

09-10-8
Richard Melto

Introducing

NORTHERN
Refrigerated
TRANSPORTATION, INC.



"Service is the Difference"

AND



POPPY STATE
EXPRESS
Inc.

"The West's Premier Carrier"

1 -- FOUNDATIONAL INFORMATION

OUR BACKGROUND

- *Northern Refrigerated Transportation, Inc. (NRT) and Poppy State Express, Inc. (PSE)* are privately held corporations established in 1947 and 1980 respectively. Together, our companies constitute one of the largest refrigerated truckload (TL) and less-than-truckload (LTL) carriers in California. We provide intrastate and interstate service within the five Western states of California, Arizona, Nevada, Oregon and Washington. Our commitment remains to supply high-quality, personalized, and flexible service specifically designed to supply the exact transportation needs of each customer.

OUR EXPERIENCE AND EXPERTISE

- We are recognized and respected for our expertise in transporting a wide variety of freight—frozen, chilled, and dry—*with a specialty in LTL quantities*. Our experience and knowledge of how to commingle and transport refrigerated *less than truckloads* (LTL) is what makes NRT & PSE a premiere niche carrier. Last year's figures indicate that NRT & PSE combined transported in excess of one billion pounds of freight throughout the areas we serve. Of this freight 95% was transported from, to or within the state of California.
- We continue to maintain a customer base of shippers both large and small providing valuable and dependable service to all of our customers.
- The major products we handle are foodstuffs for human consumption and other goods relating to the foodservice industry. We DO NOT transport any hazardous or toxic materials.

OUR SERVICE CAPABILITIES

- Our size and experience has enabled us to expand our service potential along the entire West Coast from Spokane and Seattle to San Diego; in Nevada to the areas from Reno to Las Vegas, and to the major metropolitan areas of Phoenix and Tucson in Arizona.
- We are the only major California-based refrigerated LTL and TL carrier with three terminals in California and one in Oregon, thereby enabling us to conveniently and efficiently serve customers throughout our entire service area. A benefit of our dock is our ability to consolidate freight which reduces the number of trucks required for deliveries thereby reducing truck traffic in the areas we serve.

2 -- PERSONNEL INFORMATION

OUR COMPANY PERSONALIZED

NRT & PSE have a team of over 270 active, dedicated employees many of which have worked for the companies in excess of ten years.

- **Skilled, Professional Drivers**

In the trucking industry, driver turnover is common and creates a great deal of concern for management. According to the Economics and Statistics Office of the American Trucking Association, the national average turnover rate is 92% for carriers of our size. However, *our* driver turnover rate is less than 50%. Our driver applicant rejection rate is approximately 85%-90%.

- **Driver Training and Safety**

Drivers for NRT & PSE are highly qualified, well-trained, and closely supervised. New drivers spend from 1 to 3 weeks training with an experienced company Driver-Trainer for hands-on training and evaluation. In addition to stringent hiring requirements and continual substance abuse monitoring, NRT & PSE requires drivers to attend quarterly safety meetings.

- **Fleet & Maintenance**

Our fleet consists of 230 power units; average age 4.5 years and 285 refrigerated 50' and 53' trailers. We have a team of 11 experienced mechanics who keep our equipment well maintained. Current cost per mile for maintenance is \$0.12 for trucks and trailers and \$0.04 for tires. (*See Pages 6-7 for more information*)

OUR EMPLOYEES' BENEFITS

We provide a generous and complete benefit package for all our employees, including health insurance, paid holidays, vacation days, pension, profit sharing and 401(k) plans. As a result, we hire employees with a high degree of skill and enthusiasm that take pride in their work.

Additionally, drivers participate in a monthly payroll "bonus" plan that rewards them for no on-duty citations and a safety incentive program. The safety incentive program rewards drivers who maintain 12 out of 15 quarters without citations, reportable accidents or on-the-job injury, paperwork errors, customer complaints, etc. The reward is a company-paid 5-day vacation for two in Hawaii. Our accident ratio is 0.57 per one million miles.

The annualized employee wage and benefit package consists of the following:

Paid Vacation Days/Holidays	\$565,195
Wages Paid	\$12,287,044
Health Insurance	\$1,982,442
Pension	\$673,070

3 -- TERMINAL INFORMATION

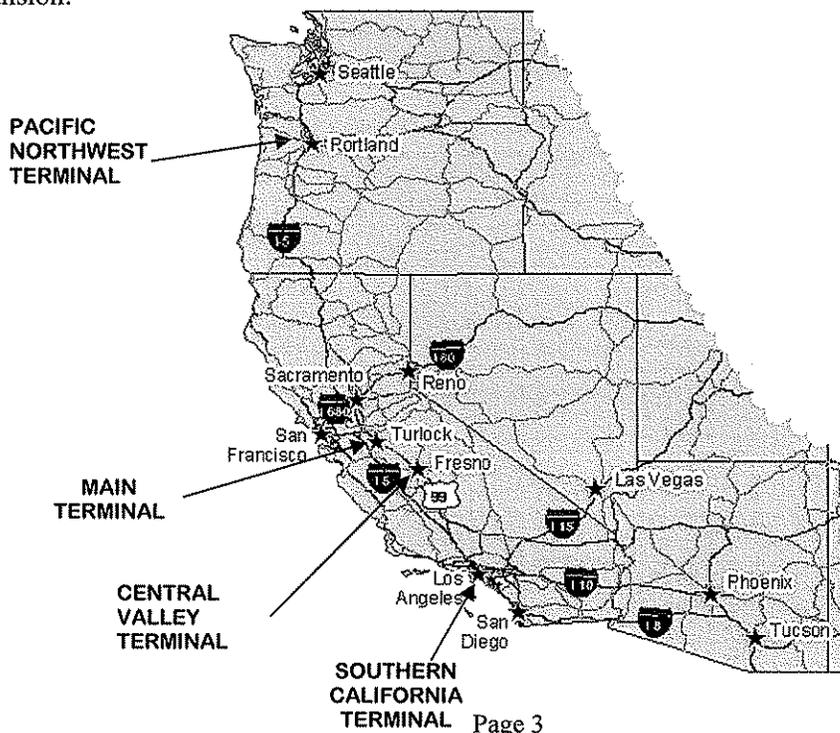
Northern Refrigerated Transportation, Inc. and *Poppy State Express, Inc.*, operate from four terminals based in California and Oregon:

- *Northern California - Main Terminal and Corporate Headquarters – Turlock, CA*

Located in the city of Turlock, this terminal is conveniently situated less than 100 miles from either Sacramento or the San Francisco Bay Area, thus providing fast and easy access to both major north-south corridors. The 18½-acre facility was completed in April, 1999; it houses our Corporate offices,



Central Dispatch, Customer Service, Sales and Billing Departments, plus a 20,000 sq. ft. refrigerated dock with 36 doors with 2 freezers, each encompassing 3,500 sq. ft. This facility also includes a fueling island and a garage/shop where company-employed mechanics perform all required equip-ment maintenance. Additionally, we own 22 acres of adjoining property for future expansion.



- **Central California – Terminal and Warehouse – Fresno, CA**

In 1998, through a company acquisition, we obtained an existing terminal and warehouse facility in the heart of the agricultural area in Fresno, CA. This smaller-scaled facility is less than ½ mile east of California State Highway 99 and is used on a limited basis for cross-docking and warehousing (chilled & dry only) and to assist the local dairy industry. It is also a convenient transfer point for deliveries to other areas.

- **Southern California – Terminal and Dock – Los Angeles Area**

Our Southern California terminal, located in Commerce, CA, houses the portion of our fleet that services the areas between Los Angeles and San Diego including coastal and inland counties. This equipment also services the Las Vegas/Henderson area of southern Nevada and the metropolitan areas of Tucson and Phoenix in Arizona. This facility has 22 doors and a freezer/cooler dock of 26,000 sq. ft.

- **Pacific Northwest – Terminal and Dock – Portland, OR**

Our northernmost terminal is located in Clackamas, OR, just outside Portland. We have local and regional drivers to service Washington & Oregon as well as other interstate destinations. This facility has 9 doors, 20,000 sq. ft. and is able provide cross-docking and warehousing capabilities.

OUR SECURITY MEASURES

- NRT & PSE understands the concern for safety and security of the food supply chain. We maintain important security measures to ensure the integrity of our facilities, our fleet, and the goods we transport.

Trucks: Drivers and other employees are instructed to be alert and aware of their surroundings on the road or during pick-ups and deliveries for any potential breach of security. Trailer doors are locked and sealed during transport.

Premises: Each terminal has appropriate perimeter fencing and gates to protect the premises from illegal entry. Company-employed Security Guards provide protection when there are no personnel on duty, and regularly inspect vehicles, equipment, and buildings on the premises. At our Main Terminal and Southern California Terminal Security Guards are on duty 24/7 and surveillance cameras scan the entire yard plus the interior of our dock.

OUR ENVIRONMENTAL "GREEN-NESS"

NRT & PSE were established upon very forward-thinking ideals. Through the years many steps have been taken to be aware of and act upon environmental and energy-saving suggestions, laws and ideas. These are delineated below.

Office:

- All lights in our facilities are energy efficient.
- Climate control system upgraded periodically to be energy efficient.
- Old computers, monitors, cartridges, and printers are recycled.
- All office windows are coated with a sunshade film to prevent heating of the office interior.
- Carpooling is encouraged for business trips.
- An imaging program is used which allows the storage and distribution of documents in electronic format rather than generating them on paper. The documents that are scanned and are no longer needed are recycled rather than simply thrown away.

Equipment Maintenance:

Fueling –

- Wet hose system in LA Terminal removes need to drive for fueling trucks and trailers.

Trucks and Related Equipment –

- The no-idle policy for NRT & PSE trucks is strictly enforced in the terminals and on the road.
- Governors are set to 58-60 MPH on all trucks for maximum fuel efficiency and this policy has been in place since 1991.
- Preventive maintenance is regularly performed on all equipment every 60 days to ensure the equipment is well tuned and running properly.
- Oil changes on trucks are performed each 25,000 miles. As a direct result of oil analysis and the use of higher quality oil, we have been able to extend regular oil changes from 10,000 miles to 25,000 miles.
- Use of the Michelin X One on the single-tire fleet has improved fuel efficiency. It also requires less material to produce this tire than those used on the traditional dual tire systems.
- All tires are re-capped which adds to the life of each tire.
- A monitor on each tractor indicates when tires are in need of additional pressure which assists the truck to run more fuel efficiently.
- New trailers have additional insulation which maintains product at the correct temperature. This decreases the amount of fuel used by the refrigeration units.

- Use of totally electric air conditioning units (APU) instead of diesel run results in zero emissions.

All Electric Forklifts –

- *Fast Charge* eliminates the need for extra batteries on a lift. The *Fast Charge* system is mainly utilized for charging during off-peak usage hours.

Facilities:

Dock Cooling –

- Variable Compressors prevent power use surges by monitoring the amount of electricity used through controlled compressor speeds to avoid sudden surges and electrical draws when powering up. No sudden spikes in use when compressors turn on.
- By refrigerating the docks there is no longer the need to run trailers at the dock while being used as storage units.

Maintenance –

- Utilization of concrete parking has allowed the reduction of dust and dirt pollution.

Personnel:

- Drivers review includes: driving practices of braking and sudden stops, idle time, etc. If company policies are not complied with, disciplinary actions are taken which may be either suspension or termination.

4 - CARB RULING – IMPACT AND EFFECT TO NRT/PSE

- See Information Sheet attached regarding Loss of Revenue, Loss of Freight, Employees Laid Off, Trucks Parked, Reduction of Fuel Purchase, etc.

	2007	2008	2009	Percent Decrease
Revenue 2009 Estimated to 12/31	41,596,606	44,380,505	34,352,075	-22.60%
Adjustment for Fuel Surcharges Loading Unloading	(5,929,406)	(10,758,639) A	(4,709,613)	
Adjusted Revenue	<u>35,667,200</u> =====	<u>33,621,866</u> =====	<u>29,642,462</u> =====	-11.84%
Tons	430,810	477,119	432,511	-9.35%
Miles	9,400,506	9,820,379	7,421,092	-24.43%
Gallons of Fuel	1,880,318	2,044,758	1,716,278	-16.06%
Total Employees	276	289	231	-20.07%
Average Trucks	157	170	135	-20.59%
Average Owner Operators	18	16	24	50.00%
Trucks Idled			51	
Payroll	11,967,006	12,380,762	10,893,640	-12.01%
Employees laid off	1	4	9	
Employees whose positions have not been replaced			49	Percent Workforce decreased -17.65%

A = Fuel Surcharges were a high percent of revenue due to market price of Diesel.