Exhibit 43

TO: Distribution Chain Management Team

RE: Corporate Renewal Metrics and Incentives

INTRODUCTORY THOUGHTS:

All companies want to do lots of things better, but along the road of good intentions managers tend to over-emphasize management by financial numbers and the incentives that are tied to them. They also are driving the road immediately in front of them, which is good, but they could also use more long-term thinking and activity bets. How do we become measurably more balanced, as well as bi-focal, in our management activities? If we change our metrics and incentives, then we can start to change how we manage.

The "balanced scorecard" is a management concept that has been evolving since the early '90s (learn more at www.bscol.com), but we have to adapt these ideas to our distribution service business. And, it would help to have an overall strategic theme that organizes the different types of metrics that we might measure.

When looking for long-term, sustainable growth, excellence, profitability and innovative adaptability a good role model is FedEx. Think for a minute what emailing documents has done to FedEx's original overnight letter business. But, today they "deliver the world on time". Underlying their success is a simple slogan that is timeless in its truth: "People, service, profits". What is the deeper meaning of this bumper sticker motto? How can we use its same wisdom to:

- Get continuously better in traditional ways,
- Open innovative new market spaces to dominate,
- Have a more balance scorecard way of measuring whether we are managing for: the short-term and the long-term; improving the past and innovating for the future; and doing it all by starting with attracting, keeping and motivating the right people?

THE SERVICE PROFIT CHAIN

There is a chain of assumptions behind the phrase "People, service, profit" which was well covered in a book entitled "The Service Profit Chain", but here's the short explanation:

1. If we get, keep and invest in employees with the right attitude and aptitude for their respective service provider position(s), then those employees can work together to measurably achieve the best, most consistent service value for a target group of customers.
2. As the customers learn through experience that our service value proposition is the best available, they will start to buy ever more from us, stay with us, and even tell their friends (the most powerful, free source of selling).
3. Then, the company will grow faster and more profitably than the industry which is populated substantially by competitors that aren't practicing these high performance service assumptions. As we grow faster, we will need to invest some of our outstanding profits to finance our growing capital needs. And, as we grow faster, we realize that we are offering all stakeholder groups – the employees, the customers, the suppliers and the stockholders – the best total present and future economic propositions.
4. At some point, we may be so successful that all of the best and brightest players from all stakeholder groups are constantly approaching us with win-win proposals, because we are the

fast, right train to be on in our industry and have can-do confidence and resources to invest to make new things happen.

HOW SHOULD WE MEASURE – 'PEOPLE, SERVICE, PROFIT?

Because "people" make service metrics/value improve, which then drives profitable growth, why not measure these **PEOPLE METRICS**:

1. How well is our payroll currently stocked with A, B and C players who are respectively: game breakers, reliable crank turners and productivity/morale problems? Can we initially and simply agree on where the boundaries are for the groups and what individuals are in each group? Once that is done, then, we can get more sophisticated and innovative about sub-issues like:
    a. How much should we weight experience and skills from formal cross-training? (the educational skill equity we have in our people)
    b. How balanced is our demographic pipeline? If we want to have sustainable success and enterprise value we don't want all of our stars to get old together and retire together. (Remember we have to hire people to not only fill a role in the short-term, but to be promoteable to support where and how we want to grow over the next 5 to 10 years. On every hire ask: What do I envision this person doing 10 years from now? They don't *all* have to be future CEO candidates, but some *do* if we want to promote winners from within.
    c. How do we meld the ranking lists from each profit center into one company-wide ranking report that top management can agree on?

2. How well are we retaining employees by job category as well as by performance group (A,B,C)? Shouldn't we be doing something special for the A's this next year? What? Shouldn't we be doing some shape-up or out process with the C's this next year? Who and how?

3. What are the motivational morale scores for all employees? This should be taken twice, or more, per year anonymously by perhaps an on-line survey service. My experience is that there is a perfect correlation with: average employee morale scores on a scale from 1 to 10; the overall effectiveness score that employees anonymously give their manager; and the performance momentum of the profit center or department. 8.0+ environments have the most can-do enthusiasm.

4. Have we done the bottom-up, how's it going, monthly, one-page, goal writing review drill with all employees in which we help them reach their personal growth goals? (See Module 3.13 in "High Performance Distribution Ideas for All" education kit along with article 5.7 at my web site for more on monthly goal writing statements. http://www.merrifield.com/articles/5_7.asp) This exercise replaces dysfunctional year end reviews and lets people segregate themselves into As, Bs and Cs in their own handwriting. This is especially useful for just terminations of Cs.

5. Ranking all employees by A,B,C and doing monthly goal planning with every employee for 5 to 10 minutes should serve as a catalyst for rethinking and continuously improving all of our personnel systems (article 5.7 see link above). How well do we measurably do these systems for every new hire and for all employees on an on-going basis?

6. How much of each manager's year end bonus will be tied into some summary score of how much they have improved our "people equity score"? How do we get to that final number?

Before we proceed to "service" metrics, I would like to insert something about **INNOVATIVE ACTIVITY METRICS.** If we have good people who have the skills and permission to be innovative

about how they do both old and new things, then we can have a stream of new value and/or cost advantages beyond just doing conventional industry practices better. We want both, but we will get neither unless everyone feels OK about "making good mistakes" to "fail forward faster" in a learning way. (See High Performance Distribution Ideas for All education kit modules 5.7 & 5.8; and exhibit 24 - http://www.merrifield.com/exhibits/Make_Lots_of_Good_Cheap_Mistakes.pdf)

Here are some starter ideas to discuss:

1. Each manager should make a log of all of the new things that they have tried in the past year and rate them on two dimensions: totally reactive necessity to totally self-selected proactive; and, very incremental change of minor significance to very large, disruptive change with high potential significance. Who has the best log and stories? Why?

2. Going forward into 2007, how many new "innovation forms" have been (will be) filled out describing each of the 4 main steps for "pushing the wheel of learning" and the 4 sub-steps for "making good mistakes"? (you can create a form from exhibit 24 above.)

3. Because one, well-implemented, great idea comes from starting with a lot of "good ideas" that are developed and winnowed down, what does each manager's "idea funnel" look like? Imagine a sheet of paper with 50 ideas in the left hand column; 10 modified, improved ones in the next column; 3 in the third column; to finally get down to one that is being rapidly prototyped and experimented with using some significant resources. Play with that idea. There is commercial software available for tracking ideas in this way, but let's first experiment with pencil and paper.

4. How many "praising statements" are published by each manager on a weekly and monthly basis? If people are trying new stuff beyond the normal call of duty, then that is one of the conditions that qualifies for an effective "praising statement" (see the education kit's module 5.2; and article 6.3 - http://www.merrifield.com/articles/6_3.asp). The assumptions for this point are that people need to be caught and congratulated on doing different steps for the wheel of learning, which are all new, extra efforts beyond maintenance work in order to:
   a. Encourage them to keep doing it.
   b. Prove that making good mistakes and failing forward faster, cheaper and in a more learning-rich way will be rewarded, not punished.
   c. Let others know that progress is being made and that it is OK and expected that they join in to the progressive activity.

5. How should we come up with a scorecard and weighting system for Innovation Metrics? How much weighting should they have for year-end bonuses? How much "strategic funds" should be available from a general pot that is not totally and directly allocated back to this year's budget for any given manager's area? How should we set up a competition among managers for strategic funding? They will all be allocated some of the total cost, but only a few will get all of the funds at the allocated expense of the others. Most of my questions touch on innovation possibilities for us to push the wheel of learning. *There is no textbook, balance scorecard recipe that will work for our business, we have to take the general idea and co-create/invent our own through rapid prototyping.*

As we work on improving our personnel equity score, we can also start measuring and posting SERVICE METRICS (the "big 8" of service excellence is a good start). (Education kit modules 4.1 & 4.2 and article 3.10 - http://www.merrifield.com/articles/3_10.asp). Once we can figure out how to measure these metrics, then we will have to rethink our service processes and cross-train our people skills to be able to improve the metrics to get real time returns on our invested time. The upfront investment in resources to start measuring and rearranging jobs and job skills is quickly paid back many fold by: reduction in error

cost waste; time management effectiveness from good warehouse housekeeping; and morale improvement because stuff works the first time and the ratio of happy customers to upset ones improves dramatically.

How much of a profit center managers bonus should be tied into hitting and maintaining basic service metrics?

REVISED PROFIT METRICS?

I happen to think that the best universal financial productivity measurement for comparing all types of businesses is some variation of operating income divided by net controllable assets. For a stockholder in any business, an ultimate measure is "return on investment" which is "profit after tax" (PAT) divided by "shareholder equity or investment in the business". This ROI will climb if the "profit before interest and tax" (PBIT) divided by "total assets in the business" – a more operational ratio – improves. In a distribution business, the majority of total assets are tied up into "controllable" assets of "average inventory investment" and "average receivable investment". *So, if we took a profit center's PBIT before corporate allocation and then divided it by controllable assets, we would have a good measure of financial productivity for the branch – call this "ROCA" or "return on controllable assets". How much of a manager's bonus should be tied into those three variables –PBIT, inventory and receivables?* For turn-around branches, a manager might have a fully allocated loss, but what if they reduced the year-over-year loss by some significant amounts? Should we consider paying a bonus for significantly reducing losses?

ROCA is, however, a by-product measurement. If we want to improve it, we have to work smarter on upstream, root cause metrics. One upstream metric/ratio, for example, that speaks to most employees is "gross margin generated per year per full time equivalent employee" or "dollars of value-added per employee". A high GP/employee ratio will support high compensation for each job niche AND high PBIT. But, this ratio, in turn, can't be high if we don't: 1) have great people well-retained and trained; who 2) work together to achieve best service metrics; that allow us to 3) sell and retain most inherently profitable customers in one target niche at a time while shaping up or out those customers that are big, chronic, unchanging losers.

Maybe we need to have a PBIT IMPROVEMENT CHAIN of metrics by which we can track how well we are doing on upstream metrics so that the ultimate numbers at the bottom – PBIT, INVENTORY AND RECEIVABLES – are all trending in the right direction. *What would that summary page of metrics look like?*

SUMMARY

This memo is meant to be a catalyst for conversations on a number of innovations that we need to undertake starting with our measurement and reward systems which will in turn spur us on towards a "high performance service/personnel management" environment. To get there all 7 steps of the kinetic chain for sustainable profit power (education kit module 5.10, and exhibit 16 http://www.merrifield.com/exhibits/Kinetic_Chain_Ex_16.pdf) will have to be unwoven and rewoven into a new alignment. Although it sounds like a tough and complicated journey, we can do it one step at a time. Start by making your list of A,B,C employees. Then, plot them on an age vs. years of experience in the job graph, and write down what you think they might grow into being/doing 5 to 10 years down the road. Finally, discuss your results with other top managers to find some agreement.