

STATE OF NEW HAMPSHIRE
NH LIQUOR COMMISSION
RFP 2012-14
Warehouse Services for Spirits & Wine Product,
Equipment & Supplies

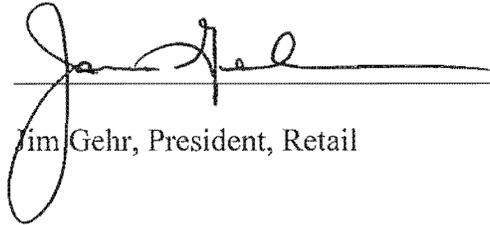
Proposal Offer

The undersigned hereby offers to provide to the New Hampshire State Liquor Commission the services indicated in this Proposal at the pricing quoted herein in complete accordance with all conditions of the Commission's Request For Proposal.

Name: Jim Gehr
Address: 570 Polaris Parkway
Westerville, Ohio
43802

Telephone: 614 865-8279

By:



Jim Gehr, President, Retail

THIS PROPOSAL OFFER IS NOT VALID UNLESS SIGNED BY A PERSON AUTHORIZED TO LEGALLY BIND THE VENDOR.

This Proposal offer must be executed by the Vendor and attached to the front of its submission.

This Proposal is to remain valid for a period of 210 days from the Proposal due date.

Execution of Proposal Offer form signifies agreement to enter into a contract with the NHSLC which contains the General Provisions described in APPENDIX E

Note to reviewer: the electronic version of Exel's Response indicates there are 63 pages however there are only 62. The pagination in the electronic version does not match the pagination in the hard copy submitted to the New Hampshire State Liquor Commission

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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

570 Polaris Parkway
Westerville, OH 43082

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

www.Exel.com

June 7, 2012

Dear Mr Bulkley:

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 Alberta Gaming and Liquor Commission (AGLC), Diageo, 7-Eleven and Pernod Ricard. It is important to note that the AGLC 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, Walmart, Ford, Dell... These customers stick with Exel because we deliver low cost operations and solid service.

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.

Exel Confidential
V072009

December 26, 2012

Exel Bid 000003

We are uniquely positioned to offer a real estate solution. It appears Law Warehouses is attempting to tie up the best existing warehouse location in New Hampshire through a "deal" with the current sub-tenant and landlord. Though not willing to accept our calls now, we believe the sub-tenant and landlord will work with Exel if we are selected as the successful proponent. If this is not the case Exel has found a build to suit option in Concord. The net cost difference between the two buildings is minimal. Thus, either way we have a real estate solution for the NHSLC.

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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Raising Expectations for
NHSLC

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Exel. Raising Expectations for NHSLC

1) 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.

→ **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.

↻ What our customers say



Across North America, Exel is providing innovative distribution services to market leaders like Walmart, Proctor & Gamble, 7-Eleven, Ford, Dell... Many of these relationships exist in North America and globally as well. These associations are long-term. For example our relationship with Proctor & 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.

↻ 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.

A number of key concepts underpin how we employ a cost reimbursement commercial approach.

- Each year we will agree on the annual operating budget. It is through this process that the Commission will have flexibility and control over the services to be provided and the associated costs to deliver them.
- The management fee will be based on the budget. It will not vary regardless of whether actual expenses vary from the budget. This avoids the perception that Exel benefits from cost overruns.
- To ensure we have a strong incentive to reduce costs our management fee will be subject to an efficiency payment. Under this formula, Exel and the NHSLC will split variances in actual costs incurred versus the budgeted costs after adjustment for changes in volume and operating profile. The efficiency mechanism ensures we have a strong incentive to reduce costs and it is self-funding. In addition, as the budget is reset each year based on the prior years running rate, the Commission holds 100% of the benefit of cost reductions in perpetuity.
- 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. Examples of service KPIs that are

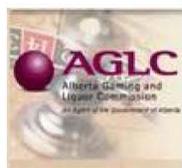
normally part of our agreements include in inventory accuracy, fill-rate, order accuracy, and on-time.

- 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.

A cost reimbursement commercial approach with an efficiency payment overcomes a two major weakness of a fixed per unit pricing structure.

- Fixed pricing requires providers to inflate their prices to cover the risk of cost inflation, volume fluctuations, and profile changes. Further, it causes them to only commit to savings that are readily achievable. It is our experience that an efficiency payment methodology enables us to commit to tougher stretch targets.
- Changes that negatively impact the provider's profitability will naturally be resisted. This will create issues for the NHSLC as it will likely need to adjust the services it provides as it works to fulfill its mandate over the 20 year contract term. A cost reimbursement structure facilitates transparency, flexibility and provides the Commission control over the services delivered.

➔ Industry Specific Experience and Knowledge



DIAGEO



LCBO



Exel has extensive experience in the beverage alcohol industry. Our experience includes working with both retailers and producers. We have experience operating with bailment inventory for the Alberta Gaming and Liquor Commission. We provide all the services required

by the industry, and finally we operate in North America, and in other countries around the world. Exel will bring the best of all of our experience within the beverage alcohol industry to assist the NHSLC with achieving the right balance between service and cost.

➤ 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.

We are delivering many new services on behalf of the Alberta Gaming and Liquor Commission. Examples include design and hosting of a web site that is now generating advertising revenues, offering demand management services, introduction of co-packing and near packing services for suppliers, and introducing LCD screens into stores and selling advertising space to distillers.

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 reduces 10 FTE's and allows us to reduce 50,000 square feet of building space. 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

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.

Oddly, the current tenant refused to allow us to tour the facility or provide specifications. We were told – though no one would confirm it in writing - that the current provider for the NHSLC has a “deal” to utilize this site if they win this RFP and as a condition of this arrangement the current tenant refused all inquiries about the site or requests for tours from other potential bidders. We believe that if Law Warehouses does not win this RFP that the sub-tenant and the landlord will work with Exel to negotiate a sub-lease and lease.

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 Manhattan, Red Prairie and Oracle. We do not build software. We focus our efforts on system integration. We have proven experience integrating with JD Edwards, SAP, and Oracle. 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.

➔ **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 (DPDHL). 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 Six Sigma, ISO 9001:2000, and TQM 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 (Alberta), 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:

- Safety
- Damages
- Turnover
- Cost per throughput
- Absenteeism
- Direct productivity
- Overall productivity
- Overtime
- Accuracy
- On time shipping
- Process improvement
- Quality assurance
- Claims

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 AGLC in 2007. We will do whatever it takes to ensure our clients' operations operate successfully.

➔ **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**

In this type of environment it is our strong recommendation that our cost reimbursement commercial structure is most appropriate. The challenge with a fixed price per unit pricing structure is that changes that negatively impact the provider's profitability will naturally be resisted. This will create issues for the NHSLC as it will likely need to adjust the services it provides as it works to fulfill its mandate. Under our cost reimbursement commercial arrangement each year we will agree on the annual operating budget. It is through this process that the Commission will have flexibility and collaborative control over the services to be provided and the associated costs to deliver them.

➤ **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 Whirlpool. 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.

➔ **Becoming a Better Retailer**

The NHSLC does an excellent job of merchandising and retailing its 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 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



Environmental protection
with Deutsche Post DHL

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 Walmart’s fresh food distribution center in Balzac Alberta 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.

→ 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 the Alberta Gaming and Liquor Commission scored the highest result of any of our customer surveys in North America. We are very proud of this outcome and look forward to achieving the same level of customer satisfaction with the NHSLC.

→ 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
- We will conduct monthly meetings where we will review the results for the prior month. The reports will compare actual costs against budget, key service metrics against target, and we will forecast the next month's performance
- We will conduct quarterly senior management reviews. The attendees will include VP and SVP level participants from Exel. The purpose of these meetings is to discuss strategic issues, potential changes in the direction of the business, and ensure regular contact between our senior leaders
- The final step to facilitating communications will be annual top-to-top meetings between our Retail Sector President and their peer at the Commission
- We will assign an account director to NHSLC. The role of this person is to be the voice of the Commission within our company. They also take a strategic outlook with an eye to developing opportunities within the business and leveraging solutions from the broader organization.
- From time to time NHSLC must be able to escalate an issue beyond the General Manager or their designated Supervisor. We will set up an escalation process. This procedure will include a full list of contact numbers. At minimum, the Director of Operations, Account Director, Vice President of Operations, and Senior Vice President of Operations and all carry a Blackberry. They will be "on call" at all times. During vacations, alternates will take their place. Therefore, despite when they occur, we will handle NHSLC service issues.

Raising Expectations for

NHSLC

RFP Response | June 7, 2012



2) 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

→ 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

- 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 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.

- Regarding potential sub-lease opportunity for the site identified in Seabrook, the current tenant refused to allow us to tour the facility or provide specifications. It is our understanding that the current provider for the NHSLC has a "deal" to utilize this site if they win this RFP and as a condition of this arrangement the current tenant and landlord refused all inquiries about the site or requests for tours from other potential bidders. Given the age of the building, and what we could see from the outside of the building, Exel is confident the site has the appropriate fire protection systems. The permits will be provided once the current tenant's "deal" with the incumbent provider NHSLC fails to close if the current provider does not retain the business.

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 – 3.17 Various 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

A-2 NHSLC

- 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.

→ 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.
 - Ms. Christi Clinger, VP Logistics, 7 Eleven, 972 [REDACTED] work, [REDACTED] mobile, Christi.Clinger@7-11.com
 - Mr. Bill Mines, SVP North America Customer Service and Supply, Diageo, 203 [REDACTED] work, [REDACTED] mobile, bill.mines@diageo.com
 - Mr. Alain Maisonneuve, Director, Liquor and Strategic Services, Alberta Gaming and Liquor Commission, 780-[REDACTED] work, [REDACTED] mobile, alain.maisonneuve@aglc.ca
- 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:

- Greg Foreman, VP Operations
- Robert Maclellan, Director of Operations
- Marc Belanger, Senior Operations Manager
- Tony Femia - Senior Director, Real Estate
- Teri Donegan - Area Director Human Resources
- Gurjeet Singh - Senior Engineer
- Steve Turchan - Director IT
- Steve Dougans - Account General Manager, AGLC
- Scott Lyons - Senior Director, Business Development

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 AGLC 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 appropriate time - somewhere between 6 and 8 months prior to go live - we will select the General Manager through our succession planning process.
- Teri Donegan will be responsible for all HR activities
- Steve Turchan will be responsible for IT integration and ongoing support.
- 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.

Prior Experience



Exel operates the warehousing and distribution services for the Alberta Gaming and Liquor Commission (AGLC). The AGLC's 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 AGLC utilizes blind inventory and we manage the processes necessary to correctly bill the agents and suppliers.

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 11 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 represent an additional 700,000 units annually.



The LCBO 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 Liquor Control Board of Ontario. In terms of volume, we move approximately 20,000 TEUs annually.



Tradeteam, an affiliate of Exel's, was created in 1995 when the former Bass Brewery opted to sell its 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. Giorgio Gori has offices and warehouses in all producing countries and specialized teams in all consumer markets. Greater than half the imported products into New Hampshire are handled by Giorgio Gori. Examples of distributors working with us include Martignetti and Perfecta



We operate a 50,000 square foot building in Louveria Brazil for Pernod Ricard that started operations in 2010. It is a pick pack operation with average throughput of 130,000 cases per month. We also provide value 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.

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

1. Exel is proposing an alternate commercial model as outlined in Appendices D and D-1
2. 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. – at a rate of █% per annum. 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.

Therefore, our proposal include a financing cost is of approximately \$300,000 per annum. These costs can be reduced and/or mitigated if we utilize alternative financing options – full leases, sales-leasebacks, etc. We normally see a █% reduction in the financing costs, and we can discuss utilizing them as a way to reduce cost as well as mitigate risk. Also, note that about \$█ of the financing cost is associated to working capital. 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.

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.

- Risk Identification
- Business Impact Rating (BIR)
- Risk Probability & Expected Scope of Damage
- External Risk Analysis
- Internal Risk Analysis
- Supplier/Service Provider Risk Mitigation
- Site Critical Programs Risk Mitigation
- Operating Location Risk Analysis
- IT/IS Risk Mitigation

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

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 [REDACTED] and [REDACTED] 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 [REDACTED] 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 ISM [REDACTED] and [REDACTED] Data Centers also have 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 [REDACTED] Data Center WAN connection become inoperable, network traffic is seamlessly rerouted through the other hub site and routed to the [REDACTED] / [REDACTED] Data Center via the secondary network provider.

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

→ **Appendix D**

Bound and sealed separately from this proposal

→ **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

→ **Appendix G**

Reviewed and understood

→ **Appendix H**

Reviewed and understood with corrections from Q&A

→ **Appendix I**

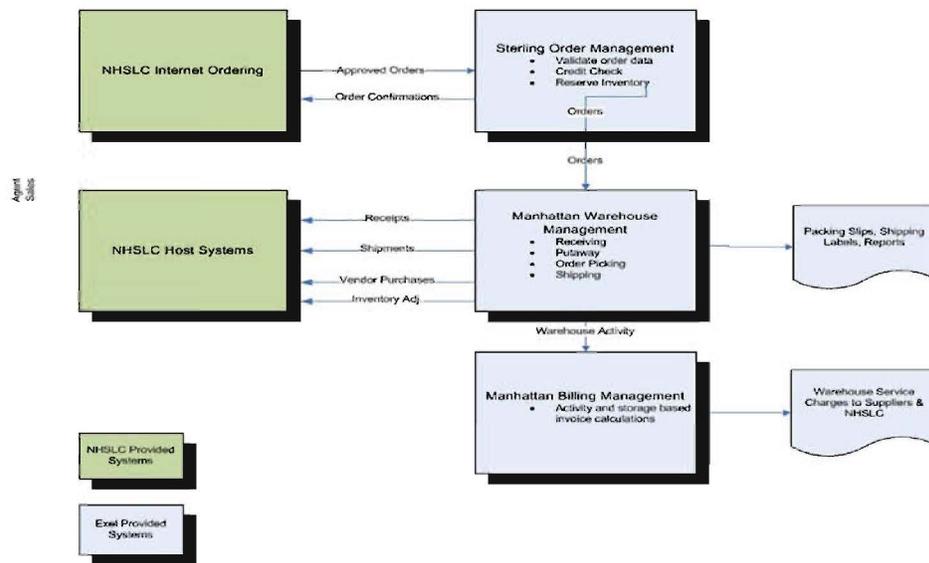
Reviewed and understood

→ **Appendix J**

Reviewed and understood

→ **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 Manhattan WMS include

- 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 Sterling Commerce Order Management 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
- 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 Manhattan WMS

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

Month 1

- Project planning
- Concept of Operations/Business Requirements
- Mapping Matrix

Month 2

- Develop interfaces
- Flow Document
- Procure Hardware
- Configuration
- Label Development

Month 3

- CRP (Conference Room Pilot)
- SOP (Standard Operating Procedure)
- UAT (User Acceptance Testing) Scripts
- Integration Testing

Month 4

- UAT
- End User Training

Month 5

- Inbound go-live

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 IBM/Sterling 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 Manhattan Warehouse Management System (WMS,) once OMS performs:
 - 1. All pertinent data integrity/accuracy checks
 - 2. 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 RequirementsBroker / Supplier

- Reviewed and all requirements understood

Licensee Orders

- Reviewed and all requirements understood

→ Appendix LBasic Bailment Charges

- Reviewed and all requirements understood

Accessorial Service Charges

- Reviewed and all requirements understood

→ Appendix M

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

→ 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

→ Appendix PAvailable 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

→ **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

Raising Expectations for

NHSLC

RFP Response | June 7, 2012



4) Documents

→ 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.

→ 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.

→ **Other**

Executed Proposal Offer page

Control 360 Brochure

Resumes or Bios for:

- Greg Foreman
- Robert MacLellan
- Marc Belanger
- Teri Donegan
- Steve Turchan
- Stephen Dougans



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

¹ Exel is the US and Canadian contract logistics organization that is a wholly owned subsidiary of DEUTSCHE POST DHL.

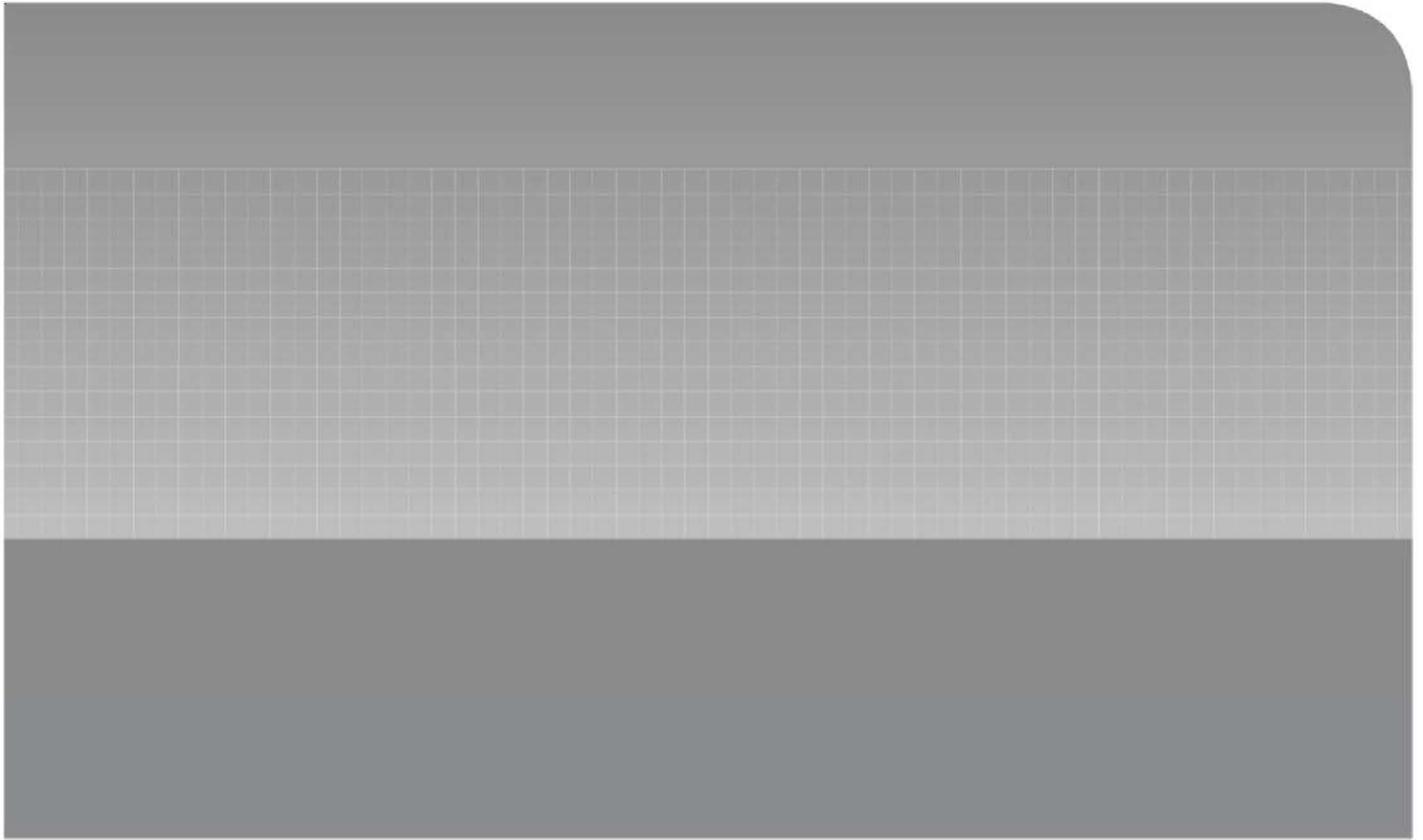


570 Polaris Parkway
Westerville, OH 43082

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

www.Exel.com

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

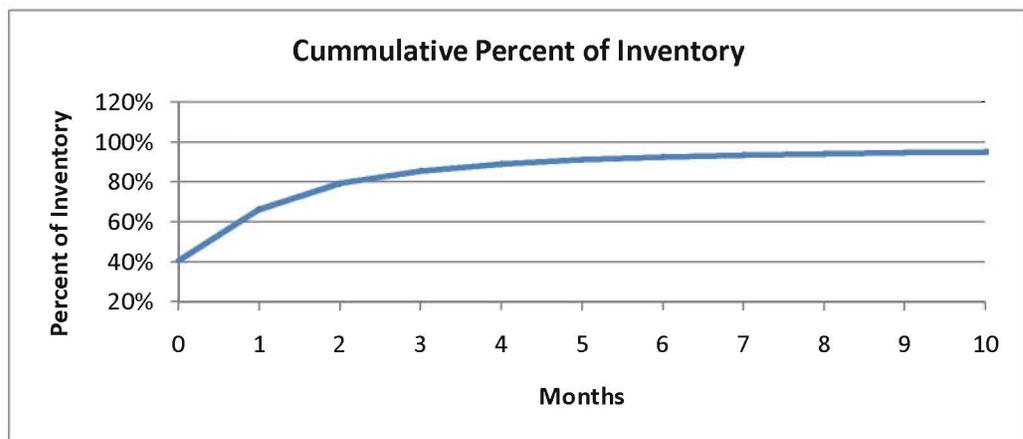


Data Analysis

Aging

The graph below summarizes:

- 80% of the inventory is less than 2 months in age
- The inventory for the rest of the year or 10 months account for 16% of the inventory
- year on out is 4% of inventory



Potential for reducing inventory on hand for 2 months plus or 20% of the inventory would save storage costs

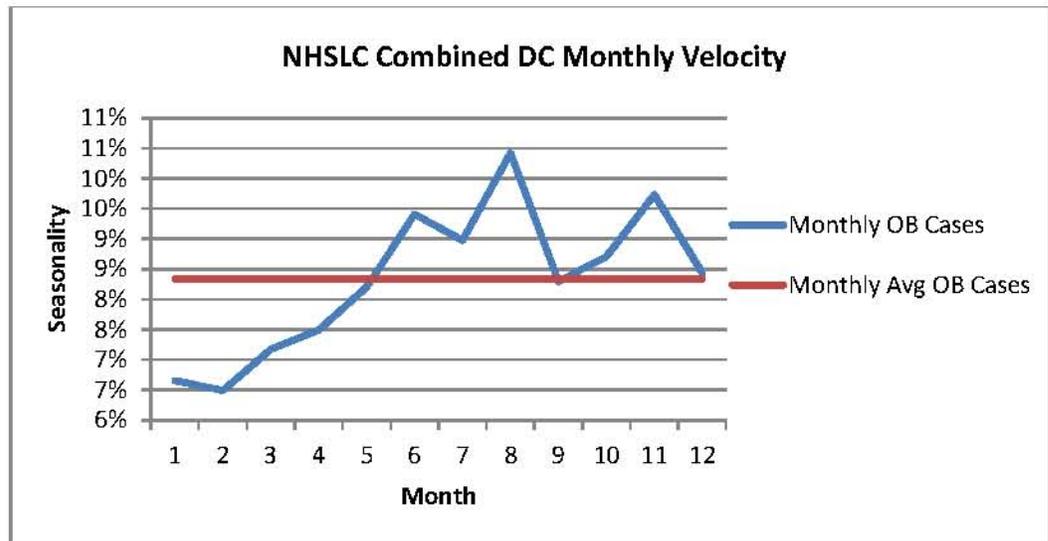
Inventory

Peak inventory is in October and is 6% higher than average



Velocity

Peak Velocity is in July and is 25% higher than average



Profile and Assumptions

Key Profiles

- Inbound 43% palletized, 45% slip-sheet, 12% floor loaded
- Accommodation for all industry standard packaging configurations
- 4,890,479 cases outbound year 1
- 0.7 cube per case
- 9 units per case, 65 cases per pallet average
- Peak pallet on hand is 14,080
- 10,009 SKUs on hand
- Below is year on year impact:

	Year 2	Year 3
Wage Inflation	2%	2%
Benefit Inflation		
Productivity Improvement	5%	3%
% Tenured Associates	50%	60%
Average Tenure (months)	12	24
Operational Supplies and Maintenance	2%	2%
Facility Inflation	3%	3%

Detail Profile



Profile used to budget solution below:

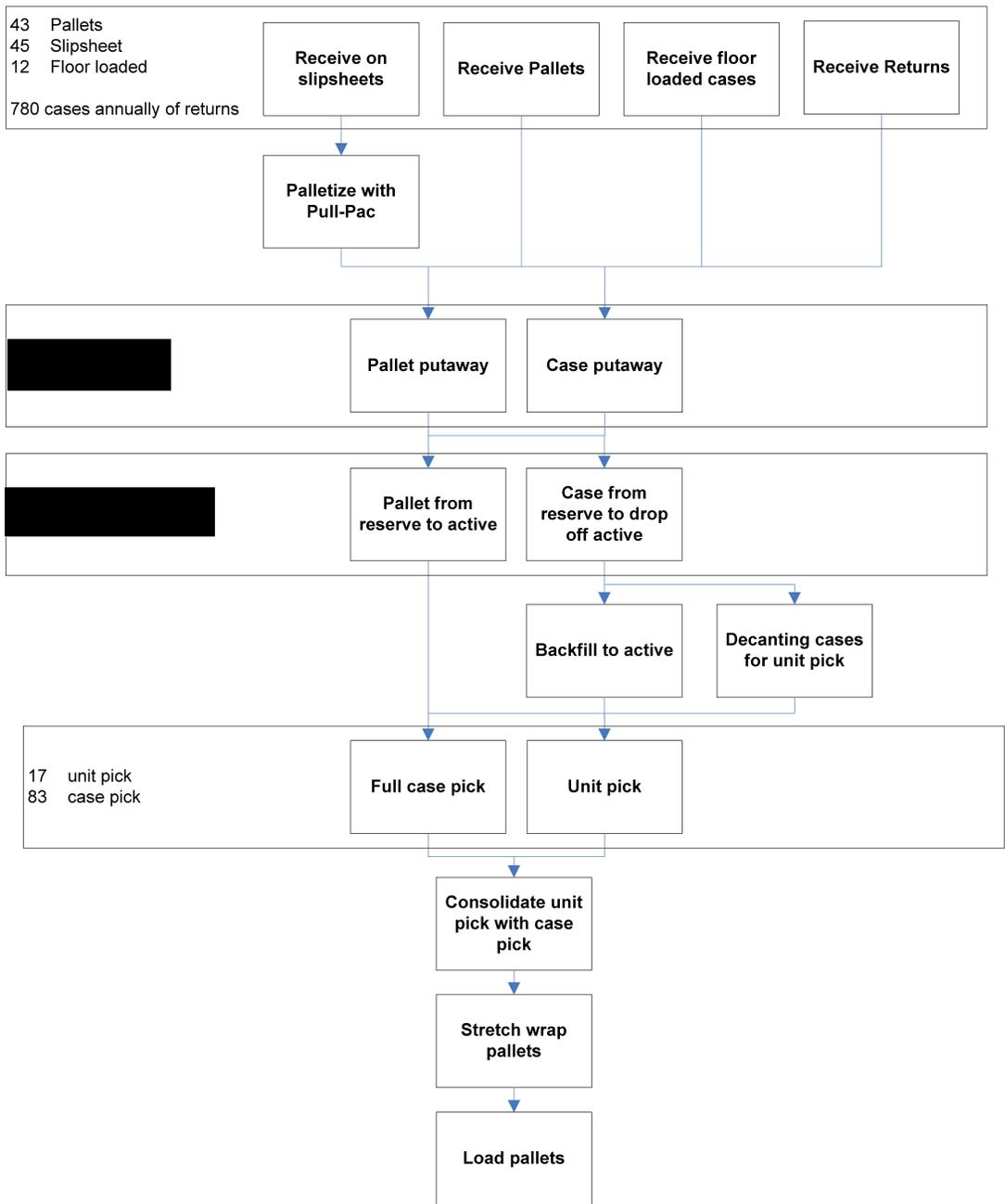
GENERAL	
Store Count	77
Cube per Carton	0.7
Weight per Carton (lbs)	32.5
INBOUND	
Inbound Receipt Type	75,238
Palletized %	43%
Slip-sheeted %	45%
Case loaded %	12%
Palletized	2,084,814
Slip-sheeted	2,197,246
Cases receipt	608,419
Annual Cartons	4,890,479
Annual Cube	3,423,335
IB Cube per Pallet	46
IB Cases per Pallet or Slip-Sheet	65
IB Equivalent Plt	75,238
INVENTORY	
Inventory Weeks on Hand (WOS)	8.6
Annual Inv Turns	6.1
Average Inventory Cartons	805,492
Peak Inventory Cartons	915,230
Peak Inventory Cube	640,661
Peak Inventory Pallet	14,080
Peak SKUs on Hand	10,009
Inventory peak-to-avg ratio	1.14

OUTBOUND	
Annual Unit Picks	967,285
Unit Pick SKUs	3,540
Units per Case	9
Peak-to-average ratio	1.25
% Licensee	56%
% Store	44%
Store	
Line/Order	198.70
Case/Line	1.28
Licensee	
Line/Order	37.30
Case/Line	1.20
Returns	780
SEASONALITY	
January	6%
February	6%
March	7%
April	7%
May	8%
June	10%
July	10%
August	10%
September	9%
October	8%
November	9%
December	10%

Process Flow



Process flow of operation below:



Concept of Operations

Receiving

Receiving capacity will ensure prompt unloading of product within two hours of arrival

Product unloaded from trailers using fork lift trucks:

- All inbound loads will be scheduled
- Inbound loads will check in with guard house and be directed to a specific door
- To ensure accurate cubic information, all SKUs will be cubic-scanned upon first receipt at the case level and bottle pick SKUs also at the each level
- Vendor compliance practice will be in place to ensure product quality and adherence to TI-HI's, etc so that unnecessary costs are not passed to NHSLC
- Unloader will
 - Open door and place leveler
 - Unload palletized product with a counter balance and drop in the appropriate staging lane
 - Floor loaded product will first be palletized
- Receiver will
 - Collect required paper work, labels, PO's , etc from office
 - Apply LPN and receive product into the WMS via handheld RF unit reconciling against PO



Putaway

- Putaway driver will scan the LPN of a "received" pallet on the dock
- WMS system will direct putaway driver to a empty reserve location using a radial putaway logic which looks for empty reserve locations in close proximity to a SKU's active location
- Once at the location, the associate will scan the appropriate location label (which has a check digit) and position the pallet in the rack or hand bomb cases into racking



Storage

- Product is stored between 45 and 85 degrees Fahrenheit
- A specific temperature controlled storage area of 5000 square feet will hold selected products at 55 degrees Fahrenheit
- Exel's expertise allows for a Customs Bonded area to be setup within 60 days.
- The warehouse has specific isolated areas for special statuses, such as returns.

Replenishment

- Partial replenishment of the forward pick shelf / case flow:
 - SKU's with forward picks with limited or no reserve will be restricted from eligibility for partial Replens from the general receiving processes. All received quantity for these SKU's must be directed to the designated reserve area
- Full pallet replenishment to forward picks if:
 - Inventory in the forward pick is at or below the replenishment point
 - An appropriate 'trigger quantity' will be set, say 2 cases in the pick face, but will be dependent upon each SKU's individual parameters
 - FIFO is required and will be adhered to in this action
 - The NHSLC or Supplier can request a non-FIFO strategy can be utilized for replenishment and distribution
- No other replenishment is currently in process that satisfies the replenishment task



Case Pick

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Page 6 of 34

- Order Picking from Forward Pick Locations
 - Pick methods need to allow for one or two assignments to be picked using the long-forks as required, whether single store, multi-store, or bottle pick.
- Picking from forward pick locations will be performed using voice directed picking system integrated with the WMS. Picking staff will use the voice system for direction and 3-digit UPC voice confirmation of the case for 100% audit at time of pick. The material handling equipment used will be laser truck as it is determined to be a lower cost to manual:



Picking staff will use the voice system for direction and 3-digit UPC voice confirmation of the case for 100% audit at time of pick. The material handling equipment used will be laser truck as it is determined to be a lower cost to manual:

- The productivity was engineered for both manual and laser truck

	Manual	Laser Truck
Volume	4,783,003	4,783,003
Productivity	██████████	██████████
FTE	██████████	██████████
Annual Cost per FTE	\$ 45,498	\$ 45,498
Annual Cost for FTE	\$ ██████████	\$ ██████████
Annual Cost Delta to Manual		\$ (359,048)

Annual Cost per MHE	\$ ██████████	\$ ██████████
MHE quantity	12	9
Annual MHE Cost	\$ ██████████	\$ ██████████

Annual Cost	\$ ██████████	\$ ██████████
Annual Cost Delta to Manual		\$ (158,888)

Capital for Laser Truck		\$ ██████████
Return on Investment to Manual		4.39

- The picker will constantly walk beside the laser truck
- Time for picking pallet, dropping pallet, going on and of MHE was removed for the Laser Truck

Bottle Pick

- Picking from the bottle pick locations will be performed using an voice directed picking system integrated with the WMS.
- Bottle picking staff will use the voice system for direction to assembling the order into cartons / totes.
- Once all the bottles for the order are assembled into the cartons / totes it is then brought to the consolidation area.

Consolidation and Secondary Audit

- Applied to orders with both case and unit pick
- Once a pallet is complete, it is audited by scanning each individual case UPC, a 100% check.
- A pallet label is applied and an RF task will be initiated for the reach truck driver to take the pallet to staging area

Loading

- Associate will collect paperwork with loading instructions before loading commences
- These loading instructions will be complete with information on the loads contents
- Loader will ensure all bottle picked, case picked and full pallet pick product has been properly merged up at the shipping dock
- Pallets will be collected from the dock by FLT driver and moved to the outbound truck
- Outbound product will be consolidated by route restacked or even floor loaded if necessary
- Forklift operator will close trailer and warehouse door



Inventory Control

- Ongoing cycle counting is industry best practice and will audit each storage location once per quarter negating the need for periodic full physical audits. Specific physical inventories, for instance by Supplier, can be requested.
- All cycle counting, bay counting and physical inventory programs will be completed through the Inventory Control group and utilize RF technology.
- Items with variances are researched and resolved on a timely basis. Root causes analysis of each variance and action steps to prevent future occurrences will be provided for each adjustment made.
- The Inventory Control process within the WMS is used to track, move, recall product, and to provide inventory records of item quantities, locations, transactions and histories.



- The Inventory Control group will be responsible to manage 'put away' rules, SKU slotting, cycle count methodology, and damages.
 - By way of the WMS, the direction to reserve through product characteristics, such as value/security; weight; physical dimensions; packaging / plastics; reserve prioritization (deep vs. local) etc
 - Periodic reviews that each SKU is being stored and picked appropriately (Why in an LP1 slot when an LP2 will do, etc), and will proactively move items to more appropriate locations as required,
 - Damages, product recalls, FIFO rules, adherence to temperature control requirements, positioning within the high value area.
 - Allow limited Cycle Counting during operations by way of 'warehouse floor portable' type 'live' controls with most IC team functions being undertaken 'off-picking-shift'
 - Ensure product data file accuracy, including product dimensions, TiHi, new SKU listings, de-listings, seasonal product, accessories etc
 - Define Min / max quantities for Replenishment by SKU

Operational Clock

- Monday-Friday Operational Clock shown below:\
- Operations may be extended to accommodate peak periods or holidays

Activity Time of Day	First Shift														Second Shift									
	0:00	1:00	2:00	3:00	4:00	5:00	6:00	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00
Receiving							█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Receiving Putaway								█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Order Entry				█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Transportation Planning							█	█								█	█							
Order Release						█	█							█	█									
Replenishment							█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Order Assembly								█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Loading								█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Shipping									█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Cycle Count				█	█	█	█																	



Facility Design

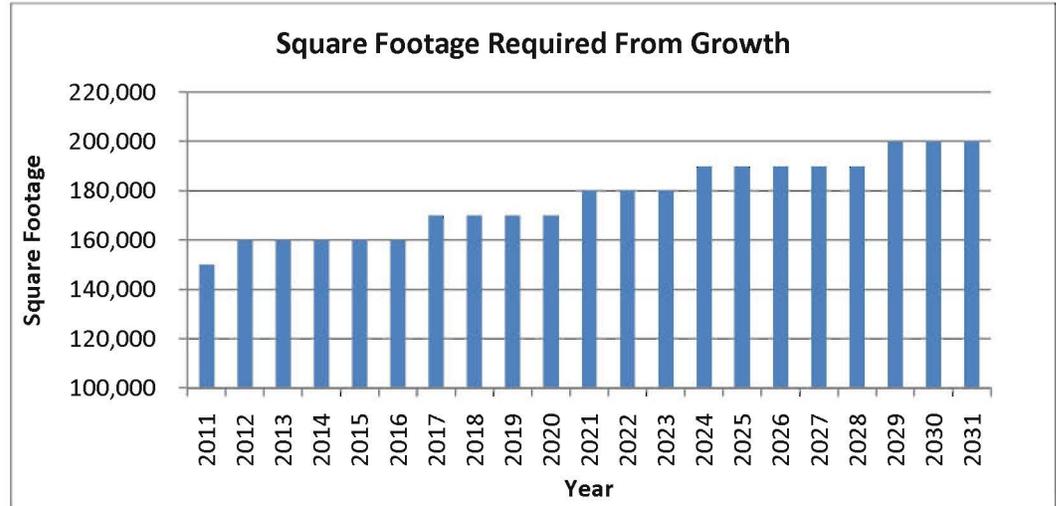
Facility Sizing

Below is the calculated square footage requirement for first year and key parameters:

- Based on 41' clear building
- 10'6" aisle spacing
- 15% cross aisle and column factor
- Utilization factor based on storage type (80% for single and double deep, 65% for hand stack)

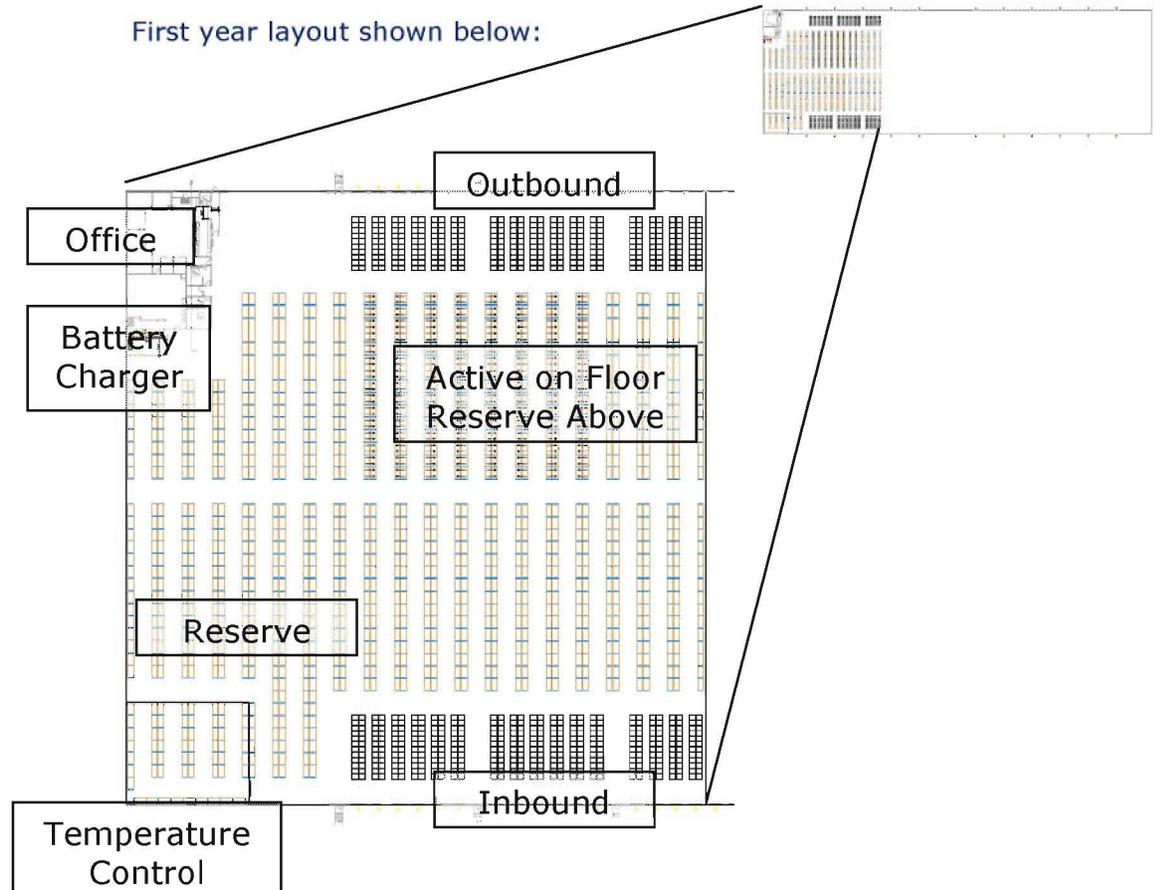
Active	81,000
Case Pick SF	78,000
Pick Slot Type (Hand Stack 1 W)	3,000
Pick Slot Type (Hand Stack 2 W)	11,000
Pick Slot Type (1/2 Pallet)	28,000
Pick Slot Type (Full Pallet)	14,000
Pick Slot Type (Double Pallet Flow)	18,000
Pick Slot Type (Double Pallet Flow 2 W)	4,000
Bottle SF	3,000
Pick Slot Type (Hand Stack 1 W)	1,000
Pick Slot Type (Hand Stack 2 W)	1,000
Pick Slot Type (1/2 Pallet)	1,000
Reserve	26,000
Reserve Above Active	79,000
Case & Bottle Pick at Reserve SF	18,000
Pick Slot Type (Hand Stack 1 W)	1,000
Pick Slot Type (Hand Stack 2 W)	3,000
Pick Slot Type (1/2 Pallet)	8,000
Pick Slot Type (Full Pallet)	6,000
Reserve SF	87,000
Pick Slot Type (Hand Stack 1 W)	1,000
Pick Slot Type (Hand Stack 2 W)	1,000
Pick Slot Type (1/2 Pallet)	6,000
Pick Slot Type (Full Pallet)	8,000
Pick Slot Type (Double Deep Pallet-Full Pallet)	45,000
Pick Slot Type (Bulk-Full Pallet)	26,000
Total Storage Area	107,000
Warehouse Area	150,000
Storage	107,000
Offices	4,000
Battery / Maintenance	4,000
Shipping / Receiving Office	2,000
Total Warehouse Areas (Excl Dock)	117,000
DC Length	428
Dock Depth	75
DC Width	349
Dock Area (Incl Travel Aisles)	33,000
Total Warehouse Square Footage	150,000

Based on year on year inventory growth of 1.9%, 200,000 square feet is required in year 20



Conceptual Layout Design

First year layout shown below:





Real Estate

Building Selection

Real estate search resulted in 2 buildings found and compared it to a build to suit (BTS) alternative:

1. 100 Ledge Road, Seabrook, NH:
 - a. 41' building clear high
2. 59 Daniel Webster Highway, Merrimack, NH
 - a. 22'-32' clear high

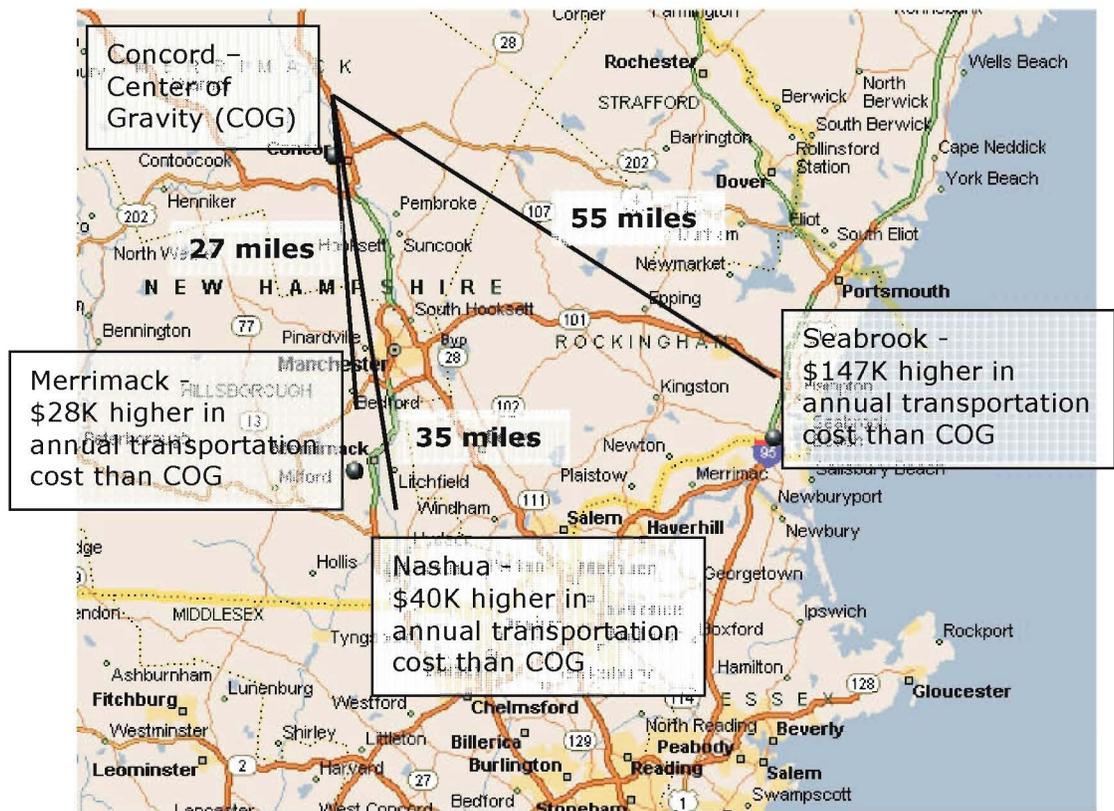
In order to determine the best location, transportation, wage and warehouse cost is considered:

Impact Costs	Seabrook	Merrimack	BTS
Facility Cost			
Lease Rate	\$ 4.50	\$ 4.50	\$ 7.25
CAM, Tax, Insurance	\$ 1.50	\$ 1.50	\$ 1.50
Utility	\$ 0.60	\$ 0.60	\$ 0.60
Cost per square foot	\$ 6.60	\$ 6.60	\$ 9.35
Square Foot	150,000	200,000	150,000
Total Cost	\$ 990,000	\$ 1,320,000	\$ 1,402,500
Transportation Cost Est for stores	\$ 1,544,642	\$ 1,425,393	\$ 1,397,618
Total Cost in Wages for Direct	\$ 2,182,189	\$ 2,146,472	\$ 2,146,472
Total Cost	\$ 4,716,831	\$ 4,891,865	\$ 4,946,589
Delta from BTS	\$ (229,759)	\$ (54,724)	

Seabrook is lowest in total cost. Notes:

- Because the Seabrook building is 41' high, pallets are storable at 7 high, thus the total square footage saved instead of a 30' high building is 50,000
- The transportation analysis used store locations only at \$2 per mile plus \$75 per stop

Below is the map of the possible location and distances:



Seabrook building is 1.2 paved miles away from I-95:



Seabrook specification:

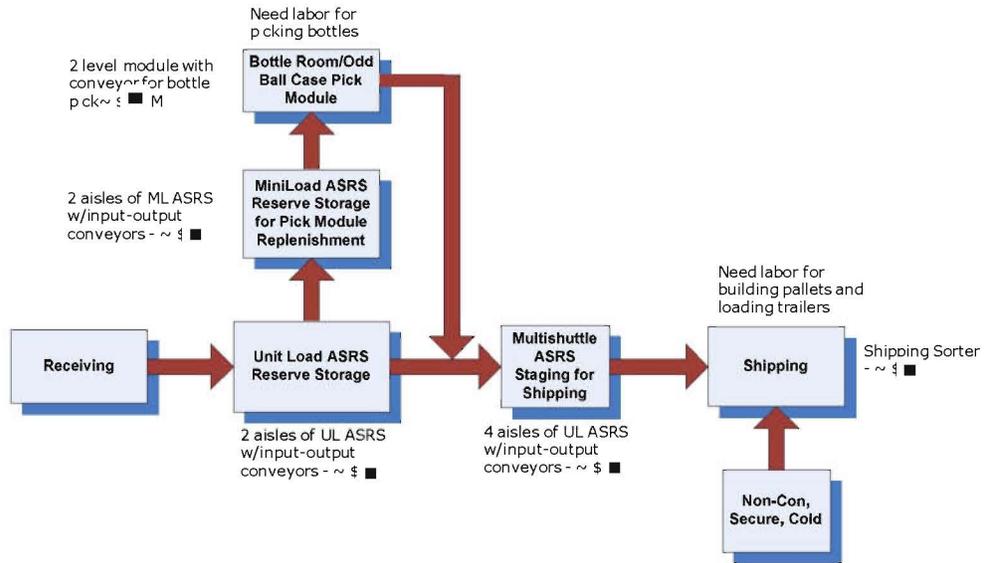
- 495,000 square feet available and divisible
- 56 dock doors and is divisible
- 41' clear
- 400' X 1250'
- 50 X 50' column spacing

We would require:

- 150,000 of the space for year one
- At least 16 docks
- At least 2 dock door for licensee traffic
- At least 12 trailers parking in yard
- Specifications outlined from NHSLC

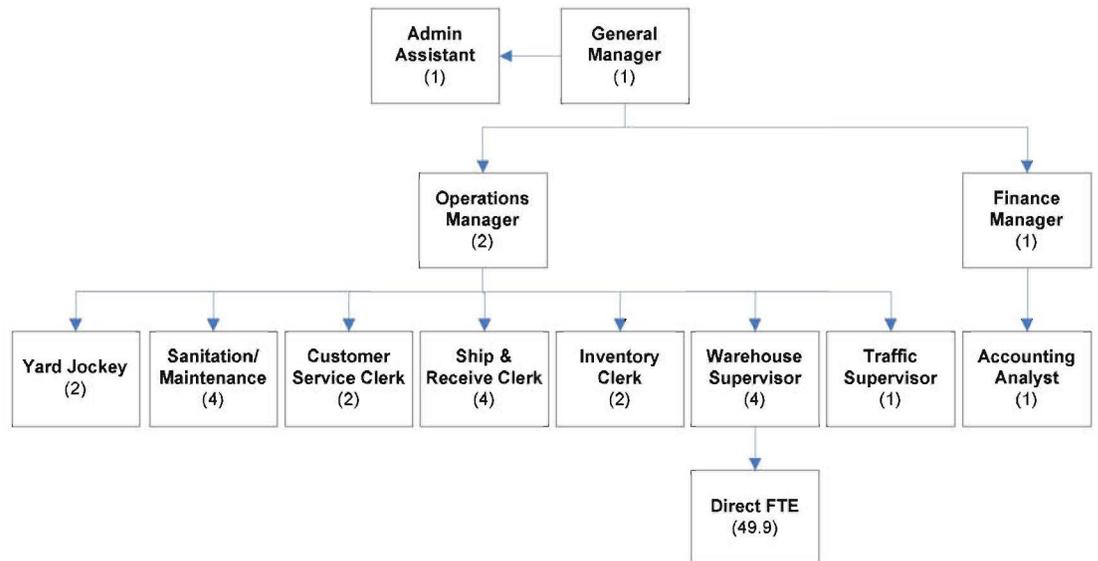
Automation Analysis

The total cost of the automation solution shown below is approximately \$ [redacted] M. The return of investment is determined to be 10-11 years.



FTE Summary

Organizational Chart





Direct FTE productivities and activities

Activity	Demand	Rate of Flow	Unit of Measure per hour	FTE
Receive				4.9
[Redacted]				
Putaway				3.2
[Redacted]				
Replenish				20.4
[Redacted]				
Picking				16.1
[Redacted]				
Loading				2.5
[Redacted]				
Miscellaneous				2.7
[Redacted]				
Yard				2.1
[Redacted]				
Total Direct				52.0



Capital Summary

Item	Quantity	Term	Capital Purchase
Forklifts (Excluding batteries & charger)			
Elec Standup Reach	4	7	
Laser Truck	9	7	
Sweepers			
Electric Sweeper / Scrub	1	5	
Attachments			
BBA Mark 55 Pull-Pac	1	5	
Miscellaneous Equipment			
Battery Room setup (See text note)	1	7	
Stretchwrapper	1	5	
Yard/Shuttle			
Yard Tractor (Ottawa)	1	10	
Batteries			
Elec Standup Reach	8	5	
Charger- Other Equipment	4	7	
Storage Equipment			
Pallet Racking (positions)	11201	20	
Double Deep Flow	164	20	
Half Pallet Locations	4835	20	
Hand Stack Bays	50	20	
Office Equipment			
Office Furniture Allocation	16	7	
Office Equipment Allocation	2	5	
Phone System	16	5	
Kronos Card Readers	1	4	
Oracle Licence fees	2	3	
Property Refurbishment			
Temperature Control Space	5000	20	
Security			
Base	1	10	
PSF	1	10	
IT Capital			
Hardware	1	5	
Software	1	10	
Total			

Trailer and Container Acceptance SOP Example

1.0 PURPOSE

This work instruction documents the steps required to successfully perform the process of accepting a booked inbound Trailer or Container and removing the seal.

2.0 SCOPE

This work instruction shall apply to all team members assigned the task of accepting a booked inbound Trailer or Container and removing the seal within the Exel Member Company facility

3.0 DEFINITIONS

- 3.1 Receiving Worksheet** – Worksheet used by offloading crews to tabulate container or trailers content.
- 3.2 Seal** – A device used to seal the rear doors of a trailer or container. Usually contains a specific and unique number that is recorded on accompanying paperwork.
- 3.3 Manifest** – A Manifest is a document that accompanies an inbound shipment and details the contents of a trailer or container. This may be the document that contains the seal number.
- 3.4 B.O.L.** – A Bill of Lading is a document that is used to record/acknowledge receipt of a trailer or container. The number of cases received on that unit is recorded on this document and returned to the driver or carrier upon completion of receipt. This document can be the original or a Photocopy. Drivers usually supply this document. This may also be the document that contains the seal number.
- 3.5 Customs Document** – Official Government document that accompanies loads dropped off within the Exel Member Company facility. It details the shipment and may be the document that contains the seal number.
- 3.6 Unit** – Trailer or Container containing goods to be received at Connect Logistics.
- 3.7 URS** – Unit Receiving Schedule is a document that contains the daily bookings for inbound receipts. This document is to be used to verify that an arriving trailer is booked for that day.

4.0 REFERENCE DOCUMENTS

4.1. Documents

- 4.1.1. 5104-5260-52-09-02-0015 Unit Receiving Schedule

5.0 PROCEDURE

- 5.1. Trailer arrives at a Facility operated by Exel Member Company after having received an appointment.
- 5.2. Driver checks in with Receiving Office for instruction.
- 5.3. Driver brings all paperwork when checking in with office.
- 5.4. Receiving Clerk verifies that the Unit being delivered is at the correct facility and has an appointment by referring to the Booking Schedule or URS.
- 5.5. If appointment is on the schedule, the Clerk assigns the driver an empty bay. Driver is instructed to drive up to the assigned bay and await an Exel employee who will inspect and remove the seal from the doors before unit can be backed in.
 - 5.5.1. If Driver/Unit does not have an appointment Unit is refused and the driver is instructed to return only after an appointment has been made.
 - 5.5.2. If Driver is Early or Late it is up to the discretion of the Team Leader as to whether or not the trailer is accepted or needs to be rebooked.
- 5.6. The Exel employee who is charged with removing the seal must check integrity of the seal and match the number on the seal with the number that is recorded on the paperwork that accompanies the load.
 - 5.6.1. If the seal number matches but is not intact; a Receiving Team Leader must be informed and a decision will be made to either refuse the load, or accept the load and record on all documents that the seal has been breached.
 - 5.6.2. If the seal is intact but does not match the number recorded on the accompanying paperwork; a Receiving Team Leader must be informed and a decision will be made to either refuse the load, or accept the load and record on all documents that the seal removed from the Unit did not match the original seal.
- 5.7. Seal is removed by whatever means deemed necessary without damaging the seal number if possible. Once seal is removed driver can proceed to back in trailer to assigned bay.



- 5.7.1. If it is not possible to remove seal without damaging the number on it a picture must be taken to be included in the receiving package.
- 5.8. Seal is returned to office by Exel Employee.
- 5.9. Driver returns to office after backing in trailer with all paperwork that accompanied the load.
 - 5.9.1. Driver is instructed to leave facility until Unit is offloaded.
- 5.10. Receiving Clerk puts seal in envelope and records Seal number on Envelope. Seal and Documents are handed off to the Receiver and Receiver records the seal number on the Receiving Worksheet and package is returned once load is received.
- 5.11. Once load is received, package containing all paperwork is reviewed Team Leader, and forwarded to a Confirmation clerk for verification into Warehouse Management system.
- 5.12. If load conforms to paperwork, seal is discarded and paperwork is forwarded on to receiving office.
- 5.13. If there is any discrepancy on the load such as, Shortage, Overage, Breakage or Non-PO product then Seal is kept and forwarded on to the Receiving office with all accompanying documents.
- 5.14. Task Complete.

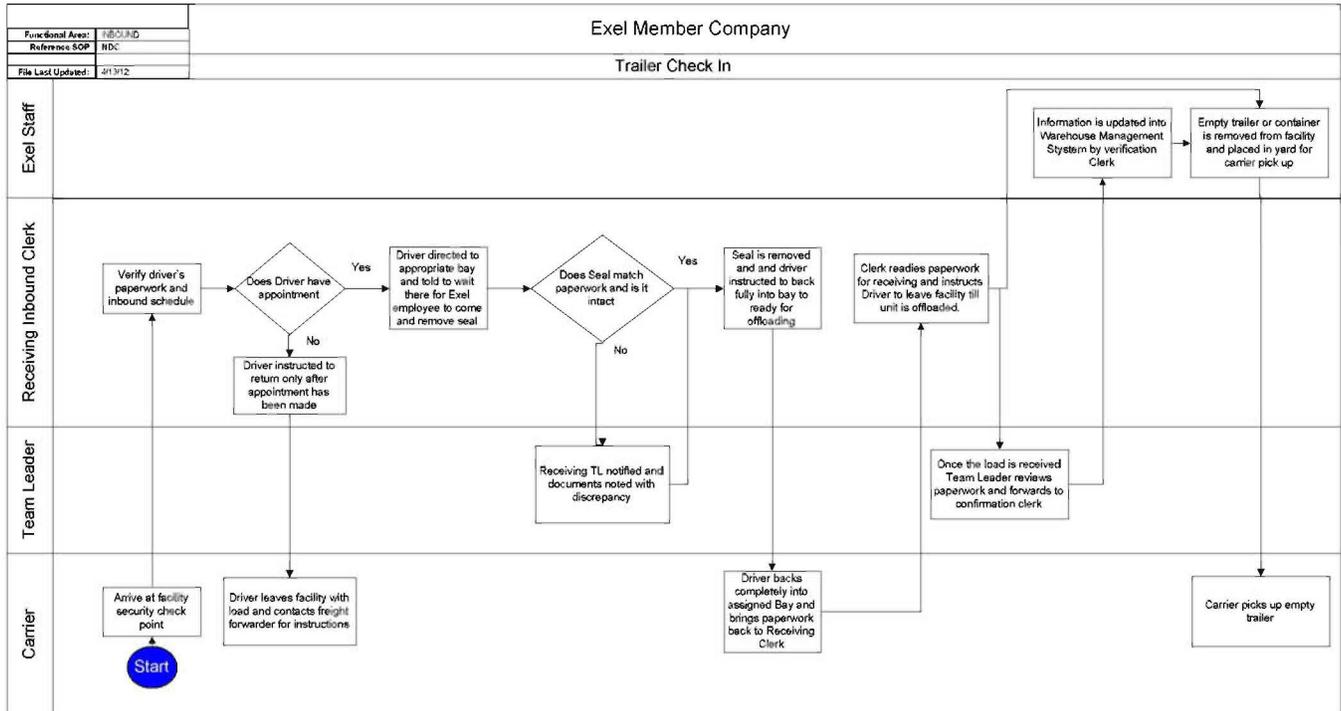
6.0 APPROVALS

Name/ Title	Signature	Date
Receiving Manager		
General Manager Operations		
Quality Assurance Representative		
Effective Date		

7.0 REVISION HISTORY



Work Flow Example for Receiving



Site Level General Security Requirements

8.0 PURPOSE

This procedure establishes the standards required to successfully establish a site level security program. This document is intended to ensure that a proactive security program is developed and implemented at the site level, with a specific focus on minimizing security risks and business losses, and in compliance with all applicable local community and country laws and regulations.

9.0 SCOPE

This document shall apply to all sites and associates with the Exel Supply Chain in the in the US and Canada.

10.0 DEFINITIONS

None

11.0 REFERENCE DOCUMENTS

- 4.1 Warehouse Security *Work Instruction 0000-9191-32-31-00-0007*
- 4.2 Cargo Container Security Seals *Work Instruction 0000-9191-32-31-00-0008*

12.0 SECURITY PROCEDURE

12.1. Written Security Procedures

- 12.1.1. A site specific security standard operating procedures (SOP) manual shall be maintained by management.
- 12.1.2. The SOP manual shall be kept current and should include procedures outlining general security, maintenance and monitoring of access control, alarm and Closed Circuit Television (CCTV) systems, emergency response, security guard officer post orders, security loss prevention training, loss reporting and pertinent government regulations and/or requirements including Transportation Security Administration, Customs and Border Protection, Food and Drug Administration, etc, as applicable.
- 12.1.3. Position of Responsibility
- 12.1.4. All Exel locations shall designate a responsible manager or supervisor as the site security nominee.

- 12.1.5. The security nominee will be responsible for overall security within the facility, which includes physical and electronic security measures and administering and maintaining security policies and procedures.
- 12.1.6. The nominee should be directly responsible to the site general manager regarding security matters.
- 12.2. Incident Reporting
 - 12.2.1. Incidents involving theft from the facility or other serious criminal activity including workplace violence, burglary, robbery, significant property destruction or other incidents, which create loss or liability for Exel, will be reported as soon as practical to a responsible manager and the NEAR reporting system.
- 12.3. Background Screening
 - 12.3.1. Each Exel location must ensure that criminal background checks are performed on all new associates, contract employees and temporary associates.
 - 12.3.2. Completed criminal background checks in compliance with Exel standards and criteria shall be requested of all third party contractors, providers of temporary labor, contractors or vendors prior to access to the facility. If not submitted, Management shall incorporate measures to limit, monitor and control their access and activities to assure security is maintained.
- 12.4. Employee Photo Identification
 - 12.4.1. It is highly preferred that all sites issue Exel associates a photo identification badge, which is to be displayed at all times while working.
 - 12.4.2. Identification badges are to be returned to or retrieved by site management, once the associate terminates employment with Exel.
- 12.5. Access Control
 - 12.5.1. Site managers are responsible for ensuring that access to the premises is controlled, which includes access by Exel associates, visitors, contractors, customers, etc.
 - 12.5.2. Properly controlling access to the facility is intended to prevent or detect unauthorized individuals from entering the premises.
 - 12.5.3. Control of access can be managed with an electronic access system or via manual door locking hardware.
- 12.6. Audit System for Keys and Access Cards

- 12.6.1. Each location shall implement a system to administer and audit keys and access cards.
- 12.6.2. When manual locks are utilized, a log of key assignments will be maintained. Unless otherwise specified by the site general manager, only supervisory or management level personnel will be provided facility keys including entrance doors, high value product storage cages/rooms and other sensitive areas.
- 12.6.3.
- 12.6.4. If there has been poor or no key control previously, the facility will change locks (re-key) on entrance doors and doors to sensitive areas and reissue new keys to authorized personnel.

12.7. Restricted Access

- 12.7.1. Associate access must be appropriately controlled and limited to those work areas necessary for fulfilling their job duties.
- 12.7.2. Areas where access is restricted, i.e. bonded areas, free trade zones, CFS, high value product cages, etc., will be communicated to all employees and warning signs posted providing visual notification of restricted access.

12.8. Visitor and Contractor Identification

- 12.8.1. All locations are required to maintain a log for registering visitors, drivers, contractors, etc.
- 12.8.2. Any person visiting the site will provide proof of identification.
- 12.8.3. Acceptable forms of identification include a government issued photo ID, an authorized company issued photo ID or Passport.
- 12.8.4. Truck drivers entering a site to either collect or drop off freight, must produce a valid state issued operator or CDL license and a company issued photo ID.
- 12.8.5. All persons visiting the facility will be issued a distinctive "visitor badge" and it must be visibly displayed at all times.
- 12.8.6. Exel associates not assigned or performing regular duties at the facility will be considered visitors and will follow the same procedures as other visitors, unless specifically exempted by the site general manager.
- 12.8.7. Account management associates and other senior management associates may be exempted based on their level of authority or assigned responsibilities.
- 12.8.8. With the exception of authorized Exel associates, all visitors will be escorted while in the facility.

12.9. Personal Items

- 12.9.1. If possible and practical, personal items (e.g., containers, bags, lunch boxes, brief cases, etc.) should not be permitted in the secured warehouse area.
- 12.9.2. Lockers or other storage areas should be made available to associates for storing personal items.
- 12.9.3. Personal cellular telephones shall be prohibited in the workplace, especially within the secured areas of the buildings where inventory or cargo is handled, stored, transferred, distributed, packaged, etc.

12.10. Intrusion Detection

- 12.10.1. A full perimeter intrusion alarm system (burglar alarm) will be installed at all operating locations.
- 12.10.2. At minimum, the intrusion alarm system will employ appropriate detection devices, which may include all or a combination of the following:
 - Magnetic door contacts
 - Motion detectors
 - Glass break sensors
 - Photoelectric sensors
 - Audible exit alarms (equipped with horns, sirens, strobe lights, etc.)
- 12.10.3. Intrusion alarm systems require either on-site or off-site monitoring.
- 12.10.4. On-site monitoring is accomplished via a command center located within the facility and staffed by either Exel personnel or a contract guard service on a twenty four (24) hour, seven (7) days per week schedule.
- 12.10.5. Generally, off-site monitoring is utilized and is accomplished by contracting with a private alarm system monitoring company.
- 12.10.6. Intrusion alarm systems must be tested regularly.
 - 12.10.6.1. At minimum, a full test should be conducted monthly.
 - 12.10.6.2. If the system is monitored by a private company off-site, then opening and closing reports will be obtained and reviewed on a weekly basis by the site general manager or designate.

12.11. Closed Circuit Television (CCTV)

12.11.1. CCTV monitoring and recording is not a mandatory requirement except for locations handling or storing defined high value cargo or inventory.

12.11.2. Facilities handling high value cargo/inventory as previously defined by customers or contract terms will employ a CCTV system.

12.11.3. TAPA certified and/or compliant sites must have CCTV meeting requirements outlined within the Freight Security Requirements.

12.11.4. Additionally, certain sites may need CCTV systems based on government requirements or customer contracts.

12.11.5. Basic components of a CCTV system include the following:

- Cameras (color or dual chip technology is preferred. Pan, tilt and zoom and/or fixed mounted or a combination may be employed)
- Digital video recorders
- Color monitor(s)

12.11.6. Deploying the CCTV system should include monitoring of both interior and exterior areas and include the following:

- Associate entrance, emergency exit doors and other doors accessing sensitive areas
- Dock doors, ramp doors, rail doors, etc.
- Interior dock staging area
- Parcel shipping and packaging area
- High value product cages or rooms
- Bonded areas and Free Trade Zones
- Driver entrance
- Exterior dock area and/or traffic entrance onto the dock area and grounds

12.12. Electronic Access Control

12.12.1. Electronic access control is an effective method of securing entrance doors into the facility and other sensitive doors throughout the building.

12.12.2. A computerized electronic access control system may employ a variety of technologies for allowing entry/exit through doors.

12.12.3. The two most popular technologies employed at Exel sites include proximity cards or magnetic swipe cards.

12.12.4. A computerized access control system allows site management to set levels of authority for access into the building or sensitive areas based on time of day, day of week, individual work requirements, etc. Additionally, the system creates an automated audit trail of all activities and individuals using the system.

12.13. Exterior Illumination

- 12.13.1. Parking areas, dock areas, drop lots, entrances, emergency exits and other secured areas will employ a reasonable and adequate level of illumination.
- 12.13.2. Exterior illumination should be at a level that avoids creating excessive shadowing or glare and allows for visual detection of intruders.
- 12.13.3. To further enhance visual observation day or night, perimeter areas including buildings, parking areas and fence lines should be free of obstructions including trees, shrubs and other vegetation that may provide cover and concealment for an intruder.

12.14. Perimeter Fencing

- 12.14.1. Fencing is the preferred method of establishing physical security barrier around the perimeter of the building, grounds, parking areas, dock lots and drop lots.
- 12.14.2. Chain-link fencing offers the most economical means of securing property perimeters. However, many cities and subdivisions have zoning regulations prohibiting the use of fencing or require an ornamental iron type.
- 12.14.3. At minimum, manual gates should be installed across the driveway entrance onto the dock lot area. It must be noted, that multi-tenant facilities may preclude both the use of gates and fencing.

12.15. Dock Lots/Drop Lots

- 12.15.1. An appropriate level of security must be maintained on trailers, containers or vehicles temporarily stored within the dock area or drop lot.
- 12.15.2. Sites should avoid staging or storing loaded trailers or containers unless the site is secured by multiple security measures including fencing, proper illumination, CCTV, and guard shack/welcome center.
- 12.15.3. In addition to the measures listed above, pin locks and/or glad hand locks or a combination of both will be employed as a further means of protection.
- 12.15.4. Loaded trailers or containers will not be left unattended in an unsecured dock area or drop lot.

12.16. Cameras and Cellular Telephones

- 12.16.1. Cameras or video recording devices are not permitted within Exel facilities except by express permission from regional security or risk



representatives, the facility manager or other authorized senior manager.

12.16.2. Exel associates will not possess or use personal cellular telephones within the secured area of the warehouse or facility.

12.16.3. Company issued cellular telephones are an exception and are to be used exclusively for conducting company business.

13.0 APPROVALS

Approved: _____ Site General Manager Signature	Date: _____
Print Name: _____	
Approved: _____ Site Operations Manager Signature	Date: _____
Print Name: _____	
Approved: _____ Quality Assurance Representative Signature	Date: _____
Print Name: _____	
Effective Date: _____	Initials: _____

14.0 REVISION HISTORY

Rev	Date	Responsible Person	Description of Change
00	30July07	Jim Carpenter For Inventory Mgmt team	Original developed by Inventory Management Project team
01	06August 10	Jon DeLuca Security Coordinator	Security coordinator changed to "security nominee"

Transition and Start Up

NHSLC requires a partner with the experience, people, and processes to start up this building properly. We recognize the critical nature of this project and will ensure a successful implementation and start-up of this operation. Effective project management is a core discipline at Exel and is proven by conducting an average of one start up every week in North America.

Exel uses its DePict project management strategy and seasoned project Managers. The DePict acronym represents the five phases of a project: define, plan, implement, control and transition.

Key Activities & Milestones



Exel will support the implementation with seasoned Managers, who are very familiar with the NHLC business requirements and like businesses. In doing so, we will minimize learning curves for the new facility team and quickly adapt existing workflows that have been successful in similar businesses. The impact to the business of a supply chain disruption is not acceptable.

To support the transition, Exel will assign a specific team covering all aspects of the project.

- Greg Foreman (VP Operations) will sponsor the project, ensuring the project is well resourced.
- Robert MacLellan (Director Operations) will be directly responsible for ensuring overall successful start up and directing resources in the start up and for the ongoing operation.
- Several General Managers from our existing warehouse and transport operations will play a key role in assisting the Marc Belanger, site General Manager, assigned to this operation.
- Scott Lyons (VP Business Development) will lead the commercial efforts to ensure completion of all contractual items in a timely manner.
- Stephen Dougans, Account General Manager, will liaise with Industry and Government stakeholders
- A project manager will be assigned and will manage the start-up.
- Functional experts from Operations, Quality, Information Technology, Integrated Logistics Design (ILD), Safety Health & Environmental, Commercial Contract Management, Risk Management, Procurement, and Finance will come together to develop and execute a comprehensive project plan.
- Off site resources (General Managers, Operation Managers, Supervisors and hourly associates) that have significant experience on implementations and start-up.
- Team members that are fully experienced with Manhattan WMS will also support the transition and training efforts.

Permanent Staff Training and StartUp Preparation

The site General Manager, Operations Manager and Inventory Supervisor will be hired in late June 2013 and will learn the NHSLC business, systems and processes. This team will commence work finalizing SOPs and work instructions for the operation.

The permanent staff will be instrumental in working through the project plan with the Project Manager.

The Operations Supervisors will be on board four weeks prior to the start of hiring and training of the new Associates.



The Shipping/Receiving Clerks will spend two weeks each in similar sites using Manhattan WMS to learn processes and then spend the last two weeks at the new site for training.

All operations staff will be on boarded one week prior to the go-live date. During this time, all Exel orientation, MHE certification, and training on SOPs, work instructions and the WMS will take place.

Operational Off-Site Support

Our Project Manager will be on board to support the transition upon the award of the business. We anticipate that the Project Manager will support the implementation through project closure, which is typically shortly after the ramp up finishes.

We estimate that at least four managers from other facilities will be on site for several weeks during the receiving and start of outbound shipping to support the implementation. These managers will provide floor support and observation to ensure adherence to processes.

Should additional support resources be necessary, we will proactively secure them to ensure success.

Phased Project Outline

The Project Plan visualizes all tasks from start to completion, with clear timelines and responsibilities. It will list all tasks, their durations and dependencies, milestone dates and associated resources.

The work plan will involve defining the project, setting the project plan, implementing the plan with a kick off meeting, controlling the project and transitioning the facility to operations. Major activities will include signing agreements, budget sign-off, completing tenant improvements, organizing services, systems set-up, team member recruitment, training, establishing SOPs, inbound receiving, commencement of outbound shipping, ramp-up of store deliveries and achievement of full operations. The figure shows a project outline for this implementation. In consultation with the NHLHC, we

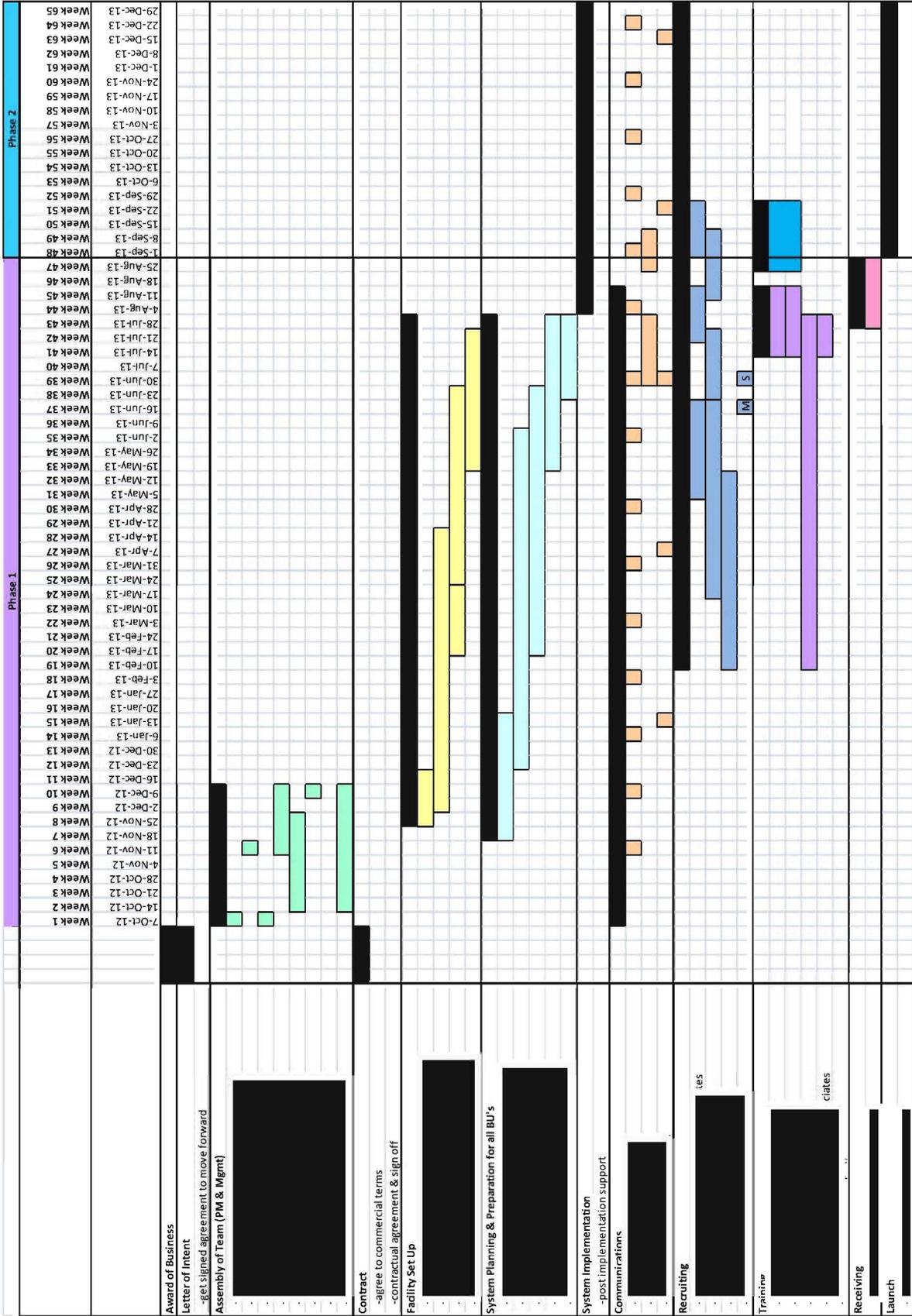


will finalize this outline and then establish the detailed project plan. Detailed DePict project plans are over 1100 lines and very thorough.



Concept of Operations | for NH State Liquor Commission June 7, 2012

December 26, 2012



Exel Bid 000097

Resources required from the NHSLC to support start up

The successful implementation of this project will be dependent on careful planning and coordination between the NHSLC and Exel Project Team members. The NHSLC and Exel must each provide a "Champion" whose role is to drive the process forward to a timely completion. The Champion must have the responsibility, authority and resources necessary to meet agreed schedules and timelines.

A "Senior Sponsor" from both parties is desired to manage any type of conflict within the teams or process.

The implementation plan has three primary work streams that will occur simultaneously. They are "Human Resources/Operations", "Facility & Engineering", and "Commercial". The outline is an overview of the salient points, and will be maintained by Exel's Project Manager.

Exel would recommend that the NHSLC commit the following full time resources to the project:

- Project Champion
- Project Manager
- Operations/Supply Chain Manager
- IT Integration Manager

Exel would recommend that the NHSLC commit the following part-time resources to the project:

- Senior Sponsor
- Start-up Coordinators (onsite at facilities)
- Legal – (active in first 60 days while contract is negotiated and signed)
- Operational Resources from NHLC and Store
- Store Liaison

Raising Expectations for

NHSLC

RFP Response | June 7, 2012

5) Cost Proposal

Exel is proposing an alternate commercial model.

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.

A number of key concepts underpin how we employ a cost reimbursement commercial approach.

- Each year we will agree on the annual operating budget. It is through this process that the Commission will have flexibility and control over the services to be provided and the associated costs to deliver them.
- The management fee will be based on the budget. It will not vary regardless of whether actual expenses vary from the budget. This avoids the perception that Exel benefits from cost overruns.
- To ensure we have a strong incentive to reduce costs our management fee will be subject to an efficiency payment. Under this formula, Exel and the NHSLC will split variances in actual costs incurred versus the budgeted costs after adjustment for changes in volume and operating profile. The efficiency mechanism ensures we have a strong incentive to reduce costs and it is self-funding. In addition, as the budget is reset each year based on the prior years running rate, the Commission holds 100% of the benefit of cost reductions in perpetuity.
- 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. Examples of service KPIs that are normally part of our agreements include in inventory accuracy, fill-rate, order accuracy, and on-time.

- 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.

Notes:

We completed the spreadsheets for Appendix D to facilitate the evaluation of our proposal. There only one appendix, i.e. we are not submitting D and D-1. Our alternate commercial model assumes the NHSLC establishes the prices it wishes to charge suppliers. It does not make sense that the Commission would charge itself for handling its own products.

The pricing in our Appendix D is based on the expected costs across the first three years of the contract including our management fee based on our assumptions as to the profile of the work. These assumptions are outlined in our Concept of Operations. In addition to the pricing template we also included a first year budget. Under our proposed commercial model this budget once refined and finalized in collaboration with the Commission would be goal Exel's performance would be measured against.

Please note that through the NHSLC sets the prices in this commercial model for suppliers, Exel can still collect the funds on behalf of the Commission.

We did review a two warehouse option. The one warehouse option was a lower cost and did not complete any further work on a two warehouse option.

In Appendix C, section VII, 10, the NHSLC is suggesting liquidated damages in the case of late loading of products. We would suggest this commercial model where the efficiency payment is forfeited if service levels are not met is a better method of incenting the correct behavior by the provider.

→ **Appendix D**

Please see worksheet



→ **Appendix D-1**

Not completed as discussed above

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

LABOR & FRINGE EXPENSE

Direct Labor	
Fixed Wages	0.0
Variable Wages	██████████
Seasonal Wages	0.0
Fixed Fringe & Tax	0.0
Variable Fringe & Tax	██████████
Seasonal Fringe & Tax	0.0
Contract Labor (WTMisc)	██████████
Clerical Labor	
Fixed Wages	██████████
Variable Wages	0.0
Seasonal Wages	0.0
Fixed Fringe & Tax	██████████
Variable Fringe & Tax	0.0
Seasonal Fringe & Tax	0.0
Salaried Labor	
Fixed Wages	██████████
Variable Wages	0.0
Seasonal Wages	0.0
Fixed Fringe & Tax	██████████
Variable Fringe & Tax	0.0
Seasonal Fringe & Tax	0.0

TOTAL LABOR & FRINGE EXPENSE 3,647.7

RAMP-UP

Direct Labor Year 1	267.9
Clerical Labor Year 1	23.7
Salaried Labor Year 1	0.0
Equipment Year 1	2.7
Amortized Rampup	0.0

TOTAL RAMP-UP 294.3

FACILITY EXPENSE

Rent	675.0
Utilities	90.0
Building Services	45.3
Bldg Maint & Repairs	240.0
Security	4.5
Building Insurance	0.0
Depreciation	██████████
Real Estate Taxes	0.0
Seasonal Space	0.0

TOTAL FACILITY EXPENSE ██████████

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

EQUIPMENT EXPENSE

Rent	
Other Handling Equipment	0.0
Temporary Rental Expense	0.0
Fuel	13.7
Fuel excess of peg	
Maintenance & Repairs	41.7
Licenses & Registration	1.8
Insurances	
Depreciation	
Fuel Tax	

TOTAL EQUIPMENT EXPENSE 529.5

OPERATIONAL SUPPLY EXPENSE

Pallets	
Shipping Supplies	
Packaging Supplies	0.0
Warehouse Supplies	
Driver/Safety Supplies	
Maintenance Supplies	
Office Supplies	
Computer Supplies	

TOTAL OPERATIONAL SUPPLY EXP 414.8

OPERATIONAL ADMIN EXPENSE

Freight	0.0
Acct Mgmt/Contractors	0.0
Claims	100.0
Telephone	24.0
Office Equipment	
MIS Charges	
Uniforms	0.0
Training & Seminars	15.2
Travel	0.0
Associate Relations	
Professional Fees	0.0
Start-up Costs	25.5
Tickets, Fines, & Citations	0.0
Tolls	
General Insurance	
Miscellaneous	49.3
Depreciation	
Taxes	106.9
Redundancy	0.0
Payroll Processing	
Dues/Subscrip/Contr	0.0
Allocated Expenses	

TOTAL ADMINISTRATIVE EXPENSE 1,273.5

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

TOTAL OPERATIONAL EXPENSES [REDACTED]

INTERNAL INTEREST

- Int on Fac Assets
- Int on Equip Assets
- Int on Admin Assets
- Int on Property Refurb
- Int on IT
- Int on Start-up/Rampup
- Interest on A / R
- Interest on FUM

TOTAL INTERNAL INTEREST [REDACTED]

MANAGEMENT FEE [REDACTED]

TOTAL EXPENSES 8,385.7

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

LABOR & FRINGE EXPENSE

Direct Labor	
Fixed Wages	0.0
Variable Wages	██████████
Seasonal Wages	0.0
Fixed Fringe & Tax	0.0
Variable Fringe & Tax	██████████
Seasonal Fringe & Tax	0.0
Contract Labor (WTMisc)	██████████
Clerical Labor	
Fixed Wages	██████████
Variable Wages	0.0
Seasonal Wages	0.0
Fixed Fringe & Tax	██████████
Variable Fringe & Tax	0.0
Seasonal Fringe & Tax	0.0
Salaried Labor	
Fixed Wages	██████████
Variable Wages	0.0
Seasonal Wages	0.0
Fixed Fringe & Tax	██████████
Variable Fringe & Tax	0.0
Seasonal Fringe & Tax	0.0

TOTAL LABOR & FRINGE EXPENSE 3,647.7

RAMP-UP

Direct Labor Year 1	267.9
Clerical Labor Year 1	23.7
Salaried Labor Year 1	0.0
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TOTAL RAMP-UP 294.3

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TOTAL FACILITY EXPENSE ██████████

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

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TOTAL EQUIPMENT EXPENSE 529.5

OPERATIONAL SUPPLY EXPENSE

Pallets	
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Maintenance Supplies	
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Computer Supplies	

TOTAL OPERATIONAL SUPPLY EXP 414.8

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Miscellaneous	49.3
Depreciation	
Taxes	106.9
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Payroll Processing	
Dues/Subscrip/Contr	0.0
Allocated Expenses	

TOTAL ADMINISTRATIVE EXPENSE 1,273.5

New Hampshire CM Laser Truck 05 30 12 FINAL FIRST YEAR BUDGET (000s)

TOTAL OPERATIONAL EXPENSES ██████████

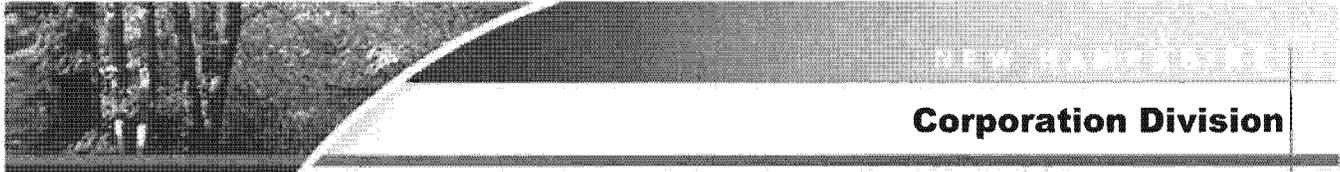
INTERNAL INTEREST

- Int on Fac Assets
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 - Int on Admin Assets
 - Int on Property Refurb
 - Int on IT
 - Int on Start-up/Rampup
 - Interest on A / R
 - Interest on FUM
- ██████████

TOTAL INTERNAL INTEREST ██████████

MANAGEMENT FEE ██████████

TOTAL EXPENSES 8,385.7



Search
 By Business Name
 By Business ID
 By Registered Agent
 Annual Report
 File Online

Date: 6/4/2012
 (Annual Report History, View Images, etc.)

Filed Documents

Business Name History

Name	Name Type
EXEL NEW HAMPSHIRE	Legal
EXEL INC.	Home State
TRANS UBIQUITY CORP.	Prev Legal
EXEL LOGISTICS, INC.	Prev Legal

Corporation - Foreign - Information

Business ID: 158135
Status: Good Standing
Entity Creation Date: 7/17/1991
State of Business.: MA
Principal Office Address: 570 Polaris Parkway
 Westerville OH 43082
Principal Mailing Address: 570 Polaris Parkway
 Westerville OH 43082
Last Annual Report Filed Date: 3/19/2012
Last Annual Report Filed: 2012

Registered Agent

Agent Name: C T Corporation System
Office Address: 9 Capitol Street
 Concord NH 03301
Mailing Address:

Important Note: The status reflected for each entity on this website only refers to the status of the entity's filing requirements with this office. It does not necessarily reflect the disciplinary status of the entity with any state agency. Requests for disciplinary information should be directed to agencies with licensing or other regulatory authority over the entity.



EVIDENCE OF INSURANCE

THIS IS TO CERTIFY that the under-mentioned Assured is insured under a contract of insurance provided and underwritten by National Union Fire Insurance Company of Pittsburgh, Pa.,. This document is confirmation of such insurance having been effected but in no way amends the terms, limits, clauses, conditions and exclusions of the Policy which shall remain paramount at all times.

ASSURED: Deutsche Post AG, Charles-De-Gaulle Strasse 20, 53113 Bonn, Germany and/or their subsidiary or associated companies under their direct management control.

INSURED ENTITY: DHL Supply Chain
570 Polaris Parkway
Westerville, OH 43082
and/or their subsidiary or associated companies under their direct management control.

INSURER: National Union Fire Insurance Company of Pittsburgh, Pa.

POLICY NO.: 051769830

POLICY PERIOD: 1 January 2012 to 31 December 2012 (both days inclusive, local standard time.

LIMITS OF INDEMNITY: USD 2,000,000 any one accident or occurrence or series of accidents or occurrences arising out of one event.

TERRITORIAL LIMITS: To indemnify the Insured Entity in respect of Goods whilst being transported and/or whilst being stored world-wide but excluding when the Insured Entity is conducting their business in respect of Goods originating from or destined to countries under any United Nations, United States of America embargo or other form or economic sanction.

INSURED SERVICES: The Insured Entity's ordinary business activities as Freight Forwarders, Direct or Indirect Carriers (by Air or Land or Sea), Warehouse Keepers, Multi-Modal Transport Operators, Third and Fourth Party Logistics Service Providers, Customs House Brokers, and Mail Distribution Service Providers.

SCOPE OF COVER: To indemnify the Insured Entity in respect of their liability for loss of or damage to or delay in the delivery of Goods whilst being transported and/or handled and/or stored.

PREMIUM: The premium is deemed paid.

SIGNED FOR AND ON BEHALF OF THE INSURER

A handwritten signature in black ink, appearing to read "Robert Cudj". The signature is written in a cursive, flowing style.

DATE: January 9, 2012

National Union Fire Insurance Company of Pittsburgh, Pa.
175 Water Street
New York, NY 10038



CERTIFICATE OF LIABILITY INSURANCE

DATE(MMDD/YYYY)
04/27/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Aon Risk Services Central, Inc. Chicago IL Office 200 East Randolph Chicago IL 60601 USA	CONTACT NAME: PHONE (A/C. No. Ext): (866) 283-7122 FAX (A/C. No.): (847) 953-5390 E-MAIL ADDRESS:														
	<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A: New Hampshire Ins Co</td> <td>23841</td> </tr> <tr> <td>INSURER B: National Union Fire Ins Co of Pittsburgh</td> <td>19445</td> </tr> <tr> <td>INSURER C: Insurance Company of the State of PA</td> <td>19429</td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: New Hampshire Ins Co	23841	INSURER B: National Union Fire Ins Co of Pittsburgh	19445	INSURER C: Insurance Company of the State of PA	19429	INSURER D:		INSURER E:		INSURER F:
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INSURER D:															
INSURER E:															
INSURER F:															
INSURED Exel Inc 570 Polaris Parkway #220 Westerville OH 43082-7900 USA															

Holder Identifier :

COVERAGES CERTIFICATE NUMBER: 570046033414 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
B	GENERAL LIABILITY			GL2946982	05/01/2012	05/01/2013	EACH OCCURRENCE \$2,000,000
X	COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000
	CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$10,000
							PERSONAL & ADV INJURY \$2,000,000
							GENERAL AGGREGATE \$10,000,000
							PRODUCTS - COMP/OP AGG \$2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						
X	POLICY						
	PROJECT						
	LOC						
B	AUTOMOBILE LIABILITY			CA 4882133	05/01/2012	05/01/2013	COMBINED SINGLE LIMIT (Ea accident) \$2,000,000
B	X ANY AUTO			AOS	05/01/2012	05/01/2013	BODILY INJURY (Per person)
	ALL OWNED AUTOS			CA 4882132	05/01/2012	05/01/2013	BODILY INJURY (Per accident)
A	HIRED AUTOS			VA	05/01/2012	05/01/2013	PROPERTY DAMAGE (Per accident)
	SCHEDULED AUTOS			CA 4882131	05/01/2012	05/01/2013	
B	NON-OWNED AUTOS			MA	05/01/2012	05/01/2013	
				CA 4882134	05/01/2012	05/01/2013	
	UMBRELLA LIAB						EACH OCCURRENCE
	EXCESS LIAB						AGGREGATE
	DED						
	RETENTION						
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			WC062790294	05/01/2012	05/01/2013	X WC STATUTORY LIMITS
A	ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)			AOS	05/01/2012	05/01/2013	E.L. EACH ACCIDENT \$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below			WC062790293			E.L. DISEASE-EA EMPLOYEE \$1,000,000
				CA			E.L. DISEASE-POLICY LIMIT \$1,000,000

Certificate No : 570046033414

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
See Attached list of Named Insureds. Proof of Coverage.

CERTIFICATE HOLDER**CANCELLATION**

Exel, Inc. 570 Polaris Parkway Westerville OH 43082 USA	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE <i>Aon Risk Services Central, Inc.</i>

INSURED

Exel Inc
570 Polaris Parkway #220
Westerville OH 43082-7900 USA

Named Insured List

Exel Inc
Power Holdings, Inc
Power Packaging, Inc
Power Packaging Company
Genesis Logistics Inc
FX Coughlin Co. Inc
Hyperion Properties, Inc
TBG FreightSmart Inc
Exel Refrigerated Roadtrailer Express Inc
Llano Logistics L.P.
Exel Direct Inc
DHL Solutions (USA), Inc.
Heartland Logistics Inc
Advance Logistics Inc
USC Distribution Services LLC
South Bay Terminals LLC

EXEL INC.

The undersigned, Mark Smolik, does hereby certify that he is the Secretary and Vice President of Legal Services of Exel Inc., a Massachusetts corporation (the "Corporation"), and that:

- A. Attached hereto as Exhibit A is a true and correct copy of resolutions adopted by the Board of Directors of the Corporation on June 21, 2010; that said resolutions have not been amended, rescinded or modified since their adoption and remain in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 4th day of June 2012.



Mark Smolik
Secretary and Vice President of Exel Inc.

**MINUTE OF ACTION
TAKEN BY WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS
OF
EXEL INC.**

July 21, 2010

This Minute of Action was taken by written consent of the Board of Directors of Exel Inc. (the "Company") as of the date first set forth above, pursuant to Chapter 15B, Section 59 of the Massachusetts Business Corporation Law and without formality of a meeting, and the undersigned hereby waive any notice required to be given in connection herewith.

The Board of Directors takes the following action:

RESOLVED that authority be granted to certain individuals to execute documents on behalf of the Company, such individuals and authority to be limited as described below:

Name	Title	Signing Authority Granted
Jim Gehr	President, Retail	any and all contracts, agreements, leases and/or related documents for projects or matters involving the Retail Sector that have been approved through the DSC Business Case Approval process.
Ted Nikolai	President, Automotive & Industrial, Chemical & Energy (AICE)	any and all contracts, agreements, leases and/or related documents for projects or matters involving the AICE Sector that have been approved through the DSC Business Case Approval process.
Scott Sureddin	President, Consumer/Life Sciences	any and all contracts, agreements, leases and/or related documents for projects or matters involving the Consumer/Life Sciences Sector that have been approved through the DSC Business Case Approval process.
Marc Blouin	Vice President, TASL	any and all contracts, agreements, leases and/or related documents for projects or matters involving the TASL Sector that have been approved through the DSC Business Case Approval process.
Jim Damman	President, TASL	any and all contracts, agreements, leases and/or related documents for projects or matters involving the TASL Sector that have been approved through the DSC Business Case Approval process.
Geoff Campbell	President, Power Packaging	any and all contracts, agreements, leases and/or related documents for projects or matters involving Power Packaging that have been approved through the DSC Business Case Approval process.

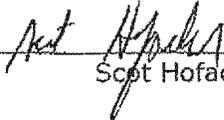
Kevin Huber	Controller, DSC Americas	any and all contracts, agreements, leases or related documents for projects that have been approved through the DSC Business Case Approval process; and any and all documents relating to financial audits or governmental filings.
David Bailey	Controller, US & Canada	any and all contracts, agreements, leases and/or related documents for projects that have been approved through the DSC Business Case Approval process; and any and all documents relating to financial audits or governmental filings.
Mick Dragash	Sr. Legal Counsel	any and all carrier and related carrier arrangements with respect to The Exel Delivery Network Services, including but not limited to Network Carrier Delivery Agreements and Linehaul Carrier Agreements.
David Purcell	Sr. Director, Tax	any and all federal, state and local tax documents, including but not limited to tax returns and annual reports.

BE IT FURTHER RESOLVED that any previous actions taken by the above-named individuals in such capacity identified are hereby approved, ratified and confirmed.

The foregoing resolution constitutes a complete record of the above action taken by the Directors of the Company and the undersigned have executed this Minute of Action as of the date first set forth above.



 John Gilbert



 Scott Hofacker

Form **W-9**
(Rev. October 2007)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do not
send to the IRS.

Print or type
See Specific Instructions on page 2.

Name (as shown on your income tax return)
EXEL INC.

Business name, if different from above

Check appropriate box: Individual/Sole proprietor Corporation Partnership
 Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶ Exempt payee
 Other (see instructions) ▶

Address (number, street, and apt. or suite no.)
570 POLARIS PARKWAY

City, state, and ZIP code
WESTERVILLE, OH 43082

List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I Instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number
OR
Employer identification number
04 2801160

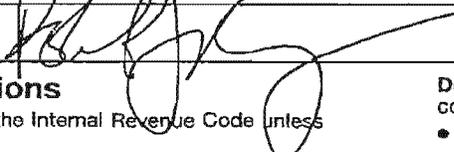
Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. See the instructions on page 4.

Sign Here Signature of U.S. person ▶  Date ▶ **6/2/12**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,



June 4th, 2012

RE: NH Licensed Insurer – Exel Inc.

To Whom It May Concern:

Please be advised that Exel Inc. for the period of May 1, 2012 – May 1, 2013 is insured in the state of New Hampshire by National Union Fire Insurance Company of Pittsburgh, PA for Auto and General Liability coverage and New Hampshire Insurance Company for Workers Compensation & Employers Liability.

Best Regards,

A handwritten signature in black ink, appearing to read "Tony Katz", is positioned above the typed name.

Tony Katz
Aon Risk Services Central, Inc.



State of New Hampshire 2012 ANNUAL REPORT

The following information shall be given as of January 1
preceeding the due date Pursuant to RSA 293-A:16.22.

REPORT DUE BY April 1, 2012

ANNUAL REPORTS RECEIVED AFTER THE DUE DATE
WILL BE ASSESSED A LATE FEE.

Filed
Date Filed: 03/19/2012
Business ID: 158135
William M. Gardner
Secretary of State

EXEL INC.
570 POLARIS PARKWAY
WESTERVILLE, OH 43082

ADDRESS OF PRINCIPAL OFFICE:

570 POLARIS PARKWAY
WESTERVILLE, OH 43082

REGISTERED AGENT AND OFFICE:

C T CORPORATION SYSTEM
9 CAPITOL STREET
CONCORD, NH 03301

ENTITY TYPE: CORPORATION
BUSINESS ID: 158135
STATE OF DOMICILE: MASSACHUSETTS

Supply chain management, including warehousing, transportation, distribution
and ancillary services relating thereto.

If changing the mailing or principal office address, please check the appropriate box and fill in the necessary information.

The new mailing address 570 Polaris Parkway, Westerville, OH 43082

The new principal office address 570 Polaris Parkway, Westerville, OH 43082

PO Box is acceptable.

OFFICERS

NAME AND BUSINESS ADDRESS (P.O. BOX ACCEPTABLE).
(MUST LIST AT LEAST ONE OFFICER BELOW)

PRES. John Gilbert
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082
OTHE. John Gilbert
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082
V-PRES. Scot Hofacker
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082
TREAS. Scot Hofacker
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082

BOARD OF DIRECTORS

NAME AND BUSINESS ADDRESS (P.O. BOX ACCEPTABLE).
(MUST LIST AT LEAST ONE DIRECTOR BELOW)

DIR. John Gilbert
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082
DIR. Scot Hofacker
STREET 570 Polaris Parkway
CITY/STATE/ZIP Westerville OH 43082
NAME
STREET
CITY/STATE/ZIP
NAME
STREET
CITY/STATE/ZIP

NAMES AND ADDRESSES OF ADDITIONAL OFFICERS AND DIRECTORS ARE ATTACHED

To be signed by an officer, director, or any other person authorized by the board of directors.
I, the undersigned, do hereby certify that the statements on this report are true to the best of my information, knowledge and belief.

Sign here: Kelly Lettmann

Please print name and title of signer: Kelly Lettmann / AUTHORIZED PARTY

NAME TITLE

FEE DUE: \$100.00

E-MAIL ADDRESS (OPTIONAL):



015813520121009

WHEN THIS FORM IS ACCEPTED BY THE SECRETARY OF STATE, BY LAW IT WILL BECOME A
PUBLIC DOCUMENT AND ALL INFORMATION PROVIDED IS SUBJECT TO PUBLIC DISCLOSURE
REQUIRED INFORMATION MUST BE COMPLETE OR THE REGISTRATION REPORT WILL BE REJECTED

MAKE CHECK PAYABLE TO SECRETARY OF STATE

RETURN COMPLETED REPORT AND PAYMENT TO:

December 26, 2012
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2012 ANNUAL REPORT

NAMES AND ADDRESSES OF ALL OTHER OFFICERS AND DIRECTORS:

VICE PRESIDENT

MARK SMOLIK
570 POLARIS PARKWAY
WESTERVILLE, OH 43082

SECRETARY

MARK SMOLIK
570 POLARIS PARKWAY
WESTERVILLE, OH 43082

AUDITOR'S REPORT

We audited the consolidated financial statements prepared by Deutsche Post AG, Bonn, comprising the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB, ("Handelsgesetzbuch"; German Commercial Code) and supplementary provisions of the Articles of Incorporation are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evi-

dence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and supplementary provisions of the Articles of Incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 19 February 2010

PricewaterhouseCoopers
Aktiengesellschaft (German Stock Corporation)
Wirtschaftsprüfungsgesellschaft

Klaus-Dieter Ruske	Dietmar Prümm
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2010 adjusted ¹	2011
Revenue	11	51,388	52,829
Other operating income	12	2,217	2,050
Total operating income		53,605	54,879
Materials expense	13	-29,380	-30,544
Staff costs	14	-16,609	-16,730
Depreciation, amortisation and impairment losses	15	-1,296	-1,274
Other operating expenses	16	-4,485	-3,895
Total operating expenses		-51,770	-52,443
Profit from operating activities (EBIT)		1,835	2,436
Net income from associates	17	56	60
Other financial income		2,251	590
Other finance costs		-1,335	-1,391
Foreign currency result		17	-36
Net other financial income/net other finance costs	18	933	-837
Net financial income/net finance costs		989	-777
Profit before income taxes		2,824	1,659
Income taxes	19	-194	-393
Consolidated net profit for the period	20	2,630	1,266
attributable to Deutsche Post AG shareholders		2,541	1,163
attributable to non-controlling interests	21	89	103
Basic earnings per share (€)	22	2.10	0.96
Diluted earnings per share (€)	22	2.10	0.96

¹ Note 5.

C.04 CASH FLOW STATEMENT

1 January to 31 December

€ m	Note	2010	2011
Consolidated net profit for the period attributable to Deutsche Post AG shareholders ¹		2,541	1,163
Consolidated net profit for the period attributable to non-controlling interests		89	103
Income taxes		194	393
Net other financial income/net other finance costs		-933	837
Net income from associates		-56	-60
Profit from operating activities (EBIT)		1,835	2,436
Depreciation, amortisation and impairment losses		1,296	1,274
Net loss/income from disposal of non-current assets		279	-54
Non-cash income and expense		27	-7
Change in provisions		-953	-897
Change in other non-current assets and liabilities		-74	-63
Income taxes paid		-301	-455
Net cash from operating activities before changes in working capital		2,109	2,234
Changes in working capital			
Inventories		1	-37
Receivables and other current assets		-1,258	-406
Liabilities and other items		1,075	580
Net cash from operating activities	47.1	1,927	2,371
Subsidiaries and other business units		-265	58
Property, plant and equipment and intangible assets		198	211
Other non-current financial assets		55	16
Proceeds from disposal of non-current assets		-12	285
Subsidiaries and other business units		-74	-84
Property, plant and equipment and intangible assets		-1,174	-1,716
Other non-current financial assets		-28	-80
Cash paid to acquire non-current assets		-1,276	-1,880
Interest received		55	72
Dividend received		4	0
Current financial assets		1,237	394
Net cash from/used in investing activities	47.2	8	-1,129
Proceeds from issuance of non-current financial liabilities		20	18
Repayments of non-current financial liabilities		-597	-338
Change in current financial liabilities		-64	-97
Other financing activities		54	-60
Proceeds from transactions with non-controlling interests		0	0
Cash paid for transactions with non-controlling interests		-73	-1
Dividend paid to Deutsche Post AG shareholders		-725	-786
Dividend paid to non-controlling interest holders		-73	-99
Purchase of treasury shares		-10	-21
Interest paid		-183	-163
Net cash used in financing activities	47.3	-1,651	-1,547
Net change in cash and cash equivalents		284	-305
Effect of changes in exchange rates on cash and cash equivalents		67	13
Changes in cash and cash equivalents associated with assets held for sale		0	0
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		3,064	3,415
Cash and cash equivalents at end of reporting period	47.4	3,415	3,123

¹ The profit before income taxes item on the basis of which cash flows are calculated has been changed to consolidated net profit for the period attributable to Deutsche Post AG shareholders to increase transparency. The presentation of the prior-year figures has been adjusted. This change did not affect the calculation.

C.03 BALANCE SHEET

€m	Note	31 Dec. 2010	31 Dec. 2011
ASSETS			
Intangible assets	24	11,848	12,196
Property, plant and equipment	25	6,130	6,493
Investment property	26	37	40
Investments in associates	27	1,847	44
Non-current financial assets	28	3,193	729
Other non-current assets	29	465	570
Deferred tax assets	30	973	1,153
Non-current assets		24,493	21,225
Inventories	31	223	273
Income tax assets	32	223	239
Receivables and other current assets	33	8,641	9,089
Current financial assets	34	655	2,498
Cash and cash equivalents	35	3,415	3,123
Assets held for sale	36	113	1,961
Current assets		13,270	17,183
Total ASSETS		37,763	38,408
EQUITY AND LIABILITIES			
Issued capital	37	1,209	1,209
Other reserves	38	1,535	1,714
Retained earnings	39	7,767	8,086
Equity attributable to Deutsche Post AG shareholders	40	10,511	11,009
Non-controlling interests	41	185	190
Equity		10,696	11,199
Provisions for pensions and similar obligations	42	4,513	4,445
Deferred tax liabilities	30	215	255
Other non-current provisions	43	2,440	2,174
Non-current provisions		7,168	6,874
Non-current financial liabilities	44	6,275	1,366
Other non-current liabilities	45	401	347
Non-current liabilities		6,676	1,713
Non-current provisions and liabilities		13,844	8,587
Current provisions	43	2,259	2,134
Current financial liabilities	44	747	5,644
Trade payables	46	5,707	6,168
Income tax liabilities	32	463	570
Other current liabilities	45	4,047	4,106
Liabilities associated with assets held for sale	36	0	0
Current liabilities		10,964	16,488
Current provisions and liabilities		13,223	18,622
Total EQUITY AND LIABILITIES		37,763	38,408

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG

Report on the consolidated financial statements

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries, comprising the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements for the financial year from 1 January to 31 December 2011.

Board of Management's responsibility for the consolidated financial statements

The Board of Management of Deutsche Post AG, Bonn, is responsible for preparation of these consolidated financial statements. Such responsibility extends to the preparation of consolidated financial statements in accordance with the IFRSs as adopted by the EU and the additional requirements of German law pursuant to section 315 a (1) *Handelsgesetzbuch* (HGB – German Commercial Code) that give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Board of Management is also responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW – Institute of Public Auditors in Germany), and additionally observed the International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design and conduct audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Qualified opinion

Pursuant to section 322 (3) sentence 1 HGB, we hereby state that our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German law pursuant to section 315 a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2011 and the results of operations for the financial year ended on such date in accordance with these requirements.

Report on the group management report

We have audited the group management report of Deutsche Post AG, Bonn, for the financial year from 1 January to 31 December 2011. The Board of Management of Deutsche Post AG, Bonn, is responsible for preparation of the group management report in accordance with the requirements of German law pursuant to section 315 a (1) HGB. We conducted our audit in accordance with section 317 (2) HGB and the generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW) for the audit of group management reports. Those standards require that we plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the findings we made during our audit and, as a whole, provides a suitable understanding of the group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 17 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann
Wirtschaftsprüfer
(German Public Auditor)

Dietmar Prümm
Wirtschaftsprüfer
(German Public Auditor)

C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2009	2010
Continuing operations			
Revenue	11	46,201	51,481
Other operating income	12	2,141	2,217
Total operating income		48,342	53,698
Materials expense	13	-25,774	-29,473
Staff costs	14	-17,021	-16,609
Depreciation, amortisation and impairment losses	15	-1,620	-1,296
Other operating expenses	16	-3,696	-4,485
Total operating expenses		-48,111	-51,863
Profit from operating activities (EBIT)		231	1,835
Net income from associates	17	28	56
Other financial income		1,885	2,251
Other finance costs		-1,857	-1,335
Foreign currency result		-11	17
Net other financial income	18	17	933
Net financial income		45	989
Profit before income taxes		276	2,824
Income taxes	19	-15	-194
Profit from continuing operations	20	261	2,630
Discontinued operations			
Profit from discontinued operations	21	432	0
Consolidated net profit for the period	22	693	2,630
attributable to Deutsche Post AG shareholders		644	2,541
attributable to non-controlling interests	23	49	89
Basic earnings per share (€)	24	0.53	2.10
of which continuing operations (€)		0.17	2.10
discontinued operations (€)		0.36	0.00
Diluted earnings per share (€)	24	0.53	2.10
of which continuing operations (€)		0.17	2.10
discontinued operations (€)		0.36	0.00

C.04 CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2009 adjusted ¹⁾	2010
Profit before income taxes		276	2,824
Net other financial income		-17	-933
Net income from associates		-28	-56
Profit from operating activities (EBIT)		231	1,835
Depreciation, amortisation and impairment losses		1,620	1,296
Net loss from disposal of non-current assets		67	279
Non-cash income and expense		128	27
Change in provisions		-890	-953
Change in other non-current assets and liabilities		-54	-74
Income taxes paid		-339	-301
Net cash from operating activities before changes in working capital		763	2,109
Changes in working capital			
Inventories		47	1
Receivables and other current assets		778	-1,258
Liabilities and other items		-344	1,075
Net cash from operating activities due to continuing operations		1,244	1,927
Net cash used in operating activities due to discontinued operations		-1,828	0
Total net cash used in/from operating activities	49.1	-584	1,927
Subsidiaries and other business units		-8	-265
Property, plant and equipment and intangible assets		217	198
Other non-current financial assets		334	55
Proceeds from disposal of non-current assets		543	-12
Subsidiaries and other business units		-41	-74
Property, plant and equipment and intangible assets		-1,174	-1,174
Other non-current financial assets		-229	-28
Cash paid to acquire non-current assets		-1,444	-1,276
Interest received		103	55
Dividend received		0	4
Current financial assets		-659	1,237
Net cash used in/from investing activities due to continuing operations		-1,457	8
Net cash used in investing activities due to discontinued operations		-1,253	0
Total net cash used in/from investing activities	49.2	-2,710	8
Proceeds from issuance of non-current financial liabilities		3,981	20
Repayments of non-current financial liabilities		-587	-597
Change in current financial liabilities		-548	-64
Other financing activities		-115	54
Proceeds from transactions with non-controlling interests		0	0
Cash paid for transactions with non-controlling interests		-12	-73
Dividend paid to Deutsche Post AG shareholders		-725	-725
Dividend paid to non-controlling interest holders		-34	-73
Purchase of treasury shares		0	-10
Interest paid		-291	-183
Net cash from/used in financing activities due to continuing operations		1,669	-1,651
Net cash from financing activities due to discontinued operations		7	0
Total net cash from/used in financing activities	49.3	1,676	-1,651
Net change in cash and cash equivalents		-1,618	284
Effect of changes in exchange rates on cash and cash equivalents		20	67
Changes in cash and cash equivalents associated with assets held for sale		0	0
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		4,662	3,064
Cash and cash equivalents at end of reporting period	49.4	3,064	3,415

¹⁾ Note 5.

C.03 BALANCE SHEET

€m	Note	31 Dec. 2009	31 Dec. 2010
ASSETS			
Intangible assets	26	11,534	11,848
Property, plant and equipment	27	6,220	6,130
Investment property	28	32	37
Investments in associates	29	1,772	1,847
Non-current financial assets	30	1,448	3,193
Other non-current assets	31	348	465
Deferred tax assets	32	668	973
Non-current assets		22,022	24,493
Inventories	33	226	223
Income tax assets	34	196	223
Receivables and other current assets	35	7,157	8,641
Current financial assets	36	1,894	655
Cash and cash equivalents	37	3,064	3,415
Assets held for sale	38	179	113
Current assets		12,716	13,270
Total ASSETS		34,738	37,763
EQUITY AND LIABILITIES			
Issued capital	39	1,209	1,209
Other reserves	40	869	1,535
Retained earnings	41	6,098	7,767
Equity attributable to Deutsche Post AG shareholders	42	8,176	10,511
Non-controlling interests	43	97	185
Equity		8,273	10,696
Provisions for pensions and similar obligations	44	4,574	4,513
Deferred tax liabilities	32	182	215
Other non-current provisions	45	2,275	2,440
Non-current provisions		7,031	7,168
Non-current financial liabilities	46	6,699	6,275
Other non-current liabilities	47	372	401
Non-current liabilities		7,071	6,676
Non-current provisions and liabilities		14,102	13,844
Current provisions	45	2,646	2,259
Current financial liabilities	46	740	747
Trade payables	48	4,861	5,707
Income tax liabilities	34	292	463
Other current liabilities	47	3,674	4,047
Liabilities associated with assets held for sale	38	150	0
Current liabilities		9,717	10,964
Current provisions and liabilities		12,363	13,223
Total EQUITY AND LIABILITIES		34,738	37,763

C.01 INCOME STATEMENT

1 January to 31 December

€ m	Note	2008 adjusted ¹⁾	2009
Continuing operations			
Revenue	11	54,474	46,201
Other operating income	12	2,736	2,141
Total operating income		57,210	48,342
Materials expense	13	-31,979	-25,774
Staff costs	14	-18,389	-17,021
Depreciation, amortisation and impairment losses	15	-2,662	-1,620
Other operating expenses	16	-5,146	-3,696
Total operating expenses		-58,176	-48,111
Profit/loss from operating activities (EBIT)		-966	231
Net income from associates	17	2	28
Other financial income		598	1,885
Other finance costs		-714	-1,857
Foreign currency result		14	-11
Net other finance costs/net other financial income	18	-102	17
Net finance costs/net financial income		-100	45
Profit/loss before income taxes		-1,066	276
Income taxes	19	-200	-15
Profit/loss from continuing operations	20	-1,266	261
Discontinued operations			
Profit/loss from discontinued operations	21	-713	432
Consolidated net profit/loss for the period	22	-1,979	693
attributable to			
Deutsche Post AG shareholders		-1,688	644
Minorities	23	-291	49
Basic earnings per share (€)	24	-1.40	0.53
of which from continuing operations (€)		-1.10	0.17
of which from discontinued operations (€)		-0.30	0.36
Diluted earnings per share (€)	24	-1.40	0.53
of which from continuing operations (€)		-1.10	0.17
of which from discontinued operations (€)		-0.30	0.36

¹⁾ Note 5.

C.04 CASH FLOW STATEMENT

1 January to 31 December

€ m	Note	2008 adjusted ¹⁾	2009
Profit/loss before income taxes		-1,066	276
Net other finance costs/net other financial income		102	-17
Net income from associates		-2	-28
Profit/loss from operating activities (EBIT)		-966	231
Depreciation/amortisation of non-current assets		2,662	1,620
Net income from disposal of non-current assets		-76	67
Non-cash income and expense		202	128
Change in provisions		1,237	-890
Change in other non-current assets and liabilities		-20	-54
Income taxes paid		-325	-339
Net cash from operating activities before changes in working capital		2,714	763
Changes in working capital			
Inventories		-58	47
Receivables and other current assets		472	778
Liabilities and other items		234	-344
Net cash from operating activities due to continuing operations		3,362	1,244
Net cash used in operating activities due to discontinued operations		-1,423	-1,828
Total net cash from/used in operating activities	49.1	1,939	-584
Proceeds from disposal of non-current assets			
Subsidiaries and other business units		0	-8
Property, plant and equipment and intangible assets		1,421	217
Other non-current financial assets		162	334
		1,583	543
Cash paid to acquire non-current assets			
Subsidiaries and other business units		-1,417	-53
Property, plant and equipment and intangible assets		-1,660	-1,174
Other non-current financial assets		-92	-229
		-3,169	-1,456
Interest received		570	103
Postbank dividend		103	0
Current financial assets		-1	-659
Net cash used in investing activities due to continuing operations		-914	-1,469
Net cash from/used in investing activities due to discontinued operations		473	-1,253
Total net cash used in investing activities	49.2	-441	-2,722
Proceeds from issuance of non-current financial liabilities		176	3,981
Repayments of non-current financial liabilities		-497	-587
Change in current financial liabilities		-337	-548
Other financing activities		-148	-115
Dividend paid to Deutsche Post AG shareholders		-1,087	-725
Dividend paid to other shareholders		-80	-34
Issuance of shares under stock option plan		21	0
Interest paid		-434	-291
Net cash used in/from financing activities due to continuing operations		-2,386	1,681
Net cash from financing activities due to discontinued operations		918	7
Total net cash used in/from financing activities	49.3	-1,468	1,688
Net change in cash and cash equivalents		30	-1,618
Effect of changes in exchange rates on cash and cash equivalents		-53	20
Changes in cash and cash equivalents associated with assets held for sale		2	0
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		4,683	4,662
Total cash and cash equivalents at end of reporting period	49.4	4,662	3,064
Less cash and cash equivalents of discontinued operations at end of reporting period		3,416	0
Plus cash and cash equivalents of continuing operations at discontinued operations at end of reporting period		104	0
Cash and cash equivalents of continuing operations at end of reporting period		1,350	3,064

¹⁾ Note 5.

C.03 BALANCE SHEET

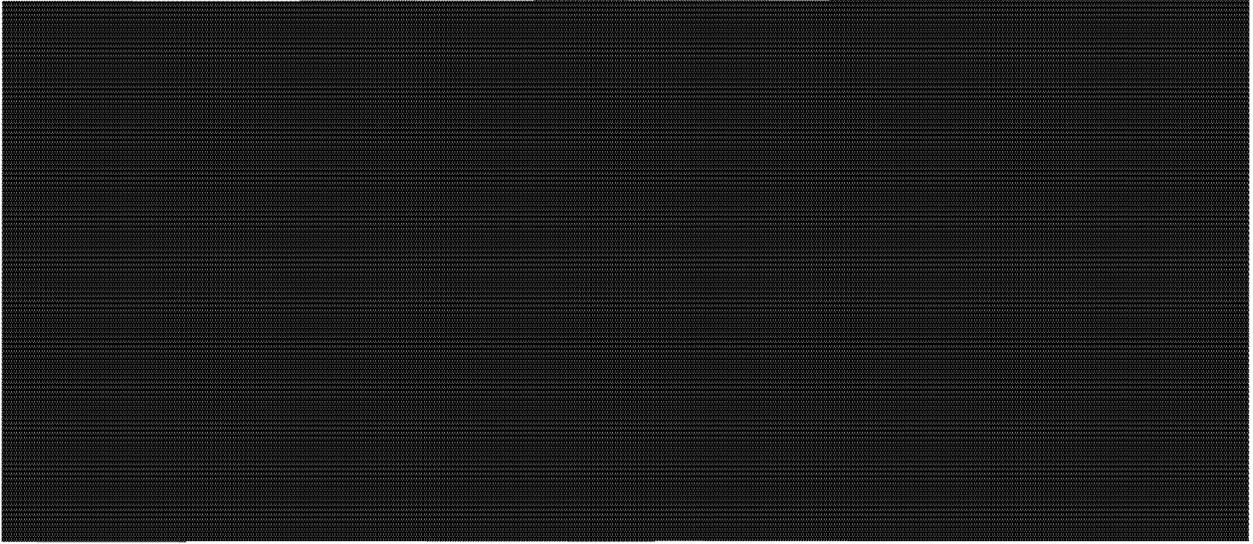
€ m	Note	1 Jan. 2008 adjusted ¹⁾	31 Dec. 2008 adjusted ¹⁾	31 Dec. 2009
ASSETS				
Intangible assets	26	14,226	11,627	11,534
Property, plant and equipment	27	8,754	6,676	6,220
Investment property	28	187	32	32
Investments in associates	29	203	61	1,772
Non-current financial assets	30	985	718	1,448
Other non-current assets	31	369	370	348
Deferred tax assets	32	1,040	1,033	668
Non-current assets		25,764	20,517	22,022
Inventories	33	248	269	226
Income tax assets	34	312	191	196
Receivables and other current assets	35	9,676	8,081	7,157
Receivables and other securities from financial services		193,920	0	0
Current financial assets	36	202	684	1,894
Cash and cash equivalents	37	4,683	1,350	3,064
Assets held for sale	38	615	231,872	179
Current assets		209,656	242,447	12,716
Total assets		235,420	262,964	34,738
EQUITY AND LIABILITIES				
Issued capital	39	1,207	1,209	1,209
Other reserves	40	875	439	869
Retained earnings	41	8,953	6,178	6,098
Equity attributable to Deutsche Post AG shareholders	42	11,035	7,826	8,176
Minority interest	43	2,778	2,026	97
Equity		13,813	9,852	8,273
Provisions for pensions and other employee benefits	44	5,989	4,685	4,574
Deferred tax liabilities	32	1,569	833	182
Other non-current provisions	45	3,015	2,511	2,275
Non-current provisions		10,573	8,029	7,031
Non-current financial liabilities	46	8,838	3,452	6,699
Other non-current liabilities	47	148	233	372
Non-current liabilities		8,986	3,685	7,071
Non-current provisions and liabilities		19,559	11,714	14,102
Current provisions	45	1,703	2,807	2,646
Current financial liabilities	46	1,686	1,422	740
Trade payables	48	5,453	5,016	4,861
Liabilities from financial services		187,787	0	0
Income tax liabilities	34	473	351	292
Other current liabilities	47	4,902	4,066	3,674
Liabilities associated with assets held for sale	38	44	227,736	150
Current liabilities		200,345	238,591	9,717
Current provisions and liabilities		202,048	241,398	12,363
Total equity and liabilities		235,420	262,964	34,738

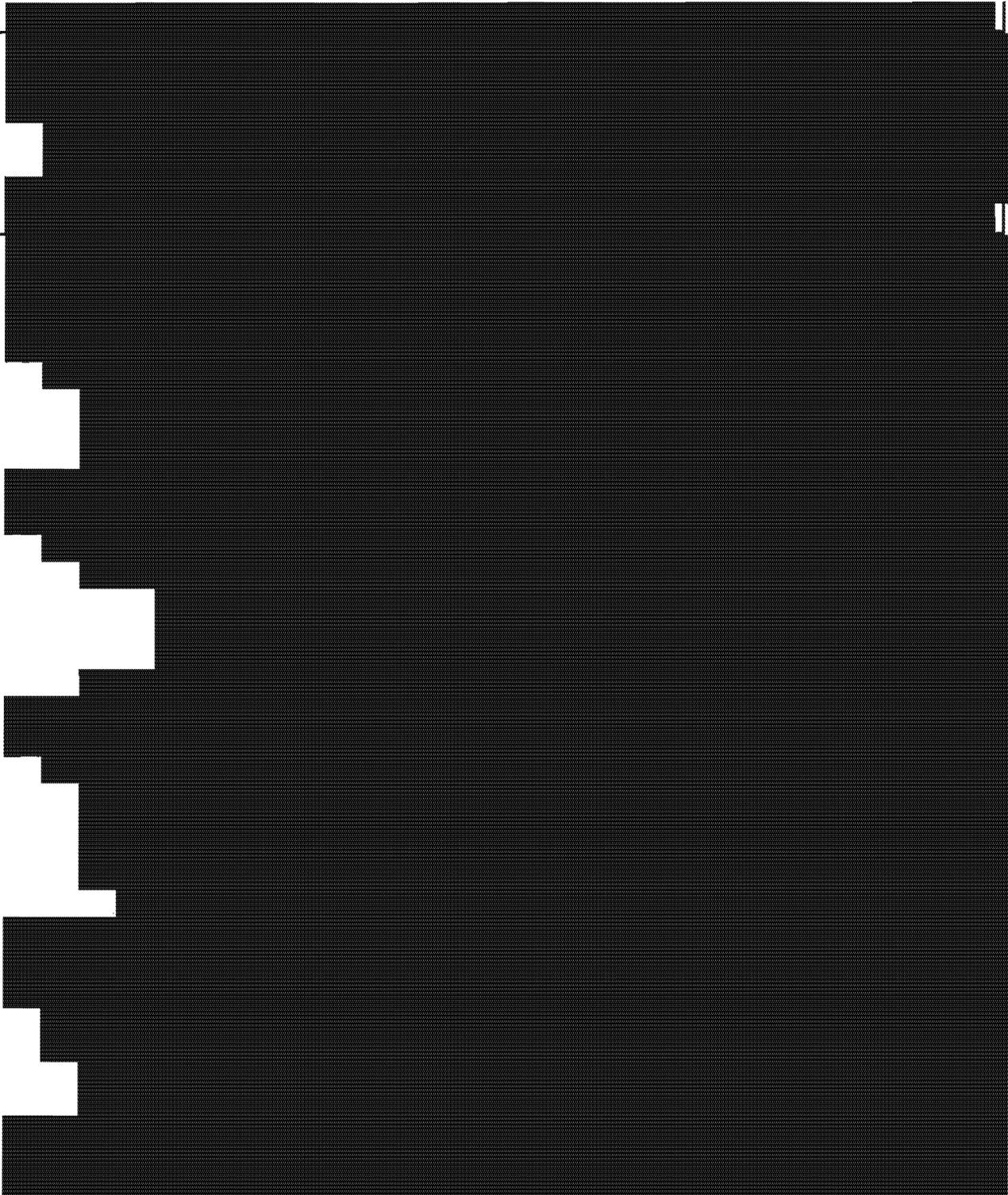
¹⁾ Note 5.

Marc

[Redacted]

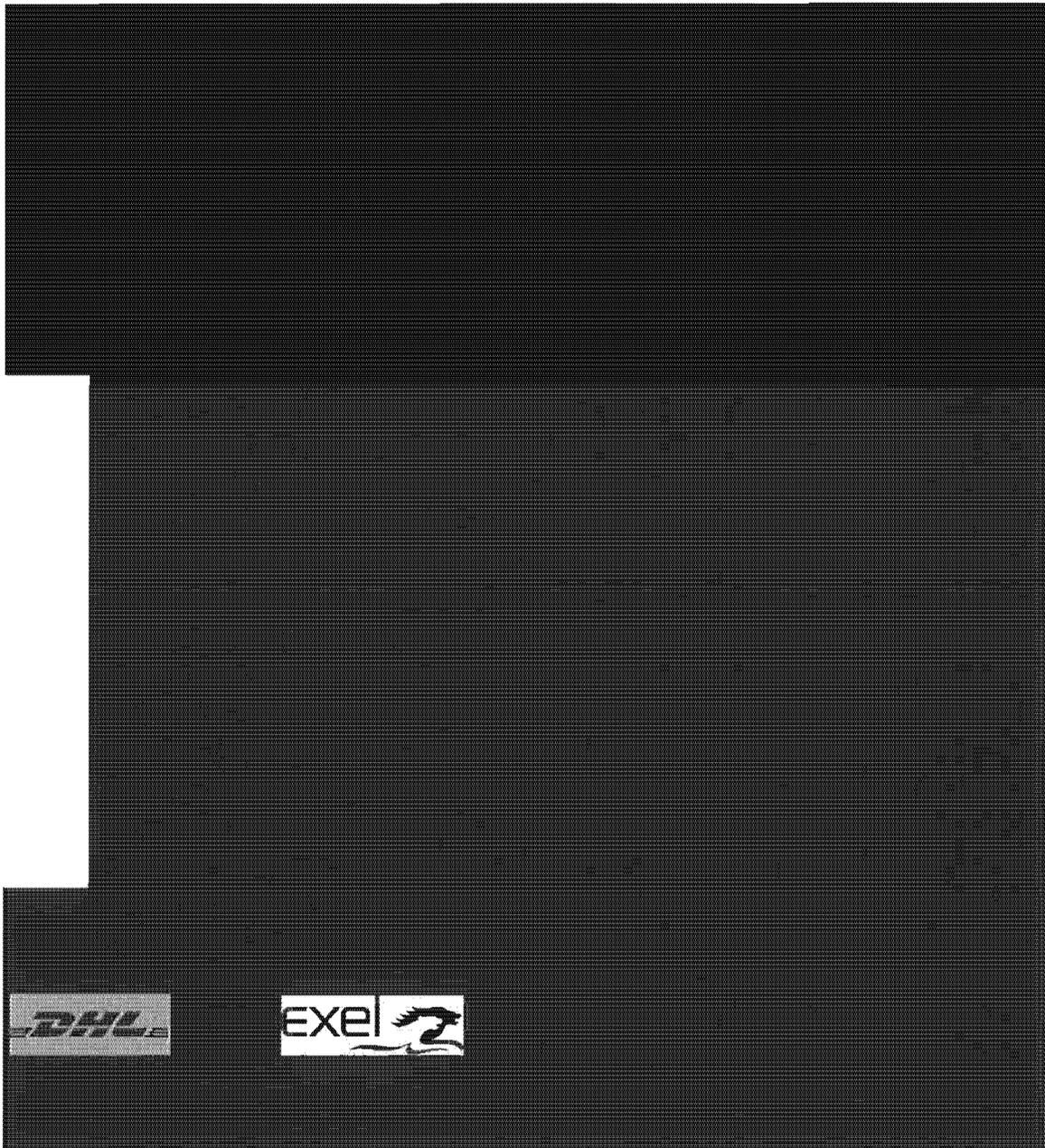
Teri [REDACTED]



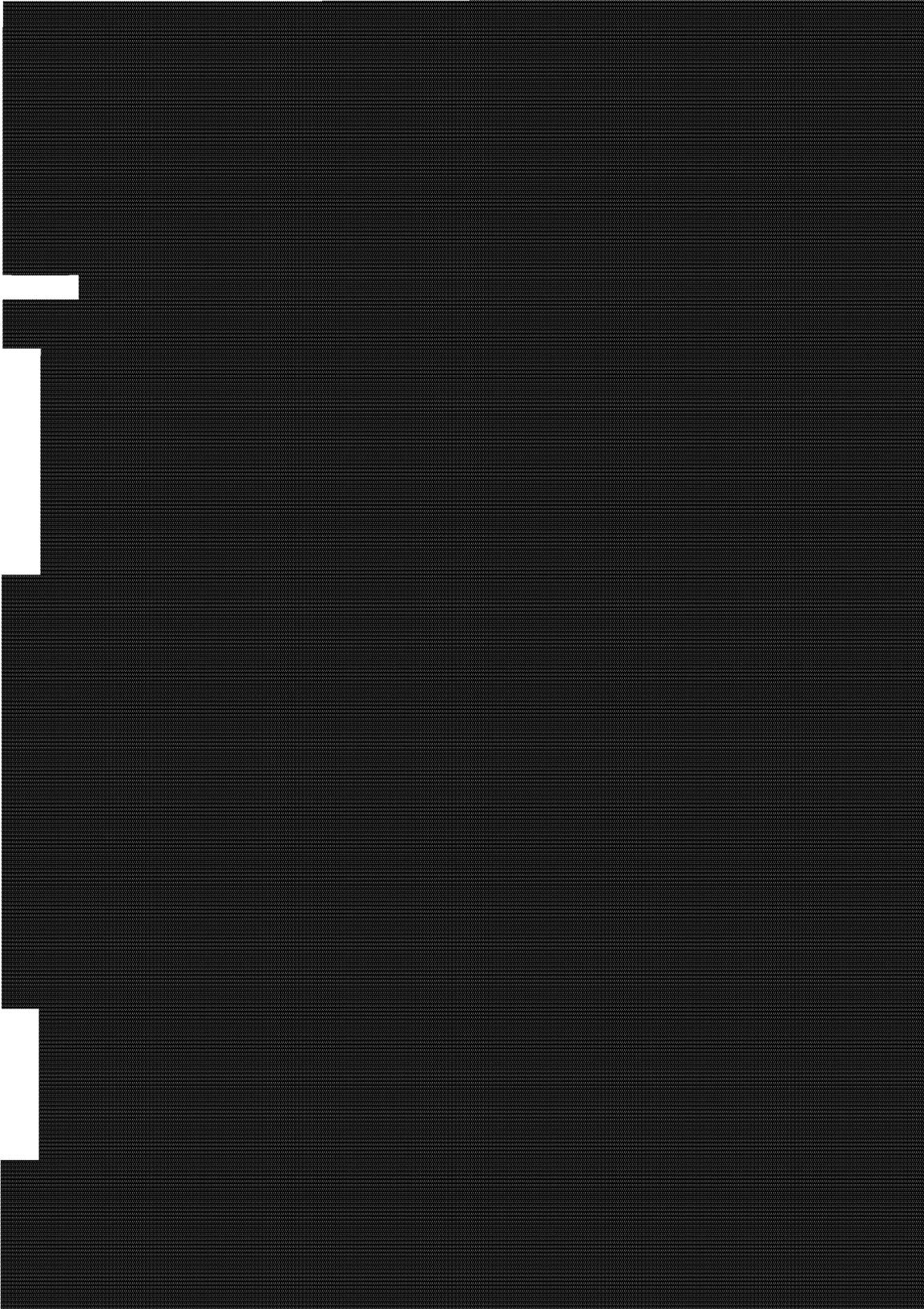


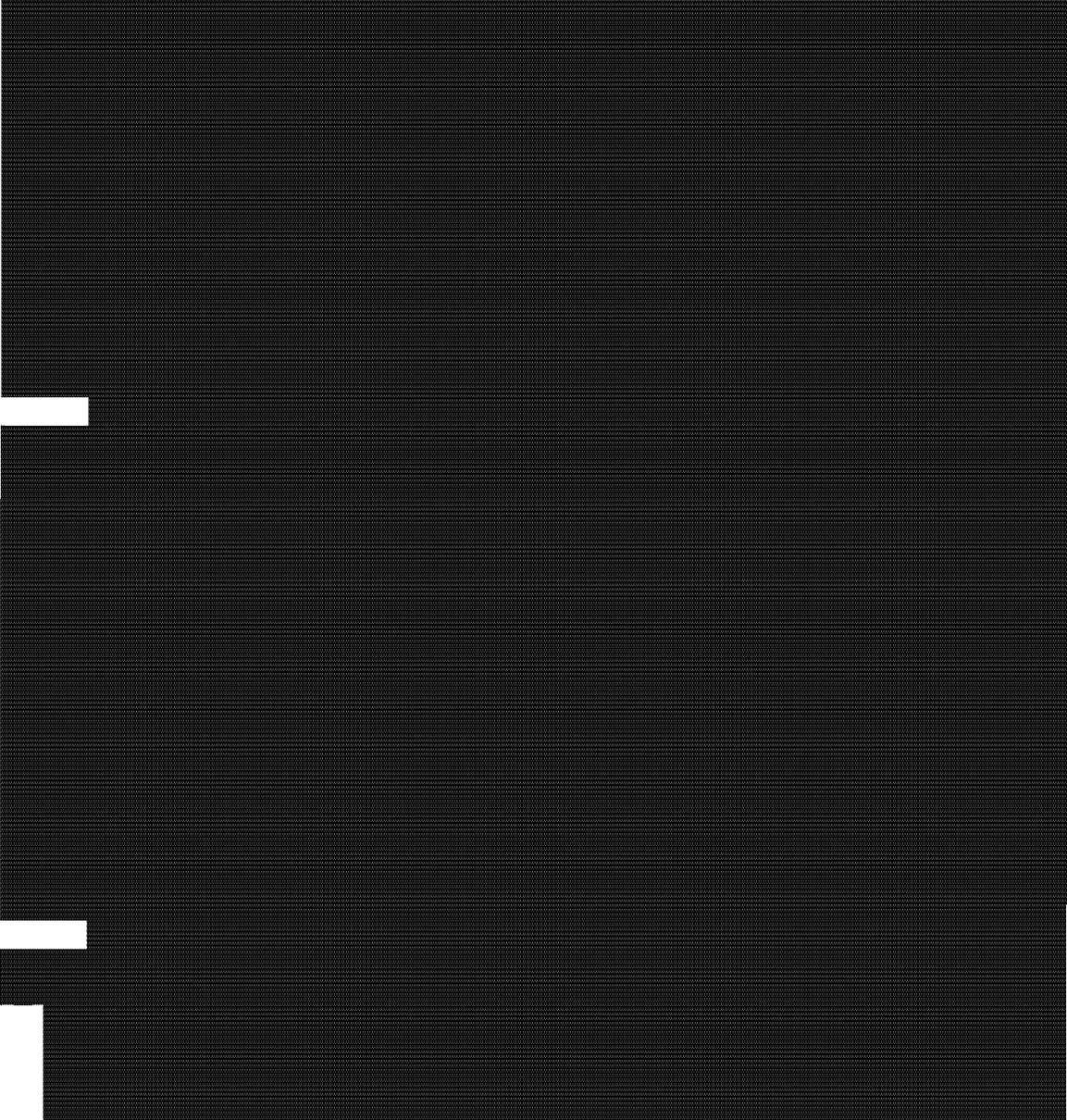
Resume

Gregory [REDACTED]





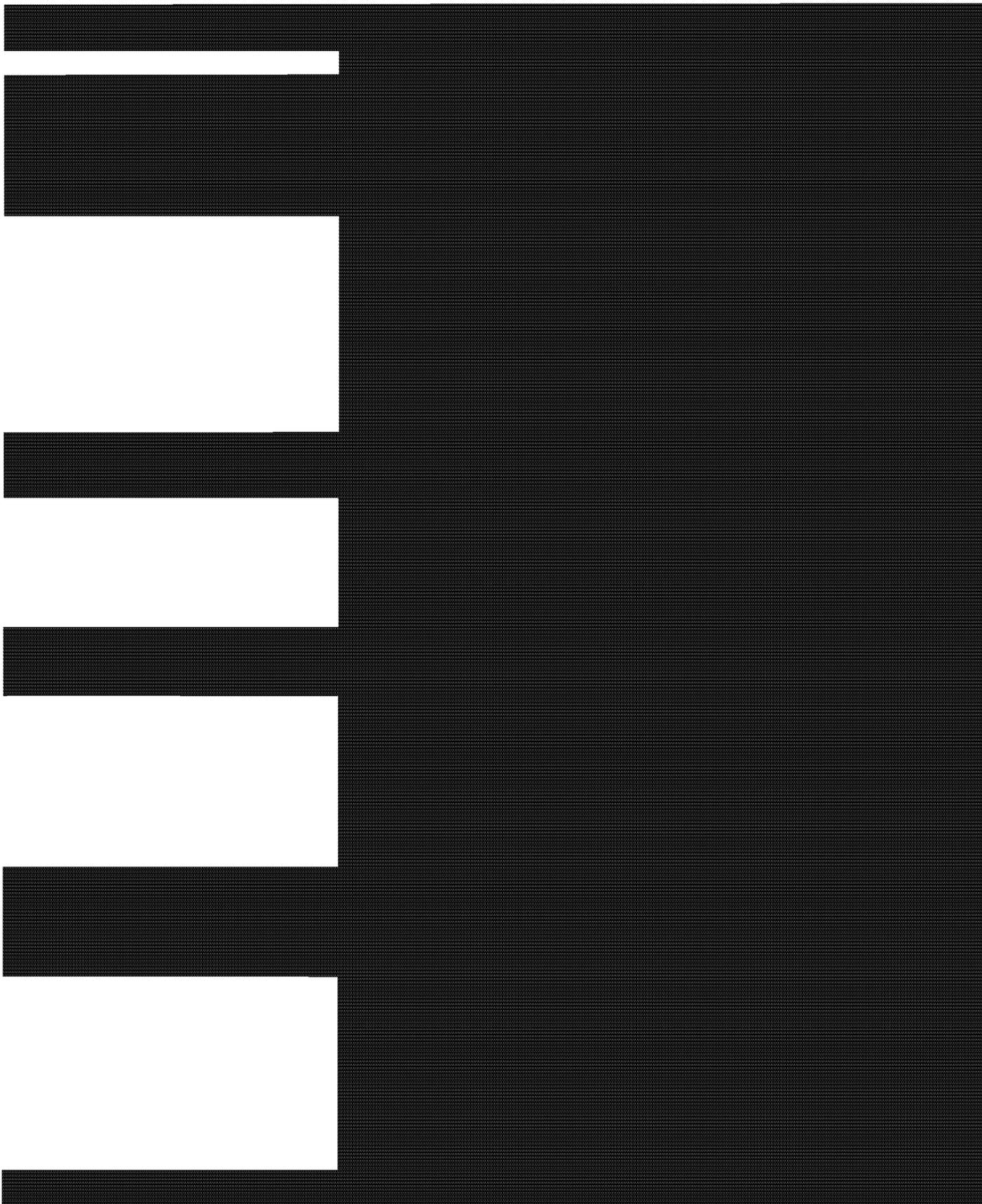


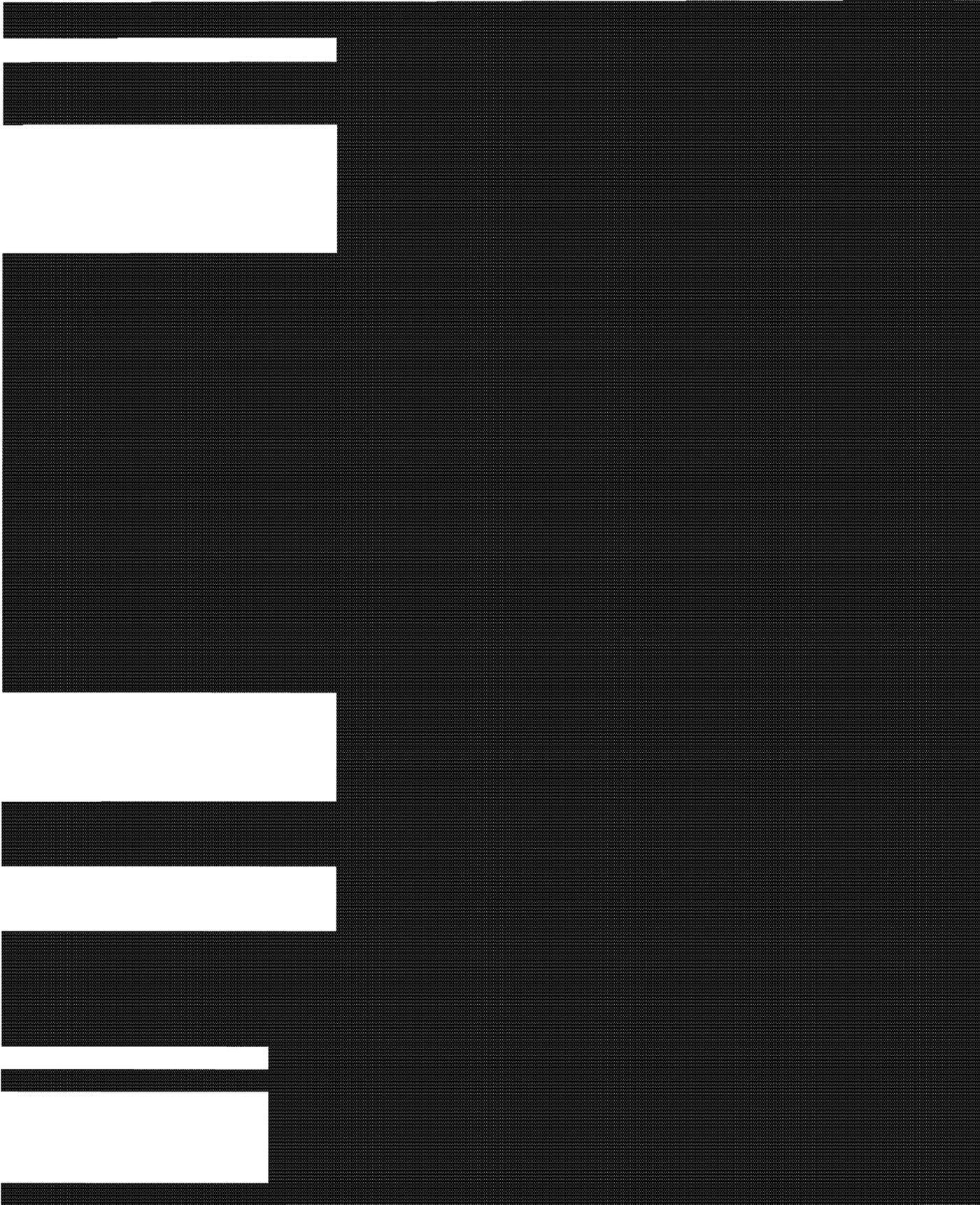


Resume

Robert [REDACTED]









Steve [REDACTED]





CONTROL³⁶⁰L

Optimizing the Alcohol Beverage Control Industry
Supply Chain for Increased Revenues and Decreased Costs



SAVE MONEY, INCREASE EFFICIENCIES. BOOST CUSTOMER SALES AND SATISFACTION.

For more than 15 years, Exel has successfully provided procurement and logistics services to the Alberta Gaming & Liquor Commission in Alberta, Canada. We can offer you the advantages of our ongoing experience and insight to help streamline the liquor supply chain and increase distribution efficiencies, sales and revenues.

As the Americas leader in contract logistics, we offer the most comprehensive end-to-end supply chain solutions in the industry - from consulting and network design to warehouse management and demand planning. We are a supply chain partner for hundreds of the world's best-known industry leaders and innovators representing the consumer, retail, aerospace, automotive, chemical and technology markets.

We also draw upon our 35-year history to help customers achieve operational excellence and increase profitability in highly competitive environments.





AGENT SHOPPING CART

Product Catalog Shopping Cart

Your Shopping Cart

Qty	Product Name	Unit	Price	Total
1	Captain Morgan Spiced Rum	750ml	\$10.99	\$10.99
1
			Total	\$3,283

HOME PAGE DASHBOARD PORTAL FOR AGENTS

Welcome to Control360!

The new Control360 platform is designed to streamline the daily workflow of the liquor store agent. **Ordering product**, **reporting sales** to the state and **tracking inventory** has never been easier.

Click here to take a tour of the platform and some of the new features available.

Alerts and Messages

Date	Type	Status
12/20/12	Message	Open
12/19/12	Message	Open
12/18/12	Alert	Open

Inventory Management
Keep updated on inventory and optimize inventory to meet your needs.

Financial Management
Get down on top of month-end through the tool to review and manage the sales from state agencies and out of your store.

Reports
View and drill reports to get into the store in sales history and trends to make you have a clearer and more efficient agency view.

Ordering
Order by store and assign both automatic and manual orders and placement and fill warehouse orders easily and efficiently.

Demand Planning
With data from reports, use demand

AGENT REPORTING DASHBOARD

Reports Dashboard

Inventory Report

Sales Report

Demand Forecast Report

Transfer Report

CONSUMER WEB-BASED PRODUCT SEARCH AND STORE LOCATOR

With the Control360 Product Finder, locating your favorite products has never been easier. Just enter the product you're looking for and we'll tell you all the stores in your area that carry it. Not sure what you want? No problem. You can browse all inventory by "Category" or "Specialty Item", such as discounted, limited stock, or seasonal items.

Search for your Product by:

Product Name	Price	Status
...
...

CUSTOMER SATISFACTION

While liquor distribution begins with the distillers, all logistics services must work together to support the control state in satisfying agents and consumers. Exel's integrated solutions increase efficiencies at every level to reduce costs, improve inventory control and enhance the overall customer experience. Our solutions focus on five key areas within the supply chain:

PROCUREMENT & PURCHASING

SERVICE

- Contract negotiation and management of distillers
- Consolidated purchase orders
- Forward buying
- Supplier and agent management
- Implement procurement best practices

BENEFITS

- Reduced cost of goods
- Lower administrative costs
- Optimized on-hand inventory
- Decreased inventory carrying costs
- Enhanced distiller relationships
- Increased bulk and commitment buys, with lower purchase prices
- More opportunities to match promotional advertising to product demand

INVENTORY MANAGEMENT

SERVICE

- Demand planning and forecasting
- Best in class warehouse management system, providing perpetual inventory for each agent
- Inventory reconciliation

BENEFITS

- Greater inventory control
- Lower days on-hand inventory at agent store
- Dynamic inventory restocking
- "Right" inventory provided to agent stores

WAREHOUSE & TRANSPORTATION

SERVICE

- Warehouse optimization
- Outsource carbon footprint
- Route planning & delivery scheduling
- Order consolidation and aggregation
- Dedicated fleet delivery to agent stores
- Point of delivery system that scans delivery into agent store
- Ability to create POS displays on site

BENEFITS

- Real-time inventory visibility
- Minimize transportation costs
- More timely and accurate store deliveries
- Improved agent relationships
- Timely promotions to increase retail sales
- Decreased product loss and damage
- Climate protection program
- Reduce waste & greenhouse emissions

ADVERTISING & E-COMMERCE

SERVICE

- In-store media program
- Responsible Drinking messaging
- Advertising revenue disbursement
- Web-based product catalog and store lookup for consumers
- Measurement & analysis of media program reach
- Social awareness campaigns & NABCA-designated advertising

BENEFITS

- Synchronized reporting of ad rotation with real-time product sales
- Reduced in-store static advertising clutter
- Localized messaging capabilities
- Increased liquor store sales through product awareness and targeted messaging
- Shared advertising revenue program
- De-clutter store advertising

SYSTEMS & DATA MANAGEMENT

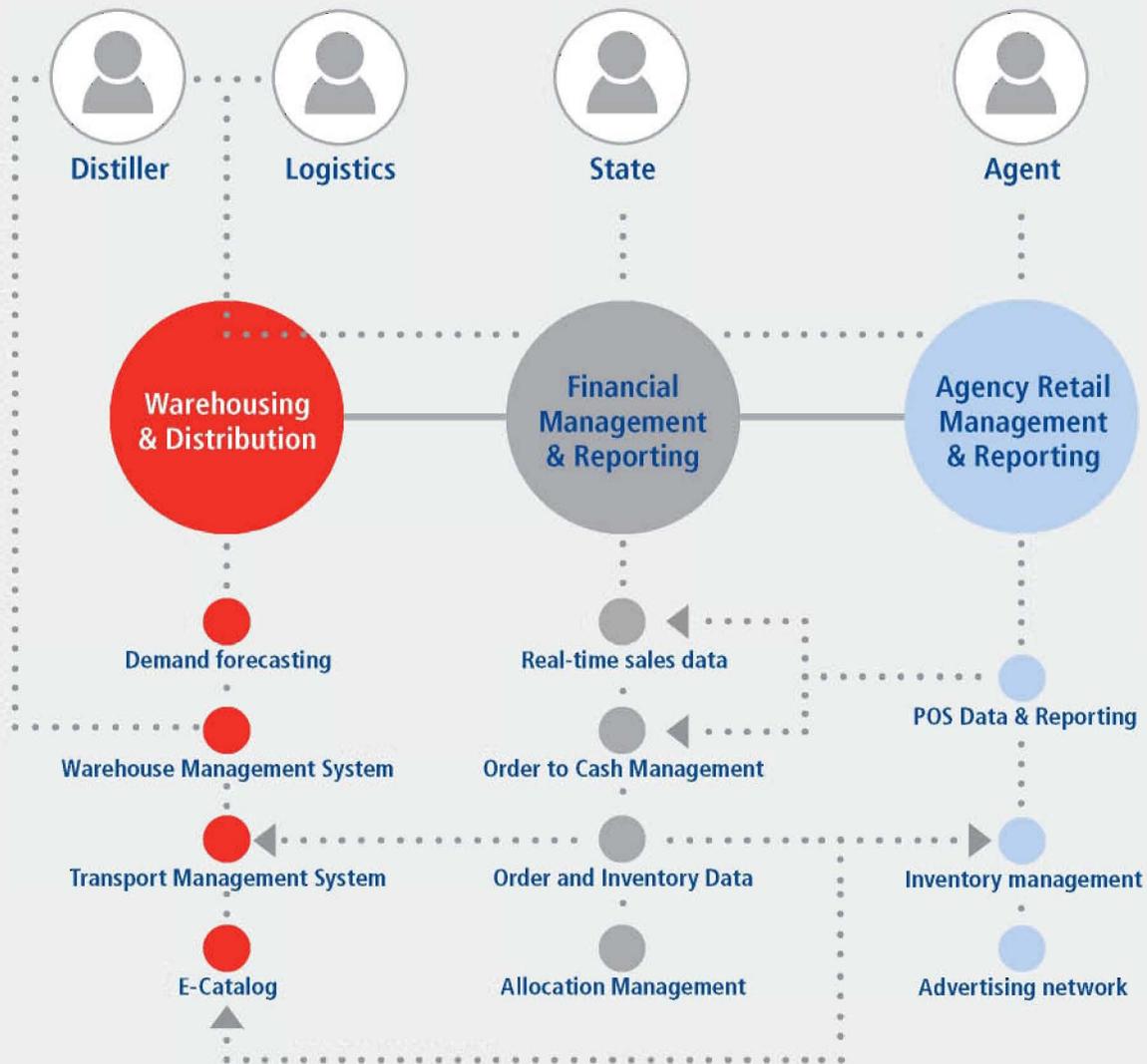
SERVICE

- End-to-end systems and data management services
- Easy-to-use web portal user experience
- Financial data reporting & management
- Online consolidated communication and reporting

BENEFITS

- Increased financial control across entire network
- Reduced state and agent administrative costs
- Improved transparency for auditing
- Consumer-friendly daily reports with up-to-date snapshots of inventory, sales & trends

IMPROVED REPORTING & REVENUE PLATFORM



- Consolidated communication and reporting platform allows transfers to be processed and supported by real-time inventory.
- Software that reports daily purchases as transactions are made, allowing for real-time alert messages showing any discrepancies.
- Comprehensive daily reports provide up-to-date snapshots of inventory, sales and trends.
- Online consolidated communication provides financial stakeholders access to useful sales trends, which can be factored into internal reports.
- Distribution sector reaps immediate increases in revenue resulting from greater efficiency in weekly deliveries.





BOTTOM LINE BENEFITS

Exel combines the latest information technology (IT) with best practice methodologies and proven delivery systems to help states, distillers and agent stores reduce costs and increase revenues.

STATE BENEFITS

- Increased revenues
- Less damage and loss
- Lower overhead and administrative costs
- Analyze sales data and store foot traffic to forecast future tax revenues
- Dramatically enhanced control and visibility across entire network
- Less on hand inventory in warehouses and stores (accurate stock based on forecasts/historic demand)
- End-to-end turnkey solution
- In-store digital advertising and social awareness program

AGENT STORE BENEFITS

- Increased revenue through in-store advertising and kiosks
- Reduced administration as a result of enhanced IT platforms
- Optimized shelf space
- Understand how customers shop to provide efficiency and forecast metrics
- Promotional pricing and discounts
- Inventory based on historic demand and forecast

DISTILLER BENEFITS

- Increased sales through in-store advertising and promotions
- Web visibility of warehouse inventory
- Access to store POS data
- Elimination of handling and storage fees at distributor
- Promotional packaging and display building options
- Analyze advertising effectiveness, brand perception and unplanned purchases
- Targeted advertising & promotions

CONSUMER BENEFITS

- Greater choice
- Enhanced user experience
- Improved stock level on shelf
- E-commerce platform to order online for store delivery

Let Exel put our experience and proven alcohol beverage distribution solutions to work for you. The result will be increased efficiencies, and improvement to your bottom line due to the optimization of distribution claims and inventory management systems.

800-272-1052
consult.beverage@exel.com
www.exel.com

Raising expectations.