



August 25, 2014

XXXX,

Thank you for spending time with Walt and me showing us your facilities, meeting your team and talking to us about your program needs. As a follow up to our visit, listed below are the areas that CSS Distribution Group, Inc. can use to build a comprehensive packaging program and scrap removal program

Commodity items that can be supplied by CSS

- New HT pallets
- Reconditioned pallets
- Combo pallets
- Hand grade polyester strapping
- Machine grade stretch wrap
- Flood coat white and colored labels

All of the above items can be supplied and then on the backhaul out of the facility we can remove and create revenue on the follow material

- Scrap pallets
- Scrap plastic (stretch film)
- Used super sacks
- Scrap corrugate
- Used Gaylords

We can accomplish this by dropping a trailer for your convenience and then when we deliver a full load of pallets, we can drop and hook the full truck of scrap materials

Potential Recovery for Revenue programs

Scrap Pallets

We believe that we can remove and sort your Cristal pallets and return them back to them in Ashtabula in truckload quantities. That supplier is easily in our strike zone of 150 miles from your plant and possibly only 100 miles from our mill. To make that program easy to manage, we would want you to ask your supplier to color code their pallets for ease in sorting. Should any of these pallets need repair, we can do that at a very competitive price so that you can then ask your supplier to remove the cost of the pallet out of their pricing. Instead of listing all of your other potential suppliers in this

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report, we could beta test with Cristal and then validate and translate the program to all other suppliers that make economic sense.

Scrap Plastic

All of your plastic bags and stretch film can and should be recycled. The plastic needs to be baled so as part of our overall Recovery for Revenue Program, with the program in place, CSS will provide use of a baler for your facility at no charge. XXXXXXXX would be responsible for the installation, shipping and maintenance of the baler but would be available for use while the contract for pallets and packaging is in place (these units are very easy to install and only require air and electrical). All other locations would qualify for a similar program as well provided the amount of scrap plastic and scrap corrugate warrants the need for a baler.

Scrap Super Sacks

We are recommending a two tier approach to revenue on your super sacks. Tier one would be to immediately stop throwing away all super sacks, band and stretch wrap and store outside for pick up. This would immediately lower your waste removal costs and CSS will find a recycler that could potentially create an incoming revenue stream. Tier two would be to clean and sanitize the super sacks and return to your suppliers for reuse or to sell them into the used super sack market. This program would generate the most revenue but will require coordination and “boots on the ground” to accomplish.

Scrap Paper

You are generating quite a bit of scrap corrugate and you are currently not baling your scrap. With the installation of the baler, you will now be able to create the best opportunity to generate the most revenue. Scrap boxes and slip-sheets need to be segregated from scrap paper and gaylords for the highest ROI. Our request would be for you to bale all scrap corrugate and store outside until you have approx. 40 bales and then we would send in a truck for pick up. The gaylords need to be stacked, strapped and stored inside on a skid (25 per skid) and we will begin paying you \$ 3.50 for each Gaylord. I have taken a sample of the paper sacks that you have as incoming raw materials and will review it with my mill to determine if that should be baled with the honeycomb runners or continue to throw it away because of the contaminants. The runners would definitely need to be baled separately because they are considered “mixed paper”.

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You currently purchase three new HT pallets for production. They are as follows:

35 x 43

48 x 45

48 x 40

We took measurements of all pallets and have attached the PDS report for each pallet. I can tell from first blush that I am concerned about you stacking your 35 x 43 three high and also happy to report that your current design on your 48 x 45 appears to be over spec'd. We will begin the process of working up quotes from our strategic suppliers and put together pricing that we can review. The key component of this program is the supply of new pallets so that we have a back haul opportunity to remove all of the scrap items. There are many ways that we can drive costs out of your new pallet costs but the first step would be to provide a matching quote to your current specifications so that you have confidence that we are competitive. We believe that you are currently using 1000-1500 pallets per week but we would need to verify volumes prior to requesting quotes from our strategic partners.

We believe your current annual spend on pallets is between \$ 750,000 - \$ 1,000,000 and our target would be to take 10% of your annual spend out in costs savings.

Miscellaneous Packaging

Stretch film

You are currently using Amtopp EPB 2080 which is a low end, inexpensive cast machine grade film. For what you are doing it works, but I did notice that your current Lantech machine has only 60% prestretch gears on it which is not optimal and a simple gear change that would cost around \$ 250 would greatly reduce your film usage by 60-70%. It looked like you did not use much machine film but why use more than you need. I would then also recommend using a 20"51 gauge film to further reduce your costs. We have a high performance 51 gauge film that easily replaces EPB 80.

Colored flood coat Blank Labels

You are currently using several types of thermal transfer labels that we can supply that would ride along with the pallets and stored at our mill. These labels are very easy to quote, so I will get with Tim Andy to review volumes and specs for these items.

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Super Sacks

You are currently purchasing for internal usage a 35 x 35 x 40 (internal) on the Super Sack Silo project. This is a very labor intensive project driven by the lack of silos available for storage. These super sacks are one time use and then thrown away. A long term project could be to take the cost savings generated via CSS to purchase new Silos and offset the cost with a labor analysis, material analysis, depreciation and ongoing cost savings that are generated annually. Ideally, we would love to be able to create enough savings to purchase 5 new Silos so this process is completely eliminated. I do need volumes on this bag so that I can quote it and would probably use Berry Plastics as my supplier since they are already spec'd in and to return the favor because they are a large customer of both of our companies.

Plastic Strapping

You use a small amount of hand strapping. This is currently a Polychem HPC5815G which will be easy for us to quote because we are aligned with Polychem. Again, this is an item we could store at our pallet mill and ship in with truckloads of pallets to reduce freight costs and provide JIT inventory.

Used Gaylords

CSS can provide used gaylords to Xxxxxxxx which will greatly reduce your cost to replace new gaylords that are used for internal movement of product between plants. We generally have about 500 gaylords in stock at all times. Pricing on gaylords depends on the particular specs and whether or not they have tops, bottoms or are full overlap but a general range is between \$ 8.50 - \$ 12.50 (with lids or full flaps) each delivered.

Polybags

You currently use 4 different polybags ranging from a 1.25 mil bag to a 4 mil bag. I have taken samples of each and will have them analyzed in the lab but will be recommending that we reduce the mil thickness via an improved blend to a metallocene or super hexene blend which will greatly reduce your costs for each bag without sacrificing performance. It will take about 2 weeks to run these by the lab but I will need volumes for each bag prior to submitting them to the lab. I would project that you will see a 15-20% cost savings for these products when it is all transitioned.

77 x 44 x .004 (possibly change to hi-density which has a higher melt point and you can lower the gauge to reduce costs)

54 x 44 x 96 (believe it to be .002 mil) can easily be changed to .00125 mil metallocene

Will need to measure the other two bags from the samples

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Slip-sheets

You are currently using a c flute corrugate sheet for a slip-sheet on the bottom of every pallet and we have successfully transitioned several Berry locations over to chipboard slip-sheets and your costs savings is generally in the 20-30% range. This is a fairly simple transition with “fit & function” testing with .030, .035 and .040 thick chipboard. There are additional benefits as well as chipboard takes up 1/10 of the room that corrugate does so not only will your freight decrease but also your storage space. This is an excellent piece of low hanging fruit.

Glue

You are currently gluing each Gaylord to the pallet which is not only labor intensive but it can also cause quite a mess and is expensive. I have never seen a gaylord glued to a pallet and recommend reviewing the feasibility of stapling the corners of your gaylords to the pallet. That is why the flap is there and if done correctly you should not see a contamination issue from your customer when they unload it. CSS can sell you the glue, but we would rather you purchase a stapling gun and staples. Your process will be much quicker, less costly and will meet your 5S initiative of “shine”

Waste Removal costs

Since there is a good chance that we will be reducing the amount of waste going into the compactor, it would be helpful to know what the annual spend is on your waste removal and your “per pull cost” so that we can capture the potential savings

As you can see from the extensive items highlighted on this report, we have a lot of great projects that we have identified that could potentially add up to several thousand dollars in costs savings and we are very appreciative of the opportunity to come meet your team and present our value proposition to you. I look forward to speaking to you next week and reviewing our report.

Sincerely,

Daniel C. Withrow
President
CSS Distribution Group, Inc

Cc:
Walt Blecha, VP Sales and Marketing

Attachments: PDS reports for all three current pallets

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