

STEPHEN H. REYNOLDS

Interview 280a

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Jonathan Gerland, Interviewer

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ABSTRACT: In this interview with Jonathan Gerland, former Lufkin Industries Foundry General Manager and Global Procurement Manager Stephen Reynolds discusses his life and career at Lufkin Industries. A Lufkin native, Mr. Reynolds was an industrial engineer that started with the company a few years after graduating from Lamar University. He worked at the Foundry and eventually became the General Manager. Later he was named Global Procurement Manager and travelled the world finding supplies and manufacturing sites for the company. Mr. Reynolds discusses his early career as an engineer, the changes he has seen in the foundry business, and in Lufkin in particular, since the early 1980's, and many of the people he worked with at Lufkin Industries. He discusses the successful times before the oil bust of the early 1980's, surviving the economically difficult times, making the foundry and it's processes more efficient, learning new technology, and the struggles to find and maintain commercial foundry customers when Lufkin's own foundry needs became lower. He mentions Clayton Jircik, Jay Glick, Frank Stevenson, Herb Green, Frank Martin, and Scott Semlinger, among others.

Jonathan Gerland (hereafter JG): Today's date is Tuesday January 26, 2016. My name is Jonathan Gerland and I'm here with Steve Reynolds at The History Center in Diboll and today we are going to do an oral history interview about Steve's time at Lufkin Industries. Maybe just to begin, just tell us when you came to work for the company, maybe a little bit of your educational background and training up to that point.

Stephen Reynolds (hereafter SR): Okay, well I will start with... I went to work for the company on April 6, 1981. And my background is in, I actually had some previous foundry experience because when I turned 18, as soon as I could get a job at an industrial facility, I went to work for Texas Metal Casting. Which is an aluminum bronze foundry that is still here in Lufkin, still operating, and I went to work for them working in the cleaning room, grinding castings, which is kind of the lowest job on the totem pole, as they say. I worked my way up there to being their machinist. I worked for a fellow named Joe Penn, and Joe Penn actually ultimately went to work for Lufkin, before I did. So, I worked for Texas Metal Castings for about two years or so while I was going to Angelina College. Then I transferred to Beaumont and went to Lamar University and got a degree in Industrial Engineering. I was working down there as a machinist while I was going to school. I like to tell people it took me 7 years to get my 4 year degree, because I worked full time and went to school part time.

JG: Who did you work for when you were down there?

SR: When I was in Beaumont I worked for a company... At first I worked for a company called Schwab Heat Exchangers, and they made heat exchangers for the petroleum industry, primarily, for refineries and so forth. Joe Penn actually was instrumental in helping me get that job, because he knew a fellow that worked for Schwab and he told him that I was going to come down there and apply for a job. I went down and applied for the job and got the job the same day. In fact I was scared to death, you know, I had never done anything like that before, and never left Lufkin. So I went down to Beaumont and signed up to go to the university, interviewed and got a job and got an apartment to live in, all in the same day. I'm like, "Wow this is easier than I thought it was going to be." (laughter) That was just a fluke! But I worked there for Schwab for maybe a year and half or maybe two years, I'm not sure. I decided that it was going to take me about 10 years to get my degree at the rate I was going, and I said, "You know what, I'm going to quit work and go to school fulltime." My wife at the time had a good job, and she worked for the Baptist Hospital down there as a medical transcriptionist. So I quit work and went to school fulltime. Then I decided that I had gotten used to a lifestyle that I could no longer support by not working, so I started looking for a part-time job and got a part-time job at a machine shop that was actually about a block from where I lived. And that ended up being a really great deal, because I worked for this guy and he was just a one man operation and he needed some help. I worked for him, kind of set my own hours, did whatever, worked when I wanted to, and still went to school full time. I graduated in 1978 I think, and went to work, back to work for Texas Metal Castings as their plant engineer.

JG: Came back to Lufkin?

SR: Came back to Lufkin. I worked there for a couple of years. And you know I was their plant engineer, but primarily I was running the maintenance department. Don Smith was the president of the company and Don's a fantastic guy. We are still great, great friends, but he was an engineer, I was an engineer, and anytime there was a decision to be made, he made it. He owned the company. I understood how that worked. But I wasn't really using what I had gone to school to learn I didn't feel like. I was probably a good maintenance guy, but that wasn't what I wanted my future to be. So, we had a talk and I told him I was probably going to look for another job. He had a family company and I wasn't in the family, and I could see where that was going to go. So, I went to work for McGraw Edison in Nacogdoches as an engineer and immediately it became clear to me that I did not like...where McGraw Edison were a division of a very large company that I think was headquartered in St. Louis. I don't even remember now. But anyway, it was a political bureaucracy and I hated that. I had never worked for a large company, for a really large company, and I really did not like that. And my wife liked it even less because it was... there was a lot of things that went on at that facility that just didn't fit our moral lifestyle. It was just incredible things that, you know if you go out for lunch and they would order a big thing of margaritas at lunch and I would go what? You don't do this. So, anyway she convinced me that I was going to leave that company, so I started looking for another job. Lufkin [Industries] found out that I had left Texas Metal Castings. Joe Penn, particularly found out that I had left, so they started kind of recruiting

me. So, I went to work for Lufkin [Industries] in April. I only worked for McGraw Edison for three months and I left them and came to work for Lufkin.

JG: Who interviewed you? Do you remember?

SR: Rod Pitman.

JG: Okay.

SR: Rod Pitman interviewed me. He was a vice president of the Foundry and ironically, I still remember this. I took a \$200 a month pay cut to come to work for Lufkin, which I struggled over. And as it turned out, that was the best decision I ever made. Lufkin was a great place to work. The foundry was, you know, I had experience in the foundry business and the people there were great to work with. That was a good move. That was a good move for me even though I took a pay cut to make that move, I ultimately gained that and much more back from Lufkin. So that is kind of the history of my background and what got me there.

JG: Okay. What were some of the... I guess maybe just describe your job when you first got there, but in a bigger context, just describe Lufkin Industries in 1981. What were some of the...

SR: In 1981, the company was really... that was the boom years of the oil business. Those years were actually were not to be repeated. That would never happen again. 1976-1982 were the most productive years in the company's history. We never achieved that again. When I went to work for Lufkin we had over 4,000 employees and the Foundry had 800...I still remember this because I looked it up years later and I couldn't believe the number. The Foundry had a peak employment in 1982, early 1982, of 836 employees. The tonnage record for the most tons poured, most tons of iron poured, was up to that time was 1982, early 1982 with 836 employees. I broke that record in... somewhere in the 2000's; I don't remember what the year was, with 450 employees – so almost half the number of employees.

JG: You were the foundry superintendent at that time or what?

SR: I was Plant Manager.

JG: Plant Manager.

SR: I was General Manager at that time. I was the first industrial engineer that the foundry had hired. We had five engineers in the engineering department. They were all mechanical engineers and I was the only industrial engineer.

JG: What is the difference?

SR: Well industrial engineers, primarily are tasked with improving efficiencies of operations. Work flow, the plant layout, work flow, worker efficiency. So an industrial engineer's job is to make things work better, not necessary basic design like a mechanical engineer would do – even though I had that training, that is not my specialty. My specialty is to look at a process, look at an operation, and improve it and make it work faster, more efficiently, more cost effectively. That was my task. That is what I was hired to do. The problem with that is none of the other engineers, including my boss, who was Clayton Jercik, they didn't have an understanding of how that worked. So I was kind of by myself, so to speak, in that role. So Rod Pitman told me, you know, you just go out there and see what you see and make recommendations for improvement. Wow this is kind of a dream come true. So I did that. I remember spending my first month in the foundry and it was a huge operation to me. I didn't have any experience working for a place that big. I still remember I would go out in the foundry and I would get lost. I wouldn't know how to get back to the office. I wasn't dare wasn't going to ask anybody. I would wonder around out there a half an hour or so until I figured out how to get back to the office. As the years went by of course, I got extremely familiar with it and it seems now looking back it is hard to understand how I could have gotten lost in there. Now of course I know every aspect of it. I think it's like being a child when you grow up at home and you go out in the backyard and the backyard looks huge. It looks like its forever to the back fence, and then when you are grown and you go back to that place, you go, "Wow this place is not nearly as big as I thought it was." So I think that is kind of where I was in that process.

JG: That home run wasn't near as far as I thought it was.

SR: It just looked so much bigger than it really was. I spent about a month out there and I still remember Frank Stevenson, not Frank Stevenson, Frank Martin, who was the technical director at the time at the Foundry. He was a metallurgist and chief metallurgist and technical director and he called me in his office and we were talking. He said, "Well you've been here about a month, what do you think about the operation?" I looked at him and I said, "Well, I think you've got about twice as many people out there as you really need to do the work that they are doing." I remember that really upset him. He was really proud of what they were doing and he looked back at me and he said, "Well, I will have you to know we have made 7,000 pumping units last year and 50 million dollars." I said, "Well, I guess you could have made 7,000 pumping units and a 100 million dollars if you would have gotten rid of about half of those people you've got out there that are leaning on brooms and shovels." So, anyway, that is kind of where all that started. But what I found was, that I would make a proposal and the way the system worked back then, you would write up a proposal to change something or do something, and I'd send that to my boss Clayton, and then that would either get accepted or rejected or sent back and you kind of worked from there. Because you were asking for money always to make some change. And what I found was I would send these proposals in and nothing would happen. I would get nothing back, no response, nothing, which was very frustrating to me. So, after about the fourth one of those I finally decided, you know, I'm either...they're either going to get rid of me because I'm not doing anything productive or I'm going to have to do something to get noticed, you know, so what I found was I

found a loophole in their economic system. It turned out that you had to have all these approvals to buy any equipment or anything and that was the reason you had to send in these proposals. But if you bought something from Mill Supply, the Mill Supply Division, you could do that with an inter-department requisition and it didn't require anybody's approval. I had the authority to do that in my job, as I learned. So, I used that loophole to just start doing things. And as I found out, nobody would stop me from doing anything. I could make changes and nobody would ever question it. And that kind of bothered me a little bit, you know. So, I remember going into Scott Semlinger's office one day and I was very concerned.

JG: How do you spell that name?

SR: S-e-m-l-i-n-g-er, Semlinger.

JG: Okay.

SR: Scott ended up eventually being an executive vice president of the company and at the time though, he was on a peer level with me, although he had seniority over me as an engineer. He had been there four or five years. I said, "Scott, you know Clayton never says anything to me. He never asked me anything about what I'm doing. He never...I'm doing what I think I ought to be doing but how do I know that? He never asked me anything and never says anything." So, Scott said, "well I know Clayton pretty well, and let me just tell you this, if he doesn't like what you are doing, you are going to know it (laughter) because he is very straight forward." And as I learned later, that was correct. Clayton, he may not say anything if you are doing something right, but if you are doing something that he doesn't like, he definitely would say something about that. No mistaking his opinion on those issues. So, I said, "Well okay I'm going to just keep doing what I'm doing." So, I started making those kinds of changes. Some of those changes ended up being good and I began to get noticed a little bit about some of that.

JG: Like efficiency changes?

SR: Efficiency changes, process changes, some material changes, changing some of the products that we used in our process, the way we painted our castings. I changed all that. The way we applied refractory coating to our sand molds to protect the molds from molten iron. I made really drastic changes in the way we did that, which improved tremendously the output through the cleaning room. That is some of the things that kind of started getting me noticed in the company. I was basically, I was the last engineer hired in that five engineer office, so I had four people ahead of me. Then in June of 1982 the business evaporated literally over night, and we went from a six month backlog to no backlog in two weeks.

JG: Just orders were cancelled?

SR: Orders were cancelled. We went from running 7 days a week to running like 2 days every other week in the foundry. It was really a dramatic change in the business.

Everyone that is in the oil business remembers June of 1982 because it went from feast to famine literally overnight.

JG: Why was that?

SR: The price of oil just dropped like it did here very recently, you know, except more dramatically and more quickly. So, it went from everyone being in the oil business that could figure out a way to be in the oil business, to no one being in the oil business. So we were literally running the foundry, you know, one day a week. We would run the cupola one day a week and we laid off down to I think maybe 180 employees, from 836 down to 180, so that is pretty dramatic. But as a result of that, my capabilities became even more important because I was the only person... You know, Texas Metal Casting didn't have any money when I worked there, so I was used to working without any money. But I was the only one there that had that experience. So, that really helped my career more so than hurt it, because now we had to figure out really how to do things more efficiently and for less money and so my background became worth more than it was previously. And, so I was still doing those same things, trying to save money anywhere I could, and at the same time we also started trying to recruit outside business, outside customers for our foundry products, because it was either that or starve. We had to sell not just internally, like we had been, but we needed to sell externally to external customers. So I was helping to start that business up.

JG: So who would that typically be? People not in the oil business, trying to market new things?

SR: Right, one of our first customers that we tried to recruit was Caterpillar and Caterpillar was a huge user of castings. And we were a new foundry to them. And typically what those kind of companies will do when they are trying to vet a new supplier, is they will give them jobs that nobody else wants. That is the way it works. And if you can do those jobs then you may be okay. We were not ready for that. We were not ready to take on difficult, engineered casting work that particularly other foundries that were in that business struggled with. Because we had a long foundry history, but it was a history of making castings for ourselves, our own design. Where we could make a change to make it forgiving to the foundry, we would make that change, because we were just one company working together. But when you make something for a company like Caterpillar, they have their own design and they want it made a certain way and that is the way you have to make it. So you might see something that would make it easier for us to produce, but they're not interested in that. They are interested in, "Here is the drawing, this is what it's supposed to look like, these are the specifications and that is what you make it to." But we really, really, struggled initially with making those kind of castings. We kind of backed up and said, you know, we need to find something easier to start with. So we went and started looking at the counter-weight business. Counter-weight, meaning counter-balance, primarily for forklifts. Forklifts, or lift trucks, have a huge counter-balance on the back that is typically cast iron that helps counter-balance the load that they are lifting. Those are easier to make because they are just a counter-balance. They have to bolt on to the lift truck and they have to look cosmetically right, but other than that, they

are technically not difficult. So we went after that business, and we were much more successful in that business and that gave us an opportunity to kind of learn how to be a commercial casting producer. We didn't have that in our background. We had been captive for the entire lifespan of the foundry. And that is...along about there is when we also were changing our manufacturing database system and that was in the 80's or mid 80's, and that is when Herb Green was hired. He was an accountant. He had an accountant's background and Frank Stevenson hired him. He had been doing consulting work with Arthur Anderson Accounting firm and Herb Green hired him, and initially he was over our manufacturing information system, and then he eventually became Division Manager for the Foundry. There is a story behind the way that worked. Herb was Director of MIS [Manufacturing Information System] and each division had to have a manufacturing information system database coordinator. Well I went on vacation for a week and when I came back, Clayton called me in the office and said, "We've been told we have to have a manufacturing information system database coordinator, and it was assigned to my department, so you are it." I said, "Well, gee thanks a lot!" (laughter) What is that exactly? So, that is kind of how that relationship that I had with Herb Green got started. Because I really was upset over that. It wasn't a promotion, and it was just an assignment, and so I was over creating and maintaining routers for work processes, which did sort of fit my background, so it's logical that I would have been the guy that was chosen. I looked at it as kind of clerical work. I didn't really like doing that. So as I looked at what that entailed and I said, "Well you know what, if I'm going to do this, I'm going to do something with it. I'm not just going to sit here and fill out these forms every day. I'm going to upset the apple cart and make some changes." And I did that a couple of times and I am lucky that I got out with my hide. I remember one time I decided to turn on stock order reporting in the cleaning room, I mean in the core room. We made thousands of cores everyday and stock order reporting is defined as when you had an order to make ten cores, when you made those cores, then you had to go report those to the system and you couldn't do the next step until you completed that step in our manufacturing system. Well what that meant was, that was going to require tremendous amounts of data entry and I didn't think through that fully when I made that decision. So I turned that on and about two days later I turned it off, because I was overwhelmed with data entry. I said, "Hmmm, I better think through some of this before I do this the next time." Anyway, I made a number of those kinds of changes; some for the better and some like that one was a disaster. I was kind of learning the hard way. I didn't really like doing that; it was just part of my job that I had to do. Eventually I hired an assistant to help do a lot of the clerical work that I really didn't like. This is how this ties in with Herb Green. Herb Green was MIS manager and Frank Stevenson, or the board I guess promoted him to Vice President...

JG: Would this be late 80's or 90-91?

SR: Yes, late 80's or early 90's, the timeline is kind of fuzzy to me. I'm trying to remember. It was late 80's is when this was. And so Frank asked Herb, and I know this because this is what Herb told me. Frank asked Herb, "You know, you need to get some experience running a division. Which one would you like to be over?" And so Herb said, "Well I want to run the Foundry because I don't know anything about the foundry

business and I want to learn that.” So, Herb got promoted to the Foundry and Rod Pittman, they actually moved Rod Pittman to be Vice President over sales for the company. Rod did a good job at that. So, here comes Herb to the Foundry and the first thing Herb did was he interviewed all the salaried employees, had a one on one interview with them. Well I got my turn to do that and went into Herb’s office. I had never met him. I had worked for him indirectly in MIS, but I had never met him. So I introduced myself to him, and I sat down and he said, he looked at my resume there and he said, “I know you.” I said, “No, I don’t think you know me, we’ve never met.” He said, “Yes, I know you.” He said, “You are manufacturing information system over here in the Foundry.” I said, “Yes,” and was thinking to myself uh-oh this is not going to go good.” I said, “Well yes I am.” He said, “Yes, you know you are the only guy that is doing anything with that system in the company. You are the only guy that is doing anything.” I said, “Well I’m screwing up about half of what I do.” And he said, “That is okay,” said, “You are the only guy doing anything and you are making progress and nobody else is.” And so our relationship kind of started out pretty good on that note, when in fact I thought it might be the opposite because I had screwed up as much as I had helped, I thought. So anyway, we kind of got to know each other from that point and my career changed at Lufkin in one day. And I still remember that day like it was yesterday, because Herb would give me little special projects to work on. I also of course worked for Clayton and he gave me stuff to do.

JG: Clayton Jercik at the Foundry.

SR: Clayton Jercik, well we had a foundry at Little Rock, Arkansas. We didn’t have any business, we just ran the foundry basically because we had an electrical contract with them and we had to use so much electricity or pay for it whether we used it or not. So we were running the foundry to kind of cover the cost of the electricity we were paying for anyway. Well we had so little business that we needed a way to make really short-run small castings and so Herb had asked Clayton and the Engineering Department to come up with a plan to put in a small castings line in Little Rock. And so they worked on this, Scott, Clayton and Bill Fincher, one of the other engineers, so they were ready to present this proposal to Herb. We doing okay?

JG: Yes, we are doing good.

SR: And Herb invited me to the meeting. Well I had nothing to do with that project. So, I’m thinking, “why I am in this meeting?” So Clayton went through this proposal and it was about a million and a half dollar capital expenditure to put in a small green sand molding line in Little Rock. And so, at the end of that Herb looked at me and he said, “What do you think about that?” And that really surprised me because I thought, “Why is he asking me? I don’t have anything to do with this.” I thought, “I guess I’ll give him the answer; that is what he wants.” I said, “Well, I tell you Herb, if it was me, I wouldn’t spend a dime in Little Rock, Arkansas. I can’t even figure out why we are running the place, and I sure wouldn’t put any more money in it. If it was me I would go out there at what we called the side bay,” which was beside our green sand molding line that we had. And I said, “and I would put a hopper underneath the green sand distribution belt and I

would put a jolt squeeze machine under that hopper and fifty feet of conveyor out there, and I would make the small castings right there.” I said, “It would cost about 5,000 bucks.” I still remember Clayton looked at me like I had put a dagger through his heart and then he just went back, turned back, and started talking to Herb about Little Rock. And Herb said, “wait, wait a minute, I like his idea. That is what I want to do, go look and see if that will work, the meeting is over.” (laughter) I thought, “Oh my gosh. What have I done?” So, anyway we all went out to the side bay and Scott looked up at the conveyor and said, “You know what? That will work. We can put a hopper right here and we can... that will all work. We got room to do it all right here.” And so I was forgiven for that transgression, and but from that point on, I was in every meeting where a decision was going to be made. And that just changed my career. I mean that just completely changed my career at that point. I still remember that day like it was yesterday. Herb, you know, Herb really liked Scott and Scott was a fantastic engineer, much smarter than me in terms of mechanical engineering and of course had more experience in the Foundry. And so Clayton took early retirement when he was 60. Scott was promoted to Chief Engineer and I was promoted under Scott to Senior Engineer and it kind of went that way through the progression. When Herb was promoted to Executive Vice President, Scott was then promoted to Foundry General Manager and I was promoted to...no I wasn't promoted to chief engineer because Frank Stevenson had a friend that worked at Texas Foundry and he wanted that fellow to be Chief Engineer, so he was promoted to Chief Engineer and I was a Senior Project Engineer in the Foundry. That fellow, when Scott went to be Executive Vice President, he went to Foundry General Manager and I was promoted to Chief Engineer in the Foundry, which I thought would probably be as high as I would ever go and probably it was higher than I thought I would ever go in the company.

JG: Still in the late 80's.

SR: This is around 1990. And then the General Manager of the Foundry was ultimately fired by Herb for falsifying his expense report, which was really stupid in my opinion, because it was like a \$300 deal, to lose your job over that. But anyway when he was terminated I was promoted to Foundry General Manager. That was in 1993, in like October or November 1993 and Herb had the good misfortune of being let go by the Board of Directors because he had decided to have an affair with his secretary. His secretary's husband worked for me, so that was really not a good thing. Herb was president of the company at the time.

JG: I think 1991 or so.

SR: He was only president of the company for a very short time; actually it is hard to find records of him being president of the company, but he was for a very short time. He was Chief Operating Officer and then he was Chief Executive Officer, but only for like two or three months.

JG: Would this be right after Bob Poland?

SR: No, no this was right after Frank Stevenson. Frank Stevenson was Chief Executive Officer before Herb. Then Herb was let go by the board, and as far as I know he still lives in Houston and is still married to his secretary, who was his secretary at the time. And I, because I had just been promoted and then the board went out...

JG: By Herb?

SR: By Herb, yes.

JG: You were promoted by Herb and then he was let go.

SR: Then he was let go and then the company hired Doug Smith, who came from Cooper Cameron, and so I really thought, "This is going to be the shortest tenure for a General Manager of the Foundry in history," because I really thought Doug Smith would come on board and clean house, you know, anybody associated with...

JG: Because he came from outside?

SR: He came from outside.

JG: Was he one of the first to come from outside like that?

SR: Well Herb was actually the first.

JG: Herb was, ok..

SR: He was the first and that didn't last long. But so Doug Smith was actually the first President of the company to be hired directly from the outside yes, because Herb really did kind of work his way up even though it was a pretty short tenure in total. So, I really thought, "Well you know Doug Smith is going to come in and he's going to clean house and I am going to be part of the house cleaning probably because I associated with Herb." But he didn't do that. I was on probation; I could feel it. He was skeptical of anyone that Herb had put in a position. And it took many years for Doug Smith and I to get really to have a good relationship with one another, but we did eventually, and we're very good friends today. But I did keep the position of General Manager of the Foundry and I held that position for 17 years. I may have held it longer than anyone. I haven't looked at that, but there can't be many other general managers that were there longer than I was. So I spent a lot of years in the position and the company was very, very good to me. People say bad things about Lufkin Industries today, but they were very, very good to me and I did much better as a professional than I ever thought I would at Lufkin Industries, so I'm very thankful for what opportunities they gave me and the people that I worked with.

JG: Talk a little bit more about that in particular. What are some of the things they would do for management class as they were kind of picking and moving you up? Were there training courses? Did you... were you certified in different things?

SR: Oh yes, I went to a number of offsite courses.

JG: So they were big into that?

SR: Yes, Lufkin was... they really liked to give their management some breadth of exposure that they might not have gotten otherwise. I went to a place in Florida called the Eckerd College of Excellence. At the time I called it charm school. They teach you how to be a better manager. You are in there with other young management recruits, that you know, the company kind of selects these people that are up and coming and have potential and I guess I was in that group. So that was a week long course in Florida that they sent me to. There were several of those kinds of conferences that the company would send you to, or let you go to if you chose one on your own. I became very active in the American Foundry Society since that was... I was in the foundry business primarily for the company. And so I became very active in that and there is about 9,000 members today in that organization in the U.S. I was active in the Texas Chapter of the AFS, American Foundry Society, and ended up becoming the Chairman of the Texas chapter and then actually became a director for the National American Foundry Society and ended up being the president of that organization in 2009 and 2010. I was the second president to ever be from the state of Texas. So that is a very well known and respected organization. So the company... and it took a lot of time to hold those offices and the company was willing to allow me to do that. It took time and money to hold those offices because I had to travel all over the United States representing the foundry industry, and of course representing Lufkin Industries at the same time. But I was very fortunate to be able to do that for the company and for the industry. You know the thing about Lufkin was, it was a fairly... kind of a mid cap company as you know, in terms of size, but it was still run with a small, small company mentality. You know, like the Herb Green thing. I mean it was just not acceptable for an officer of the company to have an extramarital affair. Our community did not stand for that. And he had to go. And everyone knew that, including Herb. He knew that was going to happen. It was a punishment he was willing to accept, and he did that graciously. But you know small town companies, that is the way they were. I could go in the President's office anytime I needed to. He had an open door for me. I could see him anytime I needed to. And you could sit down and talk about a problem honestly, without fear of retribution or politics or any of those things. As I've learned with my two experiences with two very large companies, one being McGraw Edison, and the other being GE [General Electric], that ultimately bought us, large companies don't function that way. They are a bureaucracy much like the government. In fact I think GE may be worse than the government, but... and GE was good to me as well, but you know, large companies are just different to work for. You get a lot of help in a large company, but it's not the kind of help you always want or need. And so I didn't enjoy working for very large companies and corporations. Lufkin was a good size company to work for because it was almost like a little bit of your family, always there, and you didn't fear for political retribution. You could come to work every day, you could do your job and you could be rewarded for that. Whereas in a large company, you can come to work every day and you can do your job and no one may ever see you. You're just one of, in GE's case, one in 300,000 employees. And as I used to tell people, GE, you've got 300,000 employees all trying to compete for 1,000

positions. And that is pretty tough. At Lufkin there is 4,000 employees trying to compete for 100 positions. But the odds are still better.

JG: Did that tradition and that heritage continue all the way up to the sale to GE? Was there a little bit of writing on the wall there in the last days or...?

SR: Well there was, I would say there were some changes in the way the company was run in the last, maybe three years before the sale. It was obvious the company was being prepared to be bought. The things that we did put us in a position to be a good procurement opportunity for some bigger company. And there were a number of officers of the company that were brought on board from outside that were...and that was kind of a change from the way it had been in previous decades, where we would promote from within, typically to those positions. But in the last five years or so there were a lot of executive positions that were filled from outside. And that is really more indicative of a way a larger company would do it, so...

JG: You did an excellent job of chronologically covering your career as well as a bigger picture history of the company, and then we kind of got off that a little bit. If we could could we pick it up, go back and pick it up, what mid, late 90's? We have kind of been talking in general I guess from that point.

SR: Well I kind of jumped from my period as General Manager to today.

JG: Yes, to today, which is all good, but I don't want to lose that.

SR: Right, right I can go back to that. When I took over as General Manager in, that was late 1993. We were still struggling to get into the commercial casting business, but we were doing better. That business eventually became a ten million dollar a year business for us.

JG: So the oil industry still kind of, but not really...

SR: It really didn't come back until 2001 in any significant amount. And so the commercial business, for the foundry, was the largest percentage of our business, was not Lufkin.

JG: For others, making things for others.

SR: Right.

JG: What were some of the big projects, big contracts?

SR: Well we made a lot of counter-weights. We had a lot of customers like Hyster, Toyota, Mitsubishi, Caterpillar. Then we made other castings. We got into the valve business and we had customers like Henry Pratt, Keystone, that made valves. And I'm talking about large butterfly valves; these would be like 60 to 70 inch diameter valves.,

five, six thousand pound castings. The counterweights would be up to ten thousand pounds; so these were large castings.

JG: Wow!

SR: And we got better and better at making what we would call engineered castings, more technically difficult. So we made castings for York Compressor. We made some castings that went on nuclear submarines for York Compressor because the air conditioning systems for submarines were made by York. Then we made some castings for GE. We made stator flanges that went on large electric motors. These would be like 8, 9-foot diameter flanges where the stator would bolt together sections of the motor. These would be on each end of the motor and actually hold the stator together, but for very large motors. We also made hubs for Enron, Enron Wind, which later became GE Wind, because GE bought them. But we made windmill hubs and these were 10,000 pound castings that you could stand inside. Very difficult to make, very difficult to make. We made about 100 of those.

JG: That would be the things for the big three propeller?

SR: Yes.

JG: Wow ten thousand pounds.

SR: These were for one and a half megawatt wind turbines. They would have a 200-foot propeller diameter and...

JG: And those hubs weighed five tons?

SR: Yes, those weighed five tons. Actually 100 foot diameter propeller because they would be 200 feet in the air. I went up in one of those one time, went inside the hub like we built.

JG: Oh wow!

SR: That was pretty interesting. So we had lots of different commercial customers, and like I said, at times that would be 80 percent of our business and only 20 percent would be for captive work. Then we might get a big order for pumping units then we would have to bring on more capacity and we always had to reserve capacity for our captive business, because that was the expectation that we are going to supply the castings we need for our product line and if we want to go make something else that is fine but don't let it get in the way of pumping units. That was always the way that was, so we never could sell all of our capacity. We always had to reserve some.

JG: How tricky of a balance was that?

SR: Oh it was always tricky because there was no excuse for being late on a captive order. And our commercial customers always felt like, “well you know if you get a pumping unit order you will put it ahead of our work,” so it was always a balancing act to try to make them feel comfortable to give us their business while making the oil field feel comfortable that we could also meet their need.

JG: Because they knew oil field had priority, they just knew that.

SR: Yes.

JG: Okay.

SR: So that was always a tough balancing act and we could never sell all of our capacity because we always had to reserve some for the oil field because we never knew when that next big order was going to come. And I preserved that relationship all through my tenure at the Foundry because I had been there when we had no oil field business and I knew what that was like and my employees knew what that was like, so none of my employees wanted to see that again. So I always maintained that share of commercial business. What I used to tell, even our board of directors when they would question me about it, I would say, “You know, we control our captive business. We have 100 percent control over that, and if we get so much business that we can’t make everything, we can outsource that, but if we give our commercial business away, we will never get that back. They will never let us have that back. So we need to protect some percentage of that.” And they understood that and allowed me to do that. It wasn’t hugely profitable, the foundry business is never hugely profitable, but it did keep our skill sets in place. It kept our key employees in place. It kept our systems running. The thing you don’t want to do with a foundry is turn everything off and go home, because when you get ready to turn it back on it won’t turn back on, generally.

JG: Keep the pump primed all the time.

SR: You got to keep the pump primed, that is right.

JG: So, where was...your background is pretty much all foundry. In light of the other divisions of the company like trailers, where did Foundry stand in those years? Did it come and go? Just looking at publications, trailers got a lot of cover shots and stuff like that. Was it just more of the visible aspect of it, of the company? Where was it on profit in everything?

SR: Well I always felt the Foundry was the stepchild of the company because even though it was there from the very beginning, nobody really liked to come over and visit us, you know, it was dirty.

JG: Loud.

SR: Loud. Lots of molten iron flowing around and people just didn't like the Foundry. They didn't like coming to the Foundry. So we sort of had our own family over there, in some respects. And we kind of did our own thing a lot of times. And the company was okay with that, as long as we didn't upset the balance sheet in a negative way, and we supplied the castings that they needed, then that was fine. There was a point where we were... our commercial casting business as I said got up to about a ten million dollar a year business. And that was actually, at one point, we represented more than ten percent of the company's revenues. So we were reported for a short length of time as a separate profit entity in our financials. But once we dropped below ten percent and the Foundry business, as a whole, got very difficult in the 90's. And you know a lot of foundries went out of business. China came on the scene as an alternate source for castings and they were flooding the market with cheap castings, so foundries were going bankrupt right and left. We were fortunate just to stay in business and hold on to some of our commercial customers. So...but that business got less, because particularly counter-weight customers, many of them moved their business to China and Mexico where they could get cheaper pricing. So we lost a lot of that business – not because of anything we did wrong, it was just the competitive nature of that market. So, our percentage of revenue dropped and we stopped being reported as a separate profit center in the financials and so you didn't see a lot about the foundry unless we had something unusual going on. The Trailer Plant, conversely during those years, actually did very well and carried the company through a period where there was not much oil field business available. Jim Barber was the Vice President of the Trailer Division and their sales were outstanding for a number of years and that business actually went away in a similar manner. A little company in South Korea called Hyundai that you might have heard of, decided to go in the trailer business and they made trailers in South Korea, shipped them to Mexico for final assembly, just over the border in Mexico, and that was in our radius of service that we provided. So, the trailer business is kind of a unique business.

JG: Were they sold as Hyundai trailers or did they put a different name on them or something?

SR: I'm not sure what brand name they had on them. I just remember hearing the story and I remember hearing several times that the radius for selling a trailer is about 300 miles from the plant and the reason for that is because freight on a trailer, delivery, is a significant part of the price. So, and as you know, you draw a radius of 300 miles around Lufkin, Texas, about a third of that is in the Gulf of Mexico, so you lose that territory just right off the bat. Then the other thing about the trailer business is it is 95% material and 5% labor. So you have a company like Hyundai who can buy material cheaper than Lufkin, just because they buy so much volume of it, and then they make it most of it in South Korea where the labor is cheaper, then they ship it to Mexico for final assembly where the labor is still cheaper, and it's sort of a game over scenario. There is nothing you can do to be in that market at that point. And that is really when the trailer business ended for us. We saw the handwriting on the wall. We went from a lot of business, to almost no business, and you can do everything but sell one at a loss and when you get to that point you may as well just quit. So, we couldn't sell the business, no one wanted it because they had all figured out the same thing we had, so we just closed it eventually.

JG: It had nothing to do then, with the prisons contract? That was PR stuff.

SR: No, that was PR stuff. Although that was kind of a nasty thorn there that they...wait a minute what difference does this make.

JG: It didn't make much sense to me, and I didn't know anything about it, but I thought that was kind of wild, blaming the government.

SR: Yes.

JG: Or the prison system or something. I vaguely remember it.

SR: Well they are using prison labor for our competitors to make trailers, but that certainly didn't put us out of business. It was just kind of one more nail in the casket now that upset everybody. But so that was kind of the way the trailer business went. They provided a tremendous amount of profit for the company for a number of years when we really did need that. When the oil business was really bad, the trailer business was really good, so that helped us a lot. The Foundry never really was in a position to provide significant profitability to the company. We certainly, we were profitable, and we were able to contribute, but not to the extent the trailer plant did and certainly not to the extent oil field could when they had business. That was always kind of the go-to. If there was a business opportunity in the oil field, there is much more profitability in that than anything else that we were doing. Power Transmission was the same way. They provided some profitability to the business, but not a tremendous amount. Not enough to carry the rest of the company. The oil field could carry the whole company. When they had business, they could carry all the other divisions, but no other division except the trailer plant during a few good years, was able to do that. So that is why the Trailer Plant got so much good coverage there in some of those years because that was the only good thing we had to talk about, and so we talked about it.

JG: It makes, you know, we've got the photographic collection here and you've got thousands of pictures of castings and nuts and bolts and screws and then you've got pictures of fancy trailers with fancy graphics, Piggly-Wiggly or just all the drink companies. Even back in the 1930's, it seems to be more of the slick exciting look to put out on things.

SR: Yes, it's an interesting story, and I don't know the details of this story, but I do know we got fined one time by the state because we had a Budweiser, we had a trailer with a Budweiser logo on the side of it parked out in our trailer storage area, and they fined us for illegally advertising in a dry county. (laughter) I'm not sure how that all got resolved.

JG: So it was just sitting out on the side of the highway. (laughter) Well, you know, chronologically, so the oil industry picked up, you mentioned in 2001.

SR: The oil industry picked up in I believe 2001 is when the oil industry finally started turning around and coming back. And as I said, it never achieved the level of success we had in the late 70's and early 80's, but our business got better and from probably 2001 on, the oil field business was maybe not dramatically good but it was good enough to where we had an opportunity for growth and good profitability in the company. I'm not even sure what year it was we decided to build the plant in Romania. That was 2006 or 2007. My first trip to Romania was 2009 and I know we had, I think the plant was in the early stages of construction or maybe the late stages of negotiating for a plant site. In fact, I think that is what it was. In 2009 we had made the decision that we were going to build a plant in Romania and I went to Romania to look for casting sources to feed that plant that we were going to construct. And that was 2009.

JG: Can you talk a little bit about why Romania? Just what was going on to even go anywhere?

SR: We had a plant in Argentina, already.

JG: Okay. How long was it? Was it an existing one that you bought or did you build it?

SR: We built that plant in 1984 or '85, and it was in conjunction, it was a partnership with some other company and I don't remember the details. I wasn't in on any of that. But we ended up outright owning the plant at some point. It was built down there primarily to take advantage of the trade agreement that we had with...Argentina required local content and there was pumping unit business to be had in South America, and so Argentina had, they had a lot of incentives for you to come and manufacture in their country. Not to mention the fact that one of those was we will buy some oil field pumping units from you; if you build them here we will buy them. So, that is why that plant went in in Argentina back in the middle '80's. We built it way in the southern part of Argentina where the oil fields were because the land was cheap down there and the government had incentives for you to locate down there. In hindsight that was probably a mistake because everything has to be shipped, you know, and it is in the middle of nowhere.

JG: Was anybody else down there? Any other outside companies?

SR: Weatherford. Our biggest competitor. They manufactured some in Brazil, but I don't know if they have a facility in Argentina or not. I don't think they do. I don't think they do we may be the only one down there of any significance.

JG: You mentioned Weatherford as a competitor. Who are they?

SR: Weatherford is our largest competitor and they are located in, I think their headquarters are in Katy, in Houston. They compete with us all over the world. They manufacture, they bring a lot of castings from China, and a lot of product from China, and they're our largest competitor and have been for many, many years.

JG: I'm jumping around now, but who is GE going to get their castings from now?

SR: Today when GE bought us, I was not running the Foundry at that time. I had been moved to Global Procurement Manager for the company, and I worked directly for Jay in that role.

JG: Jay Glick?

SR: Jay Glick, so...

JG: I want to ask you about how you came to that, but go on.

SR: I was on what they called the integration team for Lufkin-GE. There were like 12 of us at Lufkin that were charged with helping to integrate the two companies together. So for sourcing I was the integration team leader for Lufkin. I had already done some work in Romania and other countries, Poland and other countries over in Eastern Europe to source castings for our Romanian plant, and I had... and we were also buying some castings in Argentina. In fact our largest casting supplier was in Argentina, to supply castings to that plant, and I was buying a few castings from Mexico at the time just to supplement our needs for different areas. So GE, one of the first things they targeted in their cost reduction efforts was castings. They thought that there was a huge opportunity to save money on castings, so they charged me with doing that, and they said you need to go to China. We've got 1500 people on the ground in China and you can get castings in China cheaper than you are buying them today. I said, "Well maybe. We will see how that goes." So, they gave me...I had never been to China, didn't know anything about that. They gave me a number of foundries to look at in China and I got quotes from those and those were all more expensive than the foundries we were currently using to supplement our own foundry. And so they just couldn't believe that. They said, "That is just not possible." I said well, you know GE didn't have any oil field business before they bought Lufkin. They did, but they didn't have any pumping unit products like we manufactured that were casting intensive. So, what they did have was...

JG: They had been making motors and things for years and years.

SR: They were making aerospace... castings for aero space and buying wind turbine castings and these were...

JG: But I mean they were in the oil field business with motors with electric motors.

SR: Yes, they were in the oil field business, but they didn't have any beam balance pumping units.

JG: Yes.

SR: Beam balance pumping units are 38 percent casting, by makeup. There is a lot of castings in that product. So, anyway, I told them I said, "Well you are looking at the

wrong...” and I had already been the National President of the American Foundry Society so I had been to foundries all over the world already. And so I said, “You are looking at the wrong kind of foundry for this product.” They said, “Well what do you mean?” I said, “Well these foundries that you’ve got me looking at are foundries that make what we call engineered castings. They are technically difficult. Oil field castings are not that way. They may not be easy, but there not as hard to make as what these foundries are used to making.” I said, “If you are going to buy a counter-weight, you need to buy it from a counter weight foundry, a foundry that specializes in that product.” They said, “Well we don’t know any of those.” I said, “Well I do.” So I told them, I said, “You send your guys to these...” I gave them two foundries to look at in China and sure enough, those prices came back competitive. So I started helping with that process and eventually for GE I became their casting commodity expert for oil field products. So, GE’s plan was ,initially was we are going to source all the bulk of the iron needs for the pumping unit line and then we are going to move a lot of work to Lufkin’s Foundry that we are having made other places for our other divisions and that just didn’t work. Because the stuff they were trying to move here really didn’t fit our foundry’s capabilities. It was really low volume and the equipment we had was not suited to make that kind of product, so that didn’t work out well. So, what they ended up doing was, they moved all of the volume out of our foundry and moved it overseas to China and wherever else they could buy it. And so that left our foundry with not as much to do. We still had some commercial business, but GE wasn’t really interested in that commercial business, either. So they weren’t pursuing any new business in that area. So, the answer to that was, you either have to upgrade the facilities at our foundry and make it competitive so that you can bring that business back.

JG: Which they announced they were going to do.

SR: They initially were going to do because the business was good. The business model supported that. The oil business was good, you had a \$100 a barrel oil and then when all that went away, they said, “Oh we will just close it and get on with it.” So that was the demise of our foundry was the oil business...The price of oil went down and the opportunity to reinvest in the foundry, which was a questionable opportunity in GE’s mind to begin with but the business was so good they felt like they could support doing it, that tilted the other way and.

JG: How easy or difficult or different was it to communicate with GE? You had this history of Lufkin Industries being the small town feel company as you described and so how different was that?

SR: Fortunately for me, because I was in the initial integration team, you know, I had relationships with the people in GE that were here first, before the company was even officially bought. So, the announcement was made in April, on April 6th and the company was bought on July 1st. So between April 6th and July 1st I was working very closely with all of those key people at GE that were coming to Lufkin, but weren’t here yet. So, I was lucky that I knew all those people when the deal was done. And I worked for GE for a year and a half after that. And so I had two things I was charged with. One was

integrating our sourcing with theirs, and then two, I was their casting commodity expert and they were really, really focused on saving money on castings and that was what I was charged with doing. I did not like doing that because I had spent my whole career protecting American foundry industry objectives and so now I was put in a role to take all the business away from American foundries and send it to whoever is the cheapest in the world. And to me that is GE's deal. They are a worldwide company and they don't care where they buy it from, they just want it to be the lowest price.

JG: So that was pretty difficult.

SR: That was difficult for me. But I knew, I'm either going to do it, or they are going to get someone else to do it. I had my own timeline that I was working on and I needed to stay on that timeline. If you are going to do it, you're going to do the best job you can do at whatever you do. That is kind of the way I looked at. That's what my job was for GE, was finding the lowest cost, lowest source for castings that could make the product, meet their specifications and develop those sources. So for that year and half that is what I did for GE and basically I had no boss. I worked for the sourcing leader at GE Lufkin but he knew nothing about what I was doing. So he just said you know what, call me if you need me, otherwise go do it. So, I really had no issues with their bureaucracy so to speak, in that year and half, but at the end of 2014 I knew that was about the end because I had done my job. I had sourced the product, I had started up four foundries for GE and all that was working and I knew that next year it's going to be I'm just going to be a sourcing guy for GE, go beat up your suppliers and get the lowest price you can and that is their deal. And that is just GE and I didn't want to do that. I hated that, I hated that. I was a foundry man my whole career pretty much, and that is just what I enjoy doing.

JG: Talk a little bit about that. Basically you talked a little bit about your young adult period, but I guess foundry work, eventually it becomes big equipment, but like castings and you were talking about grinding and everything. I mean it's essentially working with your hands. Have you always been that way even when you were a little boy did you like to build, craft, construct?

SR: Yes, I like to tear stuff apart and put it back together.

JG: Because you've got motorcycles and all kind of cars and trucks and equipment.

SR: And I still do that today.

JG: Talk a little bit more about that.

SR: Yes when I was a kid, my dad worked for Texas Foundry; ironically he was in purchasing for Texas Foundry. I ended up doing exactly the same thing he did at the end of my career. (laughter) Which I thought I would never do, and in fact when he would take me to the foundry when I was child, it was a big ugly place, dark, black, you know. I thought I never want to work in a place like this and I ended up doing exactly that. But my dad was, I guess I would have to say, an underachiever because he was one of the

smartest guys I ever knew, but yet he spent his life doing this kind of mundane job that I thought and procurement for Texas Foundry. He spent his whole career there. But yet he was really smart. He was an amateur radio operator; that was his hobby. Very good in electronics, had a good mechanical mind and you know, he was a pilot, he flew airplanes. So he exposed me to a lot of things when I was a kid and he let me... he kind of let me go. I bought motorcycles when I was a kid and I would... first motorcycle I bought I paid \$50 for it. I had to take it apart and rebuild the engine on it. I was... I don't know thirteen.

JG: He taught you by allowing you to do to that... resourcefulness and that helped you in your career didn't it?

SR: My first car was an MGA, a little British sports car. I kept that for about a year and then I bought a Triumph TR3 for \$100. I paid \$100 for it and I completely restored the whole car. I'm talking about rebuilt the engine, rebuilt all the instrument panel clusters, redid the seats, all the body work, painted it, did all of that. I still remember my senior year in high school, the only time my dad ever sat me down and talked to me. I signed up for Auto Mechanics because I thought that would be easy and my dad called me in and he said, "Son what are you thinking you are going to do when you get out of high school?" I said, "I don't know. I haven't really thought about it." He said, "Well do you think you are going to work at a gas station or something?" I said, "Oh no, I don't think I want to do that." And, he said, "Well why did you sign up for Auto Mechanics then?" I said, "Well I thought it would be easy." He said, "Exactly what do you think they are going to teach you? You've already rebuilt an engine on a car. You are not even going to get to do that in Auto Mechanics." I said, "Well I don't know dad. What do you think?" He said, "Well I think you need to drop Auto Mechanics and go sign up for Algebra and Chemistry and Analytic Geometry." I said, "Oh that sounds hard." And I did that. That is what I did. And I was terrible in math, I still am to this day. I am terrible in math.

JG: But you are an engineer. That is why you were an industrial engineer, not a mechanical.

SR: Yes, there is story there. That is why I am an industrial engineer. I went to my high school counselor, and you had these counselor sessions in high school and talk about your career. And she said, "Well what do you think you want to be?" She had my ACT results that I had taken. And she said, "Well what do you think you are going to do in college?" I was going to go to Angelina College and I said, "Well I think I want to be an engineer." And she looked at her paper, and she up at me, and she looked back at her paper and she said, "Do you know what you scored in math?" I said, "I don't remember, what was it?" She said, "You scored a 15 on your ACT exam on math." She said, "And that is exactly average." She said, "Average math people do not become engineers." I said, "Well..." Then she said, "But ironically you scored in the 92nd percentile in science. That never happens." I said, "Well I don't know. I'm going to try it and see." I struggled, I struggled through math and at Lamar I got to differential equations and I could not pass differential equations. I took it three times and I couldn't pass it. I couldn't pass it today

if I took it. So, I thought well this is the end of my engineering career. I have got to have that. I went back to the book to the college manual...

JG: The catalog?

SR: The catalog, and I started looking and what am I going to do now. And there were two engineering disciplines at the time that did not require differential equations, civil engineering, which I did not want to do, and industrial engineering and I didn't know anything about industrial engineering. I got to reading about that and I thought well heck this might not be so bad. So I changed my major from mechanical engineering to industrial engineering so that I wouldn't have to take differential equations. The best move I ever made because I was perfect for industrial engineering, my background, my experiences, you know, look at something and figure out a better way to do it; that was me. That fit me perfectly. I went through industrial engineering and never had another problem in engineering classes. So, it was just one of those things that worked out. I would have been a terrible mechanical engineer. To this day I won't even do math in my head. I won't do addition and subtraction in my head I have to get...if it wasn't for an iPhone I don't know what I would do. I have to get the calculator out.

JG: Talk a little bit about, in the context of saving money, efficiency and that kind of thing, but you were telling me a Charlie Wilson story.

SR: Oh yes, yes. We were doing a contract for the Navy. It was a research contract.

JG: About what decade? 80's or 90's?

SR: This was in the 80's and we were making this five inch projectile out of ductile iron that was for the Navy that had been previously made out of steel. And ductile iron would be cheaper.

JG: Okay say that word ductile?

SR: Ductile iron.

JG: Okay d-o-c-t-i-l-e.

SR: D-u-c-t-i-l-e.

JG: Okay and what does that mean, exactly?

SR: It is an iron that has a little stretch to it. Cast iron won't stretch very far, it is very brittle, but ductile iron... well the way I've always explained the difference between gray iron and ductile iron is the way the graphite precipitates out in the matrix of the metal. The best way and the only way I've ever been able to explain that where the layman can understand it very easily, is if you take a bowl of milk and you put corn flakes in it, the corn flakes are like the graphite in the gray iron matrix. They look just like corn flakes

and when you pull on it or bend it, it breaks where one of those flakes is because that is a fracture plane. That is weak spot where the graphite is. But if you take that same bowl of milk and you put cocoa puffs in it instead of cornflakes that is the way ductile iron matrix looks under a microscope. The graphite, they are round instead of flakes. And because they are round a sphere has more strength to it than a flake, so it makes the gray iron stronger and it gives it some bending resistance.

JG: You call it gray iron?

SR: Yes, so it is called ductile iron because it becomes more ductile and you can stretch it a little bit before it breaks. Gray iron will stretch about, maybe a half a percent in length before it breaks, and ductile iron you can stretch it up to 16 percent, depending on what grade it is. So, it is a huge difference. But it's still much less expensive than steel.

JG: Does it go back to what it was originally or once it's stretched it stays there?

SR: No once it stretches it stays.

JG: It stays there okay.

SR: So anyway we were working on this project for the Navy and we had this whole team of people that we had hired to do this. There were like 40 of them at one point.

JG: People from outside?

SR: Yes, and from within, but the government was paying us to do this research project. Well the deliverable on this project is basically some munitions, but also it's the recipe to make this product. It is the technical papers to support how you make the product. That was one of the deliverables. And so there is a huge amount of technical writing requirements and then there is lots of reporting requirements to the government, their whole bureaucracy. It's like the \$100 commode seat scenario to some extent. So anyway, we had this consultant that worked for us that was basically a lobbyist and he had asked Charlie Wilson, who was the head of the Defense Appropriations Committee, so he was the guy with the check book. He had asked him for like 26 million dollars to support Lufkin's Defense Research Project. Well on Good Friday I was at home raking the yard, I remember the phone rang, and it was Charlie Wilson.

JG: U. S. Congressman.

SR: U. S. Congressman calling little old me.

JG: Raking the leaves.

SR: I didn't even know he knew who I was. He said, "Steve, this is Charlie Wilson." I said, "Yes sir what can I do for you?" (laughter) He said, "Well," he said... I'm trying to remember the guy's name that was working for us now, but anyway, he said, "I want to

talk to you about the funding for this project y'all are working on." I said, "Okay." He said, "Well he has asked for 26 million dollars for me to put in the budget. 26 million dollars for y'all for next year." He said, "What do you think about that? Do you think that is the right amount?" I said, "Well Mr. Wilson if you really want to know what I think, there is no way in hell we will spend 26 million dollars on that project next year. I can't even imagine us spending that much money if we were just throwing it out the window I don't think we could get it out the window fast enough." He said, "Well that is kind of what I thought." He said, "What do you think you can spend?" I said, "Well I think we can spend about two and half million dollars." He said, "Yep, that is about what I thought." He said, "That is all I needed. I sure appreciate it." So, that was the end of it except that in the budget was two and a half million dollars. That is what got in there. And this guy that worked for us was not happy with me because he got paid by how much money he got appropriated. And he didn't care for me after that. But anyway...

JG: From 26 to 2.5.

SR: From 26 to 2.5 and we had trouble spending the two and a half, because unless you are just stealing, you got to be honest with what you are doing. It was a small project; two and a half million dollars will buy a lot of stuff. So anyway that was the story there with Charlie Wilson. Charlie Wilson was a heck of a guy. I remember we went to Washington to visit Charlie Wilson, we are in his office and he wanted us to meet an admiral. And he called this admiral and said, "You are having lunch with us today," and the admiral said, "No, I'm sorry I've got plans. I'm not going to be able to do it, Charlie. I've got plans." And Charlie said, "Well you need to cancel those plans. I've got my constituents from Lufkin here and we need to talk about this research project." And the guy said, "Well I'm sorry. I have a commitment." And Charlie Wilson, and I was there, and Charlie Wilson said, "You know those submarines that you have that you are supposed to be getting? Do you want three of those or one of those?" And I was going whoa! And that guy said, "Where are we meeting?" So, Charlie Wilson knew how to use his power. He had a lot of power up there and he knew how to use it. That was the funniest thing that happened with me and Charlie Wilson.

JG: So where did y'all eat?

SR: Oh we ate at the Capitol Grill or somewhere, I don't remember where we ate.

JG: So the admiral came and had lunch with y'all.

SR: The admiral came, yes he did. There was a lot of those interesting stories like that.

JG: Anything else you care to add. I think we kind of jumped around chronologically there at the end. If there is anything that you overlooked or maybe I overlooked.

SR: No I guess the only thing I would add would be that we've certainly reached the end of an era, with certainly the foundry, and possibly Lufkin as we knew it. GE is a worldwide company and they don't have any family in Lufkin, Texas. And that is

understandable from their perspective. People... a lot of local people... “Hey the company is ruined...” and all these kind of things, but you have to put all that in perspective. And I don’t know how Lufkin would...we managed to survive for, I don’t know 115 years or so as a small mid cap company and we could have certainly continued to do that. But the old family was slowly dying off that held the original stock in the company. I think all of that was going to change, regardless of what happened. Lufkin was a publicly traded company and was ripe to be acquired. Somebody was going to buy us. I never dreamed it would be GE. I thought it would be Baker Hughes or one of those kinds of companies.

JG: But you saw...I don’t want to get you away from your point here, but going back to my earlier question of when did you kind of see the writing on the wall? You were thinking that.

SR: About two years before we were bought.

JG: You saw it happening.

SR: I knew that was coming. I didn’t know who was going to buy us. It was going to be Baker Hughes, Schlumberger... I never dreamed it would be GE, but that was going to happen, somebody was going to own us. I knew that was going to happen. Most of the other management in the company knew that was going to happen. I don’t begrudge the new owners of the company at all. They are going to run it, as I told the people at Lufkin you know, I said, you know what, we sold the company and it’s like selling a car. We have given them the keys; they can drive it wherever they want to because we don’t have it anymore. So, that is kind of the way you have to look at it. But Lufkin Industries was really good to me. I had a much better career than I ever dreamed I would have. Ended up much better off than I ever dreamed I would, so I have nothing but good things to say about the management of Lufkin and how I was treated during the time I worked there, a great company to work for.

JG: Alright Steve. Well I sure appreciate that. Thank you.

END OF INTERVIEW