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NH State Liquor Commission

PO Box 503. 50 Storrs Street, Concord, NH, 03302-0503

Craig W. Bulkley Director, Division of Administration

June 7, 2012

Dear Mr Bulkley:

570 Polaris Parkway Westerville, OH 43082

Telephone 905 366-7691 Mobile: 416 417-2537 Facsimile 905 366-7701

www.Exel.com

Enclosed please find our submission to Request for Proposal 2012 - 14 Warehouse Services for Wine and Spirits and Related Products.

The New Hampshire State Liquor Commission (NHSLC) has an important responsibility. The disbursements you generate account for 23% of the total statewide revenues. Given the economic environment you are under increased pressure to improve your net income. This is against backdrop of ever increasing competition as 50% of your sales are purchased by out of state customers.

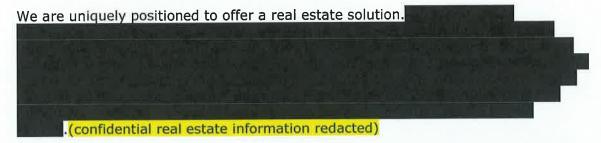
We believe our proposal provides unique value to the Commission. In particular, we are recommending an alternate proposal that goes beyond revenue sharing and provides the NHSLC an opportunity to generate profits from the operation of the private warehouse much as it does today with the state run facility.

Our main credential is our customers. Exel has extensive experience in the beverage alcohol industry. Some of our customers in this sector include the Diageo, 7-Eleven . It is important to note that the utilizes bailment inventory, and we are very familiar with how best to optimize this system. Outside of beverage alcohol industry, Exel provides innovative distribution services to market leaders like Proctor & Gamble, Ford, These customers stick with Exel because we deliver low cost operations and solid service. (certain customer names redacted)

We believe working with Exel will bring the NHSLC a number of key benefits. We explain our capabilities and how they will assist the Commission with achieving its goals in the proposal below.

Maximizing your net income Minimizing risk Providing flexibility Assisting the Commission with becoming a better retailer Transparent and open relationship

Exel is an Allied member of NABCA. We attended the last three Annual Conferences. On each occasion we purchased a booth, and at each conference we meet with various control states to discuss our Control 360 offering. Control 360 is a set of integrated services is designed to optimize the alcohol beverage supply chain for increased revenues and decreased costs. We outline Control 360 more completely in our Executive Summary below.



We are unable to comply with the requirement to submit a license or a license application. A license application requires either a deed or a lease agreement for the building. Only the incumbent provider would be able to satisfy this requirement as no prudent company would sign a lease for an operation of this size without having a contract in place for the space. We are very confident one of our two real estate options will work out. We believe that it is in the best interest of the NHSLC to waive this requirement and accept our proposal.

We are quite excited about the prospect of establishing a long-term strategic relationship with the NHSLC. One where we leverage the strong fit between our two organizations to assist the Commission with achieving greater success with its customers.

Sincerely,

Scott Lyons Senior Director, Business Development



Raising Expectations for

NHSLC

RFP Response | June 7, 2012



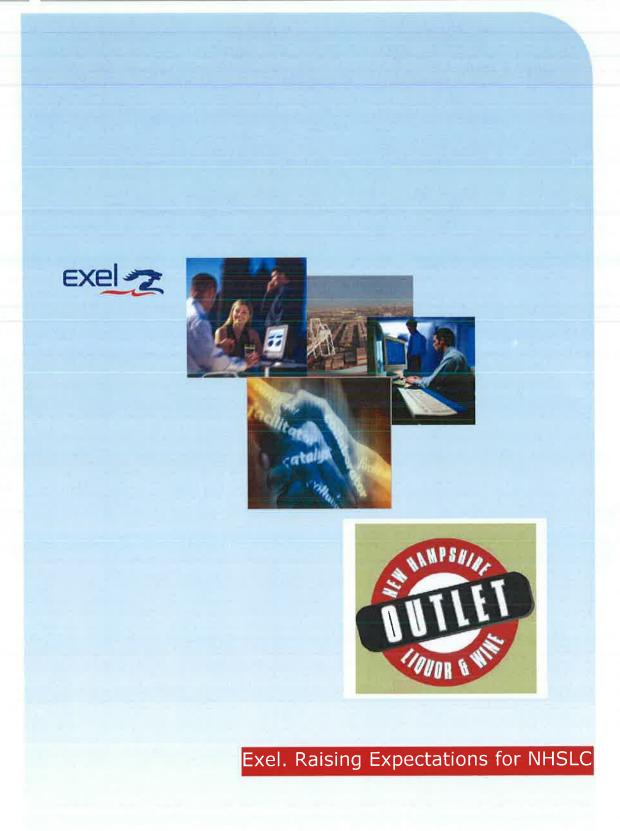
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EXECUTIVE SUMMARY

Having had the privilege to learn more about the beverage alcohol Liquor supply chain in New Hampshire, and having the opportunity to study the Warehouse Services for Wine and Spirits and Related Products Request for Proposal, we believe we have a good understanding of your business and supply chain needs. Our executive summary provides an opportunity for you to validate our understanding, and evaluate our response. It also discusses the strength of our solution and business fit. We are confident we can successfully deliver the transformational and incremental value the New Hampshire State Liquor Commission (NHSLC) seeks.

THE OPPORTUNITY FOR NEW HAMPSHIRE

We understand the desire for change is motivated by some of the following considerations:

→ Improving Net Income

The role of the NHSLC has in generating revenues for the state of New Hampshire is critical. Unlike many other states, New Hampshire does not have a sales tax. Accordingly, the disbursements from the NHSLC account for 23% of the total statewide revenues. This is an important responsibility. Many less fortunate citizens in New Hampshire depend on the state and consequently the NHSLC for support. The higher the net income the NHSLC generates the more New Hampshire can do for its citizens.

→ Minimizing Risk

The NHSLC recognizes that a disruption in the supply chain is unacceptable. Products not getting to the stores will have negative impact on sales and net income. It is not only the government that will be hurt. And, if it gets this far, it is also expensive and disruptive for the NHSLC to switch providers during the term of the contract. Thus, the NHSLC will carefully consider how to both minimize the risk of the transition, and how to minimize the risk of service issues across the term of the contract.

→ Renewal

The NHSLC is working to improve its profitability by offering customers a better shopping experience. The commission has been aggressively remodeling its stores and building new ones over the last several years. In 2011, the NHSLC opened three new stores, and in 2012, it plans to open eight. In addition, the new 20,000-square-foot Nashua store built in 2011 received LEED Gold certification. The HNSLC is looking to its partners to offer innovative ideas to improve the shoppers' experience.



→ Long-Term Contract

It is the NHSLC's wish to enter into a long-term contract with the successful proponent. Longer term deals enable the provider to make investments in buildings, mechanization, and IT systems that increase efficiency and lower costs. Thus, the NHSLC is looking for a provider that has the financial security and stability to fulfill a long-term deal.

--> Business Succession

The success of the operation will in many respects be a function of the people running the business. Over the time period of the contract there will naturally be turnover within the organization. There needs to be solid succession plans in place to handle the turnover of critical positions in a company otherwise they could negatively impact the business. Given the long-term nature of the contract the NHSLC will need to consider the stability of the provider's ownership structure, and how the supplier will be able to successfully manage the inevitable turnover in their senior leadership.

\rightarrow Control

Maintaining control has two aspects. First, beverage alcohol is a controlled substance. The provider must be able to satisfy the NHSLC through demonstrated practice that it is able to secure these products.

Second, the NHSLC will want to know that it can address changes that may occur over the twenty year contract term. The commercial structure must provide the flexibility necessary for the NHSLC to adapt to changing market conditions. The IT systems utilized should be developed by third parties. Thus, when the contract terminates the NHSLC is not restricted from changing suppliers because switching systems is prohibitively expensive. Similarly, the NHSLC should have the ability to carry on the operation with another provider in the same location when the contract terminates. Otherwise, being able to source or construct a building might restrict the NHSLC's options and lock them into higher costs.

→ Quality of Service

The quality of service provided by the NHSLC is pivotal to its success. A better shopping experience leads to higher profits. The New Hampshire State Liquor Commission is aggressively remodeling its stores and building new ones. In 2011, the commission opened three new stores, and in 2012, it plans to open eight. Additionally, in the last three years, the NHSLC remodeled 10 of its stores and plans to remodel another seven in 2012. In addition, 50 percent of NHSLC's business comes from cross-border - 30 to 40 percent of that business comes from Massachusetts, and the rest from Maine, New York, Connecticut, New Jersey and Vermont. The Commission is continually



looking for new and novel ways to entice out of state customers to shop in NHSLC stores. Thus, the Commission will be interested in how the providers' recommendations impact service quality.

THE STRONG FIT BETWEEN OUR ORGANIZATIONS

Our goal is to develop a long term strategic relationship with the NHSLC much like we enjoy with many of our current customers. In this type of relationship we become a trusted advisor to our clients. Often called upon to counsel them on how their supply chain or logistical operations can be utilized to generate a competitive advantage for them. We believe such a relationship is a function of our ability to assist our customer with achieving their objectives, and helping them overcome the pressing issues that they face. Based on our understanding of NHSLC, and knowing Exel's services and people, we believe there is an outstanding fit between our capabilities and your needs. We believe the strong fit between our organizations has the potential to develop into a long term strategic relationship much like we enjoy with many of our current customers.

→ Maximizing Net Income

It is our perspective that if the NHSLC entrusts us with operating its warehouse that one of our major roles will be to find ways to assist the Commission with maximizing its net income.

(certain customer logos redacted)

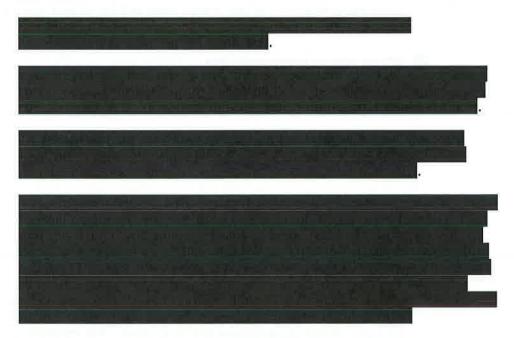
Across North America, Exel is providing innovative distribution services to market leaders like process. Procedure & Gamble, 7-Eleven, Ford, Many of these relationships exist in North America and globally as well. These associations are long-term. For example our relationship with Procedure & Gamble is 25 plus years and we manage over half of their supply chain globally. These customers stick with Exel because we deliver low cost operations and solid service. Our commitment to the NHSLC is to provide the same level of performance that allows us to delight leading companies like those mentioned above. (certain customer names redacted)

Transparent Commercial Structure



Exel is recommending an alternate proposal to the NHSLC. It is our observation that the Commission generates profits of approximately \$600,000 annually from operating its own warehouse. It is our understanding that the fees the Commission charges suppliers are approximately \$1.8 million and the costs to operate the facility are about \$1.2 million.

It is our recommendation that the NHSLC adopt a similar approach to a warehouse operated by Exel on the Commissions behalf. Under this proposal Exel will operate the warehouse under a cost reimbursement commercial structure. The NHSLC sets the rates for suppliers, and keeps the difference. We believe this proposal has a number of exciting benefits for the Commission. This represents a new source of profitability. The NHSLC has the ability to adjust the rates it charges suppliers going forward to maximize its profitability. It eliminates the need for two pricing structures and for the Commission to determine which products to store in its own warehouse. As the Commission manages the pricing to suppliers, it has control over the impact of these prices on its overall profitability. The NHSLC has complete control and flexibility to add, remove, or alter the services it offers suppliers and customers. And, it is our experience that a cost reimbursement commercial structure results in lower costs for our customers.



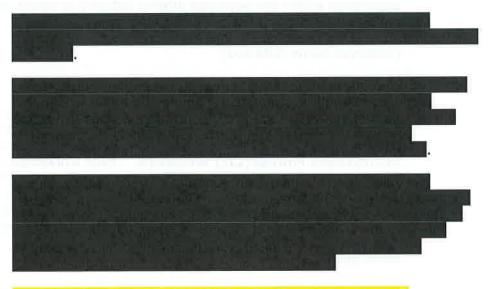
There must be a balance between the incentives to reduce cost with the need to provide good service. Thus, we propose that in order to be eligible for any efficiency payment, Exel must achieve service KPIs.

We will report our results on the appropriate frequency: daily, weekly, monthly, quarterly, and annually. These reports will include



comparisons to budget and prior periods and explanations of variances both positive and negative. In addition, we will provide regular forecasts and collaboratively determine any required actions. This type of close communication will provide you with predictability in costs, and a thorough understanding of what is happening in the business. It also encourages a collaborative approach to achieving the desired outcomes.

As the NHSLC reimburses costs incurred on its behalf, you will have full visibility to all of the costs.



(certain commercial and confidential information redacted)

⇒ Industry Specific Experience and Knowledge



(certain customer logos redacted)







(customer name redacted)

Continuous Improvement and Innovation

We have a disciplined, quantifiable and repeatable process to drive and achieve continuous improvement. At the heart of our process is a dedicated team of advisors focused on conducting Continuous Improvement Process (CIP) workshops. These workshops employ a variety of quality, measurement, and process improvement techniques to minimize defects and waste in targeted processes. Exel applies workshops to individual operations, customer accounts, and the overall business. Some of the sources for CIP workshop topics include:

Performance against our Global Metrics Scorecard

Results on the KPIs

Feedback from stores and suppliers

We believe our process is unique. It is consistent with both Six Sigma and lean methodologies and it incorporates tools from both schools—emphasizing employee involvement and management engagement throughout the whole process.

As an example of quantifiable benefits realized by Exel for its customers, the Process Improvement team conducted 410 CIP workshops in 2011 – resulting in annual savings of over \$61 million for our customers. It is interesting to note that 32% of these workshops had customers in attendance, and 3,201 Exel team members participated.



Continuous Improvement and innovation is not just about setting high standards for performance and achieving those goals, it is about moving the bar higher—that is what will assist with the Commission with improving its net income over the long haul.

Mechanization

Our engineering team carefully studied the data, and it is our recommendation that a limited amount of mechanization will optimize the cost structure. In particular, we recommend a laser guided pick vehicle option that

. We do not see the need for mechanized bottle pick capability. The volumes do not justify the investment. For those not experienced with mechanization, starting up a new, mechanized site is a daunting task. Mechanization creates a unique set of challenges. These include

Financial capability to complete the economic justification

Engineering the optimum design for the building

Project managing the on time installation of the hardware and software

(certain confidential and commercial information redacted)

We are experienced in starting up mechanized operations. Key members of our functional support team installed the mechanization at our Walmart sites. This team is still in place and continues to manage the start up of mechanized sites today. Working with Exel, NHSLC will have access to our expertise with mechanization.

Real Estate

We identified a strong candidate site in Seabrook at 75 Ledge Road. The current tenant has approximately 6 years left on their lease. Thus, we would need to negotiate a sub-lease from the current tenant and then a head lease with the landlord to cover a 20 year contract. Our real estate team has extensive experience in negotiating such arrangements.



(confidential information redacted)



Just in case, we researched the option of a build to suit in Concord. There is land available, and though the rent cost would be higher than the Seabrook option, lower transportation costs due to being closer to the center of gravity and lower wage costs in Concord make both options roughly equal from a cost perspective. Thus, we are uniquely positioned to offer a real estate solution.

In addition, Exel Real Estate Services is a full service developer. We are available to buy the land, build the facility, and recommend a finance solution, e.g. sales lease back.

With real estate transactions, there are a number of opportunities to negotiate a better price, and leverage scale. Exel is a wholly owned subsidiary of Deutsche Post DHL. We manage more than 15,000 properties on all continents. The warehouse space managed by DHL Supply Chain measures 350 million square feet (sq. ft.) worldwide, and 100 million (sq. ft.) in North America.

Our ability to source funds is unique in our industry. The investment community knows our link to Deutsche Post DHL. This relationship permits creative and cost effective capital structures on our deals. Exel has the capability to provide this building at the lowest possible cost for NHSLC.

Systems Capability

It is our experience that systems capability is often the secret to unlocking superior performance. At Exel, systems are a core competency. We have the largest and most capable IT capability in the industry that includes a staff of over 300 IT professionals focused on supply chain management solutions. Exel exchanges about 97 million EDI transactions per year with 560 partners, 150 customers at 170 sites. We have a portfolio of supply chain execution and planning software applications that we use, and we have strategic partnerships with a number of software leaders including

We do not build software. We focus our efforts on system integration. We have proven experience integrating with Over the past three years, we completed over 115 implementations. 96% were on time and 93% were under budget. We are recommending the Manhattan WMS. This is a fully functional tier 1 system. It will manage all of NHSLC's current and future requirements. (confidential vendor/partner names redacted)

ightarrow Minimizing Risk

The reliability of our services is one of the most important benefits the NHSLC will receive from working with Exel. We pride ourselves on our ability to consistently perform over time, and if service failures do occur to recover expediently.

Stability and Presence



Exel is a wholly owned subsidiary of Deutsche Post DHL (DPDHP). DPDHL is a publicly traded company on the German stock exchange. In 2011, our revenues were €52.8 billion; our profit from continuing operations was €2.4 billion. Deutsche Post DHL is comprised of two main businesses: The German Post Office and DHL. DHL is the global market leader in the logistics industry. Within North America, Exel employs 40,000 associates. We operate more than 500 sites, and utilize approximately 100 million square feet of warehouse space. The Commission can be sure that Exel will be a stable provider and around for the long term.

Consistent Disciplines

Quality Management System

The establishment of a Quality Management System (QMS) is a key to providing the structures and mechanisms for solid and predictable performance. The mission of our QMS is to ensure achievement of expectations and business objectives, and compliance with any regulatory requirements – including securing these controlled alcohol products. A key component is establishing and following standard operating procedures in each of our operations.

Our QMS is founded on the principles of with an emphasis on customer focus, associate involvement, process, and continuous improvement. As far as we are aware, no major competitor has a QMS that is as comprehensive as ours. Numerous regulatory agencies at federal and state levels have audited and tested our QMS. These include, but are not limited to the Food and Drug Administration (FDA), Drug Enforcement Agency (DEA), California and other state Boards of Pharmacy, Alcoholic Beverage Control Boards (), Alcohol Tobacco and Firearms (ATF), US Customs, etc. We have never been the recipient of any serious findings or actions by any agency. We currently have over 160 current and active certifications to recognized standards including, ISO 9001:2000, ISO 13485, TS 16949, HACCP, CFIA, USDA and AIB. Not all of these agencies or standards are applicable to this operation. We listed them to demonstrate the strength and breadth of our program. We will run this site according to our QMS. We will obtain any quality certification the NHSLC may require for this operation, and the NHSLC can be confident that its products will be handled in a secure manner.

DePICT Project Management Approach

We will use our DePICT project management approach to ensure a successful transition. DePICT is proprietary to Exel and is based on the Project Management Body of Knowledge principles. In consultation with the NHSLC we will develop a detailed project plan. Even with the best of intentions, things do not always go according to plan, therefore, we develop risk assessments and mitigation strategies to ensure issues do not set back the start up. When a problem occurs, we implement the mitigation plan. In North America we average



starting up an operation every week. We will utilize this experience and our DePICT project management process to ensure a smooth start-up of the new site for the NHSLC.

Performance Management

At Exel we believe in a disciplined, analytical, and metrics based process to running our business. An approach to that proactively ensures we are creating value. As an example, we have a Global Metrics Scorecard in place to identify sites that are not achieving best-in-class performance levels, and alert the business to potential issues. As part of our process, our management team reviews these results on a weekly conference call. At month end we also evaluate the results and establish corrective actions if necessary. The measures include:



(confidential commercial information redacted)

As each client's business is unique, we will measure those additional key performance indicators (KPIs) that are important to the NHSLC's success with its customers.

Depth of Management

Multiple members of the management team who will manage this operation have greater than 20 years experience in the beverage



alcohol industry. Across their careers they have been exposed to many different situations and challenges. They will use their collective experience to ensure the site gets off to a good start and performs consistently well over the long term.

⇒ The Exel Team

We have extensive functional resources. They are experts in their respective fields. Their experience will go a long way to avoiding issues or addressing potential concerns before they manifest. Examples of the function areas covered include IT, labour relations, health and safety, engineering, and inventory control.

Employee Opinion Surveys

Our experience is that a happy and motivated work force is the key to delivering consistent results. We conduct annual employee opinion surveys on a global basis to better understand and address the concerns of our team members. These results are shared with our associates and action plans established to improve the results. Completion of these action plans is an element of our manager's bonus program.

Our Scale

One of the most significant opportunities Exel has to minimizing risk is its scale. We have the capacity and have on many occasions have temporarily assigned both management and team members to operations experiencing challenges. In many cases this includes flying in associates as we did with our operations serving the in 2007. We will do whatever it takes to ensure our clients' operations operate successfully. (confidential customer name redacted)

\longrightarrow Providing Flexibility

The NHSLC is being asked to increase its net income. This could include a host of possible changes. Thus, it is our perspective that the Commission needs a provider who is quite flexible in their approach.

Commercial Structure that Promotes Flexibility





⇒ Flexible Approach to IT and Real Estate

It is our belief that our customers should choose to stay with Exel because we provide value. Not because they are locked in. This philosophy plays out with both IT systems and the building.

At Exel we do not develop custom IT applications. Instead we use commercially available tier one IT systems or if requested we will utilize a client's system. Consequently, the NHSLC is not restricted from changing suppliers because switching systems is prohibitively expensive.

The NHSLC should have control of the building. By this we mean the Commission should have the ability to carry on the operation with another provider in the same location when the contract terminates. When the provider controls the building, the availability of other buildings or the time required to build a new site might restrict the Commission's options and lock you into higher costs. We will structure our agreement with yourselves and the landlord to provide this flexibility.

Every Customer's Solution is Unique

Each operation we establish for a customer is unique. Exel runs 500 sites in the Americas. We do not have one set operating strategy that is enforced at every site. Our culture and methodology at 7-Eleven is different from ... At some of our sites we can be very rigid with certain processes and culture whereas others may require us to be more flexible. It all depends on what best suits our clients and best enables their competitive positioning with their customers. Exel will tailor the supply chain management processes to match NHSLC's desires and needs, and most importantly will be open to changes required to enhance the Commission's competitiveness.

(confidential customer names redacted)

→ Becoming a Better Retailer

The NHSLC does an excellent job of merchandising and retailing it products. But just as we find with our businesses there is always room for improvement. We see one of our roles as assisting the Commission with improving the value it provides to its customers.

Control 360

We have a developed an offering for the controlled states we branded as Control 360. This program provides an integrated set of services designed to increase efficiencies at every level to reduce costs, improve inventory control and enhance the overall customer experience. While many of these services are outside the scope of this RFP, we felt it important to share our program as it provides a good example of how Exel is looking to assist control states with becoming



better retailers. We included a copy of our Control 360 brochure in our submission. Control 360 focuses on the five key areas within the supply chain:

Procurement & Purchasing: contract negotiation and management of distillers, consolidated purchase orders, forward buying, supplier and agent management, implement procurement best practices

Inventory Management: demand planning and forecasting, best in class warehouse management system providing perpetual inventory for each supplier, inventory reconciliation

Warehouse & Transportation: warehouse optimization, outsource carbon footprint, route planning & delivery scheduling, order consolidation and aggregation, dedicated fleet delivery to stores, point of delivery system that scans delivery into stores, ability to create POS displays on site

Advertising & E-Commerce: In-store media program, advertising revenue disbursement, Web-based product catalogue and store lookup for consumers, measurement and analysis of media program reach, social awareness campaigns & NABCA – designated advertising

Systems & Data Management: End-to-end systems and data management services, easy-to-use web portal user experience, financial data reporting and management, online consolidated communication and reporting

⇒ Go Green



We have a clear commitment to improve our CO2 emissions. Our goal is to lower our CO2-efficiency by 30% by 2020 (compared to 2007 levels), including our subcontractors. We reached our 2010 target of a 10% reduction. Also, we operate fresh food distribution center in that is estimated to be 60% more energy-efficient than a traditional refrigerated distribution center. It is a living lab of sustainability and includes the hydrogen fuel cells, and solar, thermal and wind power. (confidential customer information redacted)

→ Transparent and Open Relationship

Our goal is a collaborative relationship with our customers. It is our belief that a transparent and open relationship is the key to unlocking the strong fit between our organizations. Exel has a number of processes in place to increase the likelihood of establishing a long term strategic relationship.



⇒ First Choice

Globally, across all business units of Deutsch Post DHL we survey our customers annually. The results of these surveys are then shared with our customers and action plans established to improve our performance. It is our experience that these discussions lead to very frank and open dialogue about the quality of our services, and what we need to do to improve. In the most recent survey results – released in April of this year – our operation for

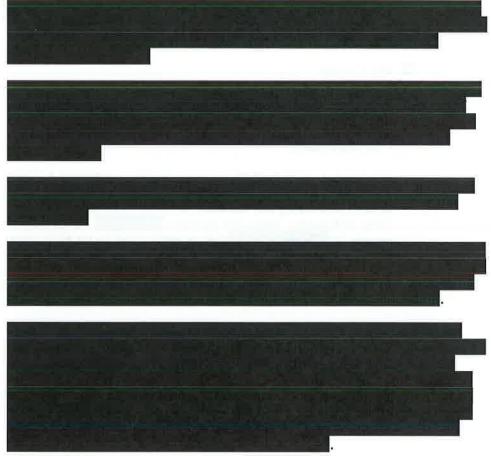
in North America. We are very proud of this outcome and look forward to achieving the same level of customer satisfaction with the NHSLC.

(confidential customer name redacted)

Account Management

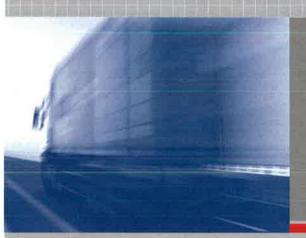
Good communications facilitate a collaborative relationship. To facilitate communications we will establish a formal account management plan. Some of the highlights of this plan include:

Key roles will have site coverage and each function will liaise with their peers at the NHSLC. For day-day-to day operations, this structure will foster communications, planning, and quick problem solving





(confidential commercial information redacted)



Raising Expectations for

NHSLC

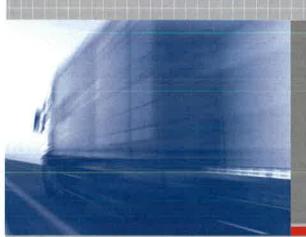
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Glossary of Terms and Abbreviations

We attempted to define all terms, acronyms, and abbreviations within the document when they were first used.



Raising Expectations for

NHSLC

RFP Response | June 7, 2012





3) RFP RESPONSE

→ Part 1. General Instructions to Vendors

1.0 Definition of Terms

Reviewed and understood

1.1 Purpose

Reviewed and understood

1.2 Schedule of Events

Reviewed and understood

1.3 Issuing Office

Reviewed and Understood. Exel is complying

1.4 & components Vendor's Conference

Reviewed and understood. Conference attended by Exel

1.5 & components Terms of Submission

Reviewed and Understood

1.6 Proposal Submission

Reviewed and Understood

1.7 & components Preparation of Submission

Reviewed and Understood

1.8 The Americans with Disabilities and USA Patriot Acts

Reviewed and Understood. Exel will comply

1.9 Contract Performance Bond

Reviewed and Understood. Exel will provide a performance bond in the amount of \$1,000,000 as stated in Exhibit E, and a performance bond for the transition – amount to be determined.

1.10.1 Duration of the Contract

Reviewed and Understood.



1.10.2 Exclusive Contract

Our costing is based on an exclusive contract. Variances from an exclusive contract will alter our costing.

1.10.3 Rates

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1 $\,$

1.10.4 Rate Changes

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1 $\,$

1.11 Monthly Billing Summary

Reviewed and understood.

1.12 Supportive Materials

Reviewed and understood.

1.13 Property of NHSLC

Reviewed and understood.

1.14 Disclosure of Proposal

Reviewed and understood.

1.15 News Release

Reviewed and understood.

1.16 Use of Electronic Versions of the RFP

Reviewed and understood.

1.17 Proposal Format

Reviewed and understood.

1.18 Confidentiality / Sensitive Information

Reviewed and understood.

1.19 Form of Contract



Exel wishes to negotiate some of the terms and conditions contained in Appendix E. They will be identified in the response to Appendix E section below

1.20 State Funding

Reviewed and understood.

1.21 Subcontractor

Exel will not be using any subcontractors to perform any of the basic functions

1.21.1 Conflict of Interest

Exel is not using any subcontractors and therefore are no contracts the subcontractor currently has with the State of New Hampshire and/or any other parties that may present a conflict of interest

1.22 Proposal Guaranty

Please find attached a certified check for \$50,000

1.23 Venue – Merrimack County

Reviewed and understood

1.24 RFP Protest Process

Reviewed and understood

1.25 Contract Transition Period

Exel will make commercially reasonable efforts to comply with any NHSLC request, but we may not be able to continue the services if the NHSLC does not provide sufficient notice of the request and / or if leases expire and cannot be extended

As it is not clear as to who will bear the costs associated with the transfer of Product, they are not included in our cost estimates

Shortages will need to be resolved between the "old" Warehouse and the Product Vendor, or NHSLC as Product is depleted or transferred from the "old" Warehouse

\longrightarrow Part 2. General

2.1 Introduction

Reviewed and understood



2.2 & Components Factors affecting the NHSLC's Operation

Reviewed and understood. Concerns expressed in this section are addressed in our Concept of Operations (COO) as part of our response to Appendix C

→ Part 3. Technical Specifications and Requirements

3.0.1 A single warehouse

Reviewed and understood

3.0.2 Location of product

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1 that will eliminate the need to minimize bailment and handling charges for the NHSLC.

3.0.3 Conducting business with the NHSLC

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1 that will facilitate changes the NHSLC may wish to implement.

3.0.4 Warehouse general requirements

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

3.0.4.1 Audit

Exel Confidential

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C. Exel wishes to discuss the requirement for the annual physical inventory as this is not best practice in our experience. Typically, the requirement for an annual physical inventory can be replaced with a robust cycle count

3.0.5 & Components Transportation Access

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

3.0.6 Floor capacity and storage strategy

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

3.0.7 Floor movement capacity

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix $\ensuremath{\mathsf{C}}$



3.0.8 Product distribution

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

3.0.9 Additional services

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1

3.0.10 Computer linkage with the NHSLC

Reviewed and understood

3.0.11 Transition from the current contract

Exel recommends that the transition does not occur in just prior to November or December as these are peak months

As it is not clear as to who will bear the costs associated with the transfer of Product, they are not included in our cost estimates

Shortages will need to be resolved between the "old" Warehouse and the Product Vendor, or NHSLC as Product is depleted or transferred from the "old" Warehouse

3.0.12 Warehouse charges and rates

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1

3.0.13 Security

Items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

3.0.14 Fire

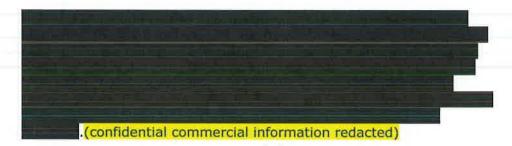
Reviewed and understood

Exel is unable to provide the current certification for the fire protection systems for the site identified to house the operation or the build to suit option.

Obviously, the permits will be issued for the build to suit option at the appropriate time in the construction phase.







3.0.15 Insurance, Bond and Registration

Regarding bonding and registration – reviewed and understood

Regarding insurance

All risk insurance – reviewed and understood, but Exel's insurance companies will provide notice of cancellation to Exel (not directly to the NHSLC) and we will endeavor to notify the NHSLC within 30 days.

Comprehensive general liability – reviewed and understood

Fire and extended coverage – we will need to discuss this requirement as earlier in this paragraph the NHSLC requested all risk insurance which we understand already covers fire and extended coverage

State as a loss payee – the state cannot be a loss payee. Our insurance company will pay us and we will pay the state

Insurance for Supplier stock – reviewed and understood

3.0.16 **Business continuity**

3.1 - 3.17Various Appendices

Addressed as part of our response to each appendix later in this document.

Part 4. Evaluation Process

4.1 - 4.8

Reviewed and understood

Appendix A

A-1 Project Overview

Reviewed and understood

NHSLC A-2

Exel Confidential 00024674-3



Reviewed and understood

A-3.1 New Hampshire Certificate of Authority

Addressed as part of the last section of this response titled Documents

A-3.2 Certificate of Vote

Addressed as part of the last section of this response titled Documents

A-3.3 Certificate of Insurance

Addressed as part of the last section of this response titled Documents

A-3.4 Warehouse License

We are unable to comply with the requirement to submit a license or a license application. A license application requires either a deed or a lease agreement for the building. Only the incumbent provider would be able to satisfy this requirement as no prudent company would sign a lease for an operation of this size without having a contract in place for the space. We are very confident one of our two real estate options will work out. We believe that it is in the best interest of the NHSLC to waive this requirement and accept our proposal.

\rightarrow Appendix B

B-1 - B-3

Reviewed and understood

→ Appendix C

I Background

Reviewed and understood

II General Requirements

Some of the items expressed in this section are addressed in our Concept of Operations as part of our response to Appendix C

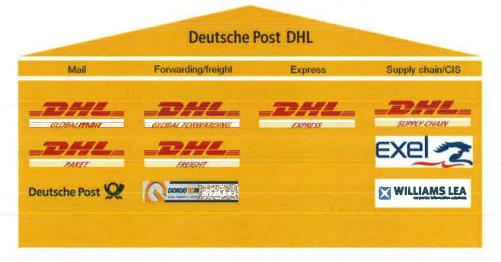
The request for a corporate resolution which is addressed as part of the last section of this response titled Documents

A description of Exel's background follows:

Exel is a wholly owned subsidiary of Deutsche Post DHL (DPDHP). DPDHL, founded in 1969 is a publicly traded company on the German stock exchange. In 2011, our revenues were €52.8 billion; our profit



from continuing operations was €2.4 billion. As of December 31, 2011, we had over €17.2 billion in current assets and total assets of €38.4 billion. BC can be sure that Exel will be a stable provider and around for the long term.



Deutsche Post DHL is comprised of two main businesses: The German Post Office and DHL. DHL is the global market leader in the logistics industry. DHL itself is comprised of four divisions.

DHL Express is the global market leader in the international express business

DHL Global Forwarding, Freight ranks amongst the world's leading providers of air and ocean freight, as well as overland freight transport in Europe

DHL Global Mail provides customized mail solutions

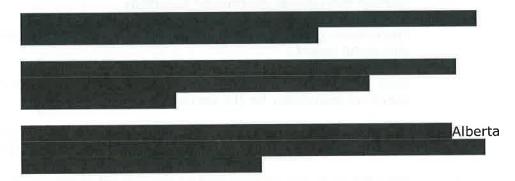
DHL Supply Chain designs and implements customized supply chain solutions in more than 50 countries. Within North America DHL Supply Chain is known as Exel.

Within North America, Exel employs 40,000 associates. We operate more than 500 sites, and utilize approximately 100 million square feet of warehouse space. We deliver supply chain solutions across a wide range of industries, and we have organized our business around these industry sectors. These industries include automotive, chemical, consumer, life sciences, retail, technology, industrial and energy. We have a portfolio of services that spans everything from supply chain strategy and network design to in-store logistics.

A. Exel does not have any contracts currently with the State of New Hampshire and/or any other parties that may present a conflict of interest



- B. Exel agrees not to divulge or release any information provided to it by the NHSLC prior to the official release date
- C. Three references. We understand from the Q&A that NHSLC is looking for written references. We require some guidance from the NHSLC as to the questions they are looking to ask our references before we would feel comfortable with asking our references to submit a written reference.



(certain confidential information redacted)

- D. Exel certifies that it is not currently under suspension or debarment by the state of New Hampshire, any other state, or the federal government
- E. IRS Form W-9 is addressed as part of the last section of this response titled Documents

III Personnel Data

As a best practice, Exel assigns a team of individuals at the pursuit stage that will be the same team that will ultimately run the business upon a successful award. We do this so the familiarity and expertise are consistent and continual from proposal to reality. For the NHSLC pursuit we assigned team of professionals from Operations, HR, Finance, IT, Engineering design, Real Estate and Account management. Please see attached resumes and bios in the last section of this response titled Documents. The following people were part of this response team:







(certain confidential information redacted)

The following people will be responsible for the business unit upon successful award.:

Greg Foreman, heads up the beverage business unit for Exel will have overall responsibility for the success of the business.

Robert Maclellan will be the Director, Operations. Robert currently has responsibility for the business that manages the supply chain.

Marc Belanger is representative of the skill set of our General Managers. As the start-up of this business is more than one year out we cannot commit who will be the General Manager of the operation. At the appropirate time – somewhere between 6 and 8 months prior to go live – we will select the General Manager through our succession planning process.

will be responsible for all HR activities
will be responsible for IT integration and ongoing support.

(confidential information redacted)

A project management resource will be assigned to manage the successful start-up of this operation. As the start-up of this business is more than one away we cannot commit who will be the Project Manager for the transition. At the appropriate time – somewhere between 6 and 8 months prior to go live – we will assign the Project Manager from our pool of 23 Project Managers.

It is Exel practice to assign an account manager to accounts such as this, but it is our preference to work with the client to appoint a mutually acceptable individual for this role. So in the short term we will assign Steven Dougans to this role who will then work with Scott Lyons and yourselves to find a suitable local long term candidate for this role.

IV Prior Experience



Exel operates the warehousing and distribution services for the ______. The _____ and Exel's partnership started in 1994 and with our recent 5-year renewal will span over 20 years. The services we provide include:

- Outbound transportation
- Forecasting
- Call centre and customer service
- Reverse logistics including pallets, returns and kegs
- Value added services such as co-packing, and label stripping
- Web site design and hosting www.LiquorConnect.com
- LCD screens in stores to present point of sale advertisements

It is important to note that the utilizes bailment inventory and we manage the processes necessary to correctly bill the agents and suppliers. (confidential customer name redacted)

DIAGEO

Diageo is a global alcoholic beverages company. It is the world's largest producer of spirits and a major producer of beer and wine. Some of their brands include: Smirnoff, Crown Royal, J&B, Johnnie Walker, Baileys, and Guinness.

Our relationship with Diageo started in early 2002 with the award of a warehouse operation in Bolingbrook Illinois. From this location, Exel distributes spirits for Diageo across the United States. In addition, this operation handles repack and rework and manages promotional activities. In terms of scale we put through 18 million cases annually. Today, we operate a number of warehouses for Diageo around the globe. These include warehouses in Mendoza and Buenos Aires, Argentina, Inchon, Korea. In addition, Exel operates a dedicated fleet for Diageo. This fleet services four regions and includes 34 tractors. Through our Transportation Management Center in Mechanicsburg, PA, Exel provides managed transportation services for the remainder of Diageo's networks in the US and Canada.





7-Eleven has been a client for over ten years. We started with two sites, and have grown steadily to 14 operations. We service 4,200 stores 365 days a year which equates to more than 1.5 million deliveries each year. In 2011 we delivered 1,414,561 units of wine to over 1,400 stores in California from our Combined Distribution Centers (CDCs) in Fullerton, San Diego, and Union City. We just commenced service to 7-Eleven stores in Florida from CDCs in Pompano, and Lakeland. This will reprsent an additional 700,000 units annually.

The is the one of the largest purchaser of beverage alcohol products in the world. We are by far the largest provider of freight forwarding services for the largest provider of freight. In terms of volume, we move approximately 20,000 TEUs annually.

(confidential customer name redacted)



Tradeteam, an affiliate of Exel's, was created in 1995 when the former Bass Brewery opted to sell it distribution service. Today, Tradeteam is a joint venture with Molson Coors that is 50.1% owned by Deutsche Post DHL (parent of Exel). Tradeteam operates a multi-customer supply chain service for brewers, drinks suppliers, and retailers throughout the U.K. Through a nationwide network of 30 operations, 550 vehicles and over 2,300 employees, Tradeteam delivers to more than 30,000 'on trade' outlets each week and carries out more than 150,000 loads every year into the off-trade retail and on-trade wholesale channels. It picks 50 million items per year – including 4 million wines and spirits cases from 1,500 SKUs and Tradeteam's pick accuracy on these items is 99.88%. Tradeteam's customer portfolio is a balance of brewers and pubco's including Molson Coors, InBev, Diageo, Brains, and Greene King.



Giorgio Gori is part of the Deutsche Post DHL group of companies. They are 100% dedicated to the wines and spirits market, and are experts in the international transportation, and importation of beverage alcohol. They hold a greater than 50% share of the global market for wine and spirits. Giogio Gori has offices and warehouses in all producing countries and specialized teams in all consumer markets.



We operate a 50,000 square foot building in for that started operations in 2010. It is a pick pack operation with average throughput of 130,000 cases per month. We also provide vaue added services (VAS) such as labeling and promotional packing. The VAS operation has six packing lines and completes 290,000 items annually. We also have a chilled chamber for champagnes.

(confidential customer name redacted)

V Qualifications

- A. Attached to this proposal please find a certified check for \$50,000 payable to the NHSLC as a Proposal guaranty
- B. Addressed as part of the last section of this response titled Documents

Exel will fully comply with all applicable laws and regulations including but not limited to those set forth in APPENDIX M

VI Subcontractors

Exel will accept complete responsibility for all services including those services which will be subcontracted by the Vendor

Exel does not have any contracts currently with the State of New Hampshire and/or any other parties that may present a conflict of interest.

Exel will not be using any subcontractors to perform any of the basic functions

VII Explain in detail how you expect to accomplish the following

- 1. 6. Items expressed in these sections are addressed in our Concept of Operations as part of our response to Appendix C
- 7. Reviewed and understood
- 8. As required elsewhere in this RFP, Exel will provide certificates of insurance, but cannot provide the actual insurance policies to the NHSLC. Exel has a global insurance program and therefore, we cannot provide the actual policy to our customers, nor can we have our customers approve the policy. We can, however, state that all insurance will be provided by insurance companies with a specific AM Best rating. Additionally, Exel's insurance companies will provide notice of cancellation to Exel (not directly to the NHSLC) and we will endeavor to notify the NHSLC within 30 days.



9. Reviewed and understood

10 Reviewed and Understood. Exel will provide a performance bond in the amount of \$1,000,000 as stated in Exhibit E. Exel would like to discuss the specific events that would trigger the NHSLC to draw on the performance bond as the sub-paragraphs a – d are not triggers. Exel would also like to discuss more appropriate methods of incentivizing on time ready to ship performance.

- 11. Reviewed and understood
- 12. Reviewed and understood
- 13. Reviewed and understood

VIII Specific requirements

Items expressed in this section is addressed in our Concept of Operations as part of our response to Appendix C

IX Rate and price analysis

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1

There are 25 interfaces to we developed. We estimate on average, two to two and a half person days of support needed for each interface to answer any data mapping questions, and testing of the interface. This translates to between 50 and 60 person days of support work from the NHSLC IT team.

X Transition plan

Items expressed in this section is addressed in our Concept of Operations as part of our response to Appendix C

XI Comingled loads

Reviewed and understood

XII Contract period

Contract period of 20 years: reviewed and understood

Typically, Exel self finances its operations. As such, Exel has presented financing for all assets – racking, IT, MHE and net working capital, etc. In the event of contract termination any remaining asset value and any remaining lease commitment on the facility would need to be covered by the NHSLC. This is similar to what banks or other third party lenders would



require, and provides NHSLC to ability to continue the operation in the same location.

Depending on the terms of payment with Suppliers for product versus the bailment charges it might be possible to reduce the working capital costs and reduce this expense as well.

(confidential commercial and finanacial information redacted)

Signed statement from a licensed insurance agent or broker: Addressed as part of the last section of this response titled Documents

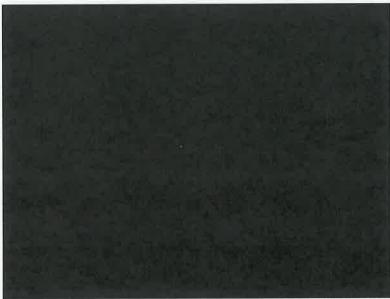
XIII Business continuity plan

Business Continuity Plans

In order to maintain operations during a catastrophic event, Exel has developed a Best Practice approach to developing a Business Continuity Plan (BCP) for each of its businesses.

Exel will develop a specific plan for the NSHLC as part of our overall Standard Operating Procedures. While, we cannot supply a completed BCP without consultation, we can describe how we will develop a detailed BCP in collaboration with you.

Exel has a risk management department. One of their roles is to support the development of site-specific disaster recovery plans. In the development of the plan, we will complete an assessment including the following items.





IT/IS Risk Mitigation

(confidential commericial information redacted)

Through consultation, Exel will determine which elements are appropriate for NHSLC based on risk-cost analysis. Exel has developed BCP's for Clients which include everything up to redundant warehouses.

The BCP will include an operations communications command plan, systems backup, and communications backup strategies. In addition, an output of the BCP will be specific emergency response steps. It is a living document, and the site will review it on a scheduled basis. The site leadership will have a copy and conduct drills to rehearse the response. Exel will adjust the plan and training program to identify gaps found in the drill.

Other advantages Exel offers to the NHSLC are an IT department of more than 300 employees available to help reinstate the systems and a large footprint across North America and globally if required. Additionally, the services of DHL Express, Exel Transportation Solutions and DHL Global Forwarding will be in the BCP. Finally, we will leverage our position as the largest customer of our MHE vendors to ensure equipment availability. NHSLC can count on the full resources of Exel, our sister companies, and our suppliers to the aid of this site.

Step 1 - Develop an Overall BCP Strategy.

All effective Business Continuity Plans require a thorough understanding of the level of importance that a given operating location has to your business as an organization and its customers. This is accomplished by identifying what exposures are present and how the accumulations of these exposures will determine the planning and preparation required.

Step 2 - Analyze Risk.

An operations exposure to risks that could create business interruptions must be analyzed so that the likelihood of occurrence and the impact to the business is understood. The tools in this step will help you identify these exposures and assign a level of risk so the appropriate mitigation and planning actions can be identified.

Step 3 - Supplier/Service Provider Risk Mitigation

Dependence on outside suppliers, contractors, and service providers may be essential in today's business environment, but along with this dependence comes risk. This step provides guidance for identifying those risks by identifying your critical suppliers, contractors and service providers.



Step 4 - Site Critical Programs Risk Mitigation

Critical Programs such as Loss Prevention, Fire Protection, and other Safety Health and Environmental programs can mitigate many threats reducing the likelihood of business interruptions. The effectiveness of these Critical Programs is evaluated regularly and, if needed, improvements identified. In this step you will verify that the Critical Programs for your site are up to date, periodically audited and that all incomplete critical programs that could influence business interruption risk are identified.

Step 5 - IT/IS Risk Mitigation

Given that may of Exel Logistics' operating locations are heavily dependent on Information Systems and Technology, sites need to verify that IT contingency plans, including Disaster Recovery Plans (DRP) and their operations Manual Work-Around Procedures, are up to date and sufficient to support their operation during a business interruption. In this step, the site management team will work with their Internal or External IT contacts to understand and verify IT contingency plans exist and that they are sufficient.

Step 6 - Document Business Continuity Plan (BCP)

A Business Continuity Plan is a guide for managing an interruption to your operation. It consists of three key components: Crisis Management, Business Resumption and Business Recovery. Each of these key components will contain a set of integrated procedures and the resource information needed to manage, and minimize the impact of a business interruption.

So that it is readily available, members of the site management team will keep a hard copy of the BCP in their home or automobile.

Step 7 - Perform Initial Test of the BCP

No BCP can be considered complete until it has been tested to insure that it delivers the required results. Each sites management team will conduct an annual simulation or tabletop test of their operating locations BCP.

Step 8 - BCP Review and Approval

To insure that the resulting BCP is adequate and meets the planning requirements, each operating locations BCP, test results and revisions must be reviewed and approved by your sectors Business Continuity Program Coordinator and the appropriate Director(s) of Operations.

Step 9 - Ongoing Plan Maintenance and Testing



The final step in the BCP process is to make the Business Continuity Program part of the daily management activities of your operation. At a minimum, all associates and their backups, who have a role to play in the BCP, should receive training in BCP concepts and the specifics of the plan. In order to insure the accuracy of contact and resource information, and that response, resumption and recovery procedures are still relevant, each BCP should be updated quarterly or as changes in the business environment warrant.

Network for Emergency Assistance and Reporting (NEAR)

The NEAR line is owned and copyrighted by Exel. It is a single phone line to report all workplace incidents. The call line is operated 24/7/365. It is utilized to report critical incidents. These include:

- Severe Accidents, Injuries or Property Damage
- Fire
- Vehicle Hijacking
- Robbery
- Weapons at Work
- Assault
- Natural Disaster (hurricane, flood)
- Terrorism
- Utility Emergency (power outage)
- Kidnapping
- Hazardous Material Incident (diesel fuel spill)
- Fire Suppression
- Workplace Violence
- System Impairments
- Regulatory Actions (OSHA, DOT)
- Theft
- Contagious/Infectious Disease (TB, Influenza)
- Sexual Assault



A call specialist will take the incident information and escalate the event to an Exel Supply Chain "Duty Officer" within 15 minutes. The duty officers are on call 24/7/365. Trained duty officers are staff from the Safety Health & Environment Management and Security teams. The duty officer will immediately attempt to contact the caller regarding the critical incident and provide appropriate guidance.

Data Center Resiliency

Exel, Inc.'s primary Data Center is located in

The Exel Infrastructure and
Service Management (ISM) Data Center has been engineered to
maximize system availability and protection. The Data Center is
located in the center of an Exel owned facility and is adequate distance
away from any outside walls or windows. Also, this area of the United
States has one of the lowest incident rates of weather disasters, i.e.
hurricanes, tornadoes, earthquakes, etc.

Electrical Systems

The ISM Data Center is protected by several electrical systems to ensure that hardware availability is not impacted by a power outage. The Data Center has four large Uninterruptible Power Supply (UPS) systems installed to ensure the flow of power is clean and uninterrupted. Should there be a power outage; the UPS batteries have adequate capacity to ensure all the hardware installed in the computer room is operational until the two dedicated diesel generators are running at a sufficient RPM to power the Data Center. The generator fuel tanks have enough capacity to run the Data Center for three days. There are contracts in place to refuel the fuel tanks in case of a disaster. The UPS and generators are under hardware maintenance agreements. Preventative maintenance is scheduled per the vendor's recommendation, and the generators are tested once a month along with a complete load test (fail-over) every six months.

The ISM Data Center receives its electrical power from the highest priority power grid in Supplies power to both hospitals and the US Government's Naval Parts Supply Depot, the largest Navy Depot in the United States.

(confidential commercial information redacted)

Air Conditioning

The air conditioning was engineered in an N+1 configuration. This means that there is an extra air conditioner running in the computer room at all times. By having the extra unit, each unit runs at a lesser load since the cooling load is spread across one more unit than is actually needed. Should one air conditioner fail, the other air



conditioners have enough capacity to maintain a consistent temperature and humidity level within the computer room. The diesel generators (noted above) provide back up electrical power required to operate the air conditioners.

Fire Suppression

The Data Center has two fire suppression systems.

- The first line of defense is a FM/2000 (Halon replacement) inert gas system. Should the inert gas not put out the fire, a sprinkler system is engaged.
- The second line of defense is a sprinkler system. The sprinkler pipes over the raised floor are actually dry, to ensure that a broken pipe or sprinkler head won't discharge water into the computer room. Upon discharge of the FM2000 system water is fed to the sprinkler system. The sprinklers are set-off individually based on the heat sensed in the area.

Network

There is 100% diversity of the "last mile" connecting Exel Americas'
wide area network (WAN) and Internet to the
Data Centers. Synchronous Optical NETwork (SONET) Ring
technology is used to ensure that the network is 100% diverse from
the Local Exchange Carrier's (LEC) Central Office to the
Data Center. SONET Ring is known as a self-healing technology where
the network is automatically rerouted should there be any disruption of
service (e.g., back hoe cutting the line) within the "last mile". The end
result is that there are dual data feeds into the Data Center run
diversely from two separate and distinct LEC Central Offices.
The ICM
The ISM Data Centers also have
Geographic WAN connectivity diversification should the primary
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+ miles away from each other, are connected through a secondary
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+ miles away from each other, are connected through a secondary network provider. Should the
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+ miles away from each other, are connected through a secondary network provider. Should the Data Center WAN connection become inoperable, network traffic is seamlessly rerouted
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+ miles away from each other, are connected through a secondary network provider. Should the primary Data Center WAN connection become inoperable, network traffic is seamlessly rerouted through the other hub site and routed to the
Geographic WAN connectivity diversification should the primary WAN connection become inoperable. Two network hub sites, 380+ miles away from each other, are connected through a secondary network provider. Should the Data Center WAN connection become inoperable, network traffic is seamlessly rerouted

(confidential commercial information redacted)

XIV Breakage and shortages

This clause is inconsistent with clause VII) 9. Our costing is based on the clause VII) 9

XV Environmental control and safety



Items expressed in this section is addressed in our Concept of Operations as part of our response to Appendix C

XVI Overages

Reviewed and understood

XVII Financial statements

Addressed as part of the last section of this response titled Documents

XVIII Sufficient experience

Please see section IV of appendix C above

XIV Case of failure to render proper and efficient service

Reviewed and understood

XV Inclement/Severe weather

Reviewed and understood

XVI Contract transition period

Exel will make commercially reasonable efforts to comply with any NHSLC request, but we may not be able to continue the services if the NHSLC does not provide sufficient notice of the request and / or if leases expire and cannot be extended

XVII Free storage

Exel is proposing an alternate commercial model as outlined in Appendices D and D-1 $\,$

XVIII Inbound deliveries schedule

Reviewed and understood

\longrightarrow Appendix D

Bound and sealed separately from this proposal

ightarrow Appendix E

Section 5 – Exel is providing a different commercial structure and if chosen, the details around compensation would need to be revised based on such structure.



Section 5.3 – The NHSLC would be allowed to offset items relating to this agreement.

Section 8 – 30 days may be too short a time period to cure operational issues. Exel would like to discuss a longer cure period for breach.

Section 13 – Exel typically has mutual indemnification provisions in its services contracts. Each party would indemnify the other for third party claims related to bodily injury and property damage caused by the indemnifying party's negligence. Claims between the parties can be addressed in the agreement.

Section 14.1.2 – Exel believes this requirement is covered by Section 14.1.3. If not, Exel would like to discuss the difference.

Section 14.1.3 – The insurance policy that covers loss or damage to product is for Exel as the beneficiary. Exel's liability to NHSLC should be spelled out in the agreement (see below), but the insurance covers Exel, not the NHSLC, therefore, the NHSLC shouldn't be a loss payee.

Section 14.1.4 – Exel would like to discuss the specific events that would trigger the NHSLC to draw on the performance bond.

Section 14.3 – The insurance company will notify Exel and then Exel will notify the NHSLC.

Missing items that should be addressed:

Liability for loss or damage to product – As stated above, Exel's liability to the NHSLC for loss or damage to product should be spelled out in the agreement. Then the insurance is in place for Exel to back that obligation.

Indirect damages - There should be a mutual exclusion for indirect and consequential damages.

Termination obligations - Exel's pricing is based on the assumption that if there is an early termination of the agreement, any commitments left for the assets (i.e. Building, equipment, etc.) would be covered by the NHSLC. The specific assets and requirements should be discussed. This provides our client's the ability to carry on the operation in the same location when the contract terminates.

→ Appendix F

Reviewed and understood

\rightarrow Appendix G

Reviewed and understood

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→ Appendix H

Reviewed and understood with corrections from Q&A

\rightarrow Appendix I

Reviewed and understood

\rightarrow Appendix J

Reviewed and understood

\rightarrow Appendix K

The diagram below outlines our recommended systems approach to meet the needs of the NHSLC.



This approach is comprised of three main platforms. All three are tier one and developed by industry leaders. Exel's role will be the integration of the systems. Thus, if our relationship ends the Commission can carry on using the same systems.

Features and Benefits of the WMS include

(confidential commerical information redacted)

MHE integration expertise

Advanced chute sortation algorithms

Multi company, division, warehouse

Appointment scheduling

Pre-receiving

Case level ASNS

Flow through and cross docking

Store distributions

Vendor compliance analysis



Configurable rule-based putaway

Inventory visibility

Wave planning

Multiple picking methods

Dynamic pick sequencing

Value added services processing

Pre-packs, assortments

Price ticketing

Cartonization

Carton, parcel shipping

quality audit

Pack and hold

Integrated RTV functionality

Integrated slot optimization

Advanced reporting

Features and benefits of the

include

Repository of all order activity

Process oriented order control

Customer credit check prior to releasing order to warehouse

Role-based visibility

Line item control

Configurable exception queues – queue monitoring and escalation

Order sourcing (best dc to fulfill the order)

Backorder management

Email notification

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Only shippable orders dropped to WMS

Supports splitting of orders to different ship to destinations

Web based visibility to order and inventory status

Features and benefits of Manhattan Billing Management

Calculates charges based upon both warehouse activities and inventory storage

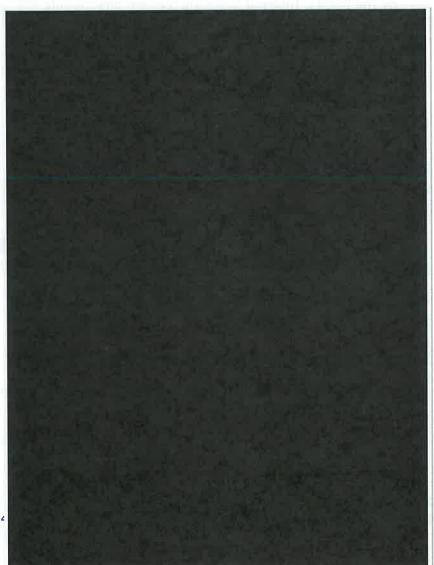
Business rules are configurable

Support manual entry of charges and adjustments

Meets NHSLC requirements without need for programming

Manhattan supported integration from WN

Typically it takes about 6 months to implement a new system. Below are high level milestones.





Month 4

UAT

End User Training



(confidential commercial information redacted)

High Level Product and Information Flow

Reviewed and all requirements understood

Process for Online Orders Overview

Reviewed and all requirements understood

Clarification to 2nd requirement: "Web customer orders will be written by the NHSLC Internet Ordering System directly into the Warehouse for immediate processing by the Warehouse's own internal systems."

A: Exel is proposing that web customer orders will immediately be interfaced into Exel's Order Management System (OMS.) OMS will perform:

- a) An order credit check
- b) Allocate/reserve inventory
- c) Route the order (entire order or by line,) depending on business rules, to the appropriate warehouse, should more than 1 warehouse be active.
- d) Orders will be routed immediately to Exel's (WMS,) once OMS performs:

(confidential commercial information redacted)

- 1. All pertinent data integrity/accuracy checks
- Successful credit check
- 3. Only those line items with available allocated inventory will be released to WMS.

Philosophy is that WMS will only receive clean, edited, actionable orders.



The OMS application has robust, configurable and flexible business rules regarding order processing logic, should NHSLC's requirements evolve in the future.

Process for Batch Orders Overview

Reviewed and all requirements understood

Implicit requirement: No credit checking to be performed on NHSLC store orders

Process for Shipping Orders Overview

Reviewed and all requirements understood

Inventory Management

Reviewed and all requirements understood

General Management

Reviewed and all requirements understood

Warehouse Receiving

Reviewed and all requirements understood

NHSLC Breakage

Reviewed and all requirements understood

Vendor Breakage

Reviewed and all requirements understood

Batch Exchange between NHSLC and Warehouse

Reviewed and all requirements understood

Comprehensive Order Entry (CORE)

Reviewed and all requirements understood

Exel standard is to keep backup copies of all transferred files for 90 calendar days, which exceeds NHSLC's 45 day requirement

Warehouse System Requirements

Quantities

Reviewed and all requirements understood



Bailment Stock

Reviewed and all requirements understood

Physical Inventory

Reviewed and all requirements understood

Cycle Inventory

Reviewed and all requirements understood

Data Processing Requirements

Reviewed and all requirements understood

Shipping Labels

Reviewed and all requirements understood

Single Bottle Pick

Reviewed and all requirements understood

Inventory Reports

Reviewed and all requirements understood

General Reporting Requirements

Broker / Supplier

Reviewed and all requirements understood

Licensee Orders

Reviewed and all requirements understood

\longrightarrow Appendix L

Basic Bailment Charges

Reviewed and all requirements understood

Accessorial Service Charges

Reviewed and all requirements understood

\longrightarrow Appendix M



Exel will fully comply with all applicable laws and regulations including but not limited to those set forth in APPENDIX M

\rightarrow Appendix N

1.0 Introduction - 1.5 Normal product and information flow

Reviewed and understood

2.0 Requirements

Items expressed in this section are addressed in responses to Appendix K, Appendix P, and Appendix Q

→ Appendix O

Reviewed and all requirements understood

\rightarrow Appendix P

Available inventory

Reviewed and all requirements understood

Credit data

Reviewed and all requirements understood

Order header

Reviewed and all requirements understood

Order detail

Reviewed and all requirements understood

Credit header

Reviewed and all requirements understood

Price

Reviewed and all requirements understood

Brand master

Reviewed and all requirements understood

Blanket purchase order



Reviewed and all requirements understood

Broker

Reviewed and all requirements understood

Class

Reviewed and all requirements understood

Customer

Reviewed and all requirements understood

Order authorization

Reviewed and all requirements understood

Sub class

Reviewed and all requirements understood

Size code

Reviewed and all requirements understood

Trucker

Reviewed and all requirements understood

UPC

Reviewed and all requirements understood

Vendor

Reviewed and all requirements understood

Ship

Reviewed and all requirements understood

Receive

Reviewed and all requirements understood

AOLIST

Reviewed and all requirements understood

Purchase



Reviewed and all requirements understood

Affidavit

Reviewed and all requirements understood

Summary

Reviewed and all requirements understood

Warehouse receipt

Reviewed and all requirements understood

Perpetual inventory

Reviewed and all requirements understood

Order status transaction history

Reviewed and all requirements understood

\longrightarrow Appendix Q

Receiving Report

Reviewed and all requirements understood

Packing Slip

Reviewed and all requirements understood

Packing Slip Summary

Reviewed and all requirements understood

Shipping Labels

Reviewed and all requirements understood

Shipping Report

Reviewed and all requirements understood

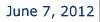
Physical Inventory Report

Reviewed and all requirements understood

Packing Slip

Reviewed and all requirements understood Exel Confidential









Raising Expectations for

NHSLC

RFP Response | June 7, 2012





4) Documents

\rightarrow Appendix A

A-3.1 New Hampshire Certificate of Authority or Certificate of Good Standing

A-3.2 Certificate of Vote

We believe this requirement is covered off by our Corporate Resolution document that lists signing authority granted by our board

A-3.3 Certificate of Insurance

A-3.4 Warehouse License application

We are unable to comply with the requirement to submit a license or a license application. A license application requires either a deed or a lease agreement for the building. Only the incumbent provider would be able to satisfy this requirement as no prudent company would sign a lease for an operation of this size without having a contract in place for the space. We are very confident one of our two real estate options will work out. We believe that it is in the best interest of the NHSLC to waive this requirement and accept our proposal.

\longrightarrow Appendix C

II General Requirements

Attached please find a completed IRS Form W-9 Request for Taxpayer Identification Number and Certification

Attached please find a Corporate resolution evidencing authority to submit the Proposal and to negotiate and to bind the corporation to a contract

New Hampshire 2012 Exel Inc Annual report

V Qualifications

Attached please find a statement prepared on the Vendor's official letterhead agreeing to comply with all Federal and State laws regarding Fair Employment Practice, the Patriot Act and Nondiscrimination

XII Signed statement from a licensed insurance agent or broker





Vendor must file a signed statement from a licensed insurance agent or broker that an insurance company authorized to write insurance in New Hampshire will insure said Vendor as required in the RFP.

XVII Financial statements

Attached please find our Income Statements, Balance Sheets, Statement of Cash Flows, and Auditors Statements for 2009, 2010, and 2011.



Executed Proposal Offer page

Control 360 Brochure



(confidential information redacted)



CONFIDENTIALITY STATEMENT

This proposal and any attachments or further correspondence regarding Exel's response to <COMPANY>'s Request for Proposal (RFP) are considered confidential and proprietary to Exel. Additionally, Exel's solution, including, but not limited to, any facility, equipment design, storage method, operating method, labor plan, information or operating system, pricing, wages, transportation modes and methods, commercial terms, or other aspect of this proposal, whether specifically cited in this document or not, are considered proprietary and confidential, and may not be shared, in whole or in part, with any person or entity not directly employed by <COMPANY> including, but not limited to, any outside contractors, consultants, agents, assigns, or representatives unless those parties are bound by the same confidentiality agreement Exel and <COMPANY> have established.

This proposal is based upon the information contained in <COMPANY>'s RFP and on all information contained in correspondence between the parties relative to this project. Should any data or information supplied by <COMPANY> be found in error or incomplete, or should any of the assumptions, conditions, or terms of Exel's solution be modified, changed or amended, or found to have material errors, Exel reserves the right to re-price and/or redesign its solution.

This document shall not be construed, in whole or in part, as an agreement between the parties to provide services. Services between <COMPANY> and Exel would be performed under a mutually agreed Operating Services Agreement.

This proposal is subject to Deutsche Post World Net (DEUTSCHE POST DHL) Board approval.¹

 $[\]scriptstyle\rm I$ Exel is the US and Canadian contract logistics organization that is a wholly owned subsidiary of DEUTSCHE POST DHL.



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Exel agrees to comply with all Federal and State laws regarding Fair Employment Practice, the Patriot Act and Nondiscrimination.





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