

Stephen J. Judge

From: Stephen J. Judge
Sent: Tuesday, August 07, 2012 2:26 PM
To: Craig W. Bulkley; John D. Bunnell; George P. Tsiopras
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Subject: XTL, Inc. Background

In performing our due diligence in evaluating proposals, the EC found a document from February, 1985 that described a series of incidents involving "Xpress Truck Lines, Inc.(XTL)." The document is located at: <http://clevelandmob.com/files/Penn1985Rptpart7-8and9007.pdf> The name of the web site "clevelandmob," does not enhance the credibility of the article. Nevertheless, I was asked to follow up on the allegation in the article that "XTL" was convicted of mail fraud on April 25, 1983.

It is important to note that the article is inaccurate. An entity named Xpress Truck Lines, Inc. pled guilty to mail fraud. In my mind, guilty is guilty but there is an explanation. XTL, Inc., was not convicted or charged and appears to have been uninvolved in the incident. Anthony Cerone was indicted but the charges were dropped. An indictment is no more than an accusation. For the following reasons, my conclusion is that the mail fraud conviction was against a different entity. I recommend that XTL's bid rise or fall on its merits.

At the XTL, Inc. Vendor presentation, I spoke in person with Anthony Cerone. The article alleges that he and an employee were indicted. He confirmed that this was true. He did not equivocate or hesitate. He also confirmed the information in the article that the charges against him and the employee were dropped. He admitted that the trucking firm had been convicted of mail fraud.

I began to seek confirmation from the governmental agencies involved with little success.

I spoke with an official at the US District Court for Philadelphia and learned that the records were not available and may have been destroyed. I spoke with an official at the US Attorney's Office in Philadelphia, who would have prosecuted the case, and got the same response. The article describes the Pennsylvania Public Utility Commission playing a role in deciding whether to issue a common carrier license in 1985. I spoke with an official at the PUC and there were no records of this incident. I did learn that XTL has no Pa. common carrier license for intrastate transport. It does have a federal license for interstate transport.

In order to complete the inquiry, I emailed Louis Cerone, PhD, president of XTL and received contact information for the attorney who represented Anthony Cerone and XTL. The lawyer is Bruce Franzel, a former Philadelphia Assistant District Attorney. From his background and my conversation, I find Attorney Franzel to be credible.

The entity involved in the 1983 conviction was Xpress Truck Lines, Inc. ("Xpress") According to the Pa. Sec. of State, Xpress was created in 1973. According to the same source, XTL, Inc. ("XTL") was created in 1982 and then withdrawn. XTL was re-created in 2000 and 2010. Attorney Franzel's point was that the mail fraud conviction did not involve our Vendor, XTL. I conclude that the article is sloppy in describing the convicted entity as XTL.

Xpress had a contract in the early 1980s with the railroads to deliver items. The drivers were a third party. Under the contract, the railroads were responsible for paying for tire repairs. The drivers were committing fraud by producing invoices for tire repairs that never happened. The indicted employee of Xpress sent the fraudulent invoices through the mail to the railroads. Thus, mail fraud was committed. The employee had no knowledge that the drivers were committing fraud. The case against her was dismissed. Anthony Cerone had no knowledge that the drivers were

committing fraud and had no involvement in sending the invoices. The government offered to dismiss the charges against Mr. Cerone if Xpress agreed to plead guilty and pay a small fine. The deal was too good to refuse. Xpress pled guilty.

Since 2000, XTL has been the warehouse operator for the PLCB.

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