Foreign and Domestic Operations and Export Sales.

Financial information about foreign and domestic operations and export sales are set forth on pages 5, 6, 13, 14 and 25 of the Registrant's 1996 Annual Report, attached hereto as Exhibit 13. This information is incorporated herein by reference.

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ITEM 2. DESCRIPTION OF PROPERTY.

The description of property set forth on pages 5-6 of the Registrant's 1996 Annual Report, attached hereto as Exhibit 13, is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

Registrant is one of approximately twenty designated potentially responsible parties (PRPs) in a federal "Superfund" environmental clean-up proceeding involving a dump site in Rose Township, Oakland County, Michigan. Although Registrant denies responsibility for contamination of the site, it has nevertheless agreed to participate in funding clean-up of the site by paying a share of the clean-up costs which Registrant does not consider to be material. This share has been assumed primarily because of the large transactional costs expected to be incurred in defending the lawsuit against the PRPs which would have been filed by the Environmental Protection Agency if the matter had not been settled voluntarily.

Registrant and eleven other PRPs have signed a Consent Decree and adopted a Remedial Action Plan which has been filed in, and approved by, the U.S. District Court for the Eastern District of Michigan. The Complaint instituting the court proceeding was filed September 19, 1989. The principal parties are the United States of America, the State of Michigan, and the PRPs. On appeal, the Consent Decree has been affirmed by the United States Court of Appeals for the Sixth Circuit. The allocation of the responsibility to fund the Remedial Action Plan among the participating PRPs is set out in a written Agreement to which Registrant is also a party. Settlements with two of the Registrant's insurers resulted in coverage for in excess of one half of the Registrant's share.

The settling defendants have submitted to the United States Environmental Protection Agency comments regarding a soil vapor extraction system report which the PRPs submitted after a pilot study at the Site. The EPA has accepted the substitution of soil vapor extraction for soil flushing as the remedial action approach, and the approach is now being implemented. No

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significant effect on the site clean-up is anticipated and the Registrant does not expect to pay any costs beyond its original contribution.

The Registrant and other Rose Township PRPs have been notified by the EPA of potential liability at another site located in Springfield Township, Oakland County, Michigan. The PRPs have actively been engaged in negotiations with the EPA and the Michigan Department of Natural Resources in an effort to agree upon mutually acceptable remediation parameters. The PRPs have negotiated Administrative Orders on Consent Regarding Selected Response Activities and for Cost Recovery Settlement, the cost of which is not expected to have a material effect upon the Company's financial statements. The PRPs have not negotiated an overall remedy at the Site. But, interim remediation is

occurring as the Order Regarding Selected Response Activities covers the groundwater component of the remedy. The Registrant has settled with the Michigan Department of Natural Resources the Department's past cost claims at both the Rose and at the Springfield Township Sites. The Registrant's share of the settlements was an immaterial amount. It is anticipated that the Registrant's share of any future expense at the Site will be immaterial. The Registrant liquidated its coverage claims against its insurers.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Inapplicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

(a) The information set forth under the caption "Stock Prices" on page 7 of Registrant's 1996 Annual Report, attached hereto as Exhibit 13, is incorporated herein by reference. On September 3, 1996, the NASDAQ market price for Registrant's common stock was \$29.00 asked, \$27.00 bid.

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(b) The approximate number of record holders of common stock securities is set forth on page 27 of Registrant's 1996 Annual Report, attached hereto as Exhibit 13. This information is incorporated herein by reference. Included are individual participants in security position listings.

(c) Cash dividends were declared in each of the four quarters during fiscal 1996 and fiscal 1995. Total cash dividends in fiscal 1996 were \$1.10 per share and in fiscal 1995 were 80(cents) per share. Additional information is set forth under the caption "Dividends" on page 11 of the Registrant's 1996 Annual Report, attached hereto as Exhibit 13, and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

The information set forth under the caption "Selected Financial Data" on page 8, supplemented by the discussion on pages 9-12 of Registrant's 1996 Annual Report, attached hereto as Exhibit 13, is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 9-12 of Registrant's 1996 Annual Report, attached hereto as Exhibit 13, is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Financial Statements and Quarterly Data set forth on pages 7 and 13-26 of Registrant's 1996 Annual Report, attached hereto as Exhibit 13, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Inapplicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

(a) Identification of Directors.

The information set forth under the caption "Election of Directors and Security Ownership of Management" in Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

(b) Identification of Executive Officers.

The following information supplements the information provided under the caption "Election of Directors and Security Ownership of Management" in Registrant's Proxy Statement dated September 27, 1996 which is incorporated herein by reference.

NAME	POSITION	AGE
John M. O'Brien	Vice President-Sales and Marketing since 1986; Vice President-General Sales Manager, 1984 to 1986; General Sales Manager, 1982 to 1984; Sabbatical at Stanford University Business School, 1981 to 1982; Sales Representative, 1975 to 1981	46
Jeffrey M. Harness	Vice President and General Manager-Chelsea Division and Brighton Division since 1994; Vice President and General Manager-Chelsea Division, 1992 to 1994; General Manager-Chelsea Division, 1985 to 1992; Sales Manager-Chelsea Division, 1984 to 1985; Sales Representative, 1982 to 1984; Management Trainee, 1981 to 1982; Chelsea Division Junior Buyer, 1980 to 1981.	40

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(c) Identification of Certain Significant Employees.

Inapplicable.

(d) Family Relationships.

The information set forth in footnotes (a), (b) and (e) under the caption "Election of Directors and Security Ownership of Management" in Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

(e) Business Experience.

(1) Included in response to paragraphs (a) and (b) of this

Item 10.

(2) The information set forth under the caption "Election of Directors and Security Ownership of Management" in Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

(f) Involvement in Certain Legal Proceedings.

None.

(g) Promoters and Control Persons.

Inapplicable.

ITEM 11. EXECUTIVE COMPENSATION.

The information set forth under the captions "Executive Compensation," "Comparative Performance Graph," "Certain Relationships and Related Transactions," "Restricted Stock Bonus Plans," "Retirement Supplement," "Salaried Pension Plan" and "Board of Directors and Committees" in

Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT.

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The information set forth under the caption "Election of Directors and Security Ownership of Management" in the Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information set forth under the captions "Certain Relationships and Related Transactions" in Registrant's Proxy Statement dated September 27, 1996 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES,
AND REPORTS ON FORM 8-K.

(a) (1) and (2) - The response to this item is submitted as a separate section of this report on page 20.

(3) Exhibits. The following exhibits designated with a "+" symbol represent the Company's management contracts or compensation plans or arrangements for directors and executive officers.

- 3.1 Registrant's Articles of Incorporation, were filed as an exhibit to the Registrant's 1994 Form 10-K, and are incorporated herein by reference.
- 3.2 Registrant's By-Laws were filed as an exhibit to Registrant's 1989 Form 10-K and are incorporated herein by reference.
- 4.1 The lease-purchase contract dated as of November 1, 1979 between the City of Big Rapids, Michigan and Federal Screw Works was filed as an exhibit to Registrant's 1993 Form 10-K and is incorporated herein by reference.

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- 4.2 The (municipal industrial revenue bond) guarantee agreement dated as of November 1, 1979, as previously filed, was filed as an exhibit to the Registrant's 1993 Form 10-K and is incorporated herein by reference. All waivers, amendments and modifications thereto, were filed as exhibits to the Registrant's 1989, 1993 and 1994 Forms 10-K and are incorporated herein by reference.
- 4.3 Revolving Credit and Term Loan Agreement by and between Registrant and Comerica Bank, dated October 24, 1995, filed as an exhibit to the Registrant's Form 10-Q for the period ended September 30, 1995, and incorporated herein by reference.
- 10.1+ Supplemental retirement agreement between the Registrant and W. T. ZurSchmiede, Jr., present Chairman of the Company, dated April 1, 1986 was filed as an exhibit to Registrant's 1993 Form 10-K and is incorporated by reference.
- 10.2+ Supplemental retirement agreement between the Registrant and Hugh G. Harness, a director and past President of the Company, dated December 21, 1978 and amended pursuant to an Amendment to Agreement dated October 23, 1986, together with an Agreement providing for the retirement and consultation of and by Mr.

Harness and the Registrant dated January 7, 1994, attached to which as Exhibits B and C were agreements further amending the supplemental retirement agreement, were filed as an exhibit to Registrant's 1994 Form 10-K, and are incorporated herein by reference.

10.3+ Indemnity agreement effective September 24, 1986, which exists between the Registrant and each director, was filed as an exhibit to Registrant's 1992 Form 10-K, and is incorporated herein by reference.

10.4 Lease agreement between the Registrant and Equitable Life Assurance Society of the United States for the lease of the 24th floor of the Buhl Building, Detroit, Michigan, effective January 1, 1995, was previously filed as an exhibit to the Registrant's Form 10-Q for

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the quarter ended March 31, 1995, and is incorporated herein by reference.

10.5+ Retirement Plan for Outside Directors as amended and restated, filed as an exhibit to the Registrant's 1995 Form 10-K and incorporated herein by reference.

13.* Registrant's Annual Report to security holders for the year ended June 30, 1996.

27.* Financial Data Schedule.

99.* Proxy Statement for the Registrant's 1996 Annual Meeting of Shareholders - filed by the Registrant pursuant to Regulation 14A and incorporated herein by reference.

* Filed with this report

(b) No reports on Form 8-K have been filed by Registrant during the last quarter of the period covered by this Report.

(c) The response to this item is submitted as a separate section of this Report.

(d) The response to this item is submitted as a separate section of this Report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERAL SCREW WORKS
(Registrant)

By: /S/ W. T. ZURSCHMIEDE, JR.

W. T. ZurSchmiede, Jr.
Chairman and Chief Executive
Officer, Chief Financial Officer,
Secretary, Treasurer and Principal
Accounting Officer

Date: September 25, 1996

The following financial statement schedules of Federal Screw Works are included in Item 14(d);

Schedule II - Valuation and qualifying accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and, therefore, have been omitted.

[Letterhead of Ernst & Young LLP]

Ernst & Young LLP Suite 1700 Phone: 313 596 7100
500 Woodward Avenue
Detroit, Michigan 48226-3426

Report of Independent Auditors

Board of Directors
Federal Screw Works

We have audited the accompanying balance sheets of Federal Screw Works as of June 30, 1996 and 1995, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federal Screw Works at June 30, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

s/ Ernst & Young LLP

August 9, 1996

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE> <CAPTION> COL. A	COL. B	COL. C	COL. D	COL. E
-----	-----	-----	-----	-----
		ADDITIONS		

DESCRIPTION	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts -- Describe	Deductions -- Describe	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Valuation allowance for accounts receivable:					
Year ended June 30, 1996	\$ 25,000	--	--	--	\$ 25,000
Year ended June 30, 1995	25,000	--	--	--	25,000
Year ended June 30, 1994	25,000	\$ 3,206	--	\$ 3,206 (A)	25,000
Valuation allowance for inventories:					
Year ended June 30, 1996	\$275,000	\$210,092	--	\$201,092 (B)	\$284,000
Year ended June 30, 1995	160,000	188,885	--	73,885 (B)	275,000
Year ended June 30, 1994	154,000	102,099	--	96,099 (B)	160,000
<FN>					
(A) Uncollectable accounts charged off; corresponding reduction of allowance.					
(B) Unsalable inventories charged off; corresponding reduction of allowance.					
</TABLE>					

INDEX TO EXHIBITS

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- 10.5+ Retirement Plan for Outside Directors as amended and restated, filed as an exhibit to the Registrant's 1995 Form 10-K and incorporated herein by reference.
- 13.* Registrant's Annual Report to security holders for the year ended June 30, 1996.
- 27.* Financial Data Schedule.
- 99.* Proxy Statement for the Registrant's 1996 Annual Meeting of Shareholders - filed by the Registrant pursuant to Regulation 14A and incorporated herein by reference.

* Filed with this report

Federal
Screw Works
1996
Annual Report

[LOGO]

Board
of Directors

Thomas W. Butler, Jr.**+
President, Thomas
W. Butler and
Associates, Inc.,
Business Consultants

Hugh G. Harness*
Business Consultant,
Retired President and Chief
Operating Officer of the
Company

John J. Slavin**+
President of Professional
Corporation law firm since
1969. Since April 1992, of
Counsel to the Dykema Gossett
law firm which provides
legal services to the Company.

F. D. Tennent**+
Business Consultant;
Retired Senior Vice
President -- Finance,
Secretary & Treasurer
of the Company

Robert F. ZurSchmiede*
Vice President of the
Company -- Romulus Divisions

Thomas ZurSchmiede*
President and Chief
Operating Officer of the
Company

W. T. ZurSchmiede, Jr.*+
Chairman of the Board &
Chief Executive Officer;
Chief Financial Officer;
Secretary & Treasurer of the
Company

*Member of
Executive Committee

**Member of Audit
and Restricted
Stock Bonus Committees

+Member of Salary Compensation Committee

Executive
Officers

W. T. ZurSchmiede, Jr.
Chairman of the Board &
Chief Executive Officer;
Chief Financial Officer;

Secretary & Treasurer

Thomas ZurSchmiede
President and Chief
Operating Officer

John M. O'Brien
Vice President -- Sales
and Marketing

Robert F. ZurSchmiede
Vice President -- Romulus
Divisions

Jeffrey M. Harness
Vice President -- Chelsea and
Brighton Divisions

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Financial Highlights
Federal Screw Works

<TABLE>

<CAPTION>

(Dollars in thousands, except per share data)

Years Ended June 30	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Net sales	\$92,794	\$90,503	\$80,713
Earnings before federal income taxes	6,560	6,388	4,030
Federal income taxes	2,169	2,147	1,308
Net earnings	4,391	4,241	2,722
Depreciation and amortization	3,553	3,135	2,709
Capital expenditures	5,682	7,443	6,169
Working capital	13,613	12,538	9,141
Cash dividends declared	1,195	870	653
Stockholders' equity	33,901	30,957	27,464

Per Share Data

Net earnings	\$ 4.04	\$ 3.90	\$ 2.50
Cash dividends declared	1.10	.80	.60

<CAPTION>

Average number of shares outstanding:

1996 -- 1,086,662; 1995 -- 1,086,954; 1994 -- 1,087,955

</TABLE>

Annual Meeting
October 24, 1996, 10 a.m.
Federal Screw Works
535 Griswold Street, Ste. 2400
Detroit, Michigan 48226

Transfer Agent
State Street Bank & Trust Company

Registrar
State Street Bank & Trust Company

Federal Screw Works
Corporate Offices:
535 Griswold Street, Ste. 2400
Detroit, Michigan 48226
Telephone: 313/963-2323

Division locations: Big Rapids,

10-K Available:

Copies of the 1996 Form 10-K including the financial statements and schedules as filed with the Securities and Exchange Commission may be obtained without charge by the Stockholders from the Company upon written request to the Secretary. Exhibits will likewise be supplied upon payment of a reasonable fee.

Federal Screw Works shares are traded on the National Over-The-Counter Market. The Company's NASDAQ symbol is FSCR.

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To Our
Shareholders:

The Company reports net earnings for the fiscal year ended June 30, 1996, of \$4,391,000, or \$4.04 per share, on sales of \$92,794,000. For the year ended June 30, 1995, the Company reported net earnings of \$4,241,000, or \$3.90 per share, on sales of \$90,503,000. Net earnings for the fourth quarter ended June 30, 1996, were \$1,924,000, or \$1.77 per share, on sales of \$25,869,000. Net earnings for the fourth quarter ended June 30, 1995, were \$1,716,000, or \$1.58 per share, on sales of \$24,017,000. The reported earnings for each year are after non-cash FAS 106 post-retirement health benefit charges of \$994,000 and \$1,231,000, respectively (\$199,000 and \$314,000, respectively, for the fourth quarter).

The Company was pleased to record another year of substantial achievement. Continued process improvement as well as the production of new, higher margin parts enabled us to counter a variety of adverse circumstances. In the first instance, demand from our two largest customers was softer than expected. In the second, these two customers still insist on price concessions. Finally, the Company experienced two labor strikes, one at its Chelsea Division, the other at one of its largest customers, for respective periods of approximately six and three weeks. We believe the Company's ability to effectively manage these difficulties demonstrates its fundamental competitiveness.

We look forward to the new fiscal year confidently even as we acknowledge what analysts view as the strong possibility of a labor strike in the automobile industry. The Company continues to invest heavily. In fiscal 1996, expenditures for capital equipment amounted to \$5.7 million, compared to last year's \$7.4 million. Nonautomotive business grew again in 1996. Overall, we expect business to be strong.

At its August 16th meeting, the Board of Directors declared a regular quarterly cash dividend of \$.10 per share, and an extra cash dividend of \$.80 per share, both payable October 1, 1996, to shareholders of record September 6, 1996.

/s/ Thomas ZurSchmiede
Thomas ZurSchmiede
President

/s/ W. T. ZurSchmiede, Jr.
W. T. ZurSchmiede, Jr.
Chairman

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The Company

Industry Information

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

Operating Divisions

The Company's industrial component parts are manufactured in six plants located throughout lower Michigan. The Company presently employs approximately 505 hourly-rated and salaried personnel. A brief description of each division follows.

The Big Rapids Division in Big Rapids, Michigan, manufactures special high-strength bolts and other cold formed products using boltmakers and headers as primary equipment. Among the items manufactured to both inch and metric specifications are hex head bolts, connecting rod bolts, studs and flange bolts. The 160,000 square foot plant is situated on 25 acres of land, and contains heat treat facilities for hardening in-process parts. The annealing and pickling of the steel used at Big Rapids is generally performed at the Romulus Steel Processing Division.

The Romulus Division is housed in a 100,000 square foot plant, on 22 acres of land, in Romulus, Michigan. This division uses nutformers as primary equipment to manufacture special prevailing torque locknuts. Products include locknuts, connecting rod nuts, and other special nut products, in both metric and inch sizes. The plant has its own furnace for heat treating in-process parts. Annealing and pickling of the steel coils used in manufacturing nut products are performed by the adjacent Romulus Steel Processing Division.

The parts produced at the above divisions are sold principally to the automotive market. These parts are mass produced, and most are shipped directly to car assembly plants.

Steel rod annealing, pickling and drawing facilities are provided at the 38,000 square foot Romulus Steel Processing Division plant on a tract of land it shares with the Romulus Division. A significant amount of the output of this facility is converted to finished products by Federal Screw Works' bolt and nut making operations. Excess capacity is used to process steel rod belonging to other companies, mainly in the cold heading industry.

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The Company
Continued

The Brighton Division occupies a 19,000 square foot leased facility in Brighton, Michigan. The lease expires in December, 1998. The Division manufactures perishable tooling, primarily for the cold heading industry. More than one-half of its output is consumed by the Company's Romulus and Big Rapids Divisions.

The Chelsea Division is located in Chelsea, Michigan, in a plant having approximately 86,000 square feet. Primary equipment consists of automatic screw machines and rotary index machines capable of making products from 1/16 inch to 2-3/4 inches in diameter. Chelsea Division fabricates a wide variety of precision parts including piston pins, bushings, fittings, special fasteners, valve components, sleeves, shafts, gear blanks and the like. These parts are generally produced in large volume lots and delivered direct to manufacturers of products such as compressors, automobiles, transmissions and small engines.

In August, 1994, the Company leased a 16,000 square foot facility in Romulus to conduct engineering and manufacturing development activities. This facility, known as the Technical Center, gives us sufficient room to try out new primary and secondary equipment, tooling, and parts feeding and automation devices, as well as permitting us to rebuild recently purchased used

equipment. This facility has been of major assistance during the fiscal year just concluded.

The Company's corporate offices are located in the Buhl Building in downtown Detroit, where the Company occupies 12,000 square feet of space under a five year lease expiring in 1999 (renewable for an additional 5 years).

The Company owns outright all of the above described buildings, land, and production facilities except as specifically noted to the contrary. The Company utilizes all of the floor space of these structures. Present facilities are adequate to meet the needs of each respective division.

6

Financial Review
Federal Screw Works

<TABLE>
<CAPTION>
Quarterly Operating Results (Dollars in thousands, except per share data)

	1st Quarter -----	2nd Quarter -----	3rd Quarter -----	4th Quarter -----	For the Year -----
1996					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$20,904	\$22,504	\$23,517	\$25,869	\$92,794
Gross profit	2,059	2,520	3,381	4,041	12,001
Net earnings	502	802	1,163	1,924	4,391
Net earnings per share	\$.46	\$.74	\$ 1.07	\$ 1.77	\$ 4.04
Cash dividends per share	.80	.10	.10	.10	1.10
1995					
Net sales	\$19,838	\$21,734	\$24,914	\$24,017	\$90,503
Gross profit	1,977	2,541	3,386	3,959	11,863
Net earnings	532	852	1,141	1,716	4,241
Net earnings per share	\$.49	\$.78	\$ 1.05	\$ 1.58	\$ 3.90
Cash dividends per share	.50	.10	.10	.10	.80

<FN>
Net earnings for the fourth quarter of 1996 and 1995 were favorably affected by year end adjustments, principally inventory (\$959,945 or \$.88 per share and \$841,284 or \$.77 per share, respectively).
</TABLE>

Stock Prices

These are the quarterly high and low bid quotations as reported by the National Association of Securities Dealers for the Company's common stock, which is traded over the counter (under the NASDAQ symbol FSCR).

<TABLE>
<CAPTION>

	1996		1995	
	High -----	Low -----	High -----	Low -----
<C>	<C>	<C>	<C>	<C>
1st Quarter	\$26-1/4	\$22-1/4	\$20	\$16-3/4
2nd Quarter	24-1/2	20-1/2	20-1/2	18-3/4
3rd Quarter	26-1/2	20-1/4	21	18-3/4
4th Quarter	28-3/4	23	23-1/2	17-1/8

</TABLE>

7

Financial Review
Continued
Federal Screw Works

<TABLE>
<CAPTION>

Selected Financial Data
Years Ended June 30 (Dollars in thousands, except per share data)

	1996	1995	1994	1993	1992
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 92,794	\$ 90,503	\$ 80,713	\$ 73,050	\$ 67,618
Cost of products sold	80,793	78,640	71,657	65,669	59,824
Interest expense	848	559	470	494	510
Earnings before federal income taxes	6,560	6,388	4,030	2,918	2,984
Federal income taxes	2,169	2,147	1,308	912	964
Net earnings	4,391	4,241	2,722	2,006	2,020
	-----	-----	-----	-----	-----
Average number of shares of common stock outstanding	1,086,662	1,086,954	1,087,955	1,089,306	1,103,610
	-----	-----	-----	-----	-----
Per share of common stock:					
Net earnings	\$ 4.04	\$ 3.90	\$ 2.50	\$ 1.84	\$ 1.83
Cash dividends	1.10	.80	.60	.60	.40
	-----	-----	-----	-----	-----
Total assets	\$ 64,360	\$ 62,008	\$ 52,925	\$ 49,205	\$ 46,952
Long-term debt	7,960	8,700	6,020	6,385	6,880
	-----	-----	-----	-----	-----

</TABLE>

8

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Federal Screw Works reported net sales of \$92.8 million in fiscal 1996, which represented a 2.5% increase from fiscal 1995 sales of \$90.5 million. Net sales for fiscal 1995 increased 12.1% from fiscal 1994 sales of \$80.7 million. Like 1995, the increase in fiscal 1996 sales resulted from new automotive parts programs and an increase in non-automotive business. The number of parts shipped decreased slightly in 1996 following an increase in 1995.

Gross profits increased 0.8% to \$12 million in fiscal 1996, a \$100,000 increase from fiscal 1995. Fiscal 1995 gross profits increased 31% to \$11.9 million compared to the \$9.1 million level realized in 1994. The 1996 increase resulted primarily from greater sales and increased manufacturing efficiency, offset in part by heavy price concessions which continued to be required by our customers. These concessions are a part of the competitive environment and will be with us for the foreseeable future. Also, the Company experienced two critical work stoppages which occurred in our third quarter against a large customer and at our Chelsea Division in the fourth quarter. Other factors negatively impacting our gross profits in 1996 included higher labor, aluminum, plating and packaging costs.

Our Shareholders are aware of the Company's dependence upon sales to the two largest U.S. automobile manufacturers, a condition that has existed for at least fifty years. The impact of new parts programs was particularly helpful in fiscal 1996. We have also increased our shipments to the refrigeration compressor and small engine markets to approximately ten percent of our total sales. These markets have been growing at a faster rate than our automotive business in recent years. Sales to customers outside North America are increasing, but still are not material.

Three major competitors were acquired by other fastener companies in 1996. We do not believe these acquisitions will result in a significant change in the Company's competitive position; although we believe that there will be continuing reductions in the number of U.S. owned competitors. Over the longer

term we can expect increasing competition from the so-called "transplant" fastener suppliers who supply the Japanese owned automobile manufacturers with whom our Company presently enjoys little business. Although it seems clear that these suppliers desire to increase their business with U.S. owned automobile manufacturers, we do not believe that competition from these companies will impact the Company in the near term. In 1996 the Company did secure two significant business programs through Tier I suppliers to the Japanese owned automotive manufacturers. We will begin shipment on these programs in the new fiscal year.

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Financial Review
Continued
Federal Screw Works

As a percentage of net sales, selling, general and administrative expenses decreased to 4.9% in fiscal 1996. In fiscal 1995 and fiscal 1994 these expenses were 5.4% and 5.6% of net sales, respectively.

Interest expense increased in fiscal 1996 by 52% from fiscal 1995 levels. Average borrowings under the Company's bank credit agreement were up, and average interest rates were higher. Interest expense in fiscal 1995 increased by 19.0% from fiscal 1994 levels because average interest rates and average bank borrowings were up.

The Company has been designated by the federal Environmental Protection Agency ("EPA") as a Potentially Responsible Party ("PRP") with respect to three related dump sites. The sites are related in that the PRPs engaged a single transporter who illegally disposed of toxic and hazardous waste materials there in the late 1960s. The sites are located in Oakland County, Michigan, and are referred to as the Springfield Township, the Rose Township and Cemetery Dump Sites. While the Company denies it has engaged in disposing of any materials at any of the sites, the Company together with eleven other PRPs has actively participated in negotiations directed toward settlement of the EPA's claims. The Rose Township Site was the first site selected by the EPA for remediation. The participating PRPs were successful in negotiating a Consent Decree which was approved by the United States District Court for the Eastern District of Michigan under which the Company has agreed to participate in the cost of the clean up. These costs are not expected to have a material effect on the Company's financial statements. The State of Michigan appealed the Consent Decree to the United States Court of Appeals for the Sixth Circuit which affirmed entry of the Decree.

The same PRPs have actively been engaged in negotiations with the EPA and the Michigan Department of Natural Resources in an effort to agree upon mutually acceptable remediation parameters for the Springfield Township site. While agreement has not yet been reached upon an overall remediation method, remediation is occurring on an interim basis. Remediation costs for which the Company may become liable are not expected to have a material effect on the Company's financial statements. With respect to the Cemetery site, the EPA has performed a site cleanup but has not asserted claims against any of the identified PRPs which suggests that the evidence of involvement by such parties is weak. The Company received a notice letter from a representative of the Barrels, Inc. site PRP Group located in Lansing, Michigan indicating that "empty" drums from the Company were shipped to the site. The waste allegedly shipped by the Company is 3520 gallons which is equal to approximately 0.02 percent of the total waste at the site. Since the total site costs for all parties are not expected to exceed \$10 million, the Company's share of the costs

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Financial Review
Continued

are not expected to be material. No investigation has been undertaken to the Company's knowledge which would identify any costs to be incurred by the Company which might have a material effect on the Company's financial statements.

Dividends

Cash dividends declared in fiscal year 1996 were \$1.10 per share, \$.30 more than that declared in fiscal 1995 and \$.50 more than that declared in fiscal 1994. The Board of Directors in August, 1996, declared a \$.10 per share quarterly dividend, and an extra dividend of \$.80 per share.

Liquidity and Capital Resources

On October 24, 1995, the Company converted its commitment letter into a new Revolving Credit and Term Loan Agreement with a three year duration, renewable annually for an additional year. Borrowings up to \$25 million and capital expenditures of \$10 million annually are permitted. The Company has the option to convert borrowings under the facility to a term note through October 31, 1998, the expiration date of the agreement. Payments under the term note, if the conversion option were exercised, would be made quarterly and could extend to October 31, 2000. Therefore borrowings under the Revolving Credit and Term Loan Agreement, which amounted to \$6,960,000 at June 30, 1996 (\$7,300,000 at June 30, 1995) are classified as long-term debt.

Working capital at June 30, 1996 amounted to \$13,613,000 as compared to working capital of \$12,538,000 at June 30, 1995.

The balance sheet at June 30, 1996 includes a long-term liability of \$2,977,000 representing the unfunded accumulated benefit obligations of certain employee pension plans. The excess of this liability over the unrecognized prior service cost at the date of transition is included as a reduction of stockholders' equity. The funding policies of these plans, which are based on actuarial calculations, continue to comply with applicable laws and regulations.

As discussed in Note 6 to the financial statements, effective July 1, 1993, the Company adopted FASB No. 106. The Statement requires that the projected future cost of providing benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Statement provides two alternatives for recognizing the cumulative effect of the accounting change. The first alternative is to recognize the cumulative effect as a charge against income in the year of adoption or, alternatively, to recognize the cumulative effect on a prospective basis as a part of future annual benefit cost. The Company elected the prospective approach and is amortizing the present value of future benefits related to employees past service (\$17,967,000 at July 1, 1993) over a period of 20 years. The implementation of this accounting pronouncement has no impact on the Company's cash flows.

Financial Review

Continued

Federal Screw Works

Cash flows from operating activities approximated \$7.9 million in fiscal 1996. This compares to \$4.4 million in 1995 and \$7.0 million in 1994. One hundred percent of operating cash flow in fiscal 1996 was generated from earnings and depreciation.

Capital expenditures for fiscal 1996 were \$5.7 million primarily related to the purchase and modernization of equipment in order to improve production efficiencies, maintain existing business and enable the Company to address new

opportunities. Capital expenditures in fiscal years 1995 and 1994 were \$7.4 million and \$6.2 million, respectively. Expenditures for additional equipment during fiscal 1997 are presently expected to approximate \$5.4 million, of which \$0.7 million had been committed as of June 30, 1996. These future capital expenditures are expected to be financed from cash generated from operations and additional borrowing capacity under the bank credit agreement.

Net cash used in financing activities was \$1.9 million in fiscal 1996, compared with \$1.8 million provided by financing activities in fiscal 1995. In fiscal 1994 \$1.0 million was used in financing activities. Fluctuations in these activities have been influenced principally by borrowings and repayments under the Company's Revolving Credit and Term Loan Agreement.

Impact of Inflation and Changing Prices

The Company passes increased costs on to customers, to the extent permitted by competition, by increasing sales prices whenever possible. In fiscal 1996, 1995 and 1994 the Company was generally unable to pass on cost increases incurred due to competitive pressures. Sales price increases in each of these years were insignificant.

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<TABLE>
<CAPTION>
Statements of Operations
Federal Screw Works

	Year Ended June 30		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$ 92,794,306	\$ 90,502,562	\$ 80,712,542
Costs and expenses:			
Cost of products sold	80,792,936	78,639,970	71,657,160
Selling, general and administrative	4,593,135	4,915,987	4,555,136
Interest	847,736	559,092	470,199
	-----	-----	-----
	86,233,807	84,115,049	76,682,495
	-----	-----	-----
EARNINGS BEFORE FEDERAL INCOME TAXES	6,560,499	6,387,513	4,030,047
Federal income taxes--Note 4:			
Current	1,845,000	1,846,000	1,571,000
Deferred (credit)	324,000	301,000	(263,000)
	-----	-----	-----
	2,169,000	2,147,000	1,308,000
	-----	-----	-----
NET EARNINGS	\$ 4,391,499	\$ 4,240,513	\$ 2,722,047
	=====	=====	=====
Average number of shares outstanding	1,086,662	1,086,954	1,087,955
	=====	=====	=====
Net earnings per share	\$ 4.04	\$ 3.90	\$ 2.50
	=====	=====	=====

<FN>
See accompanying notes.
</TABLE>

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<TABLE>
<CAPTION>
Balance Sheets
Federal Screw Works

June 30

	1996	1995
	----	----
Assets		
<S>	<C>	<C>
Current Assets		
Cash	\$ 781,544	\$ 394,902
Accounts receivable	10,881,702	10,237,968
Inventories -- Note 1:		
Finished products	4,731,203	3,635,783
In-process products	5,387,252	6,163,400
Raw materials and supplies	2,122,131	3,336,734
	-----	-----
	12,240,586	13,135,917
Prepaid expenses and other current accounts	472,771	502,380
Deferred income taxes -- Note 4	752,000	797,000
	-----	-----
TOTAL CURRENT ASSETS	25,128,603	25,068,167
Other Assets		
Intangible pension asset -- Note 5	2,548,403	2,623,494
Cash value of life insurance	4,888,887	4,730,368
Miscellaneous	1,129,429	972,898
	-----	-----
	8,566,719	8,326,760
Property, Plant and Equipment-- Notes 2 and 3		
Land	337,934	337,934
Buildings and improvements	8,781,232	8,684,213
Machinery and equipment	64,300,532	59,551,880
	-----	-----
	73,419,698	68,574,027
Less accumulated depreciation	42,754,992	39,960,749
	-----	-----
	30,664,706	28,613,278
	-----	-----
	\$64,360,028	\$62,008,205
	=====	=====

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</TABLE>
<TABLE>
<CAPTION>

	June 30	
	1996	1995
	----	----
Liabilities and Stockholders' Equity		
Current Liabilities		
<S>	<C>	<C>
Accounts payable	\$ 2,976,916	\$ 4,607,066
Payroll and employee benefits	5,262,521	4,856,601
Dividend payable	108,666	108,666
Federal income taxes	414,739	349,455
Taxes, other than income taxes	1,317,832	1,283,709
Accrued pension contributions	664,308	481,410
Other accrued liabilities	371,114	443,072
Current maturities of long-term debt	400,000	400,000
	-----	-----
TOTAL CURRENT LIABILITIES	11,516,096	12,529,979
Long-Term Liabilities		
Long-term debt -- Note 2	7,960,000	8,700,000
Unfunded pension obligation -- Note 5	2,977,374	3,399,530
Deferred income taxes -- Note 4	1,122,000	1,047,000
Employee benefits	1,193,524	1,323,899
Postretirement benefits -- Note 6	5,250,496	3,744,665
Other liabilities	439,754	306,000
	-----	-----

Stockholders' Equity -- Notes 2 and 8	18,943,148	18,521,094
Common stock, \$1 par value, authorized 2,000,000 shares, 1,086,662 shares outstanding	1,086,662	1,086,662
Additional capital	2,917,759	2,772,628
Retained earnings	31,560,814	28,364,643
Unfunded pension costs	(1,664,451)	(1,266,801)
	-----	-----
	33,900,784	(30,957,132)
	-----	-----
	\$64,360,028	\$62,008,205
	=====	=====

<FN>
See accompanying notes.
</TABLE>

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<TABLE>
<CAPTION>

Statements of
Stockholders' Equity
Federal Screw Works

Years ended June 30, 1996, 1995 and 1994

	Common Stock	Additional Capital	Retained Earnings	Unfunded Pension Costs	Total
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
BALANCES AT JULY 1, 1993	\$ 1,088,739	\$2,395,616	\$22,945,826	\$ (557,956)	\$25,872,225
Net earnings for the year			2,722,047		2,722,047
Purchase of 564 shares	(564)		(8,652)		(9,216)
Transactions under restricted stock bonus plans-- net	(563)	183,859			183,296
Unfunded pension costs, net of taxes				(651,181)	(651,181)
Cash dividends declared-- \$.60 per share			(652,812)		(652,812)
	-----	-----	-----	-----	-----
BALANCES AT JUNE 30, 1994	1,087,612	2,579,475	25,006,409	(1,209,137)	27,464,359
Net earnings for the year			4,240,513		4,240,513
Purchase of 700 shares	(700)		(12,600)		(13,300)
Transactions under restricted stock bonus plans-- net	(250)	193,153			192,903
Unfunded pension costs, net of taxes				(57,664)	(57,664)
Cash dividends declared-- \$.80 per share			(869,679)		(869,679)
	-----	-----	-----	-----	-----
BALANCES AT JUNE 30, 1995	1,086,662	2,772,628	28,364,643	(1,266,801)	30,957,132
Net earnings for the year			4,391,499		4,391,499
Transactions under restricted stock bonus plans-- net		145,131			145,131
Unfunded pension costs, net of taxes				(397,650)	(397,650)
Cash dividends declared-- \$1.10 per share			(1,195,328)		(1,195,328)
	-----	-----	-----	-----	-----
BALANCES AT JUNE 30, 1996	\$1,086,662	\$2,917,759	\$31,560,814	\$ (1,664,451)	\$33,900,784
	=====	=====	=====	=====	=====

<FN>
() Denotes deduction.
See accompanying notes.
</TABLE>

<TABLE>
<CAPTION>

Statements of
Cash Flows
Federal Screw Works

	Year Ended June 30		
	1996	1995	1994
OPERATING ACTIVITIES			
<S>	<C>	<C>	<C>
Net earnings	\$ 4,391,499	\$ 4,240,513	\$ 2,722,047
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	3,553,461	3,134,940	2,709,245
Increase in cash value of life insurance	(158,519)	(108,338)	(129,788)
Change in deferred income taxes	324,000	301,000	(263,000)
Employee benefits	1,375,456	1,771,238	1,882,819
Amortization of restricted stock	47,132	76,904	107,296
Other	(873,493)	(1,163,807)	(962,249)
Changes in operating assets and liabilities:			
Accounts receivable	(643,734)	(918,340)	(26,672)
Inventories and prepaid expenses	924,940	(4,436,530)	(717,295)
Accounts payable and accrued expenses	(1,013,883)	1,456,849	1,628,423
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,926,859	4,354,429	6,950,826
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(5,682,326)	(7,443,353)	(6,168,569)
Proceeds from sale of property, plant and equipment	77,437	313,304	401,722
NET CASH USED IN INVESTING ACTIVITIES	(5,604,889)	(7,130,049)	(5,766,847)
FINANCING ACTIVITIES			
Additional borrowings (principal repayments) under bank credit agreement	(340,000)	3,080,000	35,000
Principal payments on lease-purchase obligation	(400,000)	(400,000)	(400,000)
Purchases of common stock		(13,300)	(9,216)
Dividends paid	(1,195,328)	(869,680)	(652,943)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,935,328)	1,797,020	(1,027,159)
INCREASE (DECREASE) IN CASH	386,642	(978,600)	156,820
Cash at beginning of year	394,902	1,373,502	1,216,682
CASH AT END OF YEAR	\$ 781,544	\$ 394,902	\$ 1,373,502

<FN>
See accompanying notes.
</TABLE>

Notes to
Financial Statements
Federal Screw Works

Note 1 -- Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Cost

determined by the last-in, first-out (LIFO) method was used for certain raw material inventories, \$1,530,113 and \$2,617,090 at June 30, 1996 and 1995, respectively. The remaining inventories are costed using the first-in, first-out (FIFO) method. If inventories had been valued at current cost, amounts reported at June 30 would have been increased by \$675,000 in 1996 and \$763,000 in 1995.

Property, Plant and Equipment: Property, plant and equipment is stated at cost, which includes the cost of interest which is capitalized during construction of significant additions. Provisions for depreciation are based upon the estimated useful lives of the respective assets and are computed by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes.

Income Taxes: Income taxes have been provided using the liability method.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Reclassifications: Reclassifications were made to the 1995 financial statements to conform with the current year's presentation.

Notes to
Financial Statements
Continued
Federal Screw Works

Note 2 -- Debt

Long-term debt at June 30 consists of the following:

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Revolving credit note payable to bank	\$6,960,000	\$7,300,000
Lease-purchase obligation (see Note 3), payable \$200,000 semiannually, plus interest at 7-3/4%	1,400,000	1,800,000
	-----	-----
	8,360,000	9,100,000
Less current maturities	400,000	400,000
	-----	-----
	\$7,960,000	\$8,700,000
	=====	=====

</TABLE>

The Company has a \$25,000,000 revolving credit and term loan agreement with a bank. The Company has the option to convert borrowings thereunder (classified as long-term debt) to a term note through October 31, 1998, the expiration date of the agreement. Payments under the term note, if the conversion option is exercised, would be made quarterly commencing three months following conversion until maturity of the term note on October 31, 2000. Interest (6.75% at June 30, 1996) on outstanding borrowings is determined based on the prime rate, or at the Company's option, an alternative variable market rate. The Company also pays a commitment fee of 3/8% on the unused portion of the revolving credit. The aggregate fair value of the Company's revolving credit note payable and lease-purchase obligation approximates their recorded amounts at June 30, 1996.

The Company is in compliance with covenants of the revolving credit and term loan agreement and the lease-purchase obligation including restrictions on payment of cash dividends. Retained earnings of \$7,467,000 are free of restriction at June 30, 1996.

Interest paid by the Company during fiscal 1996, fiscal 1995 and fiscal 1994 aggregated \$945,000, \$735,000, and \$591,000, respectively.

Notes To
Financial Statements
Continued
Federal Screw Works

Note 3 -- Leases and Other Commitments

The Company acquired one of its manufacturing facilities under a lease-purchase agreement with a municipality, and \$1,400,000 of remaining outstanding Industrial Revenue Bond financing is guaranteed by the Company at June 30, 1996.

At June 30, 1996, the aggregate minimum rental commitments for the Industrial Revenue Bond lease-purchase obligation and various noncancelable operating leases with initial terms of one year or more are as follows:

<TABLE>
<CAPTION>

Year ending June 30 -----	Lease- Purchase Obligation -----	Operating Leases -----
<C>	<C>	<C>
1997	\$ 500,750	\$ 661,000
1998	469,750	368,000
1999	438,750	293,000
2000	207,750	222,000
2001		6,000
	-----	-----
Total minimum lease payments	\$1,617,000	\$1,550,000
		=====
Amounts representing interest	217,000	

Present value of net minimum lease payments	\$1,400,000	
	=====	

</TABLE>

Total rent expense (exclusive of the lease-purchase obligation) was \$866,000 in fiscal 1996, \$731,000 in fiscal 1995, and \$786,000 in fiscal 1994.

Commitments to purchase machinery and equipment approximated \$700,000 at June 30, 1996.

Notes To
Financial Statements
Continued
Federal Screw Works

Note 4 -- Federal Income Taxes

A reconciliation of the federal income tax provision to the amount computed by applying the applicable statutory federal income tax rate (34%) to earnings before federal income taxes follows:

<TABLE>
<CAPTION>

1996	1995	1994
-----	-----	-----

<S>	<C>	<C>	<C>
Computed amount	\$2,231,000	\$2,172,000	\$1,370,000
Life insurance policies	(90,000)	(67,000)	(72,000)
Other	28,000	42,000	10,000
	-----	-----	-----
Total federal income tax provision	\$2,169,000	\$2,147,000	\$1,308,000
	=====	=====	=====

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of June 30, 1996 and 1995 are as follows:

<TABLE> <CAPTION>	1996	1995
<S>	<C>	<C>
Deferred tax liabilities:		
Accelerated tax depreciation	\$3,390,000	\$2,964,000
	-----	-----
Total deferred tax liabilities	3,390,000	2,964,000
	-----	-----
Deferred tax assets:		
Employee benefits	2,813,000	2,510,000
Inventory	175,000	131,000
Other	32,000	73,000
	-----	-----
Total deferred tax assets	3,020,000	2,714,000
	-----	-----
Net deferred tax liabilities	\$ 370,000	\$ 250,000
	=====	=====

</TABLE>

Income taxes paid by the Company during fiscal 1996, fiscal 1995, and fiscal 1994 totalled \$1,685,000, \$2,065,000, and \$1,287,000, respectively.

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Notes To
Financial Statements
Continued
Federal Screw Works

Note 5 -- Employee Benefits

The Company sponsors four defined benefit pension plans covering substantially all employees. Benefits under three of the plans are based on negotiated rates times years of service. Under the remaining plan, benefits are based on compensation during the years immediately preceding retirement and years of service. It is the Company's policy to make contributions to these plans sufficient to meet minimum funding requirements of the applicable laws and regulations, plus such additional amounts, if any, as the Company's actuarial consultants advise to be appropriate. Plan assets for these plans consist principally of fixed income instruments, equity securities and participation in insurance company contracts.

A summary of the components of net pension expense for these plans is as follows:

<TABLE> <CAPTION>	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost	\$ 408,000	\$ 465,000	\$ 463,000
Interest cost	1,328,000	1,356,000	1,316,000
Actual return on plan assets	(2,415,000)	(793,000)	(549,000)
Net amortization and deferral	1,494,000	(14,000)	(234,000)

-----	-----	-----
\$ 815,000	\$ 1,014,000	\$ 996,000
=====	=====	=====

</TABLE>

In accounting for pension plans, the Company used a discount rate of 7.75% in 1996 and 8% in 1995 and 1994, a 5% rate of increase in compensation, and an 8% expected rate of return on assets. The following table sets forth the plans' funded status at the March 31, 1996 and 1995 measurement dates:

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Notes To
Financial Statements
Continued
Federal Screw Works

<TABLE>
<CAPTION>

	Plans for Which Assets Exceed Accumulated Benefits		Plans for Which Accumulated Benefits Exceed Assets	
	1996	1995	1996	1995
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Actuarial present value of vested benefit obligations	\$ 4,642,000	\$ 5,300,000	\$ 12,271,000	\$ 11,071,000
	=====	=====	=====	=====
Actuarial present value of accumulated benefit obligations	\$ 4,712,000	\$ 5,479,000	\$ 12,612,000	\$ 11,282,000
	=====	=====	=====	=====
Plan assets at fair value	\$ 8,010,000	\$ 8,195,000	\$ 8,844,000	\$ 7,024,000
Projected benefit obligations	5,808,000	6,477,000	12,612,000	11,282,000
	-----	-----	-----	-----
Excess (deficiency) of assets over projected benefit obligations	2,202,000	1,718,000	(3,768,000)	(4,258,000)
Unrecognized net (gain)/loss	(12,000)	358,000	2,521,000	2,302,000
Unrecognized prior service cost	(132,000)	(141,000)	758,000	538,000
Unrecognized net (asset) liability at transition	(1,021,000)	(1,047,000)	2,120,000	2,492,000
Additional liability recognized under the minimum liability provisions			(5,273,000)	(4,955,000)
	-----	-----	-----	-----
Net pension asset (liability)	\$ 1,037,000	\$ 888,000	\$ (3,642,000)	\$ (3,881,000)
	=====	=====	=====	=====

</TABLE>

The change in the discount rate, coupled with changes in other actuarial assumptions and certain plan amendments, had the effect of increasing the projected benefit obligations for the under-funded plans by approximately \$1,300,000.

In 1995, the Company established a retirement plan for directors who are not employees of the Company. The net periodic pension expense for the plan was \$150,000 and \$290,000 in 1996 and 1995, respectively. The actuarial present value of vested benefit obligations approximated \$560,000 at June 30, 1996 and \$518,000 at June 30, 1995. The plan is currently unfunded.

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Notes To
Financial Statements
Continued
Federal Screw Works

Note 6 -- Other Postretirement Benefits

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The benefits are provided through certain insurance companies.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's financial statements:

<TABLE>
<CAPTION>

	June 30	
	1996	1995
Accumulated postretirement benefit obligation:		
<S>	<C>	<C>
Retirees	\$ (8,975,000)	\$ (9,538,000)
Fully eligible active plan participants	(2,821,000)	(2,488,000)
Other active plan participants	(5,232,000)	(5,796,000)
	(17,028,000)	(17,822,000)
Unrecognized net gain	(3,494,000)	(2,093,000)
Unrecognized transition obligation	15,272,000	16,170,000
Accrued postretirement benefit cost	\$ (5,250,000)	\$ (3,745,000)

<CAPTION>

	1996	1995	1994
Net periodic postretirement benefit cost includes the following components:			
<S>	<C>	<C>	<C>
Service cost	\$ 344,000	\$ 432,000	\$ 409,000
Interest cost	1,315,000	1,420,000	1,438,000
Amortization of transition obligation over 20 years	898,000	898,000	898,000
Amortization of unrecognized gain	(123,000)		
Net periodic postretirement benefit cost	\$ 2,434,000	\$ 2,750,000	\$ 2,745,000

</TABLE>

During 1996, the Company made adjustments to the health care cost trend rate and the early retirement rates for employees to more accurately reflect actual experience. These adjustments resulted in a net reduction in the accumulated projected benefit obligation of approximately \$1,388,000 and a net reduction in the net periodic postretirement benefit cost of \$258,000.

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 9 percent for fiscal 1997 and 9.5 percent for fiscal year 1996 and is assumed to decrease gradually to 5.5 percent for 2004 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1996 and 1995, by \$2,104,000 and \$2,199,000, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended June 30, 1996, by \$205,000.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8% at June 30, 1996 and 1995, respectively.

Note 7 -- Industry Information

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

Approximately 88% of the Company's net sales in fiscal 1996 (89% and 90% in both fiscal 1995 and fiscal 1994, respectively) were made either directly or indirectly to automotive companies. The Company generally does not require collateral from its customers.

Customers comprising 10% or greater of the Company's net sales are summarized as follows:

<TABLE>
<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Ford Motor Company	48%	46%	45%
General Motors Corporation	22%	22%	26%
All Others	30%	32%	29%
	---	---	---
	100%	100%	100%
	===	===	===

</TABLE>

Sales to customers outside the United States are not significant.

Note 8 -- Restricted Stock Bonus Plan

The Company maintains a restricted stock bonus plan for certain key employees. Shares issued under the plan are subject to certain restrictions which lapse generally over a period of six to ten years from date of grant. The market value of shares issued, considered to be compensation, is being charged to operations over the periods during which the restrictions lapse and the unamortized compensation related to the outstanding restricted shares (\$24,718 and \$71,850 as of June 30, 1996 and 1995, respectively) has been deducted from additional capital.

Note 9 -- Litigation

The Company is involved in various legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that their outcome will not have a significant effect on the Company's financial statements.

Report of
Ernst & Young
Independent Auditors

Board of Directors
Federal Screw Works

We have audited the accompanying balance sheets of Federal Screw Works as of June 30, 1996 and 1995, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period

ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federal Screw Works at June 30, 1996 and 1995, and the results of its operations and cash flows for each of the three years in the period ended June 30, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Detroit, Michigan
August 9, 1996

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Five Year Summary
Federal Screw Works

<TABLE> <CAPTION> Five Years Ended June 30 -----	1996 ----	1995 ----	1994 ----	1993 ----	1992 ----
<S>	<C>	<C>	<C>	<C>	<C>
Operations (in thousands)					
Net sales	\$ 92,794	\$ 90,503	\$ 80,713	\$ 73,050	\$ 67,618
Earnings before federal income taxes	6,560	6,388	4,030	2,918	2,984
Federal income taxes	2,169	2,147	1,308	912	964
Net earnings	4,391	4,241	2,722	2,006	2,020
Depreciation and amortization	3,553	3,135	2,709	2,435	2,380
Capital expenditures	5,682	7,443	6,169	4,393	5,011
Cash dividends declared	1,195	870	653	654	439
-----	-----	-----	-----	-----	-----
Per share data					
Net earnings	\$ 4.04	\$ 3.90	\$ 2.50	\$ 1.84	\$ 1.83
Cash dividends declared	1.10	.80	.60	.60	.40
Book value	31.20	28.49	25.25	23.76	22.44
Market price range (OTC)					
High	28-3/4	23-1/2	18-1/2	16-1/2	14-1/4
Low	20-1/4	16-3/4	15-1/4	11-1/4	8-1/2
-----	-----	-----	-----	-----	-----
Return data					
Net earnings on net sales	4.7%	4.7%	3.4%	2.7%	3.0%
Net earnings on stockholders' equity	14.2%	15.4%	10.5%	8.2%	8.6%
-----	-----	-----	-----	-----	-----
Financial position at June 30 (in thousands)					
Working capital (net current assets)	\$ 13,613	\$ 12,538	\$ 9,141	\$ 9,923	\$ 10,247
Other assets	8,566	8,327	8,038	8,375	8,288
Property, plant and equipment (net)	30,665	28,613	24,367	21,156	19,609
-----	-----	-----	-----	-----	-----
Total assets less current liabilities	52,844	49,478	41,546	39,454	38,144
Less:					
Long-term debt	7,960	8,700	6,020	6,385	6,880
Unfunded pension obligation	2,977	3,400	4,049	4,367	4,010
Deferred taxes	1,122	1,047	604	1,257	999
Employee benefits	1,194	1,324	1,418	1,415	1,554
Postretirement benefits	5,250	3,744	1,880		
Other liabilities	440	306	111	158	240

Stockholders' equity (net assets)	\$ 33,901	\$ 30,957	\$ 27,464	\$ 25,872	\$ 24,461
Other					
Number of employees	505	502	507	510	498
Approximate number of stockholders	611	644	671	722	760
Average shares outstanding	1,086,662	1,086,954	1,087,955	1,089,306	1,103,610

</TABLE>

Federal Screw Works
535 Griswold Street, Ste. 2400
Detroit, Michigan 48226

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDING JUNE 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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