

Federal Screw Works

Statement of Operations

(unaudited, in thousands, except per share)

	Second Quarter Ended December 31		Six Months Ended December 31	
	2017	2016	2017	2016
Net sales	\$ 18,116	\$ 17,998	\$ 35,379	\$ 36,840
Costs and expenses:				
Cost of products sold	16,560	16,398	32,433	33,555
Selling, general and administrative	919	950	1,823	1,907
Interest	118	161	222	322
Other (income) expense	(2)	-	(2)	(4)
	17,595	17,509	34,476	35,780
EARNINGS BEFORE FEDERAL INCOME TAXES	521	489	903	1,060
Federal income tax	177	161	307	350
NET EARNINGS	\$ 344	\$ 328	\$ 596	\$ 710
Total number of common shares outstanding	1,381,595	1,381,595	1,381,595	1,381,595
Net earnings per common share	\$ 0.25	\$ 0.24	\$ 0.43	\$ 0.51

Federal Screw Works
Comparative Balance Sheets
(unaudited)

	December 31, 2017	June 30, 2017
Assets		
Current Assets		
Cash	\$ 43,968	\$ 85,511
Accounts receivable, net	11,460,937	12,262,681
Inventories:		
Finished products	3,693,481	3,999,265
In-process products	13,386,358	13,371,600
Raw materials and supplies	1,907,910	1,809,444
Total inventories	18,987,749	19,180,309
Prepaid expenses and other current assets	363,153	388,990
Assets held for sale	5,171	5,171
TOTAL CURRENT ASSETS	30,860,978	31,922,662
Net earnings per common share		
Cash value of life insurance	1,642,292	1,630,292
Deferred federal income taxes	1,764,625	2,021,656
Investments and other	194,829	221,530
	3,601,746	3,873,478
Property, Plant and Equipment		
Land	387,467	387,467
Buildings and improvements	12,010,464	11,994,164
Machinery and equipment	111,056,635	108,531,423
	123,454,566	120,913,054
Less accumulated depreciation	(94,624,753)	(93,427,657)
	28,829,813	27,485,397
	\$ 63,292,537	\$ 63,281,537

	December 31, 2017	June 30, 2017
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 6,881,593	\$ 7,869,285
Payroll and employee benefits	2,540,808	4,186,970
Taxes, other than income taxes	352,488	557,305
Other accrued liabilities	386,944	221,407
Current portion of long-term debt	2,342,719	2,342,719
Current portion of post retirement benefits	940,287	940,287
TOTAL CURRENT LIABILITIES	13,444,839	16,117,973
Long-Term Liabilities		
Long-term debt	17,241,940	14,782,813
Employee benefits	763,712	814,223
Postretirement benefits	10,329,668	10,600,706
Pension benefits	10,460,268	10,551,573
Other liabilities	1,350,775	1,322,309
	40,146,363	38,071,624
Stockholders' Equity		
Common stock, \$1 par value: authorized 2,000,000 shares; 1,381,595 shares outstanding	1,381,595	1,381,595
Additional capital	3,269,476	3,269,476
Retained earnings	27,963,231	27,367,229
Accumulated other comprehensive (loss)	(22,912,967)	(22,926,360)
	9,701,335	9,091,940
	\$ 63,292,537	\$ 63,281,537

Statements of Cash Flows

Federal Screw Works

	Six Months Ended December 31, 2017
OPERATING ACTIVITIES	
Net earnings	\$ 596,000.90
Adjustments to reconcile net earnings to net cash provided by	
Depreciation and amortization	1,588,410.87
Asset impairment	-
Deferred federal income taxes	257,030.76
Employee benefits	(399,461.95)
(Gain) loss on sale of equipment	-
(Gain) loss on sale of securities	-
Miscellaneous and other	0.00
Changes in operating assets and liabilities:	
Accounts receivable	801,743.60
Refundable income taxes	-
Inventories and prepaid expenses	218,397.15
Accounts payable and accrued expenses	(2,644,666.91)
NET CASH PROVIDED BY OPERATING ACTIVITIES	417,454.42
INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(2,906,124.46)
Purchases of securities	-
Proceeds from sale of securities	-
Proceeds from sale of equipment	-
Company owned life insurance	(12,000.00)
NET CASH USED IN INVESTING ACTIVITIES	(2,918,124.46)
FINANCING ACTIVITIES	
Additional borrowings (principal repayments) under bank credit agreement, net	3,020,486.61
Borrowings on term loans	500,000.00
Principal payments on term loans	(1,061,359.38)
Principal payments on capital leases	-
Dividends paid	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,459,127.23
INCREASE (DECREASE) IN CASH	(41,542.81)
Cash At beginning of year	85,510.80
CASH AT END OF YEAR	\$ 43,967.99

See Accompanying Notes.

OTC Pink Basic Disclosure Guidelines

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Federal Screw Works

2) Address of the issuer's principal executive offices

Company Headquarters

34846 Goddard Road

Romulus, Michigan 48174

Phone: 734 941-4211

Email: fsw@federalscREWworks.com

Website(s): federalscREW.com

IR Contact

N/A

3) Security Information

Trading Symbol: FSCR

Exact title and class of securities outstanding: Common Stock

CUSIP: 3138819104

Par or Stated Value: \$1.00

Total shares authorized: 2,000,000

as of: 12-31-2017

Total shares outstanding: 1,381,595

as of: 12-31-2017

Additional class of securities (if necessary):

N/A

Transfer Agent

Name: Computershare

Address 1: P.O. Box 30170

Address 2: College Station, TX 77842-5523

Address 3: _____

Phone: 800 426-5523

Is the Transfer Agent registered under the Exchange Act?*

Yes: ☒

No: ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

N/A

Describe any trading suspension orders issued by the SEC in the past 12 months.

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

N/A

B. Any jurisdictions where the offering was registered or qualified;

C. The number of shares offered;

D. The number of shares sold;

E. The price at which the shares were offered, and the amount actually paid to the issuer;

F. The trading status of the shares; and

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otcq.com in the field below.

Financial statements are being posted to OTC Markets along with the disclosure statement

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

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.

B. Date and State (or Jurisdiction) of Incorporation:

1919 - Michigan

C. the issuer's primary and secondary SIC Codes;

3451 and 3452

D. the issuer's fiscal year end date;

June 30th

E. principal products or services, and their markets;

See A above

7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

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 200,000 square foot plant is situated on 25 acres of land, and contains heat treat facilities for hardening in-process parts.

The Romulus Division operates out of a 100,000 square foot facility. The division heat treats products shipped from Traverse City and also serves as a distribution center of these products to our customers. The division also provides finish processing to those products that we purchase and prepares them for shipment to our customers.

The Traverse City Division manufactures a wide variety of special cold formed products for automotive customers out of a 47,000 square foot plant. The majority of these products are prevailing torque nuts which are intended for use in automotive suspension and drivetrain applications. These products are formed utilizing partsformers and nutformers and finished on various types of secondary equipment that are designed to tap threads, apply locking features or assemble nut blanks to washers.

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.

The Novex Tool Division occupies a 19,000 square foot leased facility in Brighton, Michigan. The lease expires in August 31, 2018. The division manufactures perishable tooling, primarily for the cold heading industry. Approximately ten percent of its output is consumed by the Company's Big Rapids, Romulus and Traverse City Divisions.

The Company's corporate offices are located at 34846 Goddard Road, Romulus, Michigan, a western suburb of Detroit. The offices are part of the Romulus Division stated above.

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.

8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

- A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Board of Directors

David W. Ayriss, Sr. †
Business Consultant
Retired General Manager
Big Rapids Division of the Company

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

Frank S. Galgan **†
Attorney and Member Lambert Leser, P.C.

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

Wade C. Plaskey
Chief Financial Officer, Secretary and Treasurer

Aaron J. ZurSchmiede
Vice President Big Rapids Division of the Company

Delle Jean ZurSchmiede**
Retired Executive Director Finance of General Motors Corporation

Robert F. ZurSchmiede*
Executive Vice President and Chief Operating Officer of the Company

Thomas ZurSchmiede*
President and Chief Executive Officer of the Company

Officers

Thomas ZurSchmiede
President and Chief Executive Officer

Robert F. ZurSchmiede
Executive Vice President and Chief Operating Officer

Jeffrey M. Harness
Vice President — Sales and Marketing

Aaron J. ZurSchmiede
Vice President — Big Rapids Division

William G. Harness
Vice President — Novex Tool Division

Wade C. Plaskey
Chief Financial Officer, Secretary and Treasurer

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

NA

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

NA

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

NA

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

NA

- C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

NA

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel

Name: Frank Galgan

Firm: Lambert Leser

Address 1: 755 W Big Beaver Road Suite 410

Address 2: Troy Michigan, 48084

Phone: 248 251-1001

Email: fgalgan@lambertleser.com

Accountant or Auditor

Name: Joeseeph Tomaszewski

Firm: Crowe Horwath

Address 1: 55 Campau Avenue N.W. Suite 300

Address 2: Grand Rapids Michigan 49503

Phone: 616 752-4220

Email: joe.tomaszewski@crowehorwath.com

Investor Relations Consultant

N/A

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

N/A

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Wade C. Plaskey certify that:

1. I have reviewed this Quarterly Disclosure Statement of Federal Screw Works
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

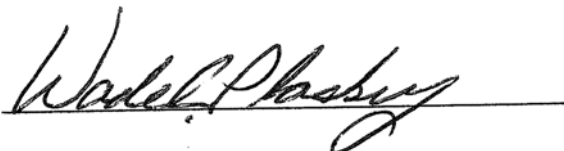
February 9, 2018

/s/ Thomas ZurSchmiede [CEO's Signature]

A handwritten signature in black ink, appearing to read "Thomas ZurSchmiede", written in a cursive style.

/s/ Wade C. Plaskey [CFO's Signature]

_(Digital Signatures should appear as "/s/ [OFFICER NAME]")

A handwritten signature in black ink, appearing to read "Wade C. Plaskey", written in a cursive style and underlined.