

## LBWD (Rateliner) Internal Document

### ASSUMPTION OF FRAMEWORK FOR PRICING (Work in Progress Document as of 5/1/13)

FIRST ASSUMPTION: Determination of one stopper-single store deliveries/FTLs, a/k/a “*solids*.” confirmation of min. “TT” requirements

- I. The primary determinant to this delivery model is the separation of ST/tandem axle equipment from single consignee FTL deliveries (“*solids*”) traditionally following tractor-trailer delivery equipment. The RFP shipping information, while generally conclusive, does not identify exactly how many cases per volume store/single consignee are on board. This model effectively closes the gap on the speculation, and still forms around marginal utilization of equipment, specifically tandem-axle specialized equipment. That is, together with the applicant’s unique but tested equipment construct, this work-in-progress document does not harbor on speculation surrounding solids, but comes to be based on a number of other contributing variables which taken together identify the affirmed number of W&S cases to be delivered under contract. It is therefore the case count that drives the NHSLC delivery model and corresponding price points. Because the proposal centers around *tandems*, and because same equipment more often than not can effectuate the same, or nearly the same amount of average FTL cargo capacity (33K#) as the traditional TT equipment combination methodology - the proposal’s orchestrator has effectively divided the end delivery (purely “solids”) stores between its JV partner, WTG”, and Rateliner: 10% ( minimal) *solids* WTG; to 90% *solids* Rateliner; deferring to WTG whenever solids exceed 16 pallets or 33k# per single order. The equipment allocation plan therefore rests on the JV partner (WTG) performing the following minimum numbers of FTL *solid* (single store deliveries) via TT means and ways:

Store #	Location	# of dels per week via WTG	Annual number of dels via WTG
38	Portsmouth Circle	2 trip per day x 5 days per week = 10	312
38	Portsmouth Circle	1 Sat/week = 1	52
73	Hampton	2 trip per day x 5 days per week = 10	312
73	Hampton	1 Sat/wk = 1	52
76	Hampton	2 trip per day x 5 days per week = 10	312
76	Hampton	1 Sat /Week = 1	52
Lesser Volume Stores			
25	Stratham	1 trip per day x 3 days per week = 3	156
41	Seabrook/Rt 1	1 trip per day x 3 days per week = 3	156
68	No. Hampton Village	1 trip per day x 2 days per week = 2	104
		Weekly FTL total	41
		Minimum Annual FTL(single consignee) total via WTG	2,132

III. Importantly, it is WTG of Exeter, NH that not only performs the heavy lifting “TT” work, it does so with an equipment reserve over and above the current contract providers. In retrospect, it should be pointed out that in each store delivery sequence set forth above, applicant enjoys the strategic advantage of assigning WTG with as many day-to-day “TT” deliveries as the market demands. By way of illustration, if any given day’s delivery schedule falls on:

- a) “drop-trailer” deliveries, and/or

- b) a second delivery on same day,

WTG has the Exeter based equipment capacity in reserve to act on all of the aforementioned stores to essentially perform double the daily delivery schedule, including up to double the (5) store/day delivery schedule already stated for WTG; or a minimum of 1,352 FTLs x estimated 900 cases per load, or the bare bones minimum of 1,216,800 cs per year via WTG FTL delivery, leaving 1818 stop off (multiple stop dels) and combined lesser numbers of FTL loads (limited to 16 pallet or 34K# and under one stopper FTL's) via Rateliner - a not greater delivery than 2,386,800 cs per annum via the tandem axle ST or other Rateliner means and ways.

IV. The proposed fee to the JV partner falls on \$0.50/case *all in*, subject to an 900 cs minimum per load: 2,132 FTLs @ \$450/lid *all in* = \$959,400 in FTL delivery revenue before other fee services as recited below. **NOTE:** The \$450 *all in*/FTL minimum charge is also predicated on "2" FTL turns per day per singular power unit/driver.

#### V. Other WTG fees

a.) Management incl. power unit software fee	\$ 250,000
b.) Bow to Concord shuttles 6/day @ \$150/shuttle	\$ 234,000
c.) 450 FTLs Nashua to Bow/\$350/FTL	\$ 157,500
Minimum annual WTG fees	\$1,600,900

SECOND ASSUMPTION: Tandem axle ST "stop off" equipment model via the lower volume del partner; Rateliner:

- a) At issue, if the assumption is made, again, that each WTG FTL delivered 900 cases and the remaining total "stop off" loads via Rateliner of 800 cs vehicle delivery equals 2,386,800 cs; 17,684 orders less 1,352 FTL orders via WTG realizes Rateliner orders of 16,332 - translating to an initial avg cs delivery "a high" of 146 cs per store.
- b) Assuming that Rateliner will be charged with performing an equal number of FTL ("solids") deliveries not to exceed 800 cs per load (16 pallets x 50 cs 1 plt), after a minimum of 1,352 solids per annum via WTG, vis: 1,081M cs by way of "one stoppers", the balance of purely stop off deliveries are now placed at 1.305M cs ÷ a remainder of 14,980 orders, to wit, the ST model is left with delivering as little as 88 cs per stop-off store/del order (8 STR dels of 2 pallets each); assuming one order per store del:
  - 1. One order per store del, or
  - 2. Up to 176 cs/ per store delivery.
- c) If each tandem axle truck holds capacity to perform eight (8) State store "stop offs" (88 cs per store) or 800 cs,50 cs per pallet (800 cs x 32.55# = minimum cargo placed at just 26K#).

#### II. NHSLC Store delivery revenue comingled with licensee delivery model:

- 1. While Rateliner will hold a limited amount of reserve tandem-axle equipment capacity in support and backup to the JV partner's charge to perform not less than 1,352 FTL and not greater than 2,132 deliveries, the primary charge for Rateliner centers around performing daily aggregate total delivery service equal to A.) an estimated delivery capacity for 5 "solids" per day, and b.) as many as 58 stop offs (between 29 and 58 stop off store dels) of 88 cases per store per day, vis: Rateliner must deliver 4000 cases/day of single store solid loads and up to 58 stores per day via stop-offs equal to 5104 cs/day for a total delivery schedule of 9104 cs per day.

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- 2. On the affirmed schedule of performing the afore mentioned five (5) solid State store deliveries/day plus the proprietary "stop off" delivery model, 9104 cs dels per day could be performed by way of eight (8) *tandems*/day acting on 1.5 truck/turns per day: each of 8 trucks can deliver a minimum of 1200 cs/day, or daily delivery

capability of 9600 cs; plus two (2) tandems in reserve for “on call” volume runs and Bow warehousing direct loading and such.

3. The practical effect of the afore described *tandem “stop off”* delivery model is that the further out the state “zone” delivery – the corresponding runs/trips generally form less around an otherwise established five (5) truck delivery system (5 trucks x 1200 cs/1.5 trips per trk/day = a 6600 cs/day *stop-off* delivery system). **Note:** a “5” truck day equipment allocation applies only to longer runs (Keene, Upper Valley, Coos County, Belknap County, and the Seacoast) an average of 7 trucks per day (5 x 1.5 = a 7.5 truck delivery capacity of up to 6600 cs/day. Alternatively, the maximum revenue per tandem truck frames around a State store daily delivery per vehicle equal to 528 cs (88 cs x 6 stores) comingled with as many as another 425 cs of licensee deliveries, or 953 cs per truck x 32.5#/cs = 30,972#. That is, Rateliner holds the ability to perform all “longer run” zone dels on 8 co-mingled vehicles/day x 1.5 truck turns, that is, together with licensee dels. Therefore leaving licensee cargo capacity of greater than the otherwise state store delivery criteria of 50 cs/per 16sf floor plan criteria otherwise required for pure State store del truck runs.
4. 6 State store deliveries (528 cs) via “8” trucks allows for the greater reserve revenue floor plan: bolstered in the form of an expanded number of licensee deliveries onboard. That is, the tandem-axle model has the cargo capacity to deliver 400 licensee cs more than the pure 8 State store delivery model by way of the 6 State store model plus the corresponding licensee floor plan. While bottom line revenue under the latter comingled operating model does not allow for 1.5 turns per truck/day, it does otherwise generate \$658 delivery (1-way) revenue per truck per day in terms of the shorter mileage factor: emphasis on lower volume del stores (lower mileage) nearer delivery zone store destinations such as I-93 and Rte 3/Everrett Tpke.
5. To be clear, the above described tandem-axle delivery model does not operate on the NHSLC recommendations framed around double the amount of store delivery equipment because 75% of all *pre-loading* will be performed by WTG conventional TT means and wisdom, via 53’ trailers.

4/30/2013

**TANDEM – AXLE MODEL: CPM**

Based on Laconia and/or Concord cross dock, (transloading) axle model facilities/terminals): mileage estimate is for 260 days @ 375 miles per day per *tandem axle* truck.

PROJECTED WEEKLY FIXED COSTS: LEASED EQUIPMENT

Base truck lease(2172/mo avg)	\$	543	
Mileage charge (.775/mile)	\$	145	
Insurance	\$	18	
PeopleSmart, or equivalent	\$	20	
Tolls	\$	<u>42</u>	
	\$	768 /week	\$ <u>0.409</u> cpm

Variable costs based on mileage fuel

Cost based on 5.75 mpg @ \$3.90/gal diesel fuel	\$	0.678	cpm
Truck maintenance/Full maintenance lease	\$	<u>0.065</u>	cpm
	\$	0.743	cpm
Administrative cost	\$	<u>0.150</u>	cpm
Total	\$	0.893	cpm

Labor

Avg hourly cost for driver/avg straight time/OT incl @ \$24.50/hr	\$	<u>0.551</u>	cpm	See note 1 & 2
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Total cpm based on 1875 miles per week/truck	\$	<u>1.853</u>	cpm
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Note 1. Plus \$55/wk per driver for payroll processing and record keeping, costs of annual DOT physical, drug testing, driving record check, etc.

Note 2.. Includes FICA, SUTA, FUTA and worker's comp.

EXHIBIT WTG I  
Potential Volume Store Dels.

Store #	Location	Total del frequency	Min. annual dels
1	Concord	5 days/2 whse as 1	260
15	Keene	4 days/2 whse as 1	208
34	Salem	6 days/2 whse as 1	312
*38	Portsmouth	6 days/2 whse as 1	312
*66	Hooksett	6 days/2 whse as 1	312
*67	Hooksett	6 days/2 whse as 1	312
69	Nashua	4 days/2 whse as 1	208
*73	Hampton	6 days/2 whse as 1	312
*76	Hampton	6 days/2 whse as 1	312
		Subtotal	2,548

Lesser Volume Stores

Store #	Location	Total del frequency	Min. annual dels
25	Stratham	3 days/2 whse as 1	156
41	Seabrook Rt 1	3 days/2 whse as 1	156
74	Londonderry	2.5 days/2 whse as 1	130
78	Hampstead	2.5 days/2 whse as 1	130
12	Center Harbor	2.5 days/2 whse as 1	130
32	Nashua – W	2.5 days/2 whse as 1	130
33	Manchester – N	2.5 days/2 whse as 1	130
68	No Hampton Village	2.5 days/2 whse as 1	130
		Subtotal	1,092

Total	3,640
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Note: There are only 3,170 total, including “stop-off” loads, shipped per year, giving rise to speculation as to the case count per FTL/single STR consignee delivery order.

- **LBWD/RATELINER:** Operating Proforma (as of 4/30/13)

Income:

1. NHSLC/Ratelineer – State store income (3.673M [incl. str returns] cs x \$0.75)	2,754,750
2. Yr1: Licensee del. Revenue (800k cs @ \$0.75/cs)	600,000
3. Optimal (additional) licensee rev (50% of remaining 702K cs licensee market)	263,250
4. Minimum call in 5 out 2 one sectors NH LTL (return trip p/u's only) @ 1750/day	455,000
5. Minimal EFI contract revenue: via return trip and/or idle RSD trucks	150,000
6. 450 Nashua to Bow whse transfer FTLs @ \$0.55/cs (1,000 cs min chge)	<u>247,500</u>
	<u>4,470,500</u>

Expenses:

1a.) Operating expenses – 8 RSD tandem-axle trucks/375 mi/truck/day (@ \$1.853 cpm: 780,000mi)	1,445,340
b.) 2 RSD tandems – axle trucks/275 mi/trk/day @ 2.002 cpm : 143,000mi)	286,286
2.) 8 non CDL Dually-gooseneck units (14K gvw) – licensee dels: 416,000 mi per annum @ \$1.00 cpm	416,000
3.) 3PL JV Partner Management fee, including requisite del unit hardware Technology	300,000
4.) Rent/Utilities	100,000
5.) Ratelineer Management/Supervision	<u>300,000</u>
	2,847,626
6.) FTL – Subcontractor fees (Bow-Concord shuttles 6000 cs per day (1000 cs per FTL shuttle) equals 6 FTL shuttles/day (6x150/lld/day x 260 days) 1352 FTLs (volume str dels.) via JV partner (\$450 all in per FTL; subject to 2 loads/ (\$450 all in per FTL; subject to 2 loads/day per power unit)	234,000 608,400
7.) Dock labor, including sub-contractor – transloaders (lumpers) \$3000/wk	156,000
8.) Shuttle drivers (\$1,500/wk)	78,000
9.) Contingency expenses	100,000
10.) 450 Nashua to Bow whse transfer FTLs by JV subcontractor (\$350 per FTL)	<u>157,500</u>
	4,181,528

Net operating yield - projected 288,974

## Rateliner

Specific Zone “Stop-Off” Delivery Plan-Worksheet Only  
Longer Zone Runs (# of trucks per day)

	Monday	Tuesday	Wednesday	Thursday	Friday
Keene	1	2- Tues(7)		2- Thurs(8)	2- Fri(8)
Coos/Carroll County		1- Tues(4)		1- Thurs(3)	2- Fri(8)
Seacoast/Strafford	2- Mon(8)	2- Tues(9)			2 - Fri(8)
Upper Valley/VT Border	2- Mon(5)	1- Tues(9)	2- Weds(8)	1- Thurs(2)	1- Fri(4)
Grafton County				1- Thurs(2)	1- Fri(2)
Belknap/Lakes Region		2- Tues(9)	1- Weds(3)	2- Thurs(8)	2- Fri(6)

Monday - 4 Total Trucks  
Tuesday - 8 Total Trucks  
Wednesday - 5 Total Trucks  
Thursday - 10 Total Trucks  
Friday - 9 Total Trucks  
36 Total/wk “Long Run” Trucks  
7 Truck trips (“Long Runs)/avg/day

- Where the numbers in parenthesis appear next to the day of the week, this number is intended to decrease the number of area (10 call) stores for delivery as of equal



Date of this notice: 05-21-2012

Employer Identification Number:  
45-5315684

Form: SS-4

Number of this notice: CP 575 A

LACONIA BEST WAREHOUSING AND  
DISTRIBUTION CORP  
% NANCY LAMARCHE  
6 PONDS VIEW LN  
LACONIA, NH 03246

For assistance you may call us at:  
1-800-829-4933

IF YOU WRITE, ATTACH THE  
STUB AT THE END OF THIS NOTICE.

**WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER**

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 45-5315684. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear off stub and return it to us.

Based on the information received from you or your representative, you must file the following form(s) by the date(s) shown.

Form 941	10/31/2012
Form 940	01/31/2013
Form 1120	03/15/2013

If you have questions about the form(s) or the due date(s) shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2004-1, 2004-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

**IMPORTANT INFORMATION FOR S CORPORATION ELECTION:**

If you intend to elect to file your return as a small business corporation, an election to file a Form 1120-S must be made within certain timeframes and the corporation must meet certain tests. All of this information is included in the instructions for Form 2553, *Election by a Small Business Corporation*.

# PLAN FOR DISASTER CONTROL AND BUSINESS CONTINUITY

Rateliner Disaster Control and Business Continuity Plan.

**PREAMBLE:** The purpose of this plan is to define the recovery process developed to restore Rateliner's critical equipment resources and perform transportation deliveries to state stores in the event of disaster or interruption. The plan is supported in the form of the vast WTG subcontractor "TT" fleet in responding to an emergency situation, which affects Rateliner's ability to restore core services to the NHSLC stores and consumers with minimal service interruption.

## Objectives of the Plan:

- Facilitate timely recovery of core business (store delivery) functions
- Protect the well-being of state and vendor employees, their families and NHSLC customers
- Minimize loss of revenue/customers
- Maintain public image and reputation
- Minimize loss of data

Vendor applicant understands its obligations and commitments to the NHSLC as well as the complete supply chain model, including licensees and suppliers that fall under Rateliner/WTG service. The company will make every attempt to minimize any down time in its operations that may adversely affect the loading deliveries and transmitting of data as required.

## BUSINESS CONTINUITY PLANNING TEAM: RATELINER

The following individuals are designated plan coordinators for their respective departments and are responsible for the execution of this plan in response to a disaster or other business interruption.

Pete Amarosa

Tom Calise

Jonathan Shaulis

Amie Fournier

## PLAN FOR AUTOMATION PROCESSES

All Rateliner and subcontractor delivery equipment (power units) will operate on WMS driver software which will provide the NHSLC with the required data and POD/"Pallet Seal" Integrity files on a store-to-store daily delivery basis. The following software and services will be used to optimize delivery POD/Pallet Seal Integrity schedules:

### Routing Services Program

- **Software**
  - Access to Web-based version of Roadnet
  - Ongoing Software Upgrades and Annual Map Updates
  - 24/7/365 Roadnet Support
  - Access to Roadnet Web Site
  
- **Start Up Services**
  - Initial data setup via ISV Interface
  - Software setup and testing; setup and testing of ISV Interfaces
  - Fully trained router and backup on software via customized one-on-one (remote) training per routing requirements
  - Zone Route Delivery Unit Planner: Baseline routing model of truck-trip/store delivery routes (zone deliveries) including:
    - Zone and Call Store del Assignments/day
    - Stop Sequencing
    - Process Times and Time Windows
    - Store-to-store "Pallet Seal" reporting
  
- **Roadnet: Daily Flex routing**
  - Create standard routes to be used for Flex routing
  - Create Routing Passes for development of pre-loading
  - Routing simulations to be run in parallel with current system
  - Customized documentation of pre-loading zone-routing process

○ *Fleet Loader: Truck Loading Assistance*

- Set up trucks, bays and “Pallet-Seal” Integrity data
- Establish system “rules” – Truck loading delivery preferences for Terminal and store
- Driver-friendly loading and use
- Basic Fleet loader “Pallet-Seal” Integrity Reports

WMS reporting by code date or receipt date to ensure/verify correct POD reporting procedures to alert warehouse vendor and/or NHSLC of possible product movement issues and/or case shortages/overages.

WMS reporting by code date or receipt date to ensure/verify complete route POD’s.

WMS reporting procedures to alert warehouse vendor of possible product movement issues.

**Meeting zone/route delivery schedule(s):** VIP truck loading software will enable the transportation vendor’s terminal to achieve the “Pallet-Seal” Integrity Program and properly load all outbound vehicles on schedule. The terminal hours will be sufficient to handle the high demands of the retail store deliveries and driver staffing will be sufficient to avoid delays and meet the ever changing demands placed on the store delivery schedule. Weekend and holiday hours will be available if necessary to accommodate any and all tech support needs.