

UPDATE

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Featured in this issue:

L & L CARGILE, INC.

Switch from building structures to utility work brings success, stability to this Spokane contractor

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Inside

What the Intermountain Forest Association says about managed forests

Vice President Lonnie Cargile (left) and President Larry Cargile

Featured in this issue:

INFRASTRUCTURE SYSTEMS, INC.

Young Seattle-area firm emphasizes honesty and integrity, as well as quality work

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KOMATSU

President
Jason Bruers



Brian Sheridan

**We can help you
with any equipment
and product support
needs you may have
in the upcoming year**

MODERN
MACHINERY

Dear Equipment User:

By all economic forecasts, 2006 promises to be another good year for the construction, mining and logging industries (see related article inside). While the amount of growth may be slightly less than it's been the last two years, most forecasters — including the U.S. Commerce Department — foresee solid gains continuing.

At Modern Machinery, we're optimistic as well. Of course, we have no control over the amount of work that will be available to you, but we truly believe we can help you complete your jobs in the timeliest and most cost-effective manner.

One reason we're confident is our longtime relationship with Komatsu, which is truly one of the giants of the equipment manufacturing industry. The manufacturer is introducing many new products this year, notably those with the new ecot3 engines. We hope you'll take the time to read the article on Komatsu's expanding product line in this issue of your *Modern Machinery Update*. It explains Komatsu's philosophy to compete head-to-head against the other full-line manufacturer in essentially every type and size of machine, and demonstrates the company's commitment to be the best.

Beyond the new products we'll be featuring this year, we're also excited about our growing product support capabilities. We have created the new position of Product Support Sales Manager and promoted longtime Missoula Parts Manager Marty Brendal to fill the post.

At Modern, we understand the importance of uptime to you and your operation. In light of that, we're continuing to bolster our service and parts departments in an effort to speed repairs and help you keep your equipment running for the longest time at the lowest cost. We hope you'll give us the opportunity to show what we can do for you.

Please feel free to stop in at any of our branch locations, or give us a call if there's any way we can be of service. All of us at Modern Machinery are looking forward to meeting your equipment and support needs for 2006 and beyond.

Sincerely,
MODERN MACHINERY

Brian Sheridan
President



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L & L CARGILE INC.

Learn how a switch from building structures to utility work brings success and stability to this Spokane contractor.

INFRASTRUCTURE SYSTEMS, INC.

Find out how this young Seattle-area firm emphasizes honesty and integrity, as well as quality work.

PRODUCT FOCUS

Whether it's construction, mining or logging, Komatsu is committed to providing a full product line to meet its customers' needs. Komatsu's Chairman and CEO Dave Grzelak explains what it means to be a full-line company.

PRODUCT UPDATE

Here's a look at the utility machines Komatsu showcased at the last International Construction and Utility Equipment Exposition.

GUEST OPINION

Learn why supporters of the Clean Water Trust Fund want guaranteed funding for water infrastructure improvements. Christian Klein, Washington counsel for AED, provides the details.

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Eugene, Oregon

1041 Highway 99 North
Eugene, OR 97402
(800) 826-9811
(541) 688-7321
Fax: (541) 689-5429

Portland, Oregon

5241 N.E. 82nd Avenue
Portland, OR 97220
(800) 950-7779
(503) 255-7841
Fax: (503) 255-1553

Missoula, Montana

101 International Way
Missoula, MT 59808
(800) 332-1617
(406) 523-1100
Fax: (406) 523-1117

Kalispell, Montana

3155 Highway 93 South
Kalispell, MT 59901
(800) 434-4190
(406) 755-5540
Fax: (406) 756-0006

Billings, Montana

7850 South Frontage Road
Billings, MT 59101
(800) 735-2589
(406) 252-2158
Fax: (406) 252-1165

Pocatello, Idaho

2666 Garrett Way
Pocatello, ID 83201
(800) 829-4450
(208) 233-5345
Fax: (208) 235-9658

Boise, Idaho

1257 West Amity
Boise, ID 83705
(800) 221-5211
(208) 336-8570
Fax: (208) 336-8616

Kent, Washington

22431 - 83rd Avenue South
Kent, WA 98032
(800) 669-2425
(253) 872-3500
Fax: (253) 872-3519

Spokane, Washington

4412 East Trent Avenue
Spokane, WA 99212
(800) 541-0754
(509) 535-1654
Fax: (509) 534-6741

Rochester, Washington

19444 Ivan St.
Rochester, WA 98579
(800) 304-4421
(360) 748-4421
Fax: (360) 748-4770

Magadan, Russia

79 Rechnaya Street, Suite 1
Magadan, Russia 685021
011-7-41322-99281 or
011-7-41322-99298
Fax: 011-7-41322-77761

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KOMATSU

L & L CARGILE INC.

Switch from building structures to utility work brings success, stability to Spokane contractor



Larry Cargile,
President



Lonnie Cargile,
Vice President

The operator of this PC308USLC-3 clears trees as part of Cargile's work on the Fourth Avenue improvement project in Coeur d'Alene, Idaho.

When Larry Cargile's father founded Cargile Construction Group 15 years ago, he didn't plan on becoming an underground utilities contractor. Rather, he focused on constructing commercial buildings, wastewater plants in particular. "We kind of backed into the utilities work," said Larry Cargile. "We started by tying together commercial buildings with some of the necessary waste water and pump work. When the wastewater plant construction market slowed and we couldn't find the type and size of jobs we wanted locally, we closed Cargile Construction Group and began concentrating on utilities as L & L Cargile."

That was two years ago, and L & L Cargile has taken off since then. Larry bought into the business and became president, while his father Lonnie remains active in the company, serving as vice president.

Today, the company focuses on installing water and wastewater lines and doing small sewer work for municipalities within a 100-mile radius of Spokane. "We like our crews to be able to commute daily," Larry Cargile noted.

The right size jobs

L & L Cargile currently employs about 12 people who work on one or two jobs at a time. "We try to select our jobs based on quality rather than quantity," Cargile explained. "We look for jobs that not everybody can do. We're trying to keep in a niche where our jobs are a little too big for the small contractors, but smaller than the large companies typically want to do."

Examples of such work include a water system upgrade in Connell, Wash., in 2004. "We put in a little more than five miles of water main, including some under-the-highway borings, which was a \$2 million job," Cargile recalled. "We also recently completed a complicated project on Ironwood Avenue in Coeur d'Alene, Idaho. That was a very tricky job because there were some high-income businesses on that street, such as doctors' and dentists' offices. We did a lot of night work to keep them happy and we had very few complaints on that project."

L & L Cargile also recently completed another project for the city of Coeur d'Alene — improvements on Fourth Avenue, which included reconstructing the roads and sidewalks, as well as doing the storm and water lines beneath the street.

Quality staff and equipment

In addition to Larry, who handles project management, and his father, who does most of the estimating, L & L Cargile has a core group of indispensable employees. "Fred Bonser is our controller," Cargile noted. "He's integral to keeping the accounting straight and running the office. Dan Schimmels is our main site superintendent. He heads up the field operations."

The type of utility work L & L Cargile takes on requires versatile equipment as well as employees



with diverse skills. That's why the Cargiles turn to Komatsu and Modern Machinery to meet their heavy equipment needs. Their excavator fleet includes two Komatsu tight-tail-swing excavators (a PC308 and a PC158) and a Komatsu PC220.

"We prefer the tight-tail-swing models because they are so convenient, especially when we are working in traffic. We can run up against a fence line and we don't have to worry about having extra room to load dump trucks. We can pull our trucks right up next to the machine," Cargile pointed out.

The company also owns a Komatsu WB140 backhoe loader for water/sewer services and a Komatsu WA320-5 hydrostatic wheel loader that takes on a wide variety of tasks. "We use it for just about everything," claimed Cargile. "We move a lot of material around the jobsite with it, we backfill trenches and do site demolition. We've also got a broom and fork attachments so we can use it for moving pipe."

From the beginning, Cargile decided to limit the number of suppliers he worked with. "We wanted one primary heavy equipment distributor and we did a lot of homework before selecting Modern Machinery. We really like the Komatsu product, which we think is the best on the market. But equally important, we felt that Modern could and would provide us with the backup support we'd need to be successful -- and that's exactly what they've done. Our salesman Scott Upton and everybody at the Spokane branch have bent over backwards for us."

Because L & L Cargile doesn't have any mechanics on staff, reliable equipment and responsive service are crucial to the company. "Modern does all of our routine maintenance, as well as any repair work that's needed," said Cargile. "But frankly, repairs have been few and far between. Our Komatsus have been very productive and dependable. We run a new fleet, which we intend to cycle regularly to avoid downtime and to help us attract good operators."

"We're gratified that L & L Cargile chose us to be their equipment supplier," said Modern Machinery President Brian Sheridan. "The company is developing an excellent reputation in the utility field in eastern Washington and northwestern Idaho and we're very pleased to be associated with them."



When it opened its doors two years ago, L & L Cargile made Komatsu equipment the basis of its equipment fleet. "We did a lot of homework before going with Komatsu," said L & L Cargile President Larry Cargile. "We think it's the best equipment on the market."



L & L Cargile owns two Komatsu tight-tail-swing excavators, including this PC158USLC-2. "We do a lot of work on city streets and that's where the tight-tail-swing machines really come in handy because of the restricted work area," said company President Larry Cargile.



(L-R) Lonnie and Larry Cargile turn to Modern Machinery Spokane Sales Representative Scott Upton for their equipment needs. "Modern does all of our maintenance and repairs and has been very responsive to our needs," said Larry Cargile.

A look ahead

Looking into the future, Cargile expects to remain a small company but to go after larger sewer jobs. "I see us with two crews, concentrating on keeping our customers happy, as well as the public. Currently, we try to stay with sewer jobs that are less than 15 feet deep, picking and choosing the work based on site conditions. But I want to develop a crew that can work on bigger jobs for larger municipalities. If we could pick up two \$3 million jobs a year, we would be happy."

Cargile says he would also like to pick up one or two private clients in the future. "I think municipal work will always be our bread and butter, but if we can find the people to work with on the private side, we'd also be willing to get into a certain amount of site development." ■



Fred Bonser,
Controller



Dan Schimmels,
Superintendent

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INFRASTRUCTURE SYSTEMS, INC.

Young Seattle-area firm emphasizes honesty and integrity, as well as quality work

Jason Bruers grew up working at his father's foundation company, which would come onto a job after the dirt work had already been done. But Jason was always fascinated by the excavation work, so when he turned 18, he left his father's firm and took a job with an excavating company. Thirteen years later, in 1998, he decided to go out on his own — literally.

"I was my only employee at the time," he recalled. "I had a Suburban and a utility trailer that I used to haul all my hand tools. I didn't own any equipment, so when I got my first job, which was to build an equestrian center, I rented the machines I needed. The job consisted of putting in storm drain, hooking up the sewer and water, digging the foundations, putting down bedding material for the indoor riding arena, and grading for the parking lots. It was actually a fairly good-size job (about \$340,000) for a one-man operation."

Following that success, Bruers grew the company gradually before incorporating as Infrastructure Systems, Inc. (ISI). Today, Snohomish-based ISI employs 32 people and does full-service site-development work, primarily in the northern Seattle suburbs of southern Snohomish County.

"We do clearing, grading, any excavation that's needed, pipe work and landscaping," explained Bruers. "We take care of the paving too, although we sub that out. We do everything up to where a builder can come in and put a house on the lot. I have six developers I work for almost exclusively. They know I'm going to give them quality work for a fair price and treat them right. Honesty and integrity are what I'm all about with my customers, which I think is the big reason we have repeat clients."

ISI has specialized in residential and condominium site work, but is beginning to do commercial work as well.

Great help

Bruers relies on an experienced, professional work force to do jobs right and do them fast.

"We work as many as 10 jobs at a time and I couldn't do that without great help," he acknowledged. "I have five foremen who run jobs for me, but I think it's important that I know where every job stands at all times, so I try to personally visit every project every day."

ISI is very much a family business. Jason's right-hand man is his brother, Jerry Bruers, who supervises field activities. Jason's wife Jennifer does the accounting and Jerry's wife Rachel also works in the office at ISI.

"It's nice to have family around, but it wouldn't be that great if they weren't good at what they do," said Bruers. "Fortunately, all of them are very good at their jobs."

Bruers also singled out Project Assistant Dalyn Randall as a key member of the ISI



Jason Bruers,
Owner/President



Jerry Bruers,
Superintendent

Continued . . .

One of Infrastructure System's signature jobs was doing all the site work at Fir Hollow, a detached condominium subdivision in Mill Creek, Wash., just north of Seattle.



Infrastructure Systems is growing with region

... continued

team. "She does the scheduling, sets up pre-construction meetings, calls for staking, orders materials and makes sure the field guys have what they need to be successful."

Reliable equipment, responsive service

When he was ready to start buying rather than renting equipment, Bruers' first call was to Modern Machinery in Kent. "I ran Komatsu equipment at my previous job and really liked it. It was very reliable and productive and I knew it was what I wanted."



Jason Bruers, owner of Infrastructure Systems, Inc. (ISI) says he chose Komatsu equipment because he knew from experience it would be productive and reliable, and because he trusted Modern Machinery to provide the support he would need.

"We love the Komatsu hydrostatic wheel loader (above) and tight-tail-swing excavators (right)," said Owner Jason Bruers. "And Modern has been an excellent partner. We call on them for all maintenance and repairs."



This ISI crew uses several Komatsu machines to prepare an eight-lot subdivision in Everett, Wash.



Today, he owns two Komatsu WA320-5 wheel loaders and five Komatsu hydraulic excavators including three tight-tail-swing models (PC308USLC-3, PC228USLC-3 and PC138USLC-2).

"I love the Komatsu tight-tail-swing machines. Whether we're working in a roadway or up against a terrace wall, the fact that it stays within its tracks is a big plus. Because we don't have to worry about banging the counterweight into anything, we're able to work faster and safer. And the Dash-5 wheel loaders are the best I've ever run. We caught onto the hydrostatic drive system quickly and easily, and once you get used to that, you don't want anything else."

ISI calls on Modern for both equipment and support. "Modern does it all for us," Bruers confirmed. "Our salesman Marc Bandy and Manager Jim Hassebrock take great care of us equipment-wise, and we've been very pleased with their service. We don't have any mechanics and with Modern, we don't need any. They do all our repairs as well as our routine maintenance, such as oil changes. Their service department has been very responsive and easy to work with. Overall, Modern is just like us — they're honest and hardworking. Because of that, we trust them, just as our customers trust us."

Modern President Brian Sheridan says the feeling is mutual. "We love being involved with progressive young companies like Infrastructure Systems and appreciate the opportunity Jason gave us to show what we could do."

An optimistic outlook

Bruers says he's pleased with how far ISI has come in a relatively short time. "I grew up an underdog. I had to work hard to get to where I am, but now, I'd say I'm an optimist. We've had steady growth since opening, and southern Snohomish County is still growing.

"Down the road, we plan to add municipal work and road building to the mix of what we do. As long as we continue to give our clients quality work at a fair price and with no hassles, I believe we'll have the opportunity to grow right along with the region." ■

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PC308USLC-3

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A FULL-LINE COMPANY

Komatsu's continually expanding product line is part of a "commitment to compete"



Dave Grzelak,
Chairman and CEO,
Komatsu America

Back in the 1970s, when Komatsu America was formed and the equipment maker started selling small to mid-size dozers in the U.S., few people would have guessed that within a couple of decades it would be the second-largest manufacturer and supplier of construction, mining and utility equipment in North America. But thanks to a number of agreements and acquisitions, combined with an aggressive desire to compete and be the best, that is exactly what has happened.

"We are a 'full line' company," said Dave Grzelak, Komatsu America Chairman and CEO. "What does that mean? It means we don't limit ourselves to certain machines or certain size classes. Instead, we manufacture and sell a complete line of heavy equipment and compete head-to-head in virtually all categories and sizes. There's only one other equipment manufacturer in the world that can make the same claim."

Some other equipment makers, according to Grzelak, are essentially "short line" companies,

meaning they specialize in certain types of machines or certain sizes. Some may specialize in agricultural equipment and make only small construction units. Others go up into the construction size, but don't offer some types of machines, or perhaps stop well short of Komatsu's largest construction-size models. When you get into mining-size equipment, the field narrows even more.

"It's no accident that we compete across-the-board with the only other full-line company," said Grzelak. "We're committed to compete for two primary reasons. One, we think it's important for the equipment industry in general to have competition in all size classes and machine types because it prevents market domination and spurs product improvement. And two, we do it because in many instances, we believe we make state-of-the-art products that don't just compete with, but are demonstrably superior to those of our main competitor, as well as all the short-line companies."

From smallest to largest

Today, Komatsu makes more than 100 machines ranging from compact units as small as a one-ton excavator and a 29-horsepower wheel loader, up to the largest dozer in the world, a 3,500-horsepower truck, and an excavator/mining shovel that weighs in at 770 tons. But perhaps the most important and significant aspect of those figures is that Komatsu also makes everything in between those extremes.

Komatsu utility equipment includes compact excavators, wheel loaders and a dozer, as well as backhoe loaders and skid steer loaders. The utility division also offers the unique Komatsu

An example of Komatsu's commitment to competing in all product lines and all class sizes is the 1,150-hp D575, the largest bulldozer in the world.



crawler carrier, which is essentially a track dump truck with a bed that rotates a full 360 degrees.

In construction-size machines, Komatsu makes hydraulic excavators, crawler dozers, wheel loaders, landfill dozers, material handlers, waste handlers, forestry machines, a wheel dozer, motor graders, articulated trucks, rigid-frame mechanical trucks (up to 69-ton capacity) and mobile crushers.

Komatsu mining equipment consists of excavators/shovels, dozers, wheel loaders, a motor grader, mechanical trucks (up to 164-ton capacity) and electric trucks (up to 330-ton capacity).

In certain machine categories, Komatsu probably has more sizes and models than any manufacturer. Take hydraulic excavators, for example. The company has nine utility models with less than 54 horsepower; 18 construction-size units (counting five tight-tail-swing and two wheel models) up to the 651-horsepower PC1250LC-7; and five mining excavators/shovels including the giant 4,020-horsepower PC8000. That's a breadth of offerings that no other manufacturer can match, and it doesn't even include Komatsu's excavator-based material handlers and log loaders.

Specialty equipment and innovations

Material handlers and forestry machines, as well as the crawler carrier, are examples of specialty equipment that Komatsu has added in recent years. Other such products include waste-handling wheel loaders, landfill dozers and mobile crushers.

"We're always looking for innovations to make equipment better for the customer, whatever the job is," said Grzelak. "We spend up to \$400 million a year on research and development (R & D), all of it on new products designed to make our customers more productive and more cost effective."

An example of Komatsu product innovation is the tight-tail-swing excavator.

"When Komatsu came out with the first tight-tail-swing machine in the mid- to late '90s, the old PC128UU that was painted purple, people



As the excavator/articulated dump truck combination gained widespread acceptance in the last decade or so as a cost-effective method of moving dirt, Komatsu introduced a highly regarded line of articulated haulers.



A leader in tight-tail-swing excavators, Komatsu offers nine compact models and construction-size units, including the PC308USLC-3, the industry's largest tight-tail-swing machine.



Compact equipment, such as skid steer loaders (above left) and specialty equipment, such as logging machines through Komatsu Forest, are now part of the large Komatsu family of machines.

would stop at jobsites and stare at it," said Grzelak. "Today, tight-tail-swing machines are a staple of many contractors' fleets."

Through the years, Komatsu has continued to push the tight-tail-swing envelope. In 2003, the company introduced the PC308USLC-3, which is the largest tight-tail-swing model on the market today. In total, Komatsu produces five construction-size and nine utility-size excavators that use the tight-tail-swing design.

Adding products

Also in recent years, Komatsu has added mainline products, such as articulated dump trucks.

Continued . . .

Komatsu's full line provides customer options

... continued

"In regard to articulated trucks, we weren't first in the marketplace, but in order to be a true full-line company, we knew we had to get into this important and growing segment," said Grzelak. "We spent a lot of time designing what we believed would be the best articulated truck and in 2001 we introduced it in the form of the HM400."

Today, Komatsu offers three artic models (30 ton, 35 ton and 40 ton).

Komatsu carried the same attitude into its utility line. "Again, we weren't the first, but because our customers were using utility-size machines, we believed we had to be in the business of supplying them," said Grzelak. "As the utility market has grown in the last decade or so, Komatsu has definitely grown with it and is continuing to grow with it."

In 2002, Komatsu opened a utility equipment manufacturing plant in Newberry, S.C., which today produces all the company's backhoes and skid steer loaders.

More of the same in the future

As for the future, Komatsu intends to continue to be involved at all levels of the equipment industry — and to lead the way in many product categories.

With rigid-frame trucks ranging from 44-ton to 330-ton capacity and wheel loaders with buckets less than a yard to more than 26 yards, Komatsu can offer an equipment combination to meet any construction or mining requirement.



As an example of the company's commitment to compete at the highest level, Grzelak points to the new Komatsu machines with ecot3 engines that are just now hitting the market. They're designed not only to meet the latest EPA requirements, but to also boost productivity. "We fully expect our machines with ecot3 engines to be industry leaders in terms of performance and fuel efficiency."

He also cites a truly groundbreaking development that the company expects to unveil in the not-too-distant future. "Through our subsidiary Modular Mining, we're on the verge of introducing autonomous (driverless) trucks to the mining marketplace. It's an exciting advancement that we think holds the promise of helping many mines significantly lower their costs, and may eventually be applicable at smaller jobsites as well."

Grzelak says pioneering such products is one of the main advantages of being a full-line company like Komatsu.

"The reason we make so many different products and invest so heavily in R & D is that it puts us on the industry's cutting edge. Something that's really important is that when we do make a significant discovery, it's often transferable throughout much of our product line, so all equipment users end up benefitting from it.

"We think customers who use construction and utility-size equipment should take great comfort in the fact that the Komatsu that makes their PC200 excavators is the same Komatsu that makes these huge mining machines, including the largest dozer in the world. Why? Because there's a very high level of expectation from mining customers. The fact that we do business with them and are able to meet their equipment needs as well as their parts and service needs, we hope signals to contractors that we can do the same thing for them."

Don't look for Komatsu to change its philosophy any time soon. "We're absolutely committed to being a one-stop shop, where any and all equipment users can get whatever they need, under one roof. So yes, our intention is to continue to grow and expand our product line wherever necessary, to ensure that our customers will always have options." ■



Quality you can rely on



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NEW MACHINES AT UTILITY EXPO

Unique features of Komatsu machines are showcased at ICUEE

Equipment users wanting to see and demo the latest utility machines got the chance last fall at the International Construction and Utility Equipment Exposition (ICUEE) in Louisville, Ky. Held every two years, ICUEE is the show that features utility machines, many of which are available for demonstration as well as viewing.

The Komatsu display consisted of 13 utility machines, including a WA80-5 compact wheel loader, a D21P-8 compact dozer and a WB140-2N backhoe loader, as well as six different models of compact excavators and three skid steer loaders.

Bob Lessner, Director of Product Marketing for Komatsu Utility, ran down some of the unique aspects of Komatsu utility equipment.

"We offer a power angle blade on both the PC35 and PC50 compact excavators and there's only one other manufacturer that does that. On the backhoe, our excavator-style controls are a well-accepted option that's so popular we're considering making it standard equipment. The WA80-5 features a tilt-forward operator compartment, which nobody else has. It also has a creeper gear to separate ground speed from engine rpm so you can get maximum hydraulic flow along with low travel speed. We're now also offering an air-conditioning option on our skid steer loaders."

Track loader unveiled

As well as displaying many proven units, Komatsu used the ICUEE show to unveil its brand new CK30 track loader — an 84-horsepower machine that weighs 9,525 pounds.

Continued . . .



Komatsu had a large display at the International Construction and Utility Equipment Exposition (ICUEE) in Louisville, Ky., last fall. ICUEE is a biennial event that focuses on utility-size equipment and includes hands-on demonstrations.

At the ICUEE show, Komatsu unveiled its new CK30 track loader. It features a unique undercarriage design with an oscillating sub-frame that makes it much easier to climb curbs and other obstructions.



New track loader unveiled at ICUEE

... continued



This attendee tried out the Komatsu PC35MR-2 compact hydraulic excavator at the ICUEE show.



The SK1020 skid steer loader (right) and WB140 backhoe loader (below) were two machines Komatsu had available for demonstration at the event.



"What separates the CK30 from the competition is the undercarriage," said Skid Steer Loader Product Manager Bob Beesley. "We used a unique design whereby the front idler and first roller are on a sub-frame that oscillates on the front of the track frame. It helps you climb over curbs and obstructions more easily.

"Also, our front idler is a three-way idler," he added. "That means you have the two outer shells of the front idler actually running on the rubber track itself. The result is that you're not putting pressure on the chain and therefore it will wear longer."

The other significant item, according to Beesley, is that the cleats or wear pads on the CK30 are offset (rather than evenly spaced on both sides) to reduce vibration and provide a much smoother ride. "We took a great deal of care to try to make this the smoothest running track loader on the market, which not only makes it more comfortable for the operator, but also considerably improves longevity."

Beesley says the advantages of a track loader compared to a skid steer are that it requires the same working space, does less damage to the ground, and provides greater traction so you can push and load more material. ■

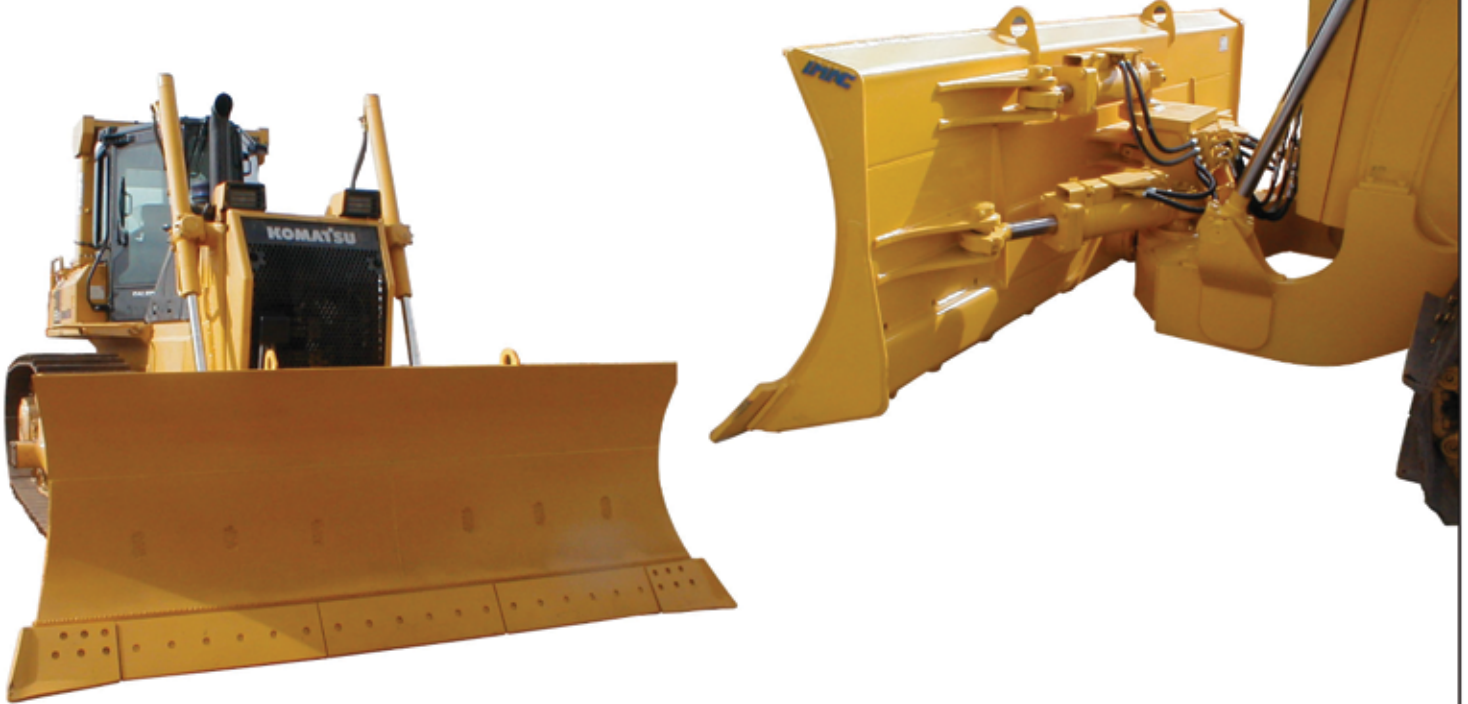


Komatsu Skid Steer Loader Product Manager Bob Beesley shows these ICUEE attendees some of the inner workings of the new track loader.

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CLEAN WATER TRUST FUND

Supporters want guaranteed money for water infrastructure improvements

Late last year, Rep. John J. Duncan, R-Tenn., chairman of the House Water Resources and Environment subcommittee, introduced an ambitious bill to address the nation's water needs. The Clean Water Trust Fund Act of 2005 would create a dedicated federal trust fund for water infrastructure improvements that would provide \$37.5 billion over the next five years.

In proposing the legislation, Chairman Duncan said, "I am aware of the problems faced by municipal wastewater treatment agencies. ... I have heard over and over from our utilities that we need this legislation to protect our clean water supply."

To overcome these challenges, the chairman's legislation would provide \$7.5 billion annually in dedicated funding for the Clean Water State Revolving Fund (CWSRF) between 2006 and 2010.

The CWSRF program provides grants to states. The states then match 20 percent of the grants and create loan programs for cities, towns and state agencies to make improvements to their sewer systems and treatment plants. Currently, funding for CWSRF comes from the federal government's general fund. This means the money for the program is appropriated each year from general tax revenues. Over three years, funding for the CWSRF has diminished by 33 percent, from \$1.35 billion in fiscal year (FY) 2004 to \$990 million in FY 2006.

The five-year guaranteed revenue stream for the CWSRF would not only provide states and municipalities with more money annually, but would also provide greater certainty in funding. Unlike now, when pressures on the overall federal budget can, and frequently do divert funding from water infrastructure, the Act

would implement user fees targeted specifically for the Clean Water Trust Fund (similar to the Highway Trust Fund and the Airport and Airways Trust Fund). This certainty would allow local governments to plan projects in advance, without fear that funding would not be available when the time came to begin the projects.

The public, for its part, has expressed support for dedicated, national investment in water. According to a March 2005 poll, 86 percent of Americans supported legislation that would create a long-term, sustainable and reliable trust fund for clean and safe water infrastructure. In addition, 67 percent of Americans would support spending on water infrastructure rather than tax cuts. The notable public support for water investment suggests that now may be the time for Congress to take a serious look at the Clean Water Trust Fund.

Look for increased focus on water infrastructure issues on Capitol Hill this year. ■

If approved, a new bill would provide five years of guaranteed money for the Clean Water State Revolving Fund, which has been cut substantially in recent years.



Christian A. Klein

This Guest Opinion, which first appeared in the newsletter, Washington Insights, was prepared by Christian Klein, who serves as Washington counsel for the Associated Equipment Distributors. Mr. Klein can be contacted at cklein@potomac-law.com.



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MANAGED FORESTS

Political will and education is needed to open more federal land to logging

The forest products business sector in the West today could be described as an industry in transition. While lumber production has steadily increased since 2000, timber harvest continues to decline — particularly and most notably from federal lands.

Idaho is a good example. Seventy-five percent of the state's timberlands are federal — and Idaho's federal harvests have declined dramatically from a peak of 1 billion board feet in 1976 to approximately 100 million board feet in 2005. That's according to a study by the University of Idaho, College of Natural Resources. The study also indicated that privately owned and state-owned timberland cannot make up the huge federal loss.

The decline in logging on federal lands is partly the result of environmental groups' efforts to preserve the forests. However, the vision of a vibrantly healthy, totally unmanaged forest has no basis in reality. Every study shows managed forests grow larger trees, and grow them faster than unmanaged forestland, in which trees grow so closely together that they choke each other out. This overcrowding also renders the trees susceptible to insect and disease infestations and to catastrophic wildfires.

As the logging focus shifts to forest thinning, we're seeing new technology and new machines emerge. It's an intricate job to go into the forest and thin the stands without damaging surrounding trees and landscape. Modern Machinery and Komatsu Forest have taken an active role in helping raise awareness of what it takes today to do proper thinning using equipment in the forest. For example, Modern recently brought its small-log harvester simulator to the annual Foresters Forum, which is sponsored by the Intermountain Forest

Association. Modern uses the simulator to teach loggers throughout the Northwest how to thin economically and with minimal environmental impact.

Unmanaged forests are a problem throughout the western states. Unfortunately, it's a situation that can't be changed at the local, state or even regional level. To change from a dangerous and wasteful unmanaged federal forest system to a safe and healthy managed one will require national political action, and it's not likely to happen until proponents are able to educate Congress and environmental groups that opening up more federal land to logging doesn't only make economic sense — it makes environmental sense too. ■



Jim Riley

This "Timber Talk" article was written by Jim Riley of the Intermountain Forest Association, an organization of wood product manufacturers, forestland owners and related business in the northern Rockies.



Modern Machinery recently brought its Forestry Training Center to the Intermountain Forest Association's annual Foresters Forum. Modern's forestry specialist, René van der Merwe, also gave a presentation on new technology in forestry equipment.



Attendees of the Foresters Forum participated in a thinning contest using Modern Machinery's forestry simulator. The simulator provides a first-hand experience in small-log harvesting and gives users an understanding of the efficiencies and complexities of machinery used in such applications.



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COMPACT EQUIPMENT GROWTH

Komatsu makes strong gains in booming compact construction equipment market

QUESTION: What has happened to the compact construction equipment market in recent years?

ANSWER: It's been booming. In 2004, the compact market grew by 20 percent, followed by an additional 10 percent growth in 2005. More than 122,000 machines were sold in the U.S. last year, which made it about a \$4 billion business.

QUESTION: How does that compare with the construction equipment market?

ANSWER: The construction market has also exploded, but compact machines outsold construction machines more than two to one. In fact, there were more skid steer loaders alone sold last year than the total number of construction machines. Of course, construction-size equipment tends to cost a lot more, so the total dollars are higher on the construction side.

QUESTION: Where is the growth occurring in the compact construction equipment market?

ANSWER: Growth has been across the board, but one segment that's really taken off is the mini excavator, up more than 40 percent to about 22,000 units a year. Many people are turning to a mini excavator/skid steer loader combination in place of a backhoe loader because, for about the same price, they get two machines and a lot more versatility. Having said that, we know there's always going to be a place for the backhoe loader when you need to dig deeper or need more power, and in fact, backhoe sales have also continued to grow, although at a slower rate.

QUESTION: What about Komatsu specifically? How is it doing?

ANSWER: We got a late start in the compact equipment business, but we're working hard to catch and surpass our competitors. We now

Continued . . .



Ivor Hill
Vice President and General Manager
Komatsu America Utility Division

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.

Ivor Hill was born and raised in England, but has lived and worked in the U.S. most of his adult life. He came here in 1987 with a mining equipment company and joined Komatsu in 2000. Today, he's Vice President and General Manager of Komatsu America's Utility Division, which is at the other end of the heavy equipment spectrum from mining machines.

"The two industries are very different, but also very similar," Hill noted. "Of course, a mining machine may be 100 times larger than a compact machine, but what they do — dig holes and move material — is basically the same. And while mining equipment can cost well into the millions of dollars versus perhaps as little as \$20,000 for a skid steer loader, the importance of that skid steer loader purchase is just as great, and maybe even greater, to the guy who's making the payments. At Komatsu, we understand the expectations and needs of both customers and act accordingly."

Under Hill's guidance, Komatsu is rapidly on its way to becoming the number-two supplier of compact construction equipment in the United States. "Just like in construction, we offer almost every type of compact machine and every size — and what we don't have, we soon will."

When he's not on the job or spending time with his family, the 50-year-old Hill's passion is soccer. "I play in two outdoor leagues and one indoor league," he explained. "I have a hard time finding enough people my age who play, so I often go against many players who are much younger. But just because I'm older, they don't cut me any slack. I'm sure it's because of my British background. They want to show me that the U.S. plays pretty good soccer too."

Quality equipment and support spur growth

... continued

compete in 88 percent of the market. In other words, we have almost all the same machines and size classes that the other full-line companies have, and soon, we plan to be closer to 100 percent.

We didn't get into the business to be a bit player. We want to be one of the stars. In four years, we've gone from \$47 million in sales to more than \$200 million. In 2005 we increased our final deliveries by 33-percent versus year-to-date December 2004. Our goal is to be the number-two overall supplier of compact equipment, and number one in mini excavators, by 2007 — and we believe we're well on our way to accomplishing that.

QUESTION: What do you consider to be Komatsu's strengths in compact construction equipment?

ANSWER: Number one, it's the equipment itself. We make quality equipment that's reliable for the customer out on the job. Just as with our full-size machines, we believe our hydraulic system is superior, which is why we anticipate being number one in mini excavators in the near future. When you're digging around fiber optic lines and the like, you need complete control. On our skid steer loaders, two-speed control is standard. And on all our machines, we've emphasized comfort.

Komatsu makes six different skid steer loader models, plus a new track loader. Two-speed control is standard on all Komatsu skid steer loaders.

Skid steer and backhoe loaders are made at Komatsu's Newberry Manufacturing Operation in South Carolina.



Mini hydraulic excavators are the fastest-growing segment of the utility equipment industry. Komatsu expects to be number one in this important machine group in the near future.



Beyond the equipment itself, it's the support we provide, which lowers machine owning and operating costs. For example, with Komatsu Financial, we can often provide a creative finance plan if that's helpful. Plus, we have a very strong distributor network to service the machines we sell — and certainly, not everybody who sells utility equipment can make the same claim.

QUESTION: What new products is Komatsu Utility coming out with that you're excited about?

ANSWER: The big news in the first quarter is the introduction of our first two Compact Track Loaders (CTL). CTLs are very popular among landscapers because they can do heavier work, work better in limited space, and cause less ground damage than traditional skid steer loaders.

Beyond the CTLs, we recently introduced two new, small mini excavators (PC18MR-2 and PC20MR-2); we have a whole new line of Dash-5 compact wheel loaders; and we'll also soon be introducing the new models of the backhoe loaders.

QUESTION: What would people be most surprised to learn about the Komatsu Utility Division?

ANSWER: Many people may know that we have a manufacturing facility in Newberry, South Carolina, where we make all our backhoe and skid steer loaders. What they probably don't realize is that it's also our Utility Division headquarters. The advantage is that all our decision-makers are right there where the machines are being manufactured, so when necessary, we're able to make decisions very quickly.

The other thing that might surprise some people is the large amount of money we invest in research and development. There's a copycat mentality in much of the construction equipment business. At Komatsu, certainly we keep an eye on what's going on elsewhere in the industry, but most of our efforts are internal — looking for ways to incorporate technology to improve our existing products and make them more cost effective. I'm not saying no other equipment manufacturer does that, but I would bet that few, if any, do it to the extent that we do — and I'm very pleased that, on the utility side, we get our fair share of that R & D investment. ■



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UNDERCARRIAGE REPLACEMENT

Crawler owners discover the benefits of quality plus price-competitive OEM parts

For more information on Komatsu OEM undercarriage, contact our parts department.

If you own a crawler dozer, you know much of the operating cost associated with it centers around undercarriage repair and replacement. With that in mind, Komatsu has taken steps to make its original equipment manufacturer (OEM) undercarriage more affordable and more readily available.

"The Komatsu OEM undercarriage is specifically designed to provide maximum life and performance for Komatsu track machines," said Dick Schaefer, Komatsu America Senior Product Manager for Undercarriage. "That's why, when a Komatsu dozer user replaces the original undercarriage, we want him to use our OEM product rather than an 'off brand' from the secondary or 'will-

fit' market. It's the only way we can assure him that he's going to continue to get the same type of performance he got from the original."

Two key issues

Schaefer says there are two key issues for people who buy what he refers to as "will-fit" undercarriage products. "One is that mixing and matching different undercarriage products could create a problem with consistency. The other key question is whether the quality of the 'will-fit' part is as good as the original equipment."

According to Schaefer, many dozer owners in the past have turned to "will-fit" undercarriage products in order to save a little money. "We think most dozer owners would prefer to buy OEM, so we studied our pricing structure and made our product more price competitive. At the same time, we increased our supply of undercarriage parts by expanding one of our manufacturing plants."

Real value

Schaefer says the actions have caused Komatsu dozer owners to take notice, as evidenced by an almost 200 percent sales increase in the last couple of years. "That tells us our customers recognize that Komatsu OEM undercarriage products represent real value, and while they may still be able to find undercarriage parts that cost less, those 'will-fit' parts may not provide the longevity or productivity of OEM."

Another plus for Komatsu OEM undercarriage, according to Schaefer, is that Komatsu backs it with a three-year, 4,000-hour breakage and leakage warranty that is among the best in the industry. ■

Komatsu has increased its supply of OEM undercarriages while at the same time, making them more price competitive. Komatsu urges its equipment users to use the OEM product to get maximum undercarriage performance and longevity.





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RELIABLE USED EQUIPMENT

How Komatsu Distributor Certified machines help eliminate the risks of buying used



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

In 2002, Dan Kramer started an excavation company, Kramer Excavating, in his hometown of Pleasant Hill, Mo. The company, with a work force of about a dozen people, specializes in moving dirt for commercial developments and residential subdivisions in the Kansas City area.

Like all earthmoving contractors, Kramer needs productive and reliable equipment to get his jobs done quickly and cost effectively. For a number of pieces, he has turned to Komatsu Distributor Certified used equipment from his local Komatsu distributor.

Komatsu Distributor Certified used machines are thoroughly inspected and rated based on specific criteria including age,

hours, component wear and appearance. Special finance rates and extended warranties are also available on many Distributor Certified machines.

"We need machines that we can count on, day-in and day-out," said Kramer, who currently owns a Komatsu Distributor Certified PC220LC-6 hydraulic excavator. "The PC220, as well as previous Distributor Certified machines we've owned, including a D65 dozer and a WB140 backhoe loader, meets our productivity and reliability requirements at a price we can afford. Best of all, because it comes from my Komatsu dealer, I know it's going to work like it's supposed to, or they're going to make it right."

Peace of mind

In fact, Kramer says he did have an issue with an early Distributor Certified machine he owned. "My Komatsu distributor had a replacement unit at our jobsite the next day. That kind of support and backing is crucial to me."

Whereas some equipment owners buy used machines at auction because they think they're getting the best bargains there, Kramer says "peace of mind" is worth much more to him. "I'm sure it's possible to get a good machine at a good price at auction. But I've seen people really get burned. In the vast majority of cases, I believe there's probably a reason a machine was sent to auction rather than traded in. I avoid auctions because I don't want to be the unsuspecting buyer who learns that reason too late. To me, a Komatsu Distributor Certified machine delivers excellent cost savings and a safety net as well." ■

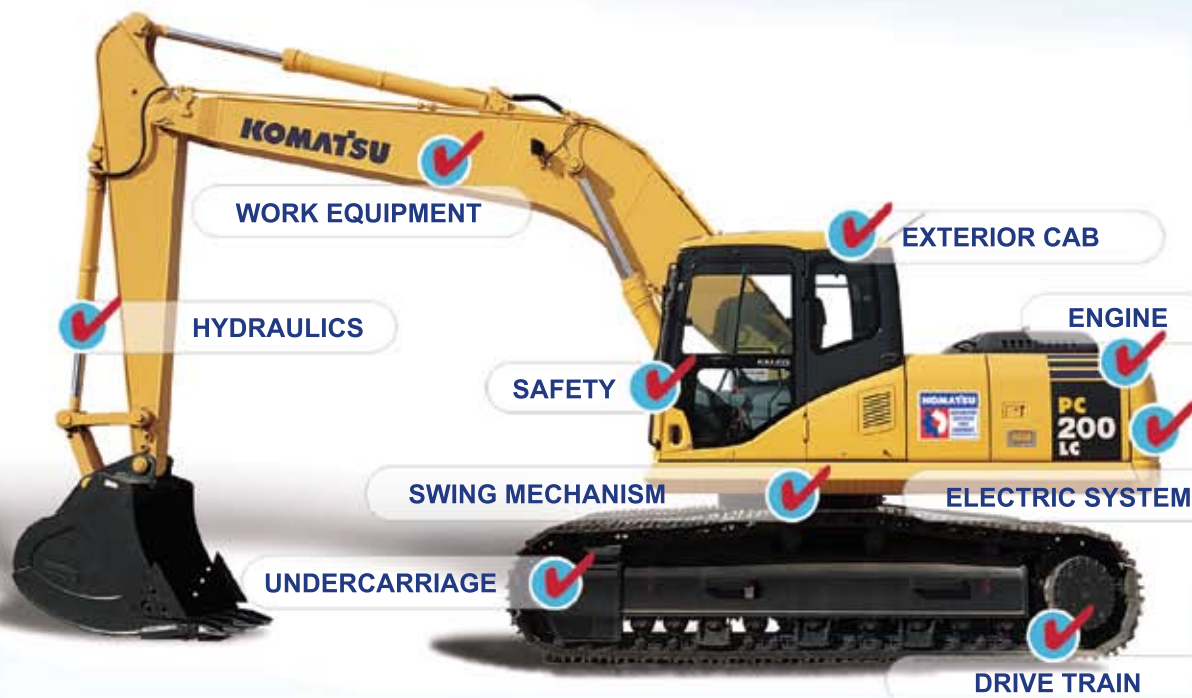


Dan Kramer prefers Komatsu Distributor Certified used equipment like this PC220 hydraulic excavator to other used equipment because of the support and backup he knows he's going to get from his Komatsu distributor.



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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."

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CRAWLER DOZERS 					
KOMATSU D275A-2	U BLADE, RIPPER	10115	1994	22859	POR
KOMATSU D155AX-5	SU BLADE, MS RIPPER, AC	70235	2001	5564	\$289,000
KOMATSU D61PX-12	PAT BLD, OROPS	B1577	2001	3814	POR
KOMATSU D38E-1	PAT BLD, SWEEPS, RIPPER	86164	1999	2903	\$49,000
KOMATSU D21P-7	PAT BLD, PYRAMID PADS	77282	1994	2786	\$22,500
CAT D8R	SU BLADE, MS RIPPER, A/C	7XM00578	1998	12883	\$315,000
CAT D8R-II	U BLADE, SS RIPPER, A/C	6YZ00990		6192	POR
CAT D6C	STRT TILT, SWEEPS, SCREENS, WINCH	69J0940	1970	7157	\$27,500
CAT D4CXL III	CAT DOZER	1FW286	1998	4416	\$42,500
CAT D3C	PAT BLD, OROPS	6SL1888	1996	4520	\$37,500
DEERE 450GLT	JOHN DEERE	810687	1995	3833	\$33,500
WHEEL LOADERS 					
KOMATSU WA200L-5	2.5YD, 3.5YD, A/C, ECSS, QC, 3SPL	65785	2005	1101	POR
KOMATSU WA250-3MC	3.0YD, RDLS, A/C, ECSS, QC	A71857	2003	1812	POR
KOMATSU WA320-3MC	DAIRY SPEC, GP BKT	A31598	2001	10527	\$60,000
CAT 980G	CAT LOADER	2SR508	1998	5865	\$252,000
CAT 950G	CAT LOADER, QC, GP BKT	3JW2784	2002	6808	\$150,000
CAT 950G	CAT LOADER	X2JS0495	1998	7259	\$99,500
HYDRAULIC EXCAVATORS 					
KOMATSU PC750LC-7	18'A, QC	20003	2004	3234	\$475,000
KOMATSU PC600LC-7	14A	20004	2004		POR
KOMATSU PC300LC-6LC	10'6A, 21'3B, A/C, BKT, BRKR, PIPES	A81139	1998	8600	\$90,000
KOMATSU PC300LC-3	BKT, THUMB, GUARDING	13778	1987	14922	\$43,000
KOMATSU PC228USLC-3N	9'6A	31726	2005		POR
KOMATSU PC200LC-7B	9'7A, 36" B&C	C50774	2005	577	POR
KOMATSU PC160LC-7	8'7A, QC, BUCKET 71854	10390	2005	510	POR
KOMATSU PC150LC-6	8'7A, A/C, THUMB	K30349	1998	5300	\$69,000
KOMATSU PC128US-2	8'2A, 33" BKT, A/C 72982 BKT	5615	1999	1984	\$79,000
KOMATSU PC120-6E	8'2A, AUX HYDS, RBR PADS	62314	1999	3188	POR
HITACHI EX270-5	QC, 42" B&C	15JP010489	1999	10261	\$77,500
JCB JS330	JCB EXC, QC, 32" 48" BKT	EO712604	2000	1348	\$150,000
CAT 330L	CAT EXC, BKT, THUMB	6DR01237	1997	10546	\$85,000
CAT 325BL	CAT EXC	7EN00341	1999	2522	\$105,000
CAT 322BL	CAT EXC, 40" B&C	1YS261	1996	10969	\$56,500
LINK-BELT 210LX	LINK BELT, QC, 42" BKT	K3J26224	2002	3457	\$85,000
MOTOR GRADERS					
KOMATSU GD655-3C	14' BLADE, A/C, MS RIPPER	50068	2004	1002	\$179,000
KOMATSU GD670A-2CY	GRADER W/RIPPER	203670		3106	POR
CAT 14H	CAT GRADER	7WJ02219	2002	5409	\$335,000
LEEBOY 685	CANOPY, AWD, FRT PLOW	42648	2005	49	POR
FORESTRY EQUIPMENT 					
CAT TK1051	CAT W/DISC SAW	TK105V9HZ001	2001	5700	\$165,000

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TIMBCO T420	TIMBCO W/BAR SAW	T4C027071590	1990		\$30,000
TIMBCO T425C	TIMBCO W/BAR SAW	AT4C11670917	1997	7483	\$120,000
TIMBCO T445C	TIMBCO W/BAR SAW	FT4C62805189	1995	9023	\$59,000
TIMBCO T445C	TIMBCO, QUADCO	FT4C83802229	1996	9186	\$150,000
PRENTICE 620FB	PRENTICE/33" TM BAR SAW	620P53941		7999	\$100,000
VALMET 890	VALMET FORWARDER	8909003	1996	11923	POR
VALMET 890.6	VALMET FORWARDER	8906009	1998	6649	POR
HITACHI EX220	HITACHI LOG LOADER/JEWL	15D10564	1997	8315	\$110,000
THUNDERBIRD 1238	THUNDERBIRD LOG LOADER	E11018		10640	\$99,000
KOMATSU PC220LL-6L	PPM STROKE DELIMBER	85001	2003	202	POR
KOMATSU PC270LC-7L	PPM STROKE DELIMBER	A86278	2005	2	POR
KOMATSU PC300HD-6	EXC W/LOG LOADER GRAPPLE, QC	A80031	1997	13119	\$99,000
DAEWOO S220-V	DAEWOO/DENHARCO D3200T	1016	2000	6250	\$125,000
DAEWOO S290-5	DAEWOO W/DM3500 DELIMBER	1041	2000	7846	\$185,000

HAUL TRUCKS



KOMATSU HD325-6A	KOM 31YD HAUL TRK, STD BED	6275	2004	419	POR
KOMATSU HD325-6A	KOM 31YD HAUL TRK, LINED BED	6363	2005	342	POR
KOMATSU HD325-6A	KOM 31YD HAUL TRK, LINED BED	6364	2005	406	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	2556		2478	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	2559		21956	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	2551		22045	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	2552		19548	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	2553		21116	POR
KOMATSU HD785-3	KOMATSU 79YD HAUL TRK	A3004			POR
CAT 785	CAT 150T HAUL TRK	8GB00130		45000	POR
CAT 785	CAT 150T HAUL TRK	8GB00132		44000	POR
CAT 785	CAT 150T HAUL TRK	8GB00138		44700	POR

AGGREGATE EQUIPMENT

KOMATSU BR380JG-1	KOMATSU JAW CRUSHER	1262	2005	9	POR
PIONEER FT4250	PIONEER TRACK MOUNT IMPACTOR	405234	2005	303	POR
JCI K300	JCI KODIAK CONE PLANT	PC323803	2003	1782	POR
JCI K300	JCI K300 CONE PLANT	PO40221	2004	659	POR
RC45	RC45II/6X20 PLANT	PCS329105	2005		POR
KOLBERG 391	KOLBERG SCREEN PLANT	403102	2001	2585	\$140,000
FABTEC 5X16	FABTEC WASH PLANT	5163W24605	2005		POR
JCI 6203-32	JCI SCREEN PLANT	SO21027	2003		POR
KPI 36X100	KPI SIDE FOLD STACKING CONV	405654	2005		POR
MODERN 36X120	STACKING CONVEYOR	NSN	2004		POR

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INGERSOLL-RAND DD 110	IR 78" ASPHALT ROLLER	153177	1998	1811	\$55,000
INGERSOLL-RAND DD 110	IR 78" ASPHALT ROLLER	157724	1999	2241	\$55,000
ROSCO MAXIMIZER	MAXI III OIL DIST/IH 7300 TRK	603042737	2005	10	\$100,000
LEEBOY 8500	LEE BOY LOW DECK	1358	1998	3600	\$49,500
LEEBOY 8500	LEE BOY HIGH DECK PAVER	2229HD	2000	1053	\$55,500
ATLAS COPCO ROC722HC	ATLAS COPCO DRILL	BRE07545B		14895	POR
ATLAS COPCO ROC748	ATLAS COPCO DRILL	961189	1996	12696	\$135,000

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