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PERA's 66th Fall Conference Anna Arbor, MI Comments from Dave's Blah, Blah Blog

I am here to talk about the **PERA Marketing and Technical Conference**. We were treated to some of the best PERA tours I have ever been on. We started out playing a game of golf in a "best ball" scramble type of format.....special thank to Jerry Hendrix of **Melling** for being patient enough to actually help me with my golf game.....best round I ever had! Also special thanks to Matt McGraw and Rick Dickerson for just putting up with my errant approach to this game. Some would say I'm an all around golfer because I'm all around the golf course. But I get a great cost per swing.

Wednesday morning took us on a bus ride to **Melling Manufacturing**. Mark Melling met us all there and then we got to see how Melling manufactures oil pumps. Who would have thought there would be so much state of the art manufacturing for oil pumps? I now have a little more appreciation for the heart of our engines after taking the Melling tour. From there we were off to the **MAHLE Piston Ring Facility** in St. Johns, Michigan. I can't say this enough.....if you ever get a chance to see how piston rings are manufacturedyou must see it to believe it. Lots and lots of machines using some very creative tooling to machine piston rings one at a time. I think they said they have over 500,000 piston rings in queue each and every day.

Thursday brought us a working breakfast presentation on the history of the Internet and Social Media delivered by Arthur Talbot. We received a great presentation on the in's an out's of the GM Duramax Engines from Roy Berndt of **LQK Remanufacturing**. Then it was off to **DART Machinery** for another tour. But this was no regular tour. When we got to DART, Ted Keating showed us not only how, but why they do the things they do. When it comes to making cast iron or aluminum blocks and cylinder heads, this is the place where go fast engines are born for sure. We got done at DART in time to take in the **Henry Ford Museum**. I have never been to this museum but now I know why some people have yearly passes for this place. I think I could have spent 3 days looking and learning about Henry and his many accomplishments. We even had dinner at the Eagle Tavern that was a throw back into the time of the mid 1800s.....great food for sure. Big thanks to the McGraw family and AER Manufacturing for treating us all to a very unique dinner.

Friday the group was off the **Roush Industries** for a behind-the-scenes look at their custom engine shop and many other areas not normally open to anyone but Roush employees. I hope all of you got as much out of this year's conference as I did. It was great to see everyone again and I look forward to hearing you on the Webinars as well as see you on the trade show circuit later this year.

In closing, I must say Nancie Boland does an outstanding job organizing these events and she deserves a big pat on the back for a job well done! Thank you Nancie!
See ya on the web!



New News!

LKQ's VP Butterfield Says Reman Acquisitions Good for Industry's Image

Doug Kaufman, Engine Builder Magazine

Recent acquisitions by LKQ Corp. of three leading engine remanufacturers should more easily help the entire industry promote itself as a supplier of quality products, believes Peter Butterfield. Butterfield, regional vice president of LKQ Remanufacturing, says the purchase of ATK North America (Dallas, TX), PROformance Powertrain Products (Springfield, MO) and Yamato Engine Specialists (Bellingham, WA) are a sign of continued industry consolidation but one that should, in the long run, benefit the entire industry. "It's no secret that this industry has contracted dramatically over the past 20 year," Butterfield says. "There are now only a few significant players in the aftermarket and LKQ is certainly one of the major players. But consolidation hasn't been so much as a result of LKQ but as a result of natural market forces." And, says Butterfield, that hasn't necessarily been a bad thing. In an interview with *Engine Builder* editor Doug Kaufman, the former president of ATK North America said he believes the sheer number of outlets for used, salvaged, rebuilt and remanufactured engines has been confusing to the typical consumer and has worked against growth. Butterfield, former executive vice president of Volvo and CEO of KIA Motors, is no stranger to changing the public's perception. "I think in our industry because remanufacturers will never spend money like the car companies (upwards of many millions of dollars per year) to advertise our product, you're left with consumer impression of the product. And since we still have so many outlets for engines, it makes our job of building an overall image of the product that much more difficult."

Butterfield says creating a more positive image isn't a short-term prospect, but it is possible. "Over time – and I'm talking 5, 10 or 15 years – I think both used engines (meaning salvage engines) and remanufactured engines will begin to have a more distinct and better image in the marketplace BECAUSE of the consolidation of manufacturers in the business. It's a more difficult challenge to promote the image of a remanufactured engine but with consolidation, I think it will make it easier for the industry as a whole – and that message is that you'll get a more consistent product."

DK – How will the three PERs (ATK North America (Dallas, TX), PROformance Powertrain Products (Springfield, MO) and Yamato Engine Specialists (Bellingham, WA)) be integrated into the LKQ family?

PB – LKQ is structured into eight different geographical regions for the salvage and aftermarket business. Each has a regional vice president and under them are literally hundreds of salvage plants and aftermarket businesses. They created a new "region" (the ninth) called LKQ Remanufacturing, and my title is Regional Vice President of LKQ Remanufacturing. The role I have been asked to take on for LKQ has been to run all of the remanufacturing assets for the company, with responsibility for all the remanufacturing activities including manufacturing, distribution, pricing, operations, logistics, etc.

LKQ Remanufacturing is a products company, not a geographical division, although it actually covers the U.S., Canada and Mexico. Included in that are the ATK Companies, including two manufacturing facilities and a sales and marketing facility in Mexico; PROformance Powertrain Products in Springfield, MO; and Yamato Engine Specialists in Bellingham, WA; as well as Best Core, LKQ's core operation in Houston, TX. Anything that is remanufactured goes through this system. Currently, those products include engines, transmissions and cylinder heads, as well as rear axles. As individual companies, we manufactured and sold our products through distribution – and that won't change. Each of the remanufacturers had distributors who distributed their products...they'll continue to distribute their products. In addition, we now have the ability to distribute through the LKQ salvage plants. The LKQ plants have always bought and sold remanufactured engines – this isn't anything new to them. The difference is they're now buying the remanufactured engines from their own remanufacturing assets. It's a vertically integrated process. Individual brands will still be available. The term LKQ Remanufacturing is similar, in a sense, to a term like General Motors – GM sells Chevrolets, Cadillacs, GMCs and Buicks. We still sell the Yamato brand, the ATK brand, the Proformance Brand and the Vege brand, so the brands are still available, being sold basically the same way they were before. We will also still sell private label branded engines to Advance Auto Parts and AutoZone.

DK – How will you address the "duplication of efforts" between the three facilities?

PB – Of course there will be crossovers between the 3 remans that can be more efficiently coordinated. Anytime in a large manufacturing operation that you can simplify the number of SKUs you're building, you'll end up with a more efficient operation from both a cost standpoint and a quality standpoint. So, over time, one has to ask does it make sense to build a Chevy 350 in Bellingham, Springfield and Monterrey, Mexico? Ultimately, no. You want to default to the highest quality/lowest cost plant – but that takes a long time to get to. We're not there yet – we still have multiple engines being built at multiple plants. Eventually we want to get to where we're limiting the number of SKUs a plant is building so they can have less variability, higher quality and lower costs. That is an advantage to owning multiple factories – we can specialize.

New News!

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LKQ's VP Butterfield Says Reman Acquisitions Good for Industry's Image

DK – *Will access to core supplies (from LKQ's core operation) be a significant advantage now to the reman facilities?*

PB – From a practical standpoint, I don't see this as a significant issue. When we were running as independents, we all had the same short core shortages on the hot cores then that we do today. Does it make it more efficient to run your own core company? Yes, of course. If our competitors owned their own core companies and put the money and investments back into collecting and processing cores, they'd probably have a more efficient core process as well. But the access to the short cores is still a challenge. If the cores are short, they're short.

DK – *In the long run, how do you see the acquisitions affecting the remanufacturing industry as a whole?*

PB – I don't think this will change it dramatically. Again, LKQ isn't the reason for consolidation – that happened because the market shrunk. And it has been a natural weeding out of those companies that weren't able to build high quality product and maintain the equipment and technology to stay competitive today. It's the same in the car industry as it is in the engine industry. If you look at automobile manufacturing in the 1960s, you had an assembly plant that might have produced about 200,000 vehicles a year – of one model. Today, they may still build 200,000 cars, but they're building 10 different platforms. There are so many more models and variations; to be competitive a factory has to offer more.

The same thing happened with engines. Back in the '60s, the majority of what we built was Chevy 350s. That's not the case today – we're building a wider variety and the requirement on the manufacturer is more complex than ever before. That's going to continue, because of the diversity in the market. You'll need the engineering resources, the equipment, the technology and the cataloging to build all of them. It's very complex and that's what's weeding the industry out. It's putting more pressure on companies, because if you're a small reman or a machine shop, you can't possibly get the coverage necessary to supply the marketplace so by definition you have to specialize. And that's what you're seeing.

The wide range of PERs has shrunk and the machine shops that were once doing volume engines are specializing. They've been forced to say, "I can't build the broad spectrum, so I'll focus on high performance or a diesel model...but I can't build 1200 SKUs." As that specialization happens, it opens up opportunities for those companies that *can* build a high volume at a reasonable cost that meets the marketplace's demands.

New Application Guide from King Engine Bearings

Introduces company's expanded product line and improved numbering system for easier product selection

King Engine Bearings has released its new application guide for the company's HP and XP high performance engine bearings. King manufactures a large selection of bearings engineered for specific applications, including: circle track, drag racing, monster trucks, off-road racing, tractor pulls, sprint cars and off-shore racing.

The new application guide includes information on the company's expanded line of HP and XP main and rod bearings that are available for Chevrolet, Chrysler and Ford vehicles, as well as, several custom performance applications. The company has also released new XP main and rod bearings for Acura/Honda, Mitsubishi, Nissan, Subaru and Toyota vehicles.

In addition, the company has introduced a new simplified performance numbering system that retains the "core number" from King's OEM replacement bearing and changes the suffix to reflect material and features making it easier for engine builders to select the right bearing.

The enhanced tri-metal, copper lead construction with nickel barrier of the XP bearings features King's proprietary SecureBond advanced adhesion process that provides superior stability between the top and intermediate layers. The 0.0005" metallurgically enhanced and hardened performance overlay withstands greater loads and better resists surface fatigue. XP bearings are ideal for high load, long duration racing such as circle track, off-road, and off-shore in engines using steel crankshafts. XP main bearing sets are ½ grooved for uncompromised lower shell load capacity.

Made of bi-metal, aluminum silicon alloy, the HP bearings feature a 40 Vickers hardness that resists traditional overlay migration and extrusion making it ideal for the demands of high load, short duration race environments such as drag racing, tractor pulls and monster trucks. It is also suitable for medium-load, long duration racing such as circle track engines using nodular cast iron crankshafts. HP main bearing sets are ¾ grooved for improved oiling to the rod journals.

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New News!

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New Application Guide from King Engine Bearings

All King performance bearings feature greater rod bearing height that improves bearing to bore contact/heat transfer and reduces spin potential at high RPMs. Main bearings feature enlarged, chamfered oil holes. Medium eccentricity enables optimum load distribution and improved oiling. In addition, most rod bearings are available with or without dowel holes. King bearings feature the closest wall tolerances in the industry (Bull's Eye Tolerance), with all shells matched to .0001". Main and rod bearings are narrowed for large radii crankshafts.

Thank You to the 2011 Webinar Series Sponsors

I would like to take this opportunity to once again acknowledge and thank all of the 2011 webinar sponsors and those who were instrumental in making the series a success. Without the sponsors the webinar series would not have been possible. Thank you Lock-n-Stitch and Goodson for your support and funding of the webinar series. I would like to thank all of the webinar speakers; Bill McKnight, Gary Reed, Mark Ferner and Dr. Dmitri Kopeliovich for all of their hard work and dedication. As each webinar required a moderator to provide a presenter introduction, general information and field questions, I would like to thank Ken Carter, Jerry Hendrix, Chuck Barnett, Staci Synder and Tom Marx. Last but not least I would like to thank Engine Builder for all of their support and helping us spread the word.

As the webinar series was instituted this year, we are pleased that over 200 people logged in. If there are topics or presenters you would like to hear in the coming year or if you would like information on being a sponsor please contact me at nancieboland@pera.org. Watch for information on the 2012 series on the PERA website, Facebook and LinkedIn.



Reviva Expands Capabilities by Acquiring Ratech Machine Assets

Investment Capital and Lean Manufacturing Expertise Will Help Fuel Continued Growth

Minneapolis, Minnesota—Reviva Inc., a leader in automotive and industrial remanufacturing and a provider of low cost, innovative logistic services, has announced that it has acquired the assets of Ratech Machine, Inc. (“Ratech” or the “Company”). Located in Osceola, Wisconsin, Ratech specializes in machining large, complex, hard-to source products for a variety of industries, including energy, defense and aerospace. As part of the acquisition, Reviva signed a long-term lease and is looking forward to strategically expand the Company’s employee base in Osceola with multiple new positions by the end of the fourth quarter of 2011.

“We are very excited about this opportunity,” stated Josh Stahl, President of Reviva. “Ratech machines products for industries in which Reviva has started to expand, and its engineering capabilities and dedicated employees are top-notch. Historically, demand for Ratech products has been very high, and we are confident that Reviva’s capital investment, Lean methodology expertise, and market development will help Ratech achieve its growth objectives,” Stahl continued.

Customers will also benefit by the added production capacity at the Osceola plant. “Our customers need a reliable, efficient supply source, and our goal is to transition Ratech from a job shop into a Lean production plant,” Stahl shared.

Ratech was founded in 1991 by Ray Richardson, Jr., who will remain with the Company and transition to a Chief Operating Officer role.

Established in 1944, Reviva is a family-owned manufacturing and distribution business focused on automotive and industrial products and services. The Ratech acquisition nicely complements Reviva’s business model, helping to diversify and broaden its product and service offerings, as well as its reach to other industries, such as aviation, defense, aerospace, oil and gas, and energy.

The acquisition is also a positive business development for the Osceola community at large. Duane Wanner, COO at Reviva, stated, “There is strong customer demand for products within the energy segment, and we need to ramp-up production in order to support the demand. Ratech currently employs 38 people and has immediate plans to hire approximately 20 additional machinists and

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