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The Honorable J. H. Graham, III
Mayor of Crossville
99 Municipal Ave.
Crossville, TN 38555

January 14, 2013

Dear Mayor Graham,

Our company provides global ecommerce services and North American logistics services from seven locations in the US and Canada. Our Owners are large multinational manufacturers who view controlling costs and seeking low cost service providers as central to their business. Relocation and consolidation of warehouses into more cost-effective locations closer to ports, plants, and customers created the CoLinX warehouse network. CoLinX has moved and consolidated over 30 warehouses with much of that consolidation benefitting Crossville through increased activity and employment. Manufacturers who use warehouse service providers are quick to change when they perceive cost disadvantage or receive unacceptable service.

Lease termination dates are what typically trigger a decision on whether to move. The lease termination date in Crossville is December 31, 2017. On that date, CoLinX will have no further lease obligations in Crossville on buildings, equipment or services. We are evaluating options now because the Crossville facility is not large enough to accommodate our Owner's needs. Options include expanding the Crossville facility, or establishing a new facility in an alternate location.

Our Crossville management team has been trying very hard to enlarge the Genesis Road facility, and extend the lease there through 2027 to add and protect jobs. We created a budget using facts to expand the Genesis Road building. We paid for drawings and engineering work. We learned that the cost of building in Crossville would cost \$1M more than building anywhere else due to water management issues.

Since that budget was created, unforeseen requirements for fire roads, piping, road improvements, fencing, and fees (fines) for ditch infringement have added another \$1M to the cost on a project that already had a \$1M premium cost. These added costs make the project unacceptable and will cause us, and our Owners, to re-evaluate our position.

Based on experience, our cost to move a warehouse is \$5 per square foot. We occupy 800,000 square feet in Crossville. We estimate the cost of moving the Crossville facility to be \$4 million plus hiring and training costs estimated at \$1.5M. We would also incur a cost of \$1M to disassemble and return the high bay system to the lessor. The total estimated one time cost of moving would be \$6.5M.

We employ 745 people in Crossville. We paid over 1.6 million hours of labor in Crossville in 2012. Based on facts, we could save between \$3 and \$5 per hour



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by moving to a new location outside of Tennessee. When we move a facility, we traditionally offer transfer opportunities to key managers, and we would expect up to 25% of our key managers to move if the facility were relocated. Our training ramp-up time for new hires is less than two weeks for most jobs because of our voice technology and easy-to-use systems.

Our facility and workforce in Crossville is aging. Medical costs and wages in Crossville exceed the costs for most companies who provide warehousing services. This has been compounded by the fact we have provided wage increases in Crossville each year since the company was formed in 2001. Most companies did not raise wages during the recession, and many lowered wages. We have retained all benefits as well, though the costs for these programs have risen higher than wages.

Adding to the cost penalty of remaining in Crossville, the existing facility on Genesis Road requires frequent repairs on HVAC, roofing, and concrete. The roof on the original building is nearing end of life, and we hope it will hold up for another four years. The cost of replacing the roof adds another \$1.2M to our cost disadvantage in Crossville.

CoLinX is headquartered in Greenville, South Carolina. The Crossville facility inbound inventory comes primarily from the Carolinas. Greenville is located within a two-day truck trip from 70% of the ship to locations served by CoLinX. One of our company's Owners expanded a non-CoLinX warehouse in the Upstate of SC in 2009. They invested \$3M, retained 50 existing jobs, added 100 jobs, and received significant incentives from SC. The value of the incentives they received are much more than what we are asking for in Tennessee. Their fully burdened labor cost is significantly below what we pay in Crossville. Our understanding of their costs and incentives available in SC, combined with our experience in the cost of moving, tell us we could move the Crossville facility and get a payback of less than two years.

Our Crossville management is fighting hard to retain and expand the jobs in Tennessee. After trying to expand the facility since August 2012, we still do not have State or Federal permits, or commitments for any assistance from the State or local government. We have been asked to provide proof of financing. We cannot provide this without knowing if the State will pay for the additional \$1M in costs dictated by State and local regulations. If the \$1M in cost is added to the project, the financing will not justify given expected cash flows. We are currently paying \$4.20 per foot on Genesis Road. We recently renewed leases in two other cities outside of Tennessee, and the cost per foot averages were below \$3.50. A refinance associated with the expansion project would drop the Genesis Road facility lease cost to \$4.00 per square foot without the unexpected \$1M. Our Owners will not pay more than \$4.00 per foot, and will not bear the additional costs on the project demanded by various TN requirements. We have acted in good faith to offer to pay for the water management from our land, but we believe it is unfair that we must also pay for water management of others, ditch infringement, road additions and modifications, and fencing to meet

CoLinx

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regulators demands. The lack of State and local assistance with infrastructure and relief from fees for ditch modification, combined with inadequate current space and future growth space, the premium we pay for Crossville labor, and being too far removed from our inbound sources is hurting the Crossville management team's argument.

The Crossville management team is attempting to take actions to assure our presence in Crossville through 2027. The business case as it stands does not support their position. We have promised them time to tell the whole story, but we will not wait beyond February 22, 2013.

If the City, County and State want to retain the jobs in Crossville, and add 65 new full time jobs they will need to support the local CoLinx management quickly. Without resolution, as of February 23, 2013 we will reopen a previous study to determine the best choice for CoLinx to expand in 2013, and create options for beyond 2017. For the sake of the families whose livelihood is tied to Crossville, I hope State, City and County officials will take actions that will allow them to look back with no regret.

I personally know and love many people who work for us in Crossville. It would not be my personal preference to take actions that hurt them, but as CEO, I am obligated to make the best choice for our Board of Directors and our Owners.

The decisions made by government officials in the next 30 days will determine whether or not CoLinx will contribute another \$600 million to the economy of Tennessee between now and 2027. A firm commitment for an investment of \$1 million in exchange for \$600 million is what we are asking for. I hope you can help the people who work for CoLinx in Crossville by working with us to make this project viable.

Sincerely yours,

