



SSPC Annual Report

(January 1, 2011 to December 31, 2011)

PART I: INTRODUCTION

This annual report gives an overview of the activities, plans, and status of SSPC: The Society for Protective Coatings from January 1, 2011 through December 31, 2011. The information enclosed gives the most current figures for all programs.

SSPC had another successful year. We held our conference in Las Vegas, NV (January/February 2011), increased training program delivery, and continued our progress in implementing the strategic marketing plan.

We continue to look at foreign markets as

a way to expand SSPC and continue to reinforce our message that the use of protective coatings is the best solution for corrosion control.

Marketing efforts continue to focus on core SSPC member demographics spread across a broad range of industries: painting contractors; facility owners; consultants; inspectors; engineers; raw material suppliers; equipment manufacturers and suppliers; and coatings suppliers. Targeted industries include marine, defense, chem/petrochem, transportation, and water/wastewater.

PART II: ACCOMPLISHMENTS

The acceptance of our Protective Coatings Inspector Course by RINA, the Italian ship classification society, was a major accomplishment in 2011. This is an addition to those who already recognize the course: Lloyds and the American Bureau of Shipping. During 2011, Lloyds did an annual audit of our course, and re-accredited it until 2014. We expect to submit our material to Bureau Veritas for their acceptance in 2012. The reason we highlight this is because, to our knowledge, the SSPC inspection course is the only one of the many given that has undergone independent audits by an outside agency. Also during 2011, our training programs

and delivery system underwent an audit by IACET, the International Association of Continuing Education & Training, and we were re-certified by that organization. The Florida Board of Professional Engineers approved our entire program for the 2012 conference for Professional Education Units, representing an improvement over the 2011 conference where they only accepted four courses.

Training remains the hallmark of our association. Ten years ago the conference and membership cost centers accounted for 48% of the revenue for SSPC. It is now 31%. During the same timeframe, training

and certification have increased in revenues by 21% as SSPC adapted to the needs of its members and the industry in general. New training courses for 2011 were: Navigating Standard Item 009-32, Using SSPC PA 2 Effectively, Basics of Estimating Industrial Coating Projects, and Coating Applicator Specialist Level 1 Qualification Preparation Course. We have also continued to conduct training for all our armed forces, the US Coast Guard, and NASA under the auspices of the University of Akron contract with the Department of Defense Office of Corrosion Policy and Oversight.

In 2011, SSPC began issuing certifications for the new Aerospace Coating Application (ACAS) Program. SSPC, Embry-Riddle Aeronautical University, and Honda Aircraft worked together to create the first ever industry certification for Aerospace Coatings Applicator professionals. Four candidates completed the initial program.

At the request of members and facility owners, SSPC developed an additional level of certification for the Protective Coatings Inspector (PCI) program. We now have three levels. Candidates for the PCI Level 3 must have additional inspection experience over Level 2 and take a comprehensive written exam. The first exams were given in November 2011.

SSPC began providing PCI training online in December 2011. This program is a great way to prepare candidates for the PCI Level 1, PCI Level 2, and PCI Level 3 Certification Exams. SSPC offers an in-person one-day PCI Instrument Workshop for those who complete the online training.

In 2011, SSPC signed an agreement of cooperation with the Australasian Corrosion Association so that the organization can teach our applicator programs. We also signed an agreement with the Institute of Materials Malaysia (IMM) that states SSPC and IMM would begin a dialogue for future cooperation.

In the area of Chapters, the SSPC Board of Governors approved a chapter in India in January 2011 and Nigeria in September 2011.

In the area of Public Policy Advocacy, SSPC submitted comments to EPA on the Bis-phenol A Epoxy Resin (BPA) action plan in September. In November, SSPC also submitted comments to the US Department of Agriculture referencing a proposed rule to redefine the abrasive category for federal procurement.

SSPC also posted headlines on our website relating to government activities that may affect the coatings industry.

In the area of providing information, we had 1,113 technical information inquiries in 2011. This was up from 1,039 in 2010, or 6.9%. We are now finding that many of the coatings technical conversations are taking place on social media outlets such as LinkedIn or Facebook, not on SSPC's Coatings Talk. By participating in these interactions, you make use of the outstanding knowledge and expertise of the SSPC membership. Heather Stiner, a chemist and a member of the SSPC staff, is also a superb resource of information for our members and we invite you to make use of her capabilities.

Two other items need to be mentioned. Last year SSPC awarded three scholarships to deserving students who were studying in the coatings field. Also, in June 2011, SSPC

and its members donated \$16,750 to the SSPC Japan Chapter for the relief efforts in that country after the terrible tsunami.

PART III: MEMBER PROGRAMS

SSPC is a member-based organization. We are evaluated on how well our programs and services meet the needs of our members and the protective coatings industry.

Standards and Publications

Our core product is our standards. There were no new standards issued or existing standards revised in 2011. In early 2012, five new standards and five revised standards are scheduled to be released. New or updated publications are listed in *Table 1*.

Certification

The past year saw an increase in the total number of certified contractors. Three hundred thirteen contractors, many holding multiple certifications, have achieved certification, an increase of 7.6% over 2010. The past year also saw an increase in the total number of certified coating and lining inspection entities. Eight companies have achieved Coating and Lining Inspection Company certification, an increase of 14% over 2010. In the Protective Coatings Specialist Certification (PCS) program, we have 273 participants certified, an increase of 8.3% from last year. A breakdown of the certification programs is shown in *Figure 1*.

Table 1: Standards and Publications Completed in Year Ending December 2011

SSPC Protective Coatings Glossary (June) – Major Update
Preparing and Using Protective Coating Specifications (August) - New
SSPC Concrete Coating Condition Assessment: An Illustrated Guide (December) - New

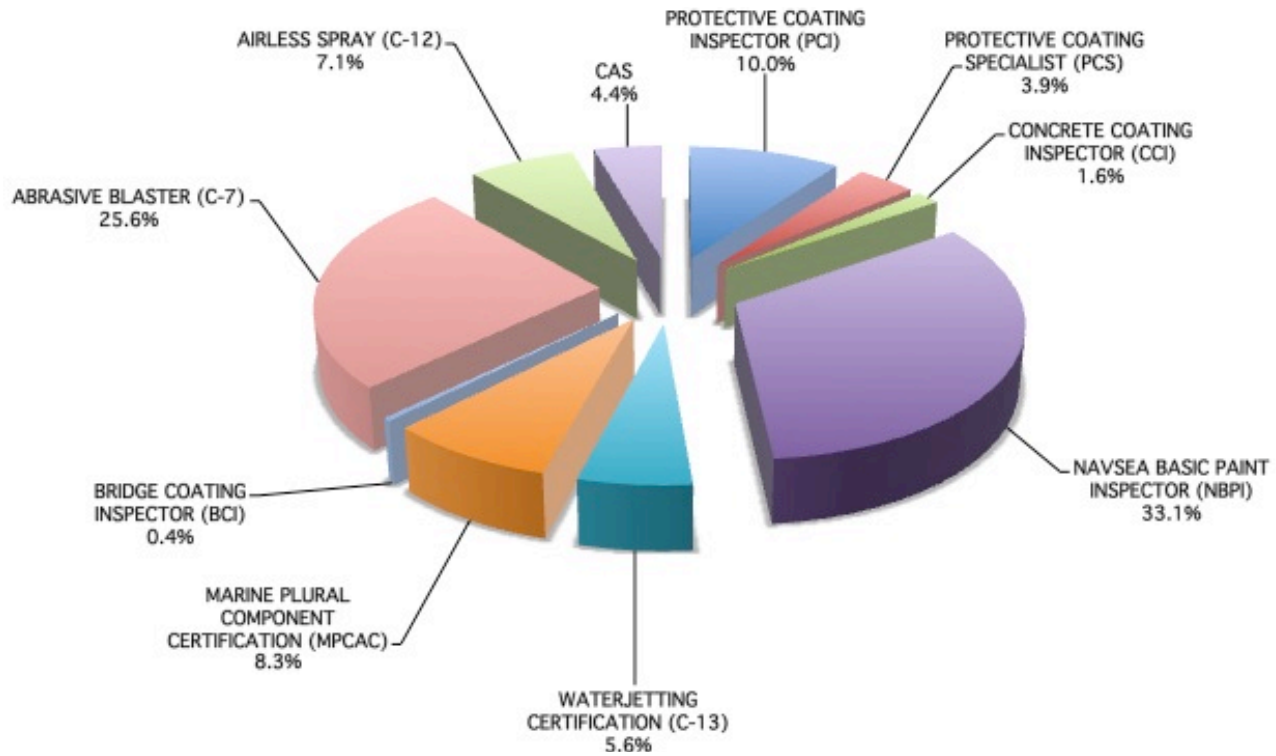


Figure 1: Individual Certification Programs

Training

**In brackets is the percentage increase or decrease from last year.*

The SSPC C-1, Fundamentals of Protective Coatings and the C-2, Planning and Specifying Industrial Coatings Projects courses have continued with 161 [-11%] students trained this past year. The number of students taking advantage of our online offering of these courses has increased to 176 [+9%] this year. For Lead Supervisor Competent Person training and refresher courses (C-3 and C-5), 1,884 [+13.4%] students received training. Another 34 [-60%] students participated in our Lead Worker training program. The C-7 Abrasive

Blasting course had 378 [-15%] personnel trained. Airless Spray (C-12) had 114 [-41%] students trained; WaterJetting (C-13) had 113 [+232%]; and Marine Plural Component (C-14) had 110 [-11%]. The Applicator Train-the-Trainer course had 29, just one more than last year. The Quality Control Supervisor course (QCS) had 77 [-28%] students trained with another 166 [-21%] taking the course on-line. Four students attended the Evaluating Common Contract Clauses; five trained in the Navigating 009-32; and 23 in the Basics of Estimating Industrial Coatings Projects, a new 2011 offering.

The Coating Applicator Specialist (CAS) program made great strides this year

with 273 achieving CAS Level 1 and 30 achieving CAS Level 2 Interim Status.

SSPC's Concrete Coating Inspector Certification (CCI) Program had 44 [+340%] students. There were 420 [+1%] in the NAVSEA Basic Paint Inspector (NBPI) program, 117 [+102%] in the Bridge Coating Inspector (BCI) Program, and 295 [+9%] students completing the Protective Coating Inspector (PCI) Program.

Webinars

SSPC continued the free webinar program that began in 2010. Twelve webinars were given from February to December 2011. This year's attendance was off slightly with 1,379 [-8%] attendees. SSPC continues to offer a short online exam that provides Recertification Units toward the Protective Coating Specialist (PCS) exam. Sixty-four individuals took the online webinar exam in 2011 and 98 in 2010. All of the webinars in the 2011 series are archived and can be viewed at the PaintSquare.com website.

International Training

SSPC continues to expand its reach internationally with our training and certification programs. Through our chapters and licensees, 354 students attended SSPC training and certification programs. Again this year, the Protective Coating Inspector program continues to be extremely popular internationally.

Asia and Southeast Asia continue to be areas of strong growth. Our volunteers in Singapore and Indonesia have helped us hold seven PCI classes in Singapore and

Batam, Indonesia where 104 individuals have taken the PCI Level 1 and 2 programs. Our chapter in the Philippine Islands hosted a small class of five for the PCI program.

The SSPC China Chapter and our licensee in China have combined to hold a C-2, Specifying and Managing Protective Coatings course with 18 students and five Protective Coating Inspector courses with 44 students. Moody International has been a licensed provider of SSPC's Protective Coating Inspector (PCI) course in China since January 2009. They translated the course into Chinese and are the only SSPC licensee to deliver the course in a language other than English.

Our licensee who works out of the United Arab Emirates chapter had another successful year. There have been six PCI courses in Dubai with a total of 49 students. Ten candidates successfully completed the Protective Coatings Specialist (PCS) exam after taking the C-1 course exam and the complete C-2 course. An Applicator Train-the-Trainer course with nine students completed the training in Dubai. In addition, there were also two PCI classes in Nigeria with 22 students, one course in Cairo with four, and one PCI in India with 11 students. The PCI program was also given in Belgium for 11 students under a different licensee.

SSPC also made some progress south of the border in Mexico where we held a C-10, Floor Coating Basics for 10 people, a Quality Control Supervisor (QCS) course for 12, and gave the Abrasive Blasting (C-7) program for eight people.

Website

On April 1, 2011 SSPC launched its redesigned and database-driven website focusing on enhancing the customer and member experience. It features a customized content management system (CMS) for updating and maintaining both our site content and our products and services for sale. Customers can now search for training courses and other products, place those items in their Marketplace “shopping cart” and pay for them using a single sign-on account. Members now have easier and unlimited access to standards and other member only downloads through the use of their single sign-on.

The CMS features have also been extended to SSPC Chapter administrators who can now list their events and other items of interest.

We also offer direct links to popular social media tools and/or SSPC branded and controlled social media homepages through LinkedIn, Twitter, Facebook, the SSPC Blog, and RSS feeds for SSPC news. Also, we placed any and all searches for individuals’ and/or companies’ qualifications right on the homepage.

The system has been automated to reset a lost or forgotten password. When a member logs into their account, they access a dashboard listing their purchase

history. It also notifies them when their membership is about to expire. We also added links to the video proceedings so members and customers can view the prior year’s conference videos online. Many of the online forms, including the QP contractors’ Notification Form, have been revised for better information flow.

We also enhanced the onsite training request form that enables individuals to bring SSPC training courses to their own facilities. New forms for PCS, NBPI and PCCP have been added. We’ve also updated the online tools and links section, and email groups targeting specific market segments.

Although not a part of the website redesign project, but very much a part of the “NEW SSPC,” we launched SSPC’s technical committee activities onto a “cloud” workspace to improve member access and communication within and between committees. The process started in October 2011 and is currently serving SSPC committee members involved in the development of consensus documents.

The average number of unique visitors to our site is 15,305 per month, a slight decrease attributed to site redesign and the increased use of website traffic that is not traceable to a unique host.

PART IV: MEMBERSHIP AND ADMINISTRATION

Membership

During the reporting period, SSPC organizational membership (OM) increased to 822, or 3.8%. Individual membership grew from 8,768 in December 2010 to 9,157 in December 2011, an increase of 4.4%. A breakdown of individual members' demographics is shown in *Figure 2*; however, it remains nearly the same as the previous year.

We are pleased with the progress in increased organizational and individual membership in these uncertain economic

times. However, we cannot remain satisfied with the status quo.

Governance

The Board of Governors changed in 2011. The Board welcomed Mr. Garry Manous from Atsalis Brothers Painting, and Mr. Marty Stamey from The Brock Group, both coating contractors. The Board also welcomed Dr. Brian Skerry from The Sherwin-Williams Company to represent the coating material supplier demographic. The present Board is shown in *Table 2*.

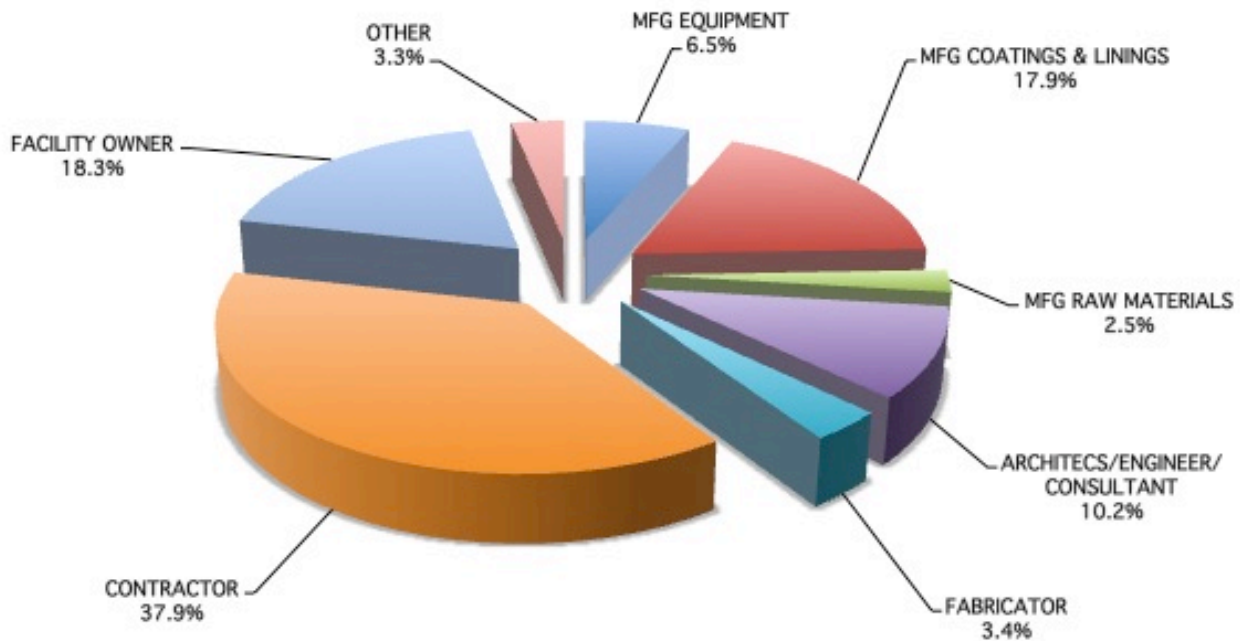


Figure 2: Individual Membership Demographics

Table 2
Board of Governors

NAME	COMPANY	REPRESENTING
Robert McMurdy <i>President</i>	Mohawk Garnet, Inc. Ontario, Canada	Other Product Suppliers
Stephen Collins <i>President-Elect</i>	Air Products and Chemicals, Inc. Thomaston, GA	Coating Material Suppliers
Benjamin S. Fultz <i>Vice-President</i>	Bechtel Corporation Houston, TX	Facility Owners
Russ Brown <i>Immediate Past-President</i>	Polygon Indianapolis, IN	Other Product Suppliers
Gunnar Ackx	SCICON Worldwide bvba Brugge, Belgium,	Other Service Providers
Derrick Castle	Kentucky Transportation Cabinet Frankfort, KY	Facility Owners
Steven Hagman	CanAm Minerals/Kleen Blast Abrasives Danville, CA	Other Product Suppliers
James R. King, Jr.	John B. Conomos, Inc Bridgeville, PA	Coating Contractors
Garry D. Manous	Atsalis Brothers Painting Warren, MI	Coating Contractors
Brian Skerry	The Sherwin-Williams Company Cleveland, OH	Coating Material Suppliers
Marty Stamey	The Brock Group Beaumont, TX	Coating Contractors
L. Skip Vernon	CLT, Inc. Tijeras, NM	Other Service Providers
Gail A. Warner	Huntington Ingalls Industries – Newport News Shipbuilding, Newport News, VA	Facility Owners
Carl Angeloff, P.E.	Bayer MaterialScience LLC Pittsburgh, PA	<i>Ex-Officio</i>
Robert J. Ziegler	BBZ Consulting Nauvoo, IL	<i>Ex-Officio</i>

***Officers in Bold**

Administration

Key staff members remained the same. They are: Bill Shoup, Executive Director; Michael Damiano, Director of Product

Development; Barbara Fisher, Controller; Mike Kline, Director of Marketing; and Terry Sowers, Director of Member Services.

PART V: FINANCES

We are pleased to report that SSPC again met its financial goals for the FY that ended December 31, 2011. The reserve fund now stands at \$3,872,000, which represents about 63.4% of the average annual operating revenue. SSPC has met its financial goals by increasing operating revenue by \$688,000 while only increasing

expenses by \$151,000. The financial details for the last fiscal year and the prior fiscal year are presented in *Tables 3 through 5*. Those charts demonstrate that SSPC continues to be a financially sound organization and all of our financial indicators and ratios are healthy.

Table 3
Revenue Versus Expense (Unaudited and before final adjustments)

REVENUE	FY 11	FY 10
Memberships	\$997,000	\$995,000
Standards and publications	\$583,000	\$575,000
Conferences	\$855,000	\$499,000
Certification & training	\$3,591,000	\$3,312,000
Other *	\$84,000	\$705,000
Total Revenue	\$6,110,000	\$6,086,000
EXPENSE	FY 11	FY 10
Memberships	\$759,000	\$736,000
Standards and publications	\$558,000	\$472,000
Conferences	\$651,000	\$448,000
Certification & Training	\$2,436,000	\$2,363,000
Other **	\$760,000	\$780,000
Total Expense	\$5,164,000	\$4,799,000
Net Surplus (Loss)	\$946,000	\$1,287,000

* Includes revenue from royalties, interest, and external projects.

** Includes expenses for SSPC chapters, governance, regulatory advocacy, knowledge center, external projects, general administration, and strategic plan implementation.

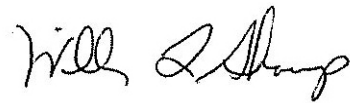
Table 4
Statement of Financial Position as of 12/31/11 (Unaudited)

	Total All Funds	General Operating Fund	Reserve Fund
Assets - Current Assets			
Cash	\$1,809,000	\$1,809,000	
Investments	\$6,548,000	\$2,676,000	\$3,872,000
Accounts receivable	\$173,000	\$173,000	
Inventory	\$148,000	\$148,000	
Total	\$8,678,000	\$4,806,000	\$3,872,000
Furniture, Fixtures, and Equipment			
Equipment, Leasehold improvements at cost less accumulated depreciation	\$403,000 <\$328,000>	\$403,000 <\$328,000>	
Total	\$75,000	\$75,000	-0-
Other Assets			
Prepaid expenses	\$274,000	\$274,000	-0-
Total Assets	\$9,027,000	\$5,155,000	\$3,872,000
Current Liabilities			
Accounts payable	\$118,000	\$118,000	
Accrued expenses	\$343,000	\$343,000	
Deferred revenue	\$1,399,000	\$1,399,000	
Total Liabilities	\$1,860,000	\$1,860,000	-0-
Net Assets - Unrestricted	\$7,167,000	\$3,295,000	\$3,872,000
Total Liabilities and Net Assets	\$9,027,000	\$5,155,000	\$3,872,000

Table 5
Changes in Net Assets (Unaudited)

	Total All Funds	General Operating Fund	Reserve Fund
Unrestricted net assets - December 31, 2010	\$6,221,000	\$3,059,000	\$3,162,000
Change in net assets as a result of current operation	\$946,000	\$986,000	<\$40,000>
Transfer from general operating fund to reserve fund		<\$750,000>	\$750,000
Unrestricted net assets - December 31, 2011	\$7,167,000	\$3,295,000	\$3,872,000

Respectfully Submitted:



William L. Shoup, Executive Director