

GROWING WITH

December 2005, Issue 2

INDIANA

A publication for and about Brandeis
Machinery & Supply Company customers



Featured in this issue:

PHEND & BROWN

Longtime northeastern Indiana
paving contractor has diversified
and grown through the years

See article inside...



KOMATSU

A MESSAGE FROM THE PRESIDENT



Gene Snowden, Jr.

**A glance back
and a look at
what's ahead**



Dear Equipment User:

As we begin the new year, you're probably already looking ahead to what may be in store, and you're not alone. All of us at Brandeis Machinery & Supply Company are also looking into 2006 with great anticipation. But before we look too far ahead, let's take a quick look back.

Of course, final figures are not yet available, but it appears that construction "put in place" for 2005 will come in at about \$1.1 trillion, up roughly 9 percent from 2004. Private residential construction continues to lead the way. Analysts say part of the increase is a result of higher prices for materials such as cement, steel, copper and petroleum-based products — but despite that, gains were solid across-the-board.

Forecasters think things may slow a bit this year, but overall, construction will remain strong. The big question is how much long-term impact the devastation brought by Hurricane Katrina will have on the industry. New Orleans and the Gulf Coast are not only important energy-producing areas; their ports also handle many raw materials imported for construction use. Unfortunately, that means prices will likely continue to rise, some perhaps by substantial amounts.

All of these issues are out of your control and ours as well. At Brandeis, our goal, as always, is to provide you, our customer, with top products at a fair price, and to provide responsive, professional support that keeps you up and running.

Something we are very excited about is the many new Komatsu models with ecot3 engines that will debut in 2006. The units promise to not only burn cleaner, but also be more productive and more fuel-efficient, which will almost certainly be increasingly important to you in the months and years ahead.

Please don't hesitate to give us a call for information about these new units or if there's anything else we can help you with.

Sincerely,
BRANDEIS MACHINERY & SUPPLY COMPANY

A handwritten signature in black ink, reading 'Gene Snowden, Jr.' in a cursive script.

Gene Snowden, Jr.
President and Chief Operating Officer

GROWING WITH INDIANA

b Brandeis

IN THIS ISSUE

PHEND & BROWN

Read more about hows this longtime northeastern Indiana paving contractor has diversified and grown through the years.

GUEST OPINION

Despite the passage of the new \$286 billion transportation bill, ARTBA's president Pete Ruane says it's not enough to meet the nation's highway/transit needs.

DOLLARS & SENSE

Want to maximize your bottom line? Here are guidelines for a 10-step process that can help your construction company be more profitable.

PRODUCT INNOVATION

Do you have very specialized equipment needs for material handling, logging, waste transfer or other industries? If so, you'll want to read about Komatsu's Working Gear Group, which can customize Komatsu excavators for almost any application.

NEW PRODUCT

Find out how Komatsu's new WA320PT-5 electronically controlled, hydrostatic, parallel-lift wheel loader can boost production on your next job.

PRODUCT IMPROVEMENTS

Read all about Komatsu's new turbocharged compact excavators, the PC35 and PC50, and what makes them "unique and unrivaled" products.

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7310 Venture Lane
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(260) 489-4551
FAX (260) 489-1620

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PHEND & BROWN

Longtime northeastern Indiana paving contractor has diversified and grown through the years

For more than 80 years, Phend & Brown Inc. has been building roads in northeastern Indiana. Based in the Kosciusko County town of Milford, Phend & Brown got its start in 1922 when Ronald Brown and Harry Phend formed a business partnership focused on moving dirt and building gravel roads. Their sons, Robert Brown and Parker Phend comprised the second generation. When Parker Phend died in 1985, Robert Brown bought his shares.

Today, Phend & Brown is owned and run by Robert's sons — Dan, Douglas and Andrew Brown. Although road building remains the company's bread and butter, Phend & Brown has diversified considerably through the years.

"We're best described as a general heavy and highway contractor," said Dan Brown, who serves as president of Phend & Brown. "A strong majority of our work is still road-related, but now, in addition to doing the dirt work on those jobs, we can also do the pipe work, the asphalt paving and some of the concrete. Much of our pipe work is on street

reconstructions, which we do a lot of, and commercial jobs."

In addition to its contracting work, Phend & Brown has a sand and gravel mining operation and two asphalt plants, one at Leesburg and a smaller one at Disko. The company also sells a proprietary high-performance, cold-patching product called QPR to state, county and local road departments throughout northern Indiana.

Because of the large amount of road work Phend & Brown does, the vast majority of its jobs are competitively bid. "Whether we bid work or negotiate a price, our emphasis on each and every job is customer satisfaction," insisted Brown. "Going back to the days of my father and grandfather, that's always been our goal. We approach every job as a partnership with the owner and, as a result, we have excellent relationships with all our clients, public and private."

People make the company

About 75 people work at Phend & Brown. In addition to family members, key personnel include Paving Superintendent Rod Peterson, Quality Control Manager Don Miller, Treasurer Bill Kurtz and Equipment Manager Bob Hare.

The Brown brothers are all Project Managers/Estimators, as are Reggie Smith, Clay Brooks and Bill Masera. They create the estimates, put the jobs together and are responsible for seeing them come off as planned.

"The main thing we bring to the table for our customers is the excellence of the people who work here," said Dan Brown. "For example, INDOT has recognized our asphalt division as an outstanding Certified HMA Producer in

Robert Brown (left) was the second-generation owner of Phend & Brown. His sons (L-R) Dan, Douglas and Andrew are the current third-generation owners and operators of the longtime Indiana paving firm.





Phend & Brown uses a considerable amount of Komatsu equipment through purchase and rental, including this WA500-3 wheel loader at the company's asphalt plant/sand and gravel operation in Leesburg.



Phend & Brown owns two Komatsu tight-tail-swing excavators, this PC308USLC-3 and a PC128USLC-3. "We really like the Komatsu tight-tail-swing excavators," said President Dan Brown. "They're especially helpful on road jobs where they allow us to work in one lane and keep traffic flowing safely in the other."

the Fort Wayne district for 2002. That's a direct reflection on our quality control department, headed by Don Miller.

"We also think our field personnel — supervisors, foremen, operators and laborers — are the best in the business. Most have years of experience and if there's a better way to do a job than the way it was planned, our people will find it. We're always looking for opportunities to be more efficient and we're able to pass many of the savings along to our customers."

Award-winning firm

Recent jobs for Phend & Brown include a large retail store near Warsaw, Ind. "On that job, we were the general contractor and we did everything — the grading, the underground and the paving," said Dan Brown. "On other commercial jobs, we may well be a sub brought on just to do the asphalt or maybe some concrete work."

Last year, Phend & Brown did a stone mastic asphalt job on U.S. 33 and another resurface job on State Road 13, each in the neighborhood of \$2.5 million. Last fall, the company completed a \$3 million street reconstruction job for the city of Auburn and is doing a job of similar size and scope in Wabash. Phend & Brown is also resurfacing about five miles of Highway 15.

While Phend & Brown will travel as much as 100 miles for work, the vast majority of the company's jobs are within a 50-mile radius of Milford, which includes Fort Wayne and South Bend. The firm has won numerous asphalt awards from the Indiana Asphalt Paving Association as well as a National Asphalt Paving Association (NAPA) award for an airport taxiway project in Warsaw.

Equipment and service

In order to do the quality work it's known for, and do it in a timely manner, Phend &



This Phend & Brown operator uses a Komatsu SK1020 skid steer loader to spread material at a paving job near Warsaw.



(L-R) Equipment Manager Rob Hare and Superintendent Rod Peterson work with Brandeis Sales Representative Tim Kreider on equipment issues.

Brown calls on Brandeis Machinery & Supply in Fort Wayne for much of its equipment needs. Included in the fleet are a number of Komatsu machines. The company has three Komatsu excavators (PC128USLC -3, PC160LC-7 and PC308USLC-3), a D38 dozer and a GD655 motor grader. The company has also rented numerous pieces, including Komatsu wheel loaders such as the WA500-3 and WA250PT-5.

"We like Komatsu equipment, especially the tight-tail-swing excavators," noted Brown. "They work very well for us in cities and

Continued . . .

Quality work is key at Phend & Brown

... continued

towns where the work space is often restricted. With no tail swing, we can often work without closing down the street, which residents, motorists and city officials appreciate. We've had really good luck with those."

Phend & Brown also has a new Blaw-Knox PF5510 paver from Brandeis, which it uses for highway and large commercial work, as well as an older-model Blaw-Knox 3172 rubber-tire paver.

(L-R) Larry Burkel, Rodney Aaron, Superintendent Rod Peterson, Operator Todd Gasaway and Jim Branden were part of the crew that did the paving at a large new retail store near Warsaw this summer.



Phend & Brown uses both Ingersoll-Rand rollers (right) and Blaw-Knox pavers (below) for much of its paving work.



"The Blaw-Knox PF5510 is our largest paver and only track paver," said Superintendent Rod Peterson. "We like the way it gets into corners and it doesn't cut up the grade. It's a sweet machine."



"Compared to a wheel paver, the track PF5510 gives us much better traction on loose gravel and we're able to pull 18 to 19 feet wide, which we couldn't do before," said Paving Superintendent Rod Peterson. "We tried a competitive brand, but we prefer the Blaw-Knox because it doesn't cut up the grade nearly as much. It also handles curbed corners very well, reducing the amount of hand work we have to do. It's a sweet machine."

In addition to the quality of the machines, Peterson, Brown and Equipment Manager Rob Hare appreciate the service they get from Brandeis Machinery & Supply and their salesman Tim Kreider. "Brandeis has been excellent to work with," acknowledged Brown. "They have good people and responsive service. We also rent a lot of equipment and they have an outstanding rental program."

A proud past and a bright future

While Brown notes that Indiana has lagged a bit in highway funding in recent years, he's optimistic about the future.

"We have a new governor who's looking for ways to fund needed paving projects," he noted. "Beyond that, the economy in this part of the state appears to be on an upswing, so I'd say we're cautiously optimistic."

Since its founding, Phend & Brown has emphasized slow but steady growth and intends to continue following the same path in the future.

"We don't need to be a huge company, but if the economy continues to expand, we should be able to continue to experience reasonable growth," predicted Brown. "We're now diversified enough to go in any one of several different directions, so that's definitely a plus for us."

"The main thing we're always going to emphasize is quality work. We're proud that we're a solid, third-generation, family-owned business that's been around for 83 years. You don't stay in business that long by accident. We've had our ups and downs, but we've persevered. We're still here and we're still going strong. As long as we continue to do work that results in satisfied customers, we believe that we'll be around for many more years to come." ■



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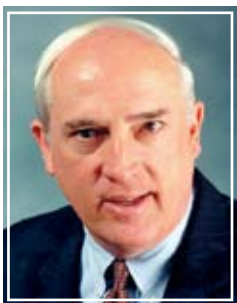
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TRANSPORTATION FUNDING

Industry group praises passage of highway bill, but says much more needs to be done



Pete Ruane,
President and CEO,
American Road &
Transportation Builders
Association (ARTBA)

In August, President Bush signed a six-year highway funding bill into law. The Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users (SAFETEA-LU) authorizes more than \$286 billion in spending on highway and transit programs.

Pete Ruane, President and CEO of the American Road & Transportation Builders Association, made the following comments about the new law.

“SAFETEA-LU is a step in the right direction, but will not come close to meeting

the nation’s highway /transit needs identified in repeated government reports.

“President Eisenhower embraced a vision for transportation 50 years ago when he created the Interstate Highway System. It’s now time for policymakers and the President to formulate a new transportation vision for the next 50 years. I believe it can be done, but it’s going to take unprecedented involvement and leadership of the business community, and political will by Congress.”

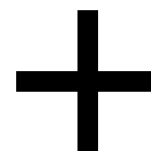
Adjusted for inflation, Ruane says SAFETEA’s average annual funding gains are only 1.8 percent, compared to increases of 6 percent annually in the previous law. He says that spells trouble now and especially in the future, when there will be many millions more drivers on the road. The goal of policymakers, he says, should be major rebuilding and modernization of existing infrastructure, adding significant capacity across all modes of transportation.

“Toll-financed, truck-only lanes should be considered for existing Interstate highway right-of-way, where appropriate. New Interstates, free-trade corridors, elevated roadways and trains, high-speed rail routes, and tunneling in some urban areas should also be seriously considered as options. Modernization and expansion of ports, waterways and airport runways should also be part of the mix.

“The cost of improving and modernizing America’s transportation systems will be significant, but the cost of doing nothing for future U.S. economic growth, traffic congestion, air pollution levels and highway safety is far greater.” ■

Transportation groups like ARTBA call SAFETEA-LU, the new highway bill, “a step in the right direction,” but say it won’t come close to meeting the nation’s highway needs in the years to come.





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MAXIMIZING YOUR BOTTOM LINE

A 10-step process that can help your construction company be more profitable

“There’s a four-letter word that best describes owning a construction company,” says George Hedley, a business-building expert and professional speaker who also owns and manages a \$75-million construction and development company. “The word is risk. In a business with all the variables of construction, you may never be able to totally eliminate risk, but there certainly are ways to minimize it.”

In order to help contractors do just that, Hedley has developed a 10-step program

Because of all the variables involved in construction, there’s probably always going to be a certain amount of financial risk on each and every job you do. But careful planning and attention to detail can help you minimize the likelihood of a money-losing job.



aimed at maximizing profits, which he presented at a seminar during CONEXPO 2005.

1. How much profit?

The first step, he says, is to determine how much profit you think you should make.

“The industry average is 2 percent to 3 percent net profit before tax,” he said. “Is that really enough for you to be successful? Probably not, because with all the risk and variables, the fact is, 65 percent of construction companies don’t make any profit, which is why there’s a high failure rate in the industry.

“One way to look at the situation is to ask, ‘If I were investing in a construction company, what kind of a return on my investment would I want?’ The answer is probably at least 15 percent, so that can be a starting point. Personally, my priority is to make a 30 percent minimum return on equity, and I shoot for a specific dollar amount of profit on each job and for the year as a whole.”

2. Set clear targets & goals

“Once you’ve determined how much profit you need and want, set clear targets with specific deadlines to help achieve it. You must have a plan and you must always be making progress toward it. If you aim at nothing in particular, you’ll hit it every time. It would be like playing golf without a green or a hole, or playing a football game without keeping score.

“It’s important to be specific and to be able to measure your progress. I use the initials SWAT.COM to keep me on track. My goals are Specific, Written, Attainable, Time-dependent, Clear and Challenging, On-purpose and On-target, and Measurable.”



One of the most important aspects of construction company profitability, especially for companies with large equipment fleets, is to know your cost of doing business. The true cost of any machine, of course, is much higher than the purchase price. It includes interest, insurance, maintenance and repairs, and fuel. Likewise, your employees cost you significantly more than their hourly wage rate. Accurately determining and tracking your true cost of doing business is a crucial aspect of ensuring profitability.

3. Use formula to always make a profit

"Whether you measure annual profit as a 'Return on Overhead' or a 'Return on Equity,' it's either a 12-step or 13-step formula, but they both will get you to the same place. It basically involves projecting expenses, inserting your return goals, factoring in projected profit and overhead — then determining the volume you need to reach those goals.

"From your company history, you probably have an 'average job size,' so you know about how many jobs you're going to have to do. You probably also know your bid-to-hit ratio, so you know about how many jobs you're going to have to bid, and you should keep track monthly to make sure you're staying on track to meet your goals."

4. Know, track, measure and control costs

"It's amazing to me, but 70 percent of contractors don't know their fixed cost of doing business. Without that information, it's a wonder any of them make money. For example, if you're just figuring the base pay of your employees, you're probably going

to be underestimating the true cost by 30 percent to 50 percent. Similarly, the cost of your equipment and trucks must include not only the purchase price, but also the interest you're paying plus insurance, maintenance and gas. It's important to assign an hourly cost to both your personnel and your equipment in order to determine what your bid should be.

"Keep your overhead low and track everything. And when you assign an hourly rate to a crew member, make sure they're earning it relative to your best employees, your 'A' players. If they're not — if they're 'C' players — get rid of them and make room for somebody who is or might become an 'A' player for you."

Continued . . .

The information for this article came from a CONEXPO seminar presented by George Hedley. Mr. Hedley owns his own construction company, and as the founder and owner of Hardhat Presentations, is also a nationally known motivational speaker who specializes in providing profit-building information to construction-related groups. For more information, contact Mr. Hedley at 1-800-851-8553 or visit www.hardhatpresentations.com.



Ten steps to profitability

... continued

5. Charge the right markup

"The amount of markup you factor into a job for both overhead and profit should reflect the amount of risk you're taking to do the job. The higher the risk, the larger the markup. To calculate the right markup for your company, start by figuring the return you want on your equity and overhead. I recommend a 15 percent to 25 percent return on equity and a 25 percent to 50 percent return on your overhead costs. Add this profit amount to your overhead budget. This is the total overhead and profit you want to make. Using that amount as a goal, you then can calculate your markup rate based on your anticipated volume."

6. Install operational systems

"Operational systems are essentially formalized company standards and guidelines that keep everybody on your team on the same page. By installing systems, you're able to produce the same results every time, like a fast-food restaurant or a top hotel line. Customers always know what they're going to get from you; they like that consistency and because of it, they become repeat customers."

7. Open your books & share the wealth

"By opening your books to your employees, you're not only showing them respect, you're

also showing them exactly what it takes to make a profit and why it's important that each person does his job. Incentive bonuses should be part of the 'open book' policy when the company has done particularly well on a job — or for a month or quarter or year."

8. Sell more to make more

"Know your customers. Visit with them face-to-face. Focus on your most profitable customers. Target them and others like them, then go about making them repeat customers. Point out things that differentiate you from your competitors and exploit your expertise."

9. Do what customers value

"Value is what something is worth. Money is a measure of value. To make lots of money, do what your customers value highly. Basically, all customers want first-class quality, top service and the lowest price. It's very hard to give them all three. Quality and service are what you should always strive to provide because those are the things you can control, whereas low price depends on what others decide to bid. Look for opportunities to do things that set you apart from the competition and add value in the customer's eyes. In that way, make the low price a matter of comparing apples to oranges."

10. Continuously innovate & improve

"I advocate cutting or controlling costs throughout every aspect of your business except marketing and new technology. That's because effective marketing will increase your business and new technology will help you cut your overhead costs. Yes, there's an initial outlay for the marketing and the technology, but the payback is typically many times greater than the cost."

"If you're not going forward in the construction industry, chances are you're going backward; and with the pace of change today, it doesn't take long to be left behind. It's always better to be early rather than late to the party when you're talking about technology. Anything you can do that puts you a step ahead of your competition, even if it's for a short period of time, could result in getting a new customer that might become a customer for life." ■

Business-building expert George Hedley strongly advocates adopting and embracing new technology as a way to streamline your operation and cut overhead. "Of course, there's an initial outlay, but the payback is typically many times greater than the cost."



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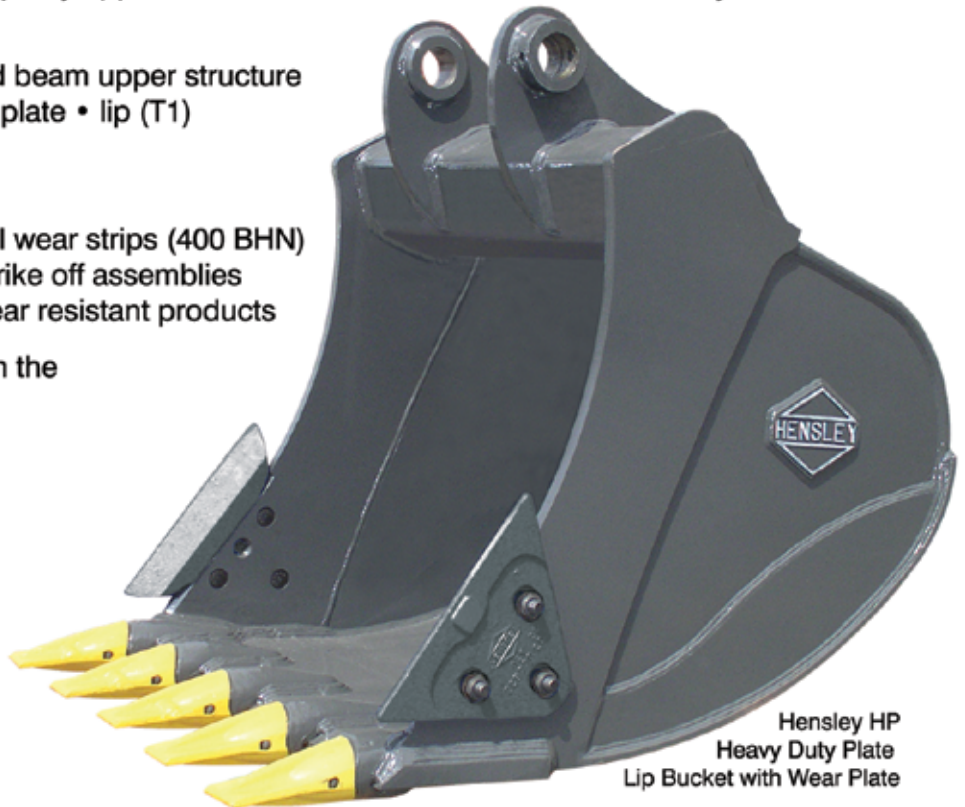
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“WORKING GEAR” MACHINES

By utilizing excavator core technology, Komatsu develops industry-specific equipment

Hydraulic excavators are primarily digging machines. Of course, you can lift with them, do demolition work and some other tasks — but for the most part, the excavator is for going underground. In recent years, however, core excavator technology has also been applied to many different above-grade applications.

“By utilizing the core technology found in Komatsu hydraulic excavators, we’ve been able to develop many specialized, purpose-built machines,” said Mike Murphy, the excavator specialist for the Komatsu Working Gear group. Working Gear was formed several years ago to enable Komatsu, with the help of allied suppliers, to meet the needs of specific industries that require customized equipment. They include material and scrap handling, logging and waste transfer stations.

“In some cases, we essentially start with a blank sheet of paper in developing these purpose-built machines,” said Murphy. “In many ways they may resemble hydraulic excavators, and their roots certainly lie in the proven world-wide componentry expertise of Komatsu excavators. But make no mistake, Working Gear machines are not excavators. They’ve been extensively modified at the factory level to increase productivity, reliability and longevity in specific applications.”

Material-handling series

Komatsu material handlers serve as good examples of how purpose-built Working Gear machines borrow from — but also differ significantly from — traditional hydraulic excavators.

Komatsu offers six material-handling models, ranging from the PC270LC-7 up through the PC1250LC-7. The units, which are

primarily used for barge loading/unloading or scrap processing, include the popular PC300-, PC400-, PC600- and PC750-model sizes.

The Komatsu material-handling series features elevated cabs (78-inch, manual-tilt

Continued . . .

Brief specs on Komatsu Material Handlers

Model	Output	Operating Weight	Reach (standard)
PC270LC-7	174 hp	70,000 lbs.	46 ft.
PC300HD-7	242 hp	89,960 lbs.	46 or 48 ft.
PC400LC-7	330 hp	118,211 lbs.	54 or 55 ft.
PC600LC-7	385 hp	144,014 lbs.	55 or 60 ft.
PC750LC-7	454 hp	203,700 lbs.	55 or 62 ft.
PC1250LC-7	651 hp	259,474 lbs.	62 or 70 ft.

All Komatsu material handlers, including the PC300HD-7 shown here in a scrap application, feature elevated cabs for better visibility, and reinforced front attachments to handle the stress of swinging heavy loads.



Customized Working Gear machines

... continued

For more information on Komatsu Working Gear machines, contact your sales representative or our nearest branch location today.

cab risers with platform and hand rails) as standard equipment. "Up and out" risers are available as an option for improved visibility in barge work. Other changes to the standard excavator are stronger structural components to better stand up to the specialized nature of the work; front window guards for increased safety; and widened carbodies and additional counterweights for better stability.

Komatsu also equips all models with hydraulic generators and electrical cables to power and operate large magnets; centralized lube plumbing and lube points; plumbing for grapple operation; and a hydraulic control package to open, close and rotate grapple with control handles and switches in the cab.

Allied suppliers

Komatsu material-handling machine fronts are designed specifically to handle the stress and strain of swinging heavy loads above grade. The units are outfitted with either a two-piece or three-piece Young Corporation front attachment with underslung hydraulic cylinders. Attachment options include shears,

magnets, grapples, orange-peel grapples and clamshell buckets.

"Young Corporation is definitely a leader in its field, as is Pierce-Pacific, another primary Working Gear affiliate whose specialty is forestry applications," Murphy noted. "In looking for Working Gear partners, we seek out companies that have expertise beyond our own, who can add significant benefits for our customers. Both Young and Pierce-Pacific certainly do that."

Because of the partnerships, Komatsu material handlers can be as personalized as a customer wants and needs a machine to be.

"Very often, we or one of our partners — or both of us together — will visit a customer's jobsite to see the operational layout and take measurements," explained Murphy. "After doing that, we're able to make very specific recommendations as to what size of material handler he needs and how it should be configured to meet his production requirements. If a standard machine is not the best fit, we'll customize it to accomplish what needs to be done."

For example, Murphy notes that Komatsu's normal "up and out" cab riser option is eight feet up and four feet out. "But if a customer needs to go out six feet for optimal visibility and productivity, then that's what we'll do. We'll custom make it. That's not at all unusual for us. In fact, we do it all the time."


Best of both worlds

Like the basic Komatsu excavator, Working Gear products, including the material-handler series, feature Komatsu's patented HydrauMind™ hydraulic system, which ensures smooth, powerful, efficient operation.

"If you like Komatsu excavators for their durability, their reliability, their performance features and their technological sophistication, you're going to find the same characteristics in our material handlers and all our other Working Gear machines," said Murphy. "All we're doing is taking the existing product's strengths and adding value to it in order to give customers an industry-specific equipment solution. We think it gives them the best of both worlds." ■

Komatsu material handlers like this PC1250LC-7 are often customized for a specific jobsite. "If our standard machine is not the perfect fit for a particular operation, then we'll custom-make a machine," says Komatsu Working Gear excavator specialist Mike Murphy. "It's not unusual. We do it all the time."





DIG, SCRAPE,
LOAD, CRUSH,
CRACK, POUND,
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PUSH, PULL,
SHEAR, RIP, SMASH,
HAMMER, HAUL,
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KOMATSU®

NEW PRODUCT

NEW PARALLEL TOOL CARRIER

Komatsu introduces its largest parallel-lift wheel loader

Komatsu's Dash-5 line of unique, electronically controlled, hydrostatic wheel loaders now includes a 166-horsepower parallel tool carrier. The new WA320PT-5 joins the WA200PT-5 and WA250PT-5 in the Komatsu tool carrier lineup.

"It's the next size up for customers who want and need a little more production than they can get from the smaller machines," said Komatsu Wheel Loader Product Marketing Manager Mike Gidaspow. "The WA320PT-5 is about 25 percent larger than the WA250PT-5 and is ideal for large construction and sewer jobs, as well as for use in government, waste and agricultural markets."

The primary benefit of parallel lift that you get with a toolcarrier is that the forks stay level throughout the boom's arc, which lessens the likelihood of dumping or spilling a load and improves safety. The trade-off is a little less breakout force than a traditional wheel loader with Z-bar linkage.

The WA320PT-5's standard hydraulically actuated quick coupler makes changing attachments easy for maximum versatility.

Hydrostatic transmission

Komatsu is the only wheel loader manufacturer that uses a hydrostatic transmission (HST) in machines as large as the WA320PT-5. HST allocates only as much power as is needed in a given application for maximum efficiency. A one-pump, two-motor system also improves efficiency while providing high tractive effort. When decelerating, HST acts as a dynamic brake on the mechanical drive system and can even hold the loader in position on most workable slopes.

Hydraulic cycle times to raise, dump and lower a 3.5-cubic-yard, loaded bucket on the

WA320PT-5 is 11.4 seconds. The unit has a top travel speed of 23.6 mph.

As with all Komatsu wheel loaders and parallel tool carriers, the WA320PT-5 comes standard with the manufacturer's Equipment Management Monitoring System for advanced maintenance, repair and diagnostics. In addition, the cab is 5 percent larger than previous models, providing more leg room and storage space for the operator. ■

For more information on the WA320PT-5, contact your sales representative or our nearest branch location.

Brief Specs on the WA320PT-5

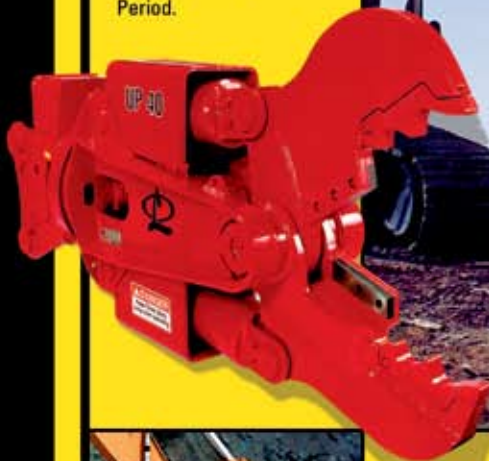
Output	Operating weight	Bucket capacity	Breakout force
166 hp	32,161-33,968 lbs.	3.5 cu. yd.	27,225 lbs.

The WA320PT-5, which features a hydrostatic transmission for maximum jobsite efficiency, is Komatsu's largest parallel lift loader.



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PRODUCT IMPROVEMENTS

TURBOCHARGED "COMPACTS"

Komatsu PC35 and PC50 excavators are now available with more horsepower

Komatsu considers its compact hydraulic excavators in the 8,000-pound (PC35MR-2) and 11,000-pound (PC50MR-2) classes to be "unique and unrivaled" products.

One of the prime areas of differentiation from competitive units is a ROPS and top guard that provide unmatched operator safety. The machines also offer more foot space and a large reclining seat so operators can work comfortably for a longer period of time. Additionally, easy access to components simplifies maintenance, while a high-strength, X-track frame deters mud and debris buildup.

Now, the standard machines are also available with a turbo engine as an option. The turbo option will boost horsepower in the PC35MR-2 from 29.1 hp to 34.1 hp and will increase output in the PC50MR-2 from 39.4 hp to 43.8 hp.

"The turbo option was developed specifically as a high-altitude machine, to compensate for the thin air, but we expect contractors all over will want the extra horsepower," said Mike Conley, Komatsu Product Marketing Manager for compact hydraulic excavators.

Rapid growth

The compact hydraulic excavator market has grown rapidly in recent years. In 2004 alone, the compact excavator market grew 40 percent to about 22,000 units.

"General contractors, landscapers, electricians, plumbers — they're all seeing the benefits of owning a compact excavator and skid steer loader instead of, or in addition to, the traditional backhoe loader," noted Conley. "The main advantage is they're getting two machines for about the price of one, which

enables them to work multiple jobsites and to be more productive.

"The other advantage is the compact excavator's ability to work in confined spaces. Many jobsites today are cramped and crowded," Conley observed. "With its tight-tail-swing design, the Komatsu MR-2 series of compact hydraulic excavators can work productively in much smaller spaces than a backhoe can."

As opposed to some competitive models, Komatsu designs and manufactures its own compact excavators. "Komatsu has passed its expertise in full-size hydraulic excavators onto the compacts," Conley pointed out. "We invite anybody who hasn't tried one yet to do so. We think they'll be surprised at how productive the machines are." ■

For more information on Komatsu compact hydraulic excavators, contact your sales representative or our nearest branch location.

Brief Specs PC35MR-2 and PC50MR-2 (Turbo Version)

Model	Output	Operating Weight	Bucket
PC35MR-2 Turbo	34.1 hp	8,245 lbs.	14-25 inches
PC50MR-2 Turbo	43.8 hp	11,010 lbs.	12-25 inches

The turbo version of both the PC35 and PC50 boosts output from the standard machines by about 17 percent in the PC35 and about 13 percent in the PC50.



"UNIQUE AND UNRIVALED"

Komatsu expands efforts to produce demonstrably superior equipment



This is one of a series of articles based on interviews with key people at Komatsu discussing the company's commitment to its customers in the construction and mining industries — and their visions for the future.

**John Koetz, Vice President,
Product Marketing and Planning,
Komatsu America Corp.**

As vice president of product marketing and planning for Komatsu America Corp., John Koetz is responsible for construction equipment machine marketing strategies and planning future products.

A licensed professional engineer, Koetz earned a bachelor's degree in mechanical engineering from the University of Illinois and a master's degree in engineering from Carnegie Mellon University. He also holds an MBA degree from Loyola University in Chicago.

Before joining what was then known as Komatsu Mining Systems in 2001 as product manager of crawler dozers and motor graders, Koetz was the program manager for large tractors with CNH Global and also had served as deputy product manager for construction/material handling equipment as a major in the U.S. Army.

When he's not on the job, Koetz says his favorite thing to do is spend time with his family. "I know that sounds like a pat answer, but it's true. We work some long hours and I travel a lot for work as well, so when I get some time at home, I really enjoy going to my boys' soccer and basketball games and things like that. My wife and I are also very active in our church."

QUESTION: In 2004, Komatsu announced what it called a "unique and unrivaled" product strategy. Please bring us up to date on that effort.

ANSWER: When we talk about a machine as "unique and unrivaled," it's much more than a marketing strategy. A Komatsu "unique and unrivaled" machine is demonstrably better than any competitive model and we can prove it by spec and by performance. It may be better because of markedly superior performance or production features. It may be better because it uses significantly less fuel. It may be better because it's much roomier and more comfortable. It may be better because of all those things.

QUESTION: Which Komatsu machines fit into that category right now?

ANSWER: We have a number of "unique and unrivaled" products already on the market. These include our PC35MR-2 and PC50MR-2 tight-tail-swing compact hydraulic excavators; the PC400LC-7 hydraulic excavator; the D475A-5 bulldozer; the BR380JG mobile crusher; and our entire line of Dash-5 wheel loaders with hydrostatic transmissions.

QUESTION: Are there more "unique and unrivaled" products about to be introduced?

ANSWER: Yes. Many will be coming onto the market in 2006 with the new Komatsu "ecot3" engines. Now, not all of our machines with the new engines will be "unique and unrivaled," but a fair number of them will be. We have about 160 base machines. Eventually, we expect about 25 percent of them, or about 40 to 50 machines, to be in that "unique and unrivaled" category.

QUESTION: You mentioned the Komatsu "ecot3" engines. How do those fit into the Komatsu "unique and unrivaled" product strategy?



Komatsu is now manufacturing articulated trucks in Chattanooga, Tenn., in addition to Japan to improve responsiveness to North American contractors.

ANSWER: All manufacturers have to meet Tier 3 air quality standards, but they are not all doing it the same way. We believe our Tier 3-compliant "ecot3" engines will not only lower emissions, but will also provide improved machine performance and fuel economy. We're not convinced other manufacturers will be as successful as Komatsu will be in meeting the emissions requirements, and at the same time making a more productive and cost-effective machine.

QUESTION: What part does technology play in Komatsu's product development efforts?

ANSWER: It plays a large part. We invest a tremendous amount of money each year on research and development (R & D) and consider ourselves a technological leader in the industry. But for Komatsu, technology is not about bells and whistles — it's about nuts and bolts. All our product planning and R & D goes back to the needs of our customers and finding ways to help them be more productive, more efficient and more profitable.

QUESTION: One problem that's surfaced in the last year or two is equipment availability. What is Komatsu doing to try to improve the supply side?

ANSWER: Market demand over the past couple of years has been unprecedented. At Komatsu, we've increased both our machine and component production capacity to improve the supply side.

For example, one product that's been in great demand, especially in North America, is the articulated truck. Because of that, we've added production at our Chattanooga plant for our artic to shorten lead time and provide additional manufacturing flexibility.

QUESTION: What's the next big thing in construction/mining equipment?



The Komatsu Dash-5 series of hydrostatic wheel loaders is an example of the company's "unique and unrivaled" product strategy, which is a concentrated effort to produce specific machines that are significantly different from, and better than, the competition.



The new Komatsu "ecot3" engine, which will begin appearing in new models in 2006, is designed not only to reduce emissions, but also to improve fuel economy and performance.

ANSWER: Many of the changes and improvements are going to be the result of advances in information technology. A decade ago, there wasn't anything like today's monitoring, diagnostic and locating systems. That type of equipment, whether it's our state-of-the-art VHMS or Komtrax II, is already standard on many Komatsu models, and in the not-too-distant future, will likely be standard on all construction equipment models.

What that will do is help everybody lower their owning and operating costs by ensuring that maintenance is done as scheduled, and by speeding up troubleshooting so that repairs can be made more quickly. Side benefits will include greater machine reliability and longevity and resale values. ■



Advanced monitors incorporating satellite technology will benefit Komatsu equipment users in the future by providing more precise maintenance and repair information.

STRETCHING YOUR FUEL DOLLAR

These tips can help you conserve fuel and control your equipment operating costs

As an equipment user, you've probably always been concerned about fuel efficiency. But now, with the price of diesel at a record high, chances are you're more concerned than ever before, and you're likely looking for ways to reduce your fuel bill.

With its Tier-3-compliant engines due to be introduced within the next few months, Komatsu has made fuel efficiency a top priority. But beyond the machines themselves, there are things you and your operators can do to further stretch your fuel dollar. Here are some fuel-saving tips from Komatsu Ltd. (The figures used apply to a 20-ton hydraulic excavator, but similar savings can be gained in any size class and any type of machine).

1. Avoid idling. By turning the machine off rather than idling when you're not producing, you can save more than five gallons a month (based on one hour of idle time per day).

2. Avoid relieving pressure. Pulling the control lever continuously to try to lift a

too-heavy load doesn't move the machine, it simply relieves oil pressure. If you can maintain smooth digging, you can save more than 18 gallons a month.

3. Lower engine speed. By dialing back by 10 percent, you can reduce fuel consumption by 12 percent (you do lose about 7 percent in productivity, but the net gain in fuel efficiency is still 6 percent).

4. Eliminate unnecessary/inefficient movement. For example, in truck loading, reducing swing angle from 90 degrees to 30 degrees will improve fuel efficiency by 3 percent. Shortening cycle times through improved excavation techniques can provide as much as 8 percent better fuel efficiency.

5. Reduce your travel speed. Slowing down 10 percent may improve fuel efficiency by up to 8 percent.

6. Perform regular maintenance. A smooth-running machine maximizes fuel efficiency.

For wheel loaders and dozers, similar common-sense operating initiatives can help you save a lot of money on fuel. The biggest factors include reducing engine speed and travel speed whenever possible; preventing tire or track slippage; in V-cycle loading, making sure you're in the position that lets you do the work with the least amount of travel and the shortest cycle times; and preplanning to minimize the number of passes you have to make.

If you can implement these fuel-saving techniques, the higher fuel cost may actually be advantageous for you because your operating costs will be much less than competitors who continue to operate as they did when fuel was \$1 a gallon. ■

Reducing fuel consumption will be increasingly important as the price of diesel fuel escalates. Komatsu recommends reducing engine speed and travel speed where possible, and being efficient in your movements on a jobsite by proper positioning and preplanning to minimize the number of cycles or passes.



ON THE LIGHT SIDE

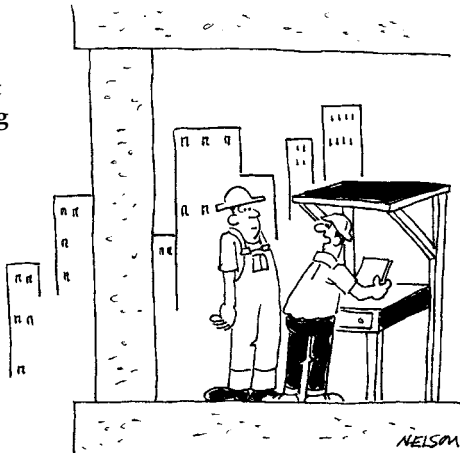


"I have to have it on if I'm going to stay for lunch... It's tuned to bring in the noise from my job site so I know what's going on."

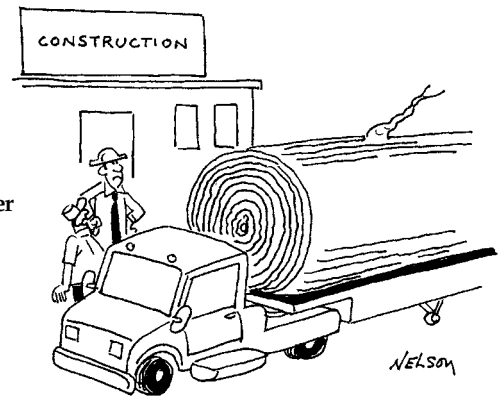


"I always check the final grade with my 'special tool.'"

"They wanted us to skip the 13th floor. And now they don't know if the building is one floor too high or one floor too short."



"So that's why we got such a good price buying lumber 'in bulk!'"



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Komatsu customers like the convenience of ordering replacement parts online

Producing between 7 million and 10 million tons of limestone annually, Material Service Corporation's Thornton Quarry near Chicago is one of the largest quarry operations in the country. To keep its large fleet of Komatsu equipment up and running, the quarry not only has a staff of mechanics, but also a two-person parts department.

“Equipment availability (machine uptime) is crucial in our industry to maintain productivity, and when we need to make a repair or just do routine maintenance, we don't want to be waiting around for a replacement part to arrive,” said Jay Morriss, one of the parts specialists at Thornton. “That's why we have our own parts storeroom and keep an inventory of around 4,000 consumable wear parts.”

When it comes to keeping the storeroom adequately stocked, as well as placing emergency parts orders, Morriss usually just goes to his computer and makes the transaction online at Komatsu's epartscentral.

“What I like best about Komatsu's epartscentral is that it makes everything a little quicker,” said Morriss. “It gives me updated, real-time parts availability and pricing. I also like that it lets me specify the delivery location, which helps get the part to its final destination a little faster and with more certainty. Another plus is that it generates a confirmation e-mail, so if a question should ever arise regarding an order, I have the information right at my fingertips. About the only time we call our Komatsu distributor's parts department is when we need a major component or we have a question.”

User-friendly and convenient

To order Komatsu parts online at epartscentral, you must first register at mykomatsu.com, which you can reach by clicking on the parts section at komatsuamerica.com. Register each machine individually with model and serial number to ensure that you'll have access to the correct online parts book. Before you can start ordering, your Komatsu distributor will contact you to verify your information and ensure that everything is ready to go.

“It's a user-friendly process that benefits all Komatsu customers as much as it benefits companies like Material Service Corp.,” said Rainer Krautwald of Komatsu Parts Marketing. “For many customers, the beauty of online parts ordering is convenience. It's open 24/7 so you can place the order any time of the day or night, any day of the week, and know that you're going to be able to get next-day pickup or delivery.” ■



Jay Morriss,
Parts Department,
Thornton Quarry

For more information on online parts ordering, contact our parts department today.

By ordering parts online through Komatsu's epartscentral, customers get updated, real-time availability and pricing, as well as 24/7 system access.



NEW HIGHWAY LAW

Congress, President agree on funding program

It's called SAFETEA-LU, which stands for Safe, Accountable, Flexible and Efficient Transportation Equity Act-A Legacy for Users. It's a mouthful of acronym, but one of the most important pieces of legislation in many years for the construction industry in general, and road builders in particular.

SAFETEA-LU is the new highway law, passed by Congress and signed by the President, which authorizes more than \$286 billion in transportation-related spending. It was an arduous reauthorization process that lasted more than three years and required an unprecedented 12 extensions of TEA-21, the predecessor highway law.

Of the total \$286 billion, \$228 billion is reserved for highways, \$52 billion for transit and about \$6 billion for highway safety. In addition to the \$286 billion, the bill includes \$9 billion in extra highway contract authority that can be used after 2009. By FY 2009, highway spending will increase from a guaranteed \$34 billion this year to more than \$41 billion.

Under new allocation formulas, by FY 2008, every state will receive at least 92 cents back for each gas tax dollar it sends to Washington. The new law also guarantees every state will receive at least 19 percent more in highway funds over the six years of SAFETEA-LU than they did under TEA-21. ■

KOMATSU HELPS KATRINA VICTIMS

\$750,000 pledged to Hurricane relief efforts

Komatsu America Corp. announced that Komatsu Group is providing a \$500,000 cash donation to the American Red Cross to assist those affected by Hurricane Katrina. Komatsu will also provide an additional \$250,000 by matching dollar-for-dollar all contributions to the American Red Cross made by its U.S. employees, which number more than 33,000.

In conjunction with other Komatsu distributors in North America, Komatsu will continue to assess how best to assist in the relief efforts, including redirecting equipment from around the globe.

"We extend our heartfelt concern and condolences to the people and families who have been devastated by Hurricane Katrina,"

said David Grzelak, Chairman and CEO, Komatsu America Corp. "On behalf of our employees and business partners, we are pleased to contribute to the American Red Cross to provide aid and to help rebuild the lives and communities devastated by this disaster."

To support its customers who are cleaning up from the devastating storm and are challenged by the scarcity of fuel and water in the Gulf region, all Komatsu machines bound for the region will be supplied with full tanks of fuel and drinking water supplies. The company will also assist customers located in areas affected by Hurricane Katrina by offering deferred credit and payment options. ■



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we measure it!*

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If it can be measured, we measure it! Specially trained Komatsu Distributor Certified evaluators check, measure and diagnose virtually every aspect of the machine. Once the machine meets Komatsu's high performance standards, your local distributor can tailor the machine for your site-specific needs. And to add to your peace of mind, most Komatsu Distributor Certified Used Equipment is eligible for special financing and warranty.

Purchasing Komatsu Distributor Certified Used Equipment makes sound business sense. You'll receive good value for your money and a reliable and productive machine that will get the job done for years to come — we guarantee it!

To learn more about Komatsu ReMarketing's Distributor Certified Used Equipment, contact your local Komatsu Distributor or go to our Web site at www.equipmentcentral.com and click on "used equipment."



DISTRIBUTOR CERTIFIED USED EQUIPMENT

CONFIDENCE IN HIS EQUIPMENT

Distributor Certified Used excavator helps one-man operation boost productivity

Lance Alspaugh owns and operates Alspaugh Family Farms, a small Ohio land-clearing company that specializes in tree and stump removal. The company also grinds wood and sells it as mulch, and does small excavation jobs including pond building.

A few months ago, with his workload increasing, Alspaugh began looking for a larger excavator to complement a Komatsu PC120 he's had for many years. "The PC120 was a good machine and still is, but I needed more capacity."

Specifically, Alspaugh wanted a larger machine that would be both productive and reliable, but wouldn't cost him an arm and a leg. "I'm basically a one-man operation and I like it that way," he said. "But even if you're small, and maybe especially if you're small, you need equipment you can count on. I didn't need a brand-new machine, but I did need something that would work for me every day."

Alspaugh turned to his Komatsu dealer, who recommended a 2001 Komatsu Distributor Certified Used PC200LC-6 hydraulic excavator with about 4,500 hours on it.

"It was big enough to give me the added production I was looking for," said Alspaugh. "But the best thing about it from my perspective was that, even though it was used, I knew it had been thoroughly inspected by my Komatsu dealer and that any needed repairs had been made. I was able to look at the inspection report myself and could see that the machine was in good operating condition."

Dealer support

Beyond the inspection, Alspaugh says the "Distributor Certified" seal gave him

additional peace of mind. "To buy a machine at auction or online or from somebody you don't know well — that's risky, and it's a risk I didn't want to take. With the Komatsu Distributor Certified program, I knew exactly what I was getting. Equally important, if any issue does come up, I know my Komatsu dealer is going to back it up and be there for me."

Alspaugh also cited very favorable finance rates which made the unit even more affordable. "I think Komatsu Distributor Certified machines probably represent the best value in used equipment in the country," said Alspaugh. "You may be able to find something cheaper, but when it comes to knowing what you're getting and paying a fair and appropriate amount based on real information and trust, I don't think you can beat it." ■

Lance Alspaugh of Alspaugh Family Farms recently bought this Komatsu Distributor Certified Used PC200LC-6. "I like the fact that it's been thoroughly inspected by someone I trust, my Komatsu dealer," said Alspaugh. "In my mind, the inspection considerably reduces the risk of buying a used machine."



For more information on Komatsu Distributor Certified Used machines, talk to your sales representative or call or visit our nearest branch location.





USED EQUIPMENT SPECIALS

2002 Komatsu PC220LC-7

#BP50007B
\$110,000



2002 Komatsu WA380-5

#BP5723B
\$147,000



BACKHOES

1997 Cat 426C, #BT5005, 5,621 hrs. \$34,670
1993 JCB 214 4X4, #BT5905, 5,869 \$21,000

DOZERS

2002 Komatsu D39PX-21, #BT5422, 4,520 hrs. \$71,400
1978 Deere 750, #BT5912, 6,124 \$19,000
1996 Case 850G, #BT5412 \$43,000
1996 Deere 650G Series IV, #BT5606, 4,572 hrs. \$41,830
1977 Cat D6D, #BT5421 \$36,000
1995 Cat D6H LGP Series II, #BT5515, 12,781 hrs. \$72,000
1998 Komatsu D65EX-12, #BT5800, 4,128 hrs. \$88,660
1986 Cat D4H LGP II, #BT5D01, 4,776hrs. \$28,000
1986 Komatsu D41A-3, #BT5D07, 7,589 hrs. \$13,300
1998 Komatsu D58E-1, #U015376-1, 6,839 hrs. \$52,000
1997 Komatsu D58P-1, #U014641-1, 4,761 hrs. \$24,000
1995 Dresser TD15E, #U012835-1, 10,000 hrs. \$46,667

EXCAVATORS

2000 Bobcat 331, #U21079, 1,638 hrs. \$22,667
1991 Kobelco SK120LC, #BT5016, 452 hrs. \$18,670
2002 Komatsu PC200LC-7, #U18613, 2,660 hrs. \$130,667
1999 Komatsu PC200LC-6E, #BT5801, 5,212 hrs. \$73,330
1998 Komatsu PC220LC-6, #BT5600, 9,854 hrs. \$52,000
2002 Komatsu PC220LC-7, #BP5007B \$110,000
1998 Komatsu PC400LC-6, #BT5911, 6,511 hrs. \$121,000

FORESTRY

1993 Timberjack 450C, #U21022, 2,500 hrs. \$25,340
1996 Deere 548GX, #U21309, 4,685 hrs. \$32,000

HAMMER

1997 Rammer S26N, #PO1165 \$5,000

PAVING/COMPACTION

1990 Blaw-Knox PF180H, #BT5504, 6,414 hrs. \$20,000
1997 Blaw-Knox PF3180, #BT4N10, 3,800 hrs. \$25,000
2003 Ingersoll-Rand DD24, #BP5418B, 292 hrs. \$33,600
2000 Ingersoll-Rand DD110HF, #BP5413B, 3,804 hrs. \$84,000
2000 Ingersoll-Rand DD110HF, #BP5414B, 2,973 hrs. \$84,000
2001 Ingersoll-Rand DD125, #B0298, 2,116 hrs. \$59,110
2001 Ingersoll-Rand DD125, #B0299, 1,378 \$61,840
2000 Ingersoll-Rand SD115D, #BP5706B, 898 hrs. \$88,800

SKIDSTEER

1999 Bobcat 763, #BT5807, 1,392 hrs. \$11,000

OFF-ROAD TRUCKS

1996 Haulpak 330M, #BP1712, 17,500 hrs. \$216,000
2004 Komatsu HM400, 2,776 hrs. \$307,000
2004 Komatsu HM400, 3,225 hrs. \$307,000

WHEEL LOADERS

2002 Komatsu WA250PT-3MC, #BT5408, 4,100 hrs. \$88,000
1999 Komatsu WA500-3, #BP5501B, 7,830 hrs. \$222,000
1999 Komatsu WA500, #BP5003, 12,857 hrs. 180,000
2002 Komatsu WA380-5, #BP5723B, 4,500 hrs. \$147,000

Most machines are available for rental purchase option. All machines subject to prior sale. Year listed is year of manufacture.

For additional information, please call (502) 493-4380



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