

**Red Arts  
Capital**  
+  
**Toyota Battery  
Manufacturing  
North  
Carolina**

**Supplier Qualification  
Project Brief**

**PORTFOLIO-WIDE  
STRATEGIC  
ANALYSIS**

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# Table of Contents

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Executive Summary	3
Red Arts Capital Portfolio Overview	4
TBMNC Supplier Certification Requirements	6
Certification Applicability Matrix	8
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Supplier Opportunity Analysis	10
Key Business Drivers & Solutions	13
Implementation Roadmap	15
Investment & ROI Analysis	17
Recommendations & Next Steps	18

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# Executive Summary

This project brief outlines the requirements, opportunities, and strategic pathway for Red Arts Capital portfolio companies to become qualified suppliers for Toyota Battery Manufacturing North Carolina (TBMNC). Red Arts Capital, a Chicago-based private equity firm with a \$400 million fund focused on supply chain and logistics businesses, has assembled a powerful portfolio of companies with complementary capabilities that align exceptionally well with Toyota's EV battery manufacturing supply chain needs.

## Key Opportunity

Toyota Battery Manufacturing North Carolina represents a multi-billion dollar opportunity for qualified suppliers. With three battery types in production (hybrid, plug-in hybrid, and full EV) and distribution expanding beyond Kentucky in 2026, the timing is optimal for Red Arts portfolio companies to establish themselves as Tier-1 suppliers.

## Strategic Advantage

Red Arts Capital's MBE certification, combined with the diverse capabilities across its portfolio, positions the group uniquely to capture significant market share in Toyota's supply chain while meeting diversity supplier requirements. The portfolio includes precision manufacturing capabilities through KKSP (already IATF 16949 certified), comprehensive packaging and logistics through BelPak, and a robust transportation network through multiple logistics subsidiaries.

## Portfolio Opportunity Summary

Metric	Value
Total Estimated Annual Revenue Opportunity	<b>\$40-105 Million</b>
Estimated Investment Required	\$840,000 - \$2.13 Million
Projected Payback Period	1-4 Months of Operations
Portfolio Companies with Direct Opportunity	8 Companies
Companies Ready for Qualification	1 (KKSP - Already Certified)

## Key Recommendations

Based on our comprehensive analysis, we recommend a phased approach beginning with KKSP Precision Machining (already qualified) and BelPak (highest strategic value). The investment in certification and systems integration will create a foundation that extends value across all Red Arts portfolio companies and positions the group for additional OEM opportunities beyond Toyota.

# Red Arts Capital Portfolio Overview

## Parent Company Profile

Red Arts Capital is a Chicago-based investment firm founded in 2015, focused exclusively on partnering with North American supply chain and logistics businesses. The firm has assembled a portfolio of complementary companies that together create a comprehensive supply chain solution for major OEMs.

Attribute	Details
Headquarters	200 W. Madison Street, Suite 3840, Chicago, IL 60606
Founded	2015
Fund Size	Approximately \$400 million
Team Size	19 members
Investment Focus	North American supply chain and logistics businesses
Certification	MBE-Certified (Minority Business Enterprise)
Ownership	Controlled by two African-American principals

## Portfolio Companies Overview

The Red Arts Capital portfolio comprises eight distinct companies spanning precision manufacturing, contract packaging, and logistics services. This diversified portfolio creates multiple entry points for Toyota Battery supply chain participation.

Company	Primary Business	Locations	TBMNC Relevance
<b>BelPak</b>	Contract Packaging	25+ facilities (US & Canada)	<b>HIGH</b>
<b>KKSP Precision Machining</b>	Precision Manufacturing	5 locations (IL, WI, MI, OH, MX)	<b>HIGH</b>
<b>Sunset Pacific Transportation</b>	Freight Consolidation	Southern California	<b>MEDIUM-HIGH</b>
<b>Radius Logistics</b>	3PL Services	North America-wide	<b>MEDIUM-HIGH</b>
<b>Flex Logistics</b>	3PL Warehousing	CA, IL, NJ	<b>MEDIUM-HIGH</b>
<b>Freshway Foods</b>	Food Processing	Sidney, OH (100K sqft)	LOW
<b>Midnite Express</b>	Logistics	National/Worldwide	MEDIUM
<b>MME</b>	Transportation	Multi-regional	MEDIUM

## High-Priority Portfolio Companies

### KKSP Precision Machining

KKSP represents the most immediately qualified supplier within the Red Arts portfolio. The company is the combination of KKSP Precision Machining, LLC and Hy-Production, Inc., forming a premier manufacturing player with extensive capabilities. With over 425 machines across five strategic locations, KKSP produces more than 280 million precision-machined parts annually.

KKSP already holds both ISO 9001:2015 and IATF 16949:2016 certifications across multiple facilities, making them immediately eligible for Toyota supplier qualification. Their Ohio facility additionally holds AS9100D certification for aerospace applications. The company's materials expertise spans free machining brass, steels, aluminum alloys, stainless steels, and copper alloys—all relevant to battery module component manufacturing.

**Key Capabilities:** CNC machining, precision components (1/16" to 3" diameter), automotive fittings, connectors, and assemblies. Current automotive experience includes A/C compressor components, oil cooler inlets, and various precision fittings.

### BelPak

BelPak was formed in 2024 through the strategic combination of three established contract packaging companies: Coregistics (Atlanta), Proven Partners (Elgin, IL), and Belvika (Toronto). This merger created a \$400 million packaging powerhouse with over 25 facilities across the United States and Canada.

BelPak's proven embedded operations model with Subaru provides the exact blueprint for Toyota Battery operations. The company currently operates within Subaru facilities in Portland, OR and Indianapolis, IN, providing parts packaging, kitting, and facilities maintenance services. This model demonstrates BelPak's ability to integrate seamlessly with OEM operations.

**Key Metrics:** 99.6% on-time-in-full delivery rate, 45-day facility standup capability (demonstrated during Pfizer COVID vaccine distribution), and 30+ year customer relationships with major CPG companies including Nestlé, Mondelez, and PepsiCo.

## **Logistics Network (Sunset Pacific, Radius, Flex, Midnite, MME)**

The combined logistics network within the Red Arts portfolio provides comprehensive national coverage for transportation, warehousing, and distribution services. Sunset Pacific serves as one of Southern California's largest freight consolidators, while Radius Logistics offers integrated 3PL services throughout North America. Flex Logistics specializes in value-added warehousing with food-grade certified facilities that can be adapted for battery component handling requirements.

This network creates a strategic advantage for battery distribution as Toyota expands beyond Kentucky in 2026, providing established infrastructure for dealer distribution and aftermarket support.

# TBMNC Supplier Certification Requirements

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Based on the TBMNC Supplier Registration requirements, suppliers must meet specific certification standards depending on their service category. It is important to note that not all certifications are required for all suppliers—requirements vary based on the type of manufacturing or service operation being performed.

## Certification Descriptions and Applicability

### **ISO 9001:2015 — Quality Management System**

**Required For:** ALL suppliers to Toyota

ISO 9001 is the international standard for quality management systems, ensuring organizations consistently provide products and services that meet customer and regulatory requirements. The standard covers customer focus, leadership engagement, process approach, risk-based thinking, and continuous improvement. Toyota requires this certification as the baseline for all supplier relationships, regardless of service category.

### **IATF 16949:2016 — Automotive Quality Management System**

**Required For:** Manufacturing suppliers providing parts, components, assemblies, or direct packaging services

IATF 16949 builds upon ISO 9001 with automotive-specific requirements including product safety, PPAP (Production Part Approval Process), APQP (Advanced Product Quality Planning), FMEA (Failure Mode and Effects Analysis), MSA (Measurement System Analysis), and SPC (Statistical Process Control). This certification is mandatory for KKSP and BelPak's battery packaging operations, but not required for pure transportation and logistics providers.

## **ISO 14001:2015 — Environmental Management System**

**Required For:** Recommended for all suppliers; may be contractually required for specific engagements

ISO 14001 provides a framework for environmental responsibility and sustainable practices. While not universally mandatory, this certification aligns with Toyota's sustainability goals and ESG requirements. Companies pursuing long-term Toyota relationships should consider this certification as a competitive differentiator.

## **ISO 45001:2018 — Occupational Health and Safety**

**Required For:** Recommended for manufacturing and logistics operations, especially those handling hazardous materials

ISO 45001 establishes standards for workplace safety management systems including hazard identification, risk assessment, worker participation, and emergency preparedness. Given that battery manufacturing and logistics involve hazardous materials, this certification is particularly relevant for BelPak and logistics providers handling battery shipments.

# Certification Applicability Matrix

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The following matrix identifies the certification requirements and current status for each Red Arts Capital portfolio company. This analysis enables prioritized investment in certification efforts based on strategic opportunity and current gaps.

Company	ISO 9001	IATF 16949	ISO 14001	ISO 45001	Current Status
KKSP	<b>HAS</b>	<b>HAS</b>	Recommended	Recommended	<b>READY</b>
BelPak	<b>REQUIRED</b>	<b>REQUIRED</b>	Recommended	Recommended	<b>GAP</b>
Sunset Pacific	<b>REQUIRED</b>	N/A	Recommended	N/A	<b>GAP</b>
Radius Logistics	<b>REQUIRED</b>	N/A	Recommended	N/A	<b>GAP</b>
Flex Logistics	<b>REQUIRED</b>	N/A	Recommended	N/A	<b>GAP</b>
Freshway Foods	<b>REQUIRED</b>	N/A	Recommended	N/A	Unknown
Midnite Express	<b>REQUIRED</b>	N/A	Recommended	N/A	Unknown
MME	<b>REQUIRED</b>	N/A	Recommended	N/A	Unknown

## Additional Compliance Requirements

Beyond standard certifications, suppliers handling battery products must meet additional compliance requirements:

## Hazardous Materials Compliance

**DOT Regulations:** All suppliers involved in battery transportation must comply with Department of Transportation regulations for hazardous materials shipping. This includes proper packaging certifications, labeling compliance, shipping documentation, and emergency response procedures. Training programs must be implemented for all personnel handling battery products.

## Required Documentation Categories

The TBMNC Supplier Registration process requires documentation across five categories: Company Information (profile, organizational chart, financial statements, business continuity plan), Quality Management (certifications, quality manual, control plans, PPAP documentation, MSA), Manufacturing/Service Capability (process flows, equipment lists, facility layouts, capacity analysis), Environmental and Safety (policies, safety programs, OSHA compliance), and Supply Chain (sub-supplier lists, material specifications, logistics capabilities).

# Supplier Opportunity Analysis

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The following analysis quantifies the revenue opportunity for each Red Arts Capital portfolio company within the Toyota Battery Manufacturing North Carolina supply chain. Estimates are based on comparable OEM relationships and industry benchmarks.

## KKSP Precision Machining — Highest Priority

KKSP represents the most immediately actionable opportunity given their existing IATF 16949 certification. The company's precision machining capabilities align directly with battery module component requirements.

Opportunity Area	Description	Estimated Annual Value	Readiness
Battery Module Components	Precision machined connectors, housings, fittings	\$5-15 Million	READY
Cooling System Components	Machined parts for thermal management	\$3-8 Million	READY
Assembly Fixtures	Custom tooling and fixtures	\$1-3 Million	READY
Fasteners and Hardware	Specialized automotive fasteners	\$2-5 Million	READY
<b>KKSP Total Opportunity</b>		<b>\$11-31 Million</b>	

## BelPak — Highest Strategic Value

BelPak offers the highest strategic value due to the breadth of services and the proven embedded operations model. While certification investment is required, the return potential is substantial.

Opportunity Area	Description	Estimated Annual Value	Readiness
Battery Pack Packaging	Custom packaging for EV battery packs	\$10-25 Million	NEEDS CERT
Kitting Services	Assembly kits for production line	\$5-10 Million	NEEDS CERT
Embedded Logistics	On-site facility operations	\$8-15 Million	NEEDS CERT
Hazmat Packaging	DOT-compliant battery shipping	\$3-8 Million	NEEDS CERT
<b>BelPak Total Opportunity</b>		<b>\$26-58 Million</b>	

## Logistics Network Opportunity

The combined logistics capabilities of Sunset Pacific, Radius Logistics, Flex Logistics, Midnite Express, and MME create a comprehensive national distribution network. As Toyota Battery expands distribution beyond Kentucky in 2026, this network becomes increasingly valuable.

Company	Primary Opportunity	Estimated Annual Value	Readiness
Sunset Pacific	West Coast freight consolidation for battery components	\$5-12 Million	NEEDS CERT
Radius Logistics	National 3PL for battery distribution	\$8-20 Million	NEEDS CERT
Flex Logistics	Value-added warehousing, automotive fulfillment	\$5-15 Million	NEEDS CERT
Midnite Express	National/international shipping	\$3-8 Million	NEEDS CERT
MME	Regional transportation solutions	\$2-5 Million	NEEDS CERT
<b>Logistics Network Total</b>		<b>\$23-60 Million</b>	

## Portfolio Opportunity Summary

Category	Low Estimate	High Estimate
KKSP Precision Machining	\$11 Million	\$31 Million
BelPak	\$26 Million	\$58 Million
Logistics Network	\$23 Million	\$60 Million
<b>Total Portfolio Opportunity</b>	<b>\$60 Million</b>	<b>\$149 Million</b>

# Key Business Drivers and Solutions

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Through strategic discussions with Red Arts Capital and BelPak leadership, several key business drivers have been identified. The following analysis addresses each driver with specific solutions in the context of pursuing Toyota Battery supplier qualification.

## Driver 1: Revenue Multiplier for Red Arts Capital

**Challenge:** Red Arts Capital seeks investments that create value across multiple portfolio companies, not just single-company returns.

**Solution:** The Toyota Battery qualification effort creates a foundational certification package deployable across all portfolio companies. Approximately 80% of Toyota preparation efforts are reusable for other OEMs. A single ERP/MES integration across all 29 BelPak locations creates scalable infrastructure that benefits the entire portfolio. The initial investment of approximately \$700,000 in consulting and certification costs positions the portfolio for \$50-100 million or more in annual revenue potential across multiple companies.

## Driver 2: Customer Concentration Risk

**Challenge:** BelPak currently has approximately 30% revenue concentration in a single customer, creating business risk.

**Solution:** Toyota represents an opportunity to add 10% or more in revenue from a stable, long-term OEM relationship. The automotive sector demonstrates less volatility than food and beverage innovation cycles. Multi-year contracts with renewal cycles provide stability and predictability. Success with Toyota opens doors to other Japanese OEMs that use Toyota as their quality standard.

## Driver 3: Systems Integration

**Challenge:** BelPak operates with multiple versions of truth across 29 facilities following the merger of three companies.

**Solution:** ERP/MES consolidation, currently being led by Brett Griffiths, will create a single source of truth across all locations. This integration is required for OEM compliance and reporting. Toyota will require consistent reporting across all facilities serving their supply chain. The investment enables scalability to other OEMs and creates operational efficiency.

## Driver 4: Culture Integration Post-Merger

**Challenge:** Three family businesses merged into BelPak require culture alignment and unified employee experience.

**Solution:** Implementation of the Wellness Plan delivers immediate ROI of \$640 per employee per year in tax savings. Insurance savings typically run 3-4 times the tax savings through improved experience ratings. The program addresses Toyota's ESG requirements while creating a unified culture across facilities. This positions BelPak as an employer of choice in competitive labor markets.

## Driver 5: Hazardous Materials Compliance

**Challenge:** Battery logistics requires DOT compliance and specialized handling capabilities.

**Solution:** Implementation of a comprehensive hazmat training program across relevant facilities, DOT certification for battery shipping, specialized labeling capabilities through medical-grade labeling contractors, and RFID tracking for regulatory compliance. This capability becomes a competitive differentiator as EV battery logistics demand grows.

# Implementation Roadmap

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The following phased approach ensures systematic progress toward Toyota Battery supplier qualification while managing investment risk and building capabilities incrementally.

## Phase 0: Assessment and Planning (Weeks 1-4)

The initial phase focuses on completing a detailed gap analysis for each portfolio company, identifying which facilities will be in scope for certification, assessing current hazmat training programs, documenting existing quality systems, and developing a costed scope of work. Key questions to be answered include facility scope for certification, current hazardous materials training programs, existing quality certifications at individual facilities, and current ERP/MES landscape.

## Phase 1: Certification and Documentation (Months 2-6)

This phase addresses the foundational certification requirements including ISO 9001 certification for BelPak and logistics companies, IATF 16949 certification for BelPak battery packaging facilities, hazmat training and DOT compliance programs, quality manual and PPAP documentation development, and ESG policy documentation. The target is to certify three priority facilities during this phase.

## Phase 2: Systems Integration (Months 3-9)

Running in parallel with certification efforts, systems integration includes ERP/MES consolidation across BelPak facilities, unified reporting and compliance systems, digital twin implementation for process optimization, and comprehensive process flow documentation. This phase creates the operational infrastructure required for OEM compliance.

## Phase 3: Supplier Qualification (Months 6-12)

With certifications and systems in place, the formal Toyota supplier qualification process begins. This includes submitting supplier registration to TBMNC, completing documentation review,

capability assessment, quality system review, on-site audit preparation, corrective actions if needed, and achieving approved supplier status.

## Phase 4: Operational Excellence (Ongoing)

Following qualification, continuous improvement programs ensure sustained performance. This phase includes performance monitoring, relationship expansion to other OEMs, additional facility certification as needed, and ongoing compliance maintenance.

### Timeline Summary

Phase	Duration	Key Milestone
Phase 0	Weeks 1-4	Gap analysis complete, scope defined
Phase 1	Months 2-6	ISO 9001 and IATF 16949 certifications
Phase 2	Months 3-9	ERP/MES integration complete
Phase 3	Months 6-12	Toyota approved supplier status
Phase 4	Ongoing	Continuous improvement and expansion

# Investment and ROI Analysis

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## Estimated Investment Requirements

The following table summarizes the estimated investment required to achieve Toyota Battery supplier qualification across the Red Arts Capital portfolio.

Category	Low Estimate	High Estimate	Timeline
ISO 9001 Certification (per facility)	\$15,000	\$30,000	3-6 months
IATF 16949 Certification (per facility)	\$50,000	\$100,000	6-12 months
Consulting and Gap Analysis	\$150,000	\$250,000	2-4 months
ERP/MES Integration	\$500,000	\$1,500,000	6-12 months
Hazmat Training Program	\$50,000	\$100,000	2-3 months
Documentation Development	\$75,000	\$150,000	3-6 months
<b>Total Estimated Investment</b>	<b>\$840,000</b>	<b>\$2,130,000</b>	<b>12-18 months</b>

## Return on Investment Analysis

Metric	Conservative	Optimistic
Total Investment	\$2,130,000	\$840,000
Annual Revenue Potential	\$60,000,000	\$149,000,000
Estimated Gross Margin (15-25%)	\$9,000,000	\$37,250,000
Payback Period	3 months	1 month
<b>First Year ROI</b>	<b>323%</b>	<b>4,335%</b>

## **Wellness Plan Investment Offset**

The Wellness Plan provides immediate cash flow benefits that can offset a significant portion of the certification investment. With approximately 1,000 employees across BelPak, the program delivers \$640 per employee per year in tax savings (\$640,000 annually) plus insurance savings typically running 3-4 times the tax savings (\$1,920,000 annually). Total annual benefit of \$2,560,000 effectively reduces the net investment to near zero in the first year.

# Recommendations and Next Steps

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## Strategic Recommendations

### **Recommendation 1: Immediate KKSP Engagement**

KKSP Precision Machining should immediately begin the Toyota supplier registration process. With existing IATF 16949 certification, KKSP can pursue qualification without additional certification investment. This creates an immediate revenue opportunity and establishes the Red Arts Capital relationship with Toyota.

### **Recommendation 2: Prioritize BelPak Certification**

BelPak represents the highest strategic value and should be the primary focus of certification investment. Begin with three facilities closest to North Carolina, targeting ISO 9001 and IATF 16949 certification within 12 months. The embedded operations model proven with Subaru provides a compelling value proposition for Toyota.

### **Recommendation 3: Implement Wellness Plan Immediately**

The Wellness Plan should be implemented across BelPak immediately, independent of the Toyota qualification effort. The \$2.56 million annual benefit provides immediate ROI while addressing ESG requirements and supporting culture integration post-merger.

### **Recommendation 4: Phased Logistics Certification**

Logistics company certification should follow BelPak, prioritizing companies with the strongest geographic alignment to Toyota's distribution expansion plans. ISO 9001 certification for logistics providers is less complex than IATF 16949 and can be achieved more quickly.

## Immediate Next Steps

Action	Owner	Timeline
Schedule meeting with BelPak leadership to review this brief	Strategic Value+	This week
Confirm facility scope for Phase 1 certification	BelPak	Week 1
Initiate KKSP supplier registration with TBMNC	KKSP / Strategic Value+	Week 1-2
Complete detailed gap analysis for priority facilities	Strategic Value+	Weeks 2-4
Develop costed scope of work for certification	Strategic Value+	Week 4
Begin Wellness Plan implementation planning	BelPak HR / Strategic Value+	Week 2

## Decision Points for Red Arts Capital

The following decisions are required to proceed with the implementation plan:

- **Scope:** Which facilities should be certified first?
- **Timeline:** Aggressive (6 months) or standard (12 months) certification timeline?
- **Investment:** Full scope or phased approach?
- **Wellness:** Implement immediately or defer?
- **Systems:** Include ERP integration in Phase 1?

**Strategic Value Plus Solutions, LLC** is prepared to support Red Arts Capital through every phase of this initiative. We look forward to discussing this opportunity in detail.