

Craig W. Bulkley

From: Brian Law <brianlaw@lawwarehouses.com>
Sent: Tuesday, September 11, 2012 10:29 AM
To: Craig W. Bulkley
Cc: Lehmann, Suzan M.; John Guerette; Jack Law; LAW-Jack Glow; monksco
Subject: RE: Law - Warehouse RFP 2012-14

Craig: To clear up any confusion over these dates, you asked me to indicate what cost increases would result by extending my Proposal to November 14th 2012, and if in fact I would agree to extend my Proposal offer to November 14, 2012.

Please accept this email as notification that I agree to extend my Proposal without change in rates until November 14, 2012.

Brian

From: Brian Law
Sent: Tuesday, September 11, 2012 10:02 AM
To: cbulkley@liquor.state.nh.us
Cc: 'Lehmann, Suzan M.'; John Guerette; jlaw@lawwarehouses.com; Jack Glow; monksco
Subject: Warehouse RFP 2012-14

Craig: I have tentative agreement to extend my agreement with Nestle. As such I agree to extend my Proposal for the 30-month period beginning November 1, 2013 through November 14, 2012.

Brian

XTL

Summary of RFP Proposal - 1st 30 months

	ONE WAREHOUSE		CONTRACT RATES		XTL			
	APPENDIX-D	APPENDIX-D1	Jan 1, 2013 - October 31, 2013		SUPPLIER COSTS - APP D		NHSLC COSTS - APP D1	
	Total Est. Volume	Total Est. Volume	SUPPLIER COSTS	NHSLC COSTS	Proposed Contract Rate	Total Estimated Cost	Proposed Contract Rate	Total Estimated Cost
INBOUND HANDLING SUMMARY:								
1 - 180 cases per code	6,123,246	40,000	1.40	8,572,544	1.40	56,000	1.10	6,735,570
181 - 299 cases per code	1,599,321		1.20	1,919,185	-	-	1.00	1,599,321
300 - 670 cases per code	3,204,562		1.05	3,364,790	-	-	0.90	2,884,106
670+ cases per code	2,976,765		0.95	2,827,927	-	-	0.80	2,381,412
Pallet Packs	4,910		7.60	37,319	-	-	7.25	35,601
Cases uncodced or unsaleable	6,929		6.00	41,572	-	-	5.00	34,643
Case Returns	4,535	50	5.00	22,677	5.00	250	N/A	-
Pallet Returns	14		15.00	207	-	-	N/A	-
Bottle Returns	392		1.00	392	-	-	N/A	-
TOTAL INBOUND HANDLING:	13,920,674	40,050		\$ 16,766,614		\$ 56,260		\$ 13,670,654
STORAGE SUMMARY:								
Cases 1 - 84 Days	50,450,604	12,000	0.11	5,549,566	0.11	1,320	0.10	5,045,060
Cases 85 - 162 Days	8,115,185	11,000	0.29	2,353,694	0.29	3,160	0.20	1,623,237
Cases 163 - 365 Days	2,908,996	12,000	0.80	2,325,697	0.80	9,600	0.50	1,453,499
Cases 365+ Days	1,650,772		1.40	2,311,081	-	-	0.70	1,155,540
Cases on Hold Status <365	558,688		0.60	446,950	-	-	0.50	270,344
Cases on Hold Status >365	72,603		1.40	101,645	-	-	0.80	67,521
Allocated products <64	66,904		0.11	7,359	-	-	0.10	6,690
Allocated products >65	35,451		0.29	10,281	-	-	0.20	7,090
Pallet Packs 1-84	19,507		5.00	97,933	-	-	5.00	97,935
Pallet Packs 65-162	6,946		12.90	89,629	-	-	10.00	69,480
Pallet Packs 163-365	3,615		38.00	126,552	-	-	20.00	70,300
Pallet Packs 365+	2,101		63.00	132,359	-	-	40.00	84,040
Pallets on Hold Status <365	1,136		38.00	40,894	-	-	20.00	22,720
Pallets on Hold Status >365	14		63.00	866	-	-	40.00	560
TOTAL STORAGE:	63,891,505	35,000		\$ 13,694,408		\$ 14,110		\$ 9,983,016
OUTBOUND SUMMARY:								
Single Bottle	1,479,298	1,479,298	-	-	0.75	1,109,474	-	-
Automatic Orders (Cases)	13,705,006	13,705,006	-	-	0.15	2,055,751	0.15	221,895
Non-Automatic Orders (Cases)	62,653	62,653	-	-	0.25	15,983	0.14	1,918,701
Automatic Orders (Cases) - out of state	85,449		0.75	64,087	-	-	0.15	9,398
TOTAL OUTBOUND:	13,653,106			\$ 64,087		\$ 3,180,888		\$ 9,398
ACCESSORIAL SUMMARY:								
Advertising Material								
HNDLG PER CASE - SMALL	132		1.00	132			0.65	112
HNDLG PER CASE - LARGE	477		2.50	1,192			2.00	954
STRG PER CASE - SMALL	132		1.00	132			0.50	86
STRG PER CASE - LARGE	477		4.50	2,146			3.00	1,431
REC STRG PER CASE - SMALL	132		1.00	132			1.00	132
REC STRG PER CASE - LARGE	6,413		4.50	28,859			8.00	38,478
NON-AUTO MIN UPCHARGE	85		30.00	2,584			25.00	2,125
Blankets								
HANDLING / BLANKET	1,152		37.75	43,508			30.00	34,580
STORAGE / BLANKET	1,916		8.50	16,288			10.00	19,160
Extra Labor & Equipment								
WH LABOR - REG	910		48.20	42,035			40.00	36,400
WH LABOR - OT	-		69.25	-			60.00	-
WH MAN & EQUIP - REG	22		88.20	1,945			40.00	880
WH MAN & EQUIP - OT	-		107.40	-			60.00	-
OFFICE - REG	11		48.20	510			40.00	440
OFFICE - OT	-		69.25	-			60.00	-
Physical inventory								
Cases - SUPPLIERS	2,085,541		0.18	375,397			0.10	208,554
Bottle Charge	38,015		0.18	6,857			0.20	7,603
Case Charge - NHSLC	42,989	see column L	0.18	7,738			N/A	-
PER REPORT/LIST	44		36.00	1,588			25.00	1,100
Special Reports								
PER CASE (0 to 55)	3,816		5.00	19,079			4.00	15,264
PER CASE 56+	15,289		3.85	58,786			3.50	53,441
Labeling								
Cases (0 to 55)	27,861		3.10	86,368			2.50	68,652
Cases (56 to 99)	31,321		2.50	78,302			2.25	70,472
Cases (100 to 209)	58,480		1.55	87,544			1.25	70,600
Cases (300+)	47,064		0.90	42,358			0.75	35,298
Minimum (upcharge)	1,152		30.00	34,574			15.00	17,280
Relabeling								
Cases relabeled	46,339		1.75	81,083			1.00	46,339
Minimum (upcharge)	52		30.00	1,572			15.00	780
Duplicate Labels								
Duplicate labels	731		1.00	731			N/A	-
Min Invoice Chg								
Min Invoice Upcharges	165		30.00	5,542			N/A	-
				\$ 1,027,972		\$ -		\$ 731,123

SUPPLIER COSTS	NHSLC COSTS	SUPPLIER COSTS	NHSLC COSTS
\$ 31,472,109	\$ 3,251,248	\$ 24,394,108	\$ 2,190,396
			\$ (100,000)
Grand Total	\$ 34,723,428	Grand Total	\$ 26,484,586
Cost/Case	\$ 2.51	Cost/Case	\$ 1.91

ADDITIONAL NOTES:

(a) Revenue sharing proposal is based on regional distribution of wine and spirits to locations outside of New Hampshire. XTL proposes to share \$ 10 per case for every case of product warehouse'd and shipped to locations outside of New Hampshire. Our estimates of this activity for the 30 month period total 85,449 cases. 85,449 cases x \$ 10 = \$8,545 over the initial 30 month term, this figure was used for the above analysis. XTL proposes 1,000,000 cases of this activity will occur over the 1st 30 month period totaling a revenue sharing opportunity of \$100,000 for the NHSLC. XTL to elaborate on this estimate during presentations.



Summary of RFP Proposal - 1st 30 months

	ONE WAREHOUSE		CONTRACT RATES				EXEL					
	APPENDIX-D		APPENDIX-D1		Jan 1, 2013 - October 31, 2013				SUPPLIER COSTS - APP D		NHSLC COSTS - APP D1	
	Total Est. Volume (1st 30 Months)	Total Est. Volume (1st 30 Months)	SUPPLIER COSTS		NHSLC COSTS		Proposed Contract Rates	Total Estimated Cost	Proposed Contract Rates	Total Estimated Cost		
INBOUND HANDLING SUMMARY:												
1 - 180 cases per code	6,123,246	40,000	1.40	8,572,544	1.40	56,000	0.92	5,633,386				
181 - 299 cases per code	1,599,321		1.20	1,919,185	-	-	0.92	1,471,376				
300 - 670 cases per code	3,204,562		1.05	3,364,790	-	-	0.92	2,948,197				
670+ cases per code	2,976,765		0.95	2,827,927	-	-	0.92	2,738,624				
Pallet Packs	4,910		7.60	37,319	-	-	10.00	49,104				
Cases uncodded or unsaleable	6,929		6.00	41,572	-	-	5.00	34,643				
Case Returns	4,535	50	5.00	22,677	5.00	250	5.00	22,677				
Pallet Returns	14		15.00	207	-	-	10.00	138				
Bottle Returns	392		1.00	392	-	-	1.00	392				
TOTAL INBOUND HANDLING:	13,920,674	40,050		\$ 16,786,614		\$ 56,250		\$ 12,898,537			\$ -	
STORAGE SUMMARY:												
Cases 1 - 84 Days	50,450,604	12,000	0.11	5,549,566	0.11	1,320	0.11	5,549,566				
Cases 85 - 182 Days	8,116,185	11,000	0.29	2,353,694	0.29	3,190	0.30	2,434,856				
Cases 183 - 365 Days	2,906,996	12,000	0.80	2,325,597	0.80	9,600	0.80	2,325,597				
Cases 365+ Days	1,650,772		1.40	2,311,081	-	-	1.25	2,063,465				
Cases on Hold Status <365	558,688		0.80	446,950	-	-	0.80	446,950				
Cases on Hold Status >365	72,603		1.40	101,645	-	-	1.25	90,754				
Allocated products <84	66,904		0.11	7,359	-	-	0.11	7,359				
Allocated products >85	35,451		0.29	10,281	-	-	0.30	10,635				
Pallet Packs 1-84	19,587		5.00	97,933	-	-	5.00	97,933				
Pallet Packs 85-182	6,948		12.90	89,629	-	-	10.00	69,480				
Pallet Packs 183-365	3,515		36.00	126,552	-	-	30.00	105,460				
Pallet Packs 365+	2,101		63.00	132,359	-	-	50.00	105,047				
Pallets on Hold Status <365	1,136		36.00	40,894	-	-	30.00	34,078				
Pallets on Hold Status >365	14		63.00	868	-	-	50.00	689				
TOTAL STORAGE:	63,891,505	35,000		\$ 13,594,408		\$ 14,110		\$ 13,341,870			\$ -	
OUTBOUND SUMMARY:												
Single Bottle	1,479,298	1,479,298	-	-	0.75	1,109,474	-	-				
Automatic Orders (Cases)	13,705,006	13,705,006	-	-	0.15	2,055,751	-	-				
Non-Automatic Orders (Cases)	62,653	62,653	-	-	0.25	15,663	-	-				
Automatic Orders (Cases) - out of state	85,449	-	0.75	64,087	-	-	0.75	64,087				
TOTAL OUTBOUND:	13,853,108	15,246,957		\$ 64,087		\$ 3,180,888		\$ 64,087			\$ -	
ACCESSORIAL SUMMARY:												
Advertising Material												
HNDLG PER CASE - SMALL	132		1.00	132			0.74	98				
HNDLG PER CASE - LARGE	477		2.50	1,192			1.94	925				
STRG PER CASE - SMALL	132		1.00	132			0.50	66				
STRG PER CASE - LARGE	477		4.50	2,146			3.50	1,669				
REC STRG PER CASE - SMALL	132		1.00	132			0.50	66				
REC STRG PER CASE - LARGE	6,413		4.50	28,859			3.50	22,446				
NON-AUTO MIN UPCHARGE	85		30.00	2,564			15.00	1,282				
Blankets												
HANDLING / BLANKET	1,152		37.75	43,506			24.75	28,524				
STORAGE / BLANKET	1,916		8.50	16,288			6.50	12,455				
Extra Labor & Equipment												
W/H LABOR - REG	910		46.20	42,035			34.65	31,526				
W/H LABOR - OT	-		69.25	-			52.00	-				
W/H MAN & EQUIP - REG	22		88.20	1,945			66.00	1,456				
W/H MAN & EQUIP - OT	-		107.40	-			81.00	-				
OFFICE - REG	11		46.20	510			34.65	382				
OFFICE - OT	-		69.25	-			52.00	-				
Physical Inventory												
Cases - SUPPLIERS	2,085,541		0.18	375,397			0.105	219,813				
Bottle Charge	38,015		0.18	6,957			0.09	3,421				
Case Charge - NHSLC	42,989	see column L	0.18	7,738			0.13	5,589				
Special Reports												
PER REPORT/LIST	44		36.00	1,588			25.00	1,103				
Destruction												
PER CASE (0 to 55)	3,816		5.00	19,079			3.80	14,500				
PER CASE 56+	15,269		3.85	58,786			3.00	45,807				
Labeling												
Cases (0 to 55)	27,861		3.10	86,368			2.50	69,652				
Cases (56 to 99)	31,321		2.50	78,302			2.00	62,642				
Cases (100 to 299)	56,480		1.55	87,544			1.25	70,600				
Cases (300+)	47,064		0.90	42,358			0.75	35,298				
Minimum (upcharge)	1,152		30.00	34,574			13.50	15,558				
Relabeling												
Cases relabeled	46,339		1.75	81,093			1.00	46,339				
Minimum (upcharge)	52		30.00	1,572			15.00	786				
Duplicate Labels												
Duplicate labels	731		1.00	731			1.00	731				
Min Invoice Chg												
Min Invoice Upcharges	185		30.00	5,542			15.00	2,771				
				\$ 1,027,072		\$ -		\$ 695,506			\$ -	

SUPPLIER COSTS	NHSLC COSTS	SUPPLIER COSTS	NHSLC COSTS
\$ 31,472,180	\$ 3,251,248	\$ 27,000,000	\$ -
		-14.2%	-100%
Grand Total	\$ 34,723,428	Grand Total	\$ 27,000,000
Cost/Case	\$ 2.51	Cost/Case	\$ 1.95
			-22.2%

LAW WAREHOUSE

Summary of RFP Proposal - 1st 30 months

	ONE WAREHOUSE		CONTRACT RATES Jan 1, 2013 - October 31, 2013				LAW WAREHOUSE					
	APPENDIX D		APPENDIX D1		SUPPLIER COSTS - APP D		NHS LC COSTS - APP D1		SUPPLIER COSTS - APP D		NHS LC COSTS - APP D1	
	Total Est. Volume	Total Est. Volume					Proposed Contract Rates	Total Estimated Cost				
	(1st 30 Months)	(1st 30 Months)										
INBOUND HANDLING SUMMARY:												
1 - 180 cases per code	6,123,246	40,000	1.40	8,572,644	1.40	56,000	1.20	7,347,895	1.20	48,000		
181 - 289 cases per code	1,599,321		1.20	1,919,185			1.05	1,679,287	1.05			
300 - 670 cases per code	3,204,582		1.05	3,364,790			0.95	3,044,334	0.95			
670+ cases per code	2,976,765		0.95	2,827,927			0.85	2,530,251	0.85			
Pallet Packs	4,910		7.60	37,319			6.75	33,145	6.75			
Cases uncoded or unsealable	6,929		6.00	41,572			5.00	34,643	5.00			
Case Returns	4,535	50	5.00	22,677	5.00	250	5.00	22,677	5.00	250		
Pallet Returns	14		15.00	207			14.50	200	14.50			
Bottle Returns	392		1.00	392			1.00	392	1.00			
TOTAL INBOUND HANDLING:	13,920,674	40,050		\$ 16,788,814		\$ 66,260		\$ 14,692,824				\$ 48,260
STORAGE SUMMARY:												
Cases 1 - 84 Days	50,450,804	12,000	0.11	5,549,566	0.11	1,320	0.10	5,045,060	0.25	3,000		
Cases 85 - 182 Days	8,116,185	11,000	0.29	2,353,694	0.29	3,190	0.25	2,029,046	0.25	2,750		
Cases 183 - 365 Days	2,905,998	12,000	0.80	2,325,597	0.80	9,600	0.70	2,034,897	0.25	3,000		
Cases 365+ Days	1,650,772		1.40	2,311,081			1.25	2,063,465				
Cases on Hold Status <365	558,688		0.80	446,950			0.70	391,081				
Cases on Hold Status >365	72,603		1.40	101,645			1.25	90,754				
Allocated products <84	68,904		0.11	7,359			0.10	6,690				
Allocated products >85	35,451		0.29	10,281			0.25	8,863				
Pallet Packs 1-84	19,587		5.00	97,933			4.50	88,140	4.50			
Pallet Packs 85-182	6,948		12.90	89,629			11.40	79,207	4.50			
Pallet Packs 183-365	3,515		36.00	128,552			31.80	111,788	4.50			
Pallet Packs 365+	2,101		63.00	132,359			55.65	116,917	4.50			
Pallets on Hold Status <365	1,136		38.00	40,894			31.80	36,123				
Pallets on Hold Status >365	14		63.00	868			55.65	767				
TOTAL STORAGE:	63,891,505	35,000		\$ 13,694,408		\$ 14,110		\$ 12,102,799				\$ 8,760
OUTBOUND SUMMARY:												
Single Bottle	1,478,288	1,479,298			0.75	1,109,474			0.60	887,578		
Automatic Orders (Cases)	13,705,006	13,705,006			0.15	2,055,751						
Non-Automatic Orders (Cases)	62,653	62,653			0.25	15,663						
Automatic Orders (Cases) - out of state	65,449		0.75	64,087			0.17	10,651				
TOTAL OUTBOUND:	13,653,108			\$ 84,087		\$ 3,180,888		\$ 18,661				\$ 887,578
ACCESSORIAL SUMMARY:												
Advertising Material												
HNOLG PER CASE - SMALL	132		1.00	132			0.85	\$112				
HNOLG PER CASE - LARGE	477		2.50	1,192			2.25	\$1,073				
STRG PER CASE - SMALL	132		1.00	132			0.60	\$79				
STRG PER CASE - LARGE	477		4.50	2,146			4.00	\$1,908				
REC STRG PER CASE - SMALL	132		1.00	132			0.60	\$79				
REC STRG PER CASE - LARGE	6,413		4.60	28,859			4.00	\$25,652				
NON-AUTO MIN UPCHARGE	85		30.00	2,584			25.00	\$2,137				
Blankets												
HANDLING / BLANKET	1,152		37.75	43,508			35.60	\$41,028				
STORAGE / BLANKET	1,916		6.50	16,288			7.25	\$13,892				
Extra Labor & Equipment												
WH LABOR - REG	910		46.20	42,035			39.65	\$38,076				
WH LABOR - OT			69.25				59.50	\$0				
WH MAN & EQUIP - REG	22		88.20	1,945			75.70	\$1,670				
WH MAN & EQUIP - OT			107.40				92.20	\$0				
OFFICE - REG	11		46.20	510			39.65	\$437				
OFFICE - OT			69.25				59.50	\$0				
Physical Inventory												
Cases - SUPPLIERS	2,085,541		0.18	375,397			0.18	\$375,397				
Bottle Charge	38,015		0.18	6,957			0.18	\$6,843				
Case Charge - NHS LC	42,989	see column L	0.18	7,738			n/a	\$0	0.18	7,738		
PER REPORT/LIST	44		38.00	1,588			30.00	\$1,323				
PER CASE (0 to 55)	3,816		5.00	19,079			7.75	\$20,573				
PER CASE 56+	15,269		3.85	58,786			7.75	\$118,335				
Labeling												
Cases (0 to 55)	27,861		3.10	86,368			2.85	\$79,403				
Cases (56 to 99)	31,321		2.50	78,302			2.25	\$70,472				
Cases (100 to 299)	58,480		1.55	87,544			1.40	\$79,072				
Cases (300+)	47,064		0.90	42,358			0.80	\$37,651				
Minimum (upcharge)	1,152		30.00	34,574			15.00	\$17,287				
Relabeling												
Cases relabeled	46,339		1.75	61,093			1.25	\$57,924				
Minimum (upcharge)	52		30.00	1,572			15.00	\$786				
Duplicate Labels												
Duplicate labels	731		1.00	731				\$0				
Min Invoice Chg												
Min Invoice Upcharges	185		30.00	5,542			30.00	\$5,542				
				\$ 1,027,072		\$ -		\$ 1,003,763				\$ 7,738

SUPPLIER COSTS	NHS LC COSTS	SUPPLIER COSTS	NHS LC COSTS
\$ 11,473,888	\$ 1,027,072	\$ 27,875,467	\$ 952,317
		-12%	-98%
Grand Total	\$ 34,723,428	Grand Total	\$ 27,875,467
Cost/Case	\$ 2.61	Cost/Case	\$ 2.01
			-\$ (886,887) (a)
			\$ 63,326

ADDITIONAL NOTES:

No Bid Included for two warehouse scenario.

(a) Revenue sharing proposal provides for an estimated \$.05 per case up to 5.5M cases shipped and \$.10 per case above 5.5M cases shipped, (annual case growth estimated at 3%) Total estimated revenue to the NHS LC over the 30 month period = \$686,887.

Craig W. Bulkley

From: Scott Lyons (EXEL CA) <Scott.Lyons@exel.com>
Sent: Friday, September 07, 2012 8:30 AM
To: Craig W. Bulkley
Subject: RE: Exel - Contract Award Extension

Regarding option 1

- You are correct – the correct timeframe is four months
- The calculation assumes the grand total costs across the 30 month period for Exel of \$25,500,000, and the rates that are scheduled to go into effect as of January 1, 2013 which equate to a grand total cost of \$34,723,428. The difference across the 30 months is \$9,223,428. For four months this equates to \$1,229,790. To the extent the rates under the extension are different than the rates that will go in effect January 1, 2013, or the final pricing agreed to between the NHSLC and Exel is different, the potential costs estimate will vary. Our goal here was to show an order of magnitude impact for an extension to February 28, 2014.

Regarding option 3

- All transfers will be completed, and all functions will be operating in a smooth production mode at the new warehouse by October 31, 2013

I trust this clarifies our response. If you have further questions please do not hesitate to contact us.

Sincerely,
Scott Lyons

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

From: Craig W. Bulkley [mailto:cbulkley@liquor.state.nh.us]
Sent: Thursday, September 06, 2012 3:36 PM
To: Scott Lyons (EXEL CA)
Subject: RE: Exel - Contract Award Extension

Scott:

I need you to clarify your response in Option 1 and Option 3:

Option 1:

Extending the current contract from November 1, 2013 to February 28, 2014 is four months, not five. So, your last bullet under this option is not showing the correct timeframe. Further, we are not clear how you are making your calculation as you don't know what the new rates will be under this four month extension.

Please clarify your calculations, provide a specific total amount and how you arrived at the cost for the four-month extension. You can not assume that the current vendor's rates will not change from the rates in effect at the end of the current contract (October 31, 2013). His rates will undoubtedly go up from the rates that go into effect on January 1, 2013.

Option 3:

Craig W. Bulkley

From: Scott Lyons (EXEL CA) <Scott.Lyons@exel.com>
Sent: Friday, November 02, 2012 11:48 AM
To: Craig W. Bulkley
Cc: Fred Takavitz (Exel US)
Subject: Exel - Financial BAFO w/ extension

As the evaluation committee points out, if the contract does not terminate prior to expiry then there is no need for asset backing. We appreciate the NHSLC's efforts to help us better understand the scenarios under which the contract may terminate early, and as appropriate clarify the contract to better articulate the situations that lead could lead to material default and/or breach. These include:

- The parties will have access to the contract protest process in the event of a good faith impasse on rate negotiations. This process ultimately finishes at the New Hampshire Supreme Court, and therefore does not end in contract termination. We have also discussed adding mediation (non-binding) into the process, and we will finalize how this might work in the contract negotiation phase
- In addition to inflation, the rate review will consider changes in profile and volumes at every 30 month interval. The mechanics will be agreed in the contract negotiation process
- Confirmation that our agreement with the NHSLC is exclusive for the distribution of wine and spirits in the State of New Hampshire except for wines produced in New Hampshire, and products purchased by the NHSLC. We may wish to maintain additional work in the state warehouse for a period of time and we will work together on this issue
- We also clarified that service issues do not lead to material default and/or breach, but that there is an opportunity to more robustly define the metrics that describe an appropriate service level and associated penalties to the compel the provider to exceed the targets
- We will be able to add language in the rate negotiation clause that acknowledges the impact of fixed costs to the rates. This is not a guarantee that they will be covered in all circumstances, just a recognition that fixed costs do not change in step with volumes. Of course, this is the case for volume increases and decreases

The NHSLC also agreed to mutually waive consequential and indirect damages, and we clarified the conditions for drawing on the performance bond.

As you have pointed out, price is less than half the consideration for choosing a partner for the next twenty years. We feel we are uniquely qualified to assist the NHSLC achieve its goals across the 20 year term for the following reasons:

- Maximizing Net Income – Our role is to assist the Commission with maximizing its disbursements to the State
 - We would suggest that our customers are our best example of our ability to provide consistently high quality and low cost service. Exel provides innovative distribution services to market leaders like Proctor & Gamble, Walmart, Ford, Dell... , and many of these relationships have existed for more than 20 years.
 - We have a disciplined, quantifiable and repeatable process to drive and achieve continuous improvement. We conducted 410 Continuous Improvement Process workshops in 2011 – resulting in annual savings of over \$61 million for our customers.
 - Our revenue sharing proposal 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.
 - We will utilize best practices such as labor management systems, and mechanization / automation from our other operations both within the adult beverage industry and beyond.
- Creating Certainty – the NHSLC can depend on Exel to consistently deliver high quality service
 - 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. We believe you have had the opportunity to speak with the AGLC to better understand the quality of our operations.

We trust this adequately answers your question. Please do not hesitate to contact us if you have further questions.

Sincerely,
Scott Lyons

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

From: Craig W. Bulkley [<mailto:cbulkley@liquor.state.nh.us>]
Sent: Friday, August 31, 2012 4:18 PM
To: Fred Takavitz (Exel US); Scott Lyons (EXEL CA)
Subject: Contract Award Extension

Fred:

The Evaluation Committee has a question that you need to answer.

The question is: What additional costs would be incurred if the contract was not awarded until November 14, 2012? What would be the impact on your grand total costs over the initial 30-month term?

We would like a response by 12:00 noon on Wednesday, September 5, 2012. If, however, a small amount of additional time is required, please let us know.

Thank you.

 Please consider the environment before printing this e-mail.

Craig W. Bulkley
Director
Division of Administration
NH State Liquor Commission
☎ (603) 230-7008
FAX (603) 271-3897
Cell: (603) 490-1559
✉ cbulkley@liquor.state.nh.us



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In your fifth bullet, you indicate that you believe you will finish on time with some risk involved. We need a specific statement that says when you will finish based on the factors identified in this option.

Please get a response to us by noon tomorrow, 9/7. Thanks.

 Please consider the environment before printing this e-mail.

Craig W. Bulkley
Director
Division of Administration
NH State Liquor Commission
 (603) 230-7008
FAX (603) 271-3897
Cell: (603) 490-1559
 cbulkley@liquor.state.nh.us

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From: Scott Lyons (EXEL CA) [mailto:Scott.Lyons@exel.com]
Sent: Thursday, September 06, 2012 10:17 AM
To: Craig W. Bulkley
Subject: RE: Exel - Contract Award Extension

My savings figure for option 1 should be approximately \$3 million not the lower figure from my earlier email.

We thought this option and the associated cost figure would be helpful in your discussions.

Cheers,
Scott Lyons

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

From: Craig W. Bulkley [mailto:cbulkley@liquor.state.nh.us]
Sent: Thursday, September 06, 2012 8:01 AM
To: Scott Lyons (EXEL CA)
Subject: RE: Contract Award Extension

Received; thank you

 Please consider the environment before printing this e-mail.

Craig W. Bulkley
Director

Division of Administration
NH State Liquor Commission
☎ (603) 230-7008
FAX (603) 271-3897
Cell: (603) 490-1559
✉ cbulkley@liquor.state.nh.us

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From: Scott Lyons (EXEL CA) [<mailto:Scott.Lyons@exel.com>]
Sent: Wednesday, September 05, 2012 5:37 PM
To: Craig W. Bulkley
Cc: Fred Takavitz (Exel US)
Subject: RE: Contract Award Extension

We see three options for the NHSLC regarding not awarding the contract until November 14, 2012.

Option 1 – Extend your current contract with the incumbent provider until February 28, 2014.

- We do not recommend starting up the new operation during the holiday season. February 28, 2014 provides the month of January to stock the new facility, and the month of February to ramp-up services to the stores from the new facility
- Construction would commence in the spring time
- There are no additional costs from Exel under this option
- Based on the difference in the rates Exel is proposing and the rates the incumbent will be charging as of January 1, 2013 this represents a cost to the industry of approximately \$1,100,000 across the 5 month extension

Option 2 – Sign an Reimbursement Indemnification Agreement authorizing Exel to expend funds towards key tasks needed to protect the current timeline

- The customer pledges to reimburse us for any authorized expenditures that we make if we do not reach agreement on a contract
 - The expenditures between September 14th and October 14th will be \$100,000 for environmental studies, soils analysis, and civil engineering work
 - The expenditures between October 15th and November 14th will be \$150,000 for structural steel and architectural drawings
- There are no additional costs from Exel under this option

Option 3 – Begin construction in the winter

- Studies, drawings and permitting activities will start as of November 15th
- We would commence construction once permits received likely in mid-January
- This represents a \$500,000 increase to the building costs which will equate to an \$80,000 increase in our grand total costs over the initial 30-month term. This \$80,000 would also be factored into future 30-month term rates
- The time frame for studies, drawing, and permitting is 2 months in this option. This is less time than originally estimated. We believe it is doable, but does carry some risk
- We will be operating in winter conditions and fast tracking the construction work. Again, we believe we will still finish on time, but does carry additional risk. We still are maintaining weather delay days in the schedule
- The timeframe to transfer product and fully ramp-up services to stores from the new facility is 7 weeks. This will require coordination and cooperation from the incumbent provider and the staff at your Concord facility

- We feel that there are 6 key consistent disciplines that are critical to our creating certainty for our customers. The overriding concept across these disciplines is that we constantly measure our performance, review our results for opportunities to improve, develop and implement action plans, and follow-up to ensure the improvement sticks.
 - Performance measurement
 - Process improvement
 - Project management
 - Quality assurance
 - Customer satisfaction
 - Employee engagement
 - Our solution is predicated on utilizing tier one IT systems. These systems are best in class and facilitate consistent and low cost operations
 - Exel has the financial capability and stability to fulfill a long-term deal and to make investments in buildings, mechanization, and IT systems that increase efficiency and lower costs.
 - Exel has extensive functional resources. They are experts in their respective fields, and available to optimize the performance of this operation
 - The management team who will manage this operation have greater than 20 years experience in the beverage alcohol industry.
- **Providing Flexibility – Your business will change across the next 20 years and we will work alongside you to make the most of these changes**
 - Our solution incorporates a custom built facility designed for the unique needs of the NHSLC across the next 20 years
 - We are building our solution around the needs of the NHSLC. Your operation does not have to fit into our business model or any of our current operations. When your needs change we will work with you to make certain our solution changes with you
 - If at some point across the 20 year term the NHSLC wishes to change to a more transparent commercial model we would be open to those discussions

We appreciate your working with us to better qualify the risks associated with this contract. We especially value the collaborative nature of our discussions. In recognition of these efforts we would like to amend our offer to \$27,000,000. It is correct that we estimated that it would cost an additional \$500,000 if the contract was not awarded by mid-September. Assuming the NHSLC signs the contract by November 14th, 2012, Exel will absorb the additional construction costs associated with the late contract award. This will save the Commission another \$500,000.

We are very excited about the prospect of working with the Commission and are hopeful that you will entrust us with your business.

Please confirm receipt.

Sincerely,
Scott Lyons

Exel
90 Matheson Blvd. West, Suite 111
Mississauga, Ontario
L5R 3R3
Canada

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

www.exel.com

Craig W. Bulkley

From: Scott Lyons (EXEL CA) <Scott.Lyons@exel.com>
Sent: Wednesday, September 05, 2012 5:37 PM
To: Craig W. Bulkley
Cc: Fred Takavitz (Exel US)
Subject: RE: Exel Contract Award Extension

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- The timeframe to transfer product and fully ramp-up services to stores from the new facility is 7 weeks. This will require coordination and cooperation from the incumbent provider and the staff at your Concord facility

We trust this adequately answers your question. Please do not hesitate to contact us if you have further questions.

Sincerely,
Scott Lyons

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

Craig W. Bulkley

From: Louis Cerone <lcerone@xtlonline.com>
Sent: Thursday, November 01, 2012 2:34 PM
To: Craig W. Bulkley; Stephen J. Judge
Subject: XTL - BAFO follow-up

Attorney Judge and Mr. Bulkley,

This e-mail is a follow-up to our telephone conversation on October 31, 2012. Based on our conversation, and after conversations with all of our domestic and international suppliers, and our construction company, Aho Construction, XTL-NH submits the following information:

1. XTL-NH will provide receiving, storage, and accessorial services by December 18, 2013.
2. XTL-NH will have a fully functioning warehouse as required by January 12, 2014.
3. Accordingly, XTL-NH's revised BAFO pricing for the one warehouse scenario for the first thirty (30) month period is \$26,484,586.
4. XTL-NH will spread the additional cost over the entire twenty (20) year term of the contract, rather than limit this additional cost recovery to the first thirty (30) month period.
5. XTL-NH converted the additional cost to a "cents per case" rate, and this rate equates to two cents (\$0.02) per case. In regards to the rate template, XTL-NH would apply the additional two cents (\$0.02) per case rate to the Automatic Order line item within the Outbound Summary section of the rate template. Specifically, the revised rate for this line item would increase from \$0.12 per case to \$0.14 per case and should be reflected in Cell V39.
6. In accordance with the RFP and our previous supplied responses, XTL-NH reaffirms that it will provide a transitional bond in an amount to be mutually agreed upon.

I hope this answers all of the NHSLC's questions. Please let me know if I can provide any additional information to the NHSLC.

Please confirm receipt.

Thank you.

Sincerely,

Louis J. Cerone, Ph.D.
President
XTL, Inc.
3200 South 70th Street
Philadelphia, PA 19153
215-365-6200 ext. 159
lcerone@xtlonline.com

Craig W. Bulkley

From: Louis J. Cerone <lcerone@xtlonline.com>
Sent: Friday, September 07, 2012 11:47 AM
To: Craig W. Bulkley
Subject: XTL - Follow-up regarding two warehouse scenario BAFO

Mr. Bulkley,

As a follow-up to our telephone conference with the Evaluation Committee on Tuesday, September 4, 2012, XTL-NH would like to clarify the confusion regarding XTL-NH's pricing for the two warehouse scenario and confirm our discussion.

As we discussed on Tuesday, for the two warehouse scenario, XTL-NH's BAFO price is the same as XTL-NH's original proposed total rate, \$21,678,875. XTL-NH's \$500,000 reduction to the one warehouse rates, submitted during the BAFO phase, does not apply to the two warehouse scenario, where the volume is significantly reduced. As you know, automation requires volume, which translates to thru-put and lower costs, which is more adequately provided under the one warehouse scenario.

Please confirm receipt, and let me know if the NHSLC has any further questions. Sorry for any confusion that you have experienced about this issue.

Thank you.

Louis J. Cerone, Ph.D.
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(F) 215-365-3847
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