

2017 ANNUAL REPORT

REPRESENTING THE ENGINEERED WOOD INDUSTRY



FROM THE CHAIRMAN

Success and achievements against our four strategic goals define the past year for APA - *The Engineered Wood Association* and the *Engineered Wood Technology Association*. We thank you, our members, for our accomplishments and recognize that APA's strong industry voice is amplified through your participation in the numerous advisory committees and task groups that make up this effective association. As we tally up the work against our strategic plan and look down the road to ever more challenges and opportunities, we must consider how we can continue to prevail and thrive, building on our core strengths and turning our challenges into opportunities.

When your Board of Trustees re-affirmed the Association's strategic goals in a planning session early in 2017, they agreed that we must stay focused on core activities defined by our plan. This includes positioning ourselves to be leading, not reacting, on important market considerations such as structural design for high wind and fair market access for our products through the energy codes.

The Board of Trustees also affirmed the importance of APA's leadership in product and systems testing. To ensure that our Association can continue to innovate better building assemblies and solutions for our bread-and-butter markets, the Board approved a \$4.5 million renovation and expansion of APA's laboratory in Tacoma, Washington. Renovation work will be completed in 2018. One quarter of the existing laboratory will be rebuilt to accommodate testing of assemblies of more than 30 feet in height, supporting the use of our products in both single-family and multi-story construction.

Throughout 2017, APA worked with its members, suppliers, and partners to carry out effective programs that benefit the North American wood products industry and guide us to a prosperous future. The strength of our partnerships and ability to work together, across product lines and across borders, continue to make this Association unique in the industry. I look forward to maintaining our partnerships in 2018 as we build on our success and make the improvements that will keep APA on the cutting edge of research, testing, and market access.



JIM BASKERVILLE



FROM THE PRESIDENT

Innovation in engineered wood product application and acceptance has long been a hallmark of APA, and that tradition continued in 2017. Guided by our four strategic goals, APA staff worked with a committed and engaged membership to advance our core values in quality assurance, product standards, product certification, engineering-based research, and market outreach.

Wood structural panels and the engineered wood products manufactured by APA members are sustainable, resilient products that offer competitive solutions in seismic and high wind zones, in multi-story construction, and a host of residential construction applications. We're continually challenged, however, to demonstrate the capabilities of your products against the strident campaigns from competing materials. Through APA's research and testing, we're able to provide credible, definitive guidance to builders, designers, and regulatory officials and open doors to the use of wood assemblies in floors, walls, and roofs of both residential and commercial structures.

This important work will be advanced significantly with the expansion of APA's laboratory in 2018. We're pleased to be growing our capability to test multi-story assemblies, tall and narrow shear walls, and diaphragm performance for floor and roof assemblies. We can use the results of our research to support important amendments in the building codes and to identify best practices and design recommendations for you and your customers.

Your Board of Trustees has challenged APA to continually adapt our business strategies and operations to stimulate progress within a rapidly changing environment. With the strong support of our members, we are building on the innovation and value of APA and supporting your ability to achieve your market objectives. We appreciate your engagement and look forward to delivering the best in research, testing, quality assurance, and market support.



ED ELIAS



STRATEGIC GOALS

BRING FOCUS AND PURPOSE TO APA SERVICES

Early in 2017, the APA Board of Trustees met to review the multiple challenges and opportunities facing the membership and the engineered wood industry. After extensive discussion, the Board voted to maintain the clear focus outlined through the four strategic goals that have been the guideposts for APA, through its strategic plan, for the past six years. Throughout 2017, APA staff and members worked to execute the programs and tactics defined by these goals.



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Mission: To work in partnership with members to develop and maintain markets through excellence in APA-trademarked product promotion, quality assurance, and technical and educational support.

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GOAL ONE

PROVIDE AN INDEPENDENT CERTIFICATION PROGRAM THAT ASSURES MEMBER COMPLIANCE WITH STANDARDS, AND PROVIDE A LEADING ROLE IN SETTING AND DEFENDING STANDARDS.

APA has maintained and grown its influence in the codes and standards arena, and now maintains seven ANSI standards on behalf of the industry. Association staff participates in 20 code, standards, material testing, and engineering design committees in the U.S. and Canada. The well-recognized quality brand associated with the APA trademark is maintained by the rigorous technical and quality assurance programs.



561 Member-requested Product Qualification, research and other technical projects for 97 member companies



4,596 Help Desk Inquiries



89 Product Reports, 20 code, standards, material testing, and engineering design committees

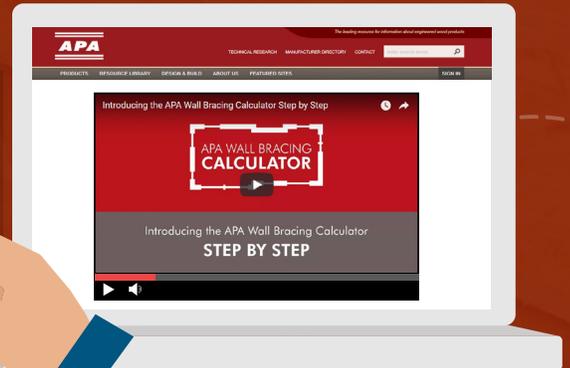
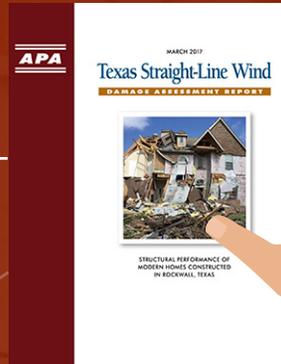


GOAL TWO

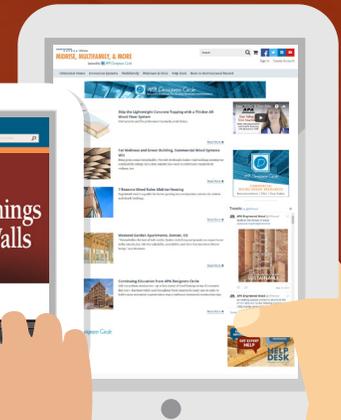
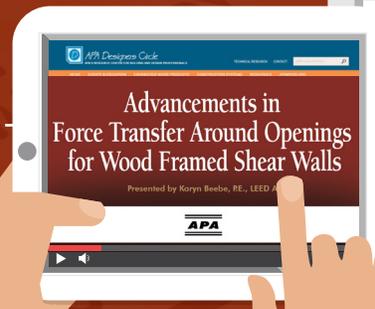
PROTECT AND GROW WOOD PRODUCT SHARE IN MAJOR END-USE MARKETS.

The Residential, Nonresidential, Industrial, and International marketing initiatives, as defined in APA's Strategic Marketing Plan, are directed by the subcommittees of the Marketing Advisory Committee. Initiatives in each of our end-use markets are supported by a website that draws over 2 million page views per year, with a rich library of publications, CAD details, and a wide range of educational programs.

RESIDENTIAL



NONRESIDENTIAL

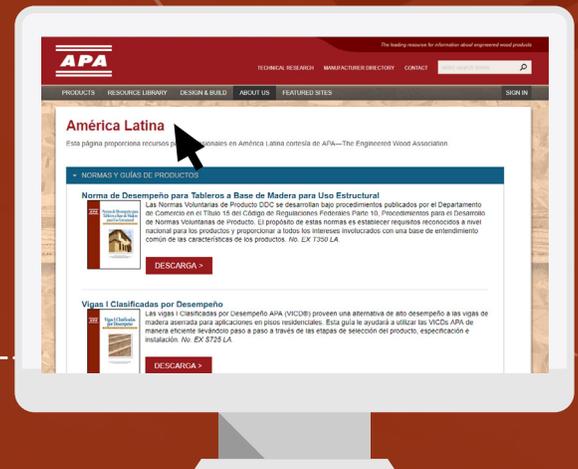


INDUSTRIAL



INTERNATIONAL

62 promotional and technical activities in 22 countries, involving 40 personnel from 15 APA member companies and agents. 180 total days of promotional activities.



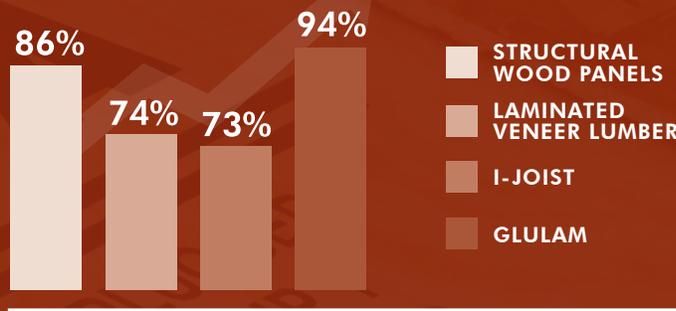


GOAL THREE

STRENGTHEN THE VOICE OF OUR INDUSTRY.

APA member manufacturers represent the majority of the industry for plywood, OSB, glulam, I-joists, and structural composite lumber. This strong membership share gives APA a powerful voice that boosts our ability to execute our strategic plan and reach our goals.

APA Member Share (170 facilities)



New Members Joining APA in 2017:

BOISE CASCADE COMPANY
Chester, South Carolina | Plywood

**VENEER PRODUCTS ACQUISITIONS/
SOUTHERN VENEER PRODUCTS**
Fitzgerald, Georgia | Plywood

FRERES LUMBER CO., INC.
Mill City Oregon | Plywood
and
Lyons, Oregon | SCL and CLT

INTERNATIONAL BEAMS
Dothan, Alabama | Glulam and CLT

ROYOMARTIN
Corrigan, Texas | OSB



GOAL FOUR

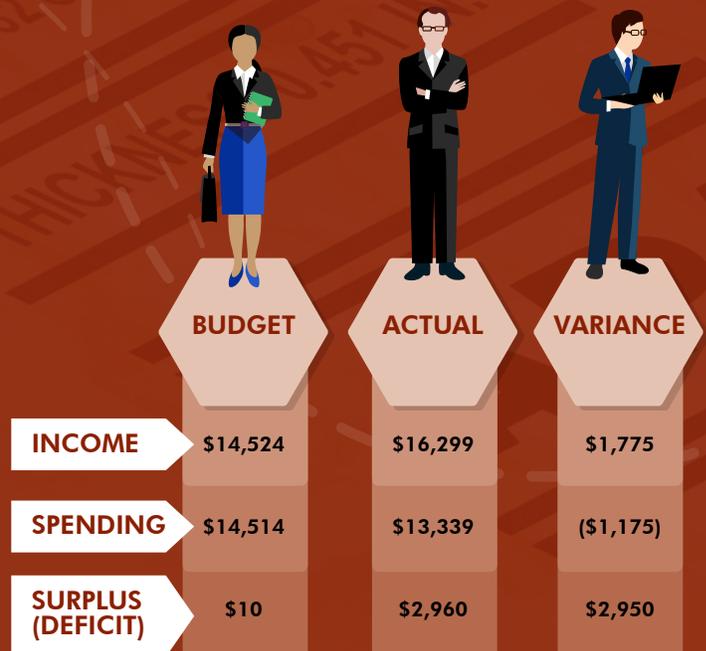
EXERCISE FISCAL RESPONSIBILITY AND MAINTAIN ORGANIZATIONAL EFFECTIVENESS.

Following record years in 2015 and 2016, 2017 was another successful year for APA. The foundation was laid with the strategic initiatives that were set by the APA Board for the three years ending in 2017. Our results were further boosted by a \$4.5 million expansion project for our research laboratory in Tacoma, Washington. Income for 2017 includes a board-approved one-time dues assessment of 12 percent of the applicable dues rate, earmarked for the lab expansion. Ongoing member dues rates remained unchanged for 2017 and onward. During the fiscal year ending December 31, 2017, APA's continued emphasis on managing costs resulted in estimated net income of \$2,960,000 and net reserves of approximately \$5.3 million or 3.9 months of operating costs.

In 2017, APA promoted a corporate culture that upheld the Board's vision and values while creating an environment for employees to thrive. Striving for open communication, collaborating across department lines, encouraging healthy lifestyles, supporting financial wellness education and community outreach, providing a progressive, safe and efficient working environment and promoting personal and professional growth were some of the areas of focus.

2017 Operational Budget Summary*

(IN THOUSANDS OF DOLLARS)



*Neither GAAP Adjusted nor audited results

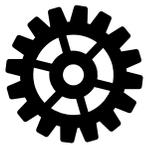


COALITION FOR FAIR ENERGY CODES

In 2017, the Coalition for Fair Energy Codes (CFEC) worked to ensure that structural wood products and systems continued to have access to markets in states that adopted to more recent versions of the International Energy Conservation Code. This was done through the work of association field staff and consultants, who coordinate with state agencies tasked with amending their state codes.

CFEC has successfully eliminated the mandate for foam sheathing in every cold climate state that has adopted the 2012 or 2015 International Energy Conservation Code (IECC). In 2017, there were fewer cold climate states that adopted newer versions of the IECC since many states anticipated adopting the recently published 2018 IECC. CFEC was, however, active in states located in Climate Zone 3. Georgia made significant progress throughout the year to update their state code. In addition to submitting code amendments, CFEC coordinated with Georgia building officials and monitored the code adoption process. Early indications are that Georgia will satisfactorily address the wood industry's issues, but a final decision will not be made until 2018.

CFEC also seeks fair and impartial treatment for wood structural panels in national model energy codes and standards. After achieving success during the 2016 process to update the International Energy Conservation Code (to the 2018 IECC), there were few actions needed in 2017, due to the lack of model energy code development activity. However, CFEC is gearing up to influence the development of the 2021 energy code in the coming year by leveraging APA and the American Wood Council staff expertise.



ENGINEERED WOOD TECHNOLOGY ASSOCIATION

The Engineered Wood Technology Association (EWTA) finished 2017 strong, with 123 member companies, a six-figure monetary contribution to APA research projects, and a record-breaking number of exhibitors at its annual Info Fair supplier exhibition.

EWTA's financial support of APA research projects remains the association's most impactful accomplishment. In 2017, EWTA spent more than \$100,000 to support projects ranging from the funding of a report on siding usage trends to financing a study to standardize flexure testing of wood panels. Over the past 17 years, EWTA's research funding has totaled nearly \$350,000.

EWTA's annual Info Fair supplier exhibition — the association's biggest networking event of the year — drew 85 exhibitors this year. The event was held in Huntington Beach, Calif., in conjunction with APA's Annual Meeting in October. Member support of the event was strong, with 14 Platinum sponsors, 17 Gold sponsors and 23 Silver sponsors. Multiple sponsorships were also secured in support of the supplier awards, golf tournament, tennis tournament and Cripple Coot Shoot.

EWTA finished 2017 on firm financial footing. Year-end figures confirm that EWTA had year-end reserves of \$221,113. The reserve allows EWTA even greater flexibility in financially supporting APA industry research, as well as technical and market development activities. The association's consistent performance underscores strong member support leading to financial success of EWTA's three main sources of revenue — membership dues, Info Fair and income from Engineered Wood Journal advertising sales.



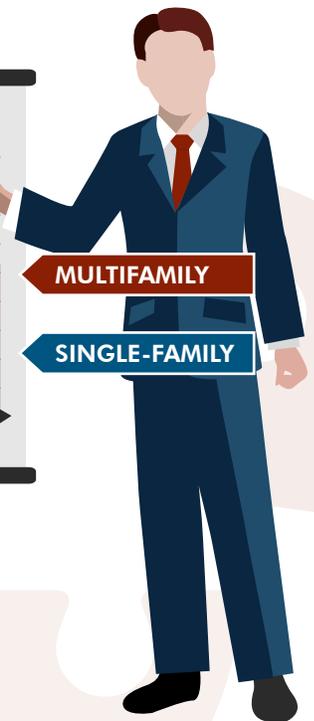
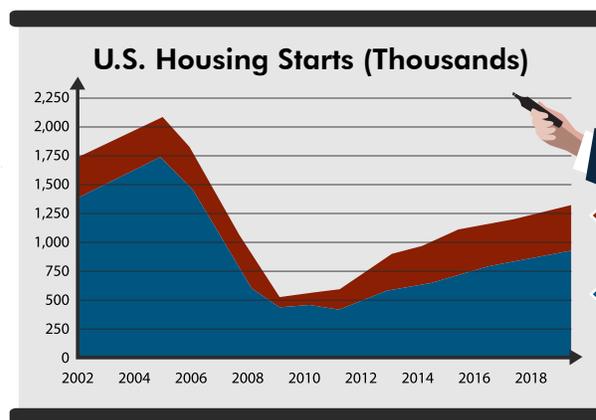
MARKET OUTLOOK

2017 marked another year of increased demand for APA member products, as most end-use markets experienced growth, led by residential construction. Single-family housing starts in the U.S. totaled 849,000, up 8.6 percent from 2016, and in Canada, single-family starts rose 4.1 percent. Repair and remodeling of existing homes remained on an upward track, driven by strong consumer confidence in the U.S., while in Canada, surging home prices provided the conviction that upgrading the quality of one's home would yield attractive investment returns. The devastating hurricanes and flooding that hit the southern U.S. in August and September of 2017 increased the demand for structural panels to shore up damaged homes, apartment buildings and commercial structures. Given the extent of the damage and the time needed to secure funds, repairing and rebuilding these structures is carrying into 2018.

Demand for new housing units in both the U.S. and Canada is expected to remain strong through 2019. Healthy economic growth in both economies will continue to support higher employment levels that will in turn keep household growth in the U.S. in the range of 1.2-1.4 million per year and 150-175,000 per year in Canada. Supply-side constraints in the U.S., primarily labor and lots, will continue to frustrate the ability of home builders and apartment developers to respond fully to the growing demand for single-homes and rental apartments. Therefore, home prices in the U.S. are likely to increase at a rate that exceeds income growth. Compounding the affordability challenge for young adults to become homeowners is rising interest rates, as the Federal Reserve reverses course from its unprecedented policy of keeping long-term interest rates low to support growth and the federal government budget deficit runs near \$1 trillion with the passage of the tax cuts and increased spending plans. With these forces in mind, housing starts in the U.S. are projected at 1.29 million units in 2018 and 1.33 million units in 2019, with single-family starts at 900,000 units and 930,000 units in 2018 and 2019, respectively. Housing starts in Canada totaled 221,000 units in 2017 and are forecast to run at 210,000 units in both 2018 and 2019.

Nonresidential construction investment in the U.S. may have hit a peak in 2017 for this cycle. Warehouse construction has been very strong and is likely to remain so as e-commerce continues to account for a growing share of retail spending. However, the flip side is that brick-and-mortar retail vacancies remain high due to store closures. Falling property values in retail and also in the office sector are sending the signal that less new space is needed. Demand for structural panels to facilitate the movement of goods should grow in line with the economy for the next two years.

This mix of factors is expected to support growth in structural panel production of 3 percent, or roughly 1 billion square feet, in both 2018 and 2019. Engineered wood products output is forecast to follow the construction cycle. The imposition of the duty on Canadian lumber exported to the U.S. will tend to enhance the competitiveness of I-joists in raised floor applications, pointing to modest market share gains over through 2019.



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