

MARCH/APRIL 2008

# venture

THE MAGAZINE FOR BUSINESS MANAGEMENT

## Plastics Revolution

A new plastics technology is easier on the environment.

page 23

## New Horizon

Canada's Moloney Electric eyes the U.S. market.

page 32

green BUSINESS

# Lit from within

What does one of the first platinum LEED-certified corporate office buildings feel like? For Genzyme Corp.'s employees, it's like working outside. *Genzyme Corp. page 26*



Obsidian Enterprises operates several subsidiaries, including United Trailers.



# A custom fit

**Brooke Knudson** Obsidian Enterprises finds success investing in small to mid-cap companies in the manufacturing and transportation industries.

**S**tanding out in a crowd takes a little something extra. For Obsidian Enterprises, a private holding company with investments in the manufacturing and transportation industries, investing in companies that attract business for unique or customizable products is its differentiating factor.

Headquartered in Indianapolis, Obsidian conducts business through four subsidiaries: Classic Manufacturing Inc., a manufacturer of commercial, racing and recreational trailers; Pyramid Luxury Coach Inc., a leading provider of corporate, team and day coach transportation; United Trailers, a manufacturer of steel-framed cargo, racing, ATV and specialty trailers; and U.S. Rubber Reclaiming Inc., a butyl rubber reclaiming operation.

"We kind of look at these as four different groups of companies – a transportation group, a

trailer group, a service group and a recycling group – and we have various other holdings," COO Terry Whitesell explains.

## GROWTH PATH

Founded in 1997 by Timothy Durham and a group of financial investors, Obsidian grew through acquisitions. The company operated as a tightly held public company from 2000 to 2005 when it elected to go back to private, primarily because of the Sarbanes-Oxley requirements and the high costs associated with those new regulations.

Now, with fewer than 30 shareholders, Obsidian hopes to target additional companies and continue to grow through acquisitions.

According to Whitesell, Obsidian's business model focuses on acquiring profitable, small- and middle-market companies that operate in niche markets of basic industries. The key ele-

ments of Obsidian's business strategy include investment discipline, smaller target investments, transaction control, broad management experience, diversification, strong origination capabilities and active management.

"We meet as a management group with the companies on an annual basis to review business plans," Whitesell says. "We try to work with them and try to work with potential issues and look at opportunities in the market."

The company also listens to its dealers to understand the potential issues of the end-user, as well as changes and trends in the market. "We'll make adjustments depending on what the market wants and we'll introduce new things on a yearly basis based on what the market needs," Whitesell says. "Products don't change so much as the features on them do."

Increasing fuel costs and rising

United Trailers is a top manufacturer of steel-framed enclosed cargo and specialty trailers in the United States.



material prices for aluminum, steel and wood have put pressure on the company's trailer division, requiring Obsidian to focus on in its sales approach.

"We have taken a close look at 2008 and we feel that most indicators show there are not going to be a lot of new purchases," he says. "One approach is that we are going to be more aggressive in our divisions. If you are the aggressor, maybe you can gain market share.

"We're not going to let up in our sales or marketing efforts."

### STAYING UNITED

United Trailers is the largest division in Obsidian's portfolio and one of the top manufacturers of steel-framed enclosed cargo and specialty trailers in the United States. Trailers are sold in the United States and Canada through an independent network of 300 dealers located throughout the Midwest and East.

United Trailers are used in a variety of consumer and commercial applications, such as landscaping, construction and remodeling, transporting of motorsports

equipment including racecars, motorcycles, snowmobiles and ATVs, and for some general hauling needs. United Trailers produces between six and seven basic products, yet it has the capacity to build hundreds of custom options based on customer request. Trailers are available in a wide range of configurations, from 5-foot-wide to 8.5-foot-wide, and from eight to 53 feet in length.

Customization is the trailer division's biggest competitive advantage, and President Todd Bontrager wants its clients to know that if a customer can envision it, United Trailers can build it.

"In general, customers want more and more options and features each year," Whitesell notes.

"There are a couple of things that United does very well," says Bontrager, who has been with United Trailers for 18 years. "We service the dealer better than the competitor and we stand behind our trailers 100 percent. We're also truly a custom manufacturer. We don't say no very often."

"We have to do a lot of custom work to our trailers," Whitesell says. "We're not just going to

build a standard trailer. We build to meet each buyer's needs."

Because customization is such an important part of United Trailers' business model, the company must come up with fresh ideas to present to its customers. In late 2007, United Trailers rolled out its tool crib storage system, which allows customers – mainly contractors – to access tools from outside the trailer.

The tool cribs can come equipped with a pegboard for hooks to hang tools, cords and hoses, and small door storage areas come with an adjustable shelf to maximize storage capability. Cribs are available on 7-foot, 8-foot and 8.5-foot-wide models, as well as on longer trailers such as 16-foot to 24-foot-long models. Other frequently requested custom features include high-end cabinetry, ramps, lifts, window openings, special wall treatments and lighting. Each trailer is built using high-quality aluminum and high-grade plywood.

"There are a lot of cookie-cutter operations out there, but more and more, every year, we continue to take on new products and

models,” Bontrager explains. “Most competitors sell their customers the models and [the customer] has to finish them off to their specifications. Not here. We finish to spec.”

**‘LABOR-INTENSIVE BUSINESS’**

At its 70,000-square-foot plant in Bristol, Ind., a 150-person team typically produces up to 42 trailers per day.

“On the trailers, it’s basically steel and wood and aluminum, so when you get down to it, technology doesn’t really come into play,” Bontrager notes. “It’s a very labor-intensive business.”

**RACE CAR MARKET**

The largest revenue generator at United Trailers is the race car

market. “We build product that will transport a professional race car team, as well as the weekend enthusiast,” Whitesell says. As the company earned a reputation for building highly customized trailers, it also garnered long-term sponsorship of the Lucas Oil World Series of Off-Road Racing (WSORR) – the country’s largest professional off-road racing sanctioning body.

United Trailers will provide official trailers and related equipment for WSORR through the 2011 season.

As the official trailer of WSORR, United Trailers will provide three customized units to serve as mobile headquarters at every World Series event.

The sponsorship includes a 40-

foot registration and hospitality trailer, a 38-foot safety and technology trailer and a general cargo trailer.

“We visited United Trailers in Bristol and were very impressed with their operation and management,” WSORR Chief Race Steward Jake Flannery said in a statement. “They are a growing enterprise and maintain a high level of customer service with superior product quality, and that is our kind of sponsor.”

“All of our competitors have multiple plants and we do everything out of one plant,” Bontrager notes. “I consider us a quiet company, but the bottom line is that we are more profitable and more efficient and the end-result is happier dealers, which is the lifeblood of our company.” ■