

## MEMORANDUM

**To:** Chris Marmon  
**From:** Ernst-jan Heijnis  
**Date:** April 7, 2014  
**Subject:** Steel replacement progress

For the past two weeks, the Merchandising department has been working on identifying and replacing beams and uprights in our pallet racks. Damage to these components from minor forklift incidents accumulates over time, threatening the structural integrity of the racks. A failure of the pallet racks would be catastrophic, resulting in the loss of merchandise and possibly severe injury or death of employees or members.

### PROGRESS TO DATE

We thoroughly checked the racks in the Foods and Hardlines sections for any damage beyond the cosmetic level and created a list of steel locations where replacements are needed. Between the two sections, there are a total of 27 uprights and 66 beams that must be replaced.

We had 12 uprights and 31 beams stored in the pallet yard. As decided in our meeting on March 27, I ordered 20 uprights and 50 beams, which will allow us to complete the current project and still have extras for future replacements or pallet rack expansions. However, when work began we discovered that some of the beams are of an older variety that is slightly longer than the ones we now use. The difference makes the old variety too long to fit in the available space, even using sledgehammers. Of the 31 beams originally counted, 12 cannot be used. Since we ordered more beams than required for the current project, we will be able to complete the work by largely exhausting the planned beam overstock.

So far, we have replaced six uprights and 14 beams. Since they require much more work, we are concentrating on replacing uprights first, along with any damaged beams that happen to be connected to the uprights being replaced. The Night Merchandising department has been helping out by dropping the pallets around the steel that will be replaced the following morning, allowing us to start work immediately when we come in.

### UPCOMING WORK

We will continue with replacing uprights first until done, along with any damaged beams that happen to be connected to the uprights being replaced. When done, we will replace the remaining damaged beams. Due to merchandise moves for the continuing seasonal transition taking up much of our manpower, we are currently able to replace three uprights per week, reserving two weekdays for aisle adjustments and major resets.

As you know, we are short two employees: Eduardo Gonzales is on paternity leave until June 8 and Emilio Castro is on medical leave until at least April 21, after which he will most likely be on light duty for some time. The absence of these two employees is slowing our progress.

## **CONCLUSIONS**

We have been making steady progress and should be able to maintain our current pace of three uprights per week. For now, we will continue to replace only those beams connected to uprights being replaced, since replacing uprights already involves doing most of the work for replacing beams. Therefore, progress in replacing beams will fluctuate according to the frequency with which damaged beams and uprights are found together until all uprights have been replaced. Afterward, I expect to be able to replace up to five beams a day and make progress five days a week.

I estimate that the entire project will be complete in eight to nine weeks, by June 9 at the latest. If we replace the two missing employees, we will be able to start replacing the other beams before we finish replacing the uprights and we should complete the project in six to seven weeks, by May 26. For this reason I request that Israel Anaya and David Griffiths be temporarily moved from the Front End to Merchandising, since they have previously worked in Merchandising and are also forklift certified.

I will report on our progress again on April 21.