

June 25, 2012

To Whom It May Concern:

The Rocky Mountain Wine & Food Festival has been in existence for over fifteen years in the province of Alberta. We are the largest wine and food festival in the province with over 40,000 consumers attending our shows annually. Although we don't often deal directly with the EXEL, we do have a relationship with them through one of our sponsors, Liquor Depot and two years ago that relationship became very important.

In February of 2011, a Liquor Depot delivery truck was in a serious accident at 8pm at night. The truck was delivering the wine for our show the following afternoon. The accident happened with less than 17 hours to go before show time. Upon notification of the accident, EXEL put their team to work planning on how to deal with the missing product and fulfillment of delivery the next day.

I'm happy to say that the EXEL team did not let us down. All products that were smashed or frozen were delivered two hours prior to show opening the next day. EXEL's speed and care to ensure that a private business's show proceeded without interruption was impressive to say the least. The EXEL team took on the challenge and delivered with time to spare. As a result, I'm happy to recommend EXEL to be both your distribution and warehousing expert.

Sincerely,



Michael MacDougall, President
Rocky Mountain Wine & Food Festival / Winefest
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Calgary, Alberta T3C 1C9
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F: 403-398-1334
E: michael@rockymountainwine.com

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.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

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.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.

June 25, 2012

To Whom It May Concern:

Re: Reference for EXEL

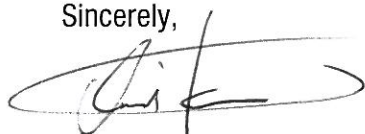
The Alberta Hotel & Lodging Association (AHLA) has 333 members who operate on-premise liquor establishments and 28 members who operate liquor stores.

Many of our members depend on EXEL through Connect Logistics Services (CLS) in Alberta for delivery of their spirits, wine, coolers, and imported beer inventory. Following a liquor supply chain review in 2007 by PricewaterhouseCoopers LLP for the Alberta Gaming and Liquor Commission, key performance indicators (KPIs) were established for CLS. In November 2011, CLS's performance relative to these KPIs was reviewed with liquor industry stakeholders. All KPIs were exceeded by a significant margin, demonstrating "best in class" performance for CLS.

These objective measures are reinforced by the fact that the AHLA has heard no concerns from our members regarding liquor delivery service for the past several years.

Based on the performance of CLS in Alberta, I have no hesitation recommending EXEL as an excellent provider of third-party warehousing and liquor distribution services.

Sincerely,



Dave Kaiser, CHA
President & CEO

Wednesday, June 26th, 2012

To Whom It May Concern:

RE: Reference Letter for Connect Logistics Services

Alberta is the only jurisdiction in Canada with a fully privatized retail liquor industry. Liquor retailing in Alberta is a 2 Billion dollar industry with over 1200 private liquor stores throughout the Province. Independent and family owned stores make up for 80 % of the industry.

The Alberta Liquor Store Association (ALSA) represents private liquor retailers throughout Alberta all of which fully depend on Connect Logistic Services (CLS), a subsidiary of EXEL, for ordering and delivery of domestic and international liquor products. Currently liquor stores have access to over 17,000 products through CLS.

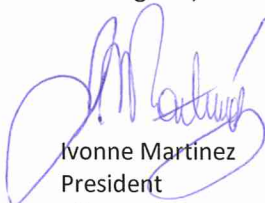
Since 1994, Connect Logistics Services has been a true industry partner, working with ALSA and its membership to address the wide range of requirements from all liquor stores in the Province. Retail inquiries are responded to quickly and efficiently and CLS staffs are always readily available to speak to retail owners.

Throughout the last 17 years CLS has demonstrated excellence in distribution and accuracy in product delivery. ALSA's membership is surveyed on a yearly basis, and CLS has consistently ranked in the 90th percentile for customer satisfaction.

Based on CLS extensive experience in handling the needs of 1200 liquor stores and their ability to quickly respond to many demands while maintaining high service standards, ALSA is confident that CLS would meet and exceed all expectations of any new jurisdiction. Their on the ground know-how would allow CLS to hit the ground running and provide for a smooth and successful transition.

Should you require more information, I can be reached on my cell at (780) 977 7214.

Best regards,



Ivonne Martinez
President
Alberta Liquor Store Association

#2, 9343 - 50 Street
Edmonton, AB T6B 2L5
Phone: 780.415.5176
Toll Free: 1.888.233.3370
Fax: 780.485.5182
www.ALSAweb.ca

Table of Contents

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Services to Wholesale Customers	2.0 Wholesale Customer Prices
Investments and Capital Plan	3.0 Investment & Capital Plan
Scale Impacts	4.0 Scale Impacts

SATP - 301 - Appendix K Pricing Submission Template

Exel

Scott Lyons, Scott.Lyons@exel.com

STRICTLY CONFIDENTIAL

Introduction

Proponents are required to submit their proposed pricing for all Services and other required financial information by completing this Appendix K.

When developing their Distribution Services Prices, Proponents are required to incorporate the Normalizing Modelling Assumptions in Section 8.2.8.2 Pricing Submission.

Proponents are asked to list and describe each proposed service and provide the associated unit price (complete worksheets 1.0 and 2.0).

In addition, Proponents are required to provide the following financial information:

- 1 Details of investments required to support the proposed Services are to be provided in worksheet 3.0;
- 2 Proponents are to provide in worksheet 4.0 a list all services where the price would be impacted by changes in Services volumes;

Instructions

- 0 IMPORTANT:** PRIOR TO SUBMITTING THE COMPLETED ECONOMIC MODEL TEMPLATE, THE PROPONENT MUST PASSWORD-PROTECT THE FILE. PROPONENTS MUST COMMUNICATE THE PASSWORD TO THE GOVERNMENT CONTACT PERSON VIA EMAIL IMMEDIATELY AFTER SUBMITTING THE NRFP RESPONSE.
- 1** Proponents should describe any additional assumptions in the "Assumptions" columns provided in each worksheet.
- 2** If necessary, Proponents can add additional notes and comments at the bottom of each worksheet, with clear reference to the related content to which the notes refers to.
- 3** Only where indicated, Proponents can add rows as needed.
- 4** Proponents are **NOT** to delete any previously existing rows, columns and worksheets.
- 5** Proponents are **NOT** to protect, hide or lock any cells, rows, columns, or worksheets.
- 6** Proponents are to read and follow the instructions appearing at the top of each worksheet.
- 7** Proponents are to enter their assumptions and inputs only into Blue Cells.
- 8** Yellow cells represent illustrative examples of the type of content expected from Proponents. These examples are not intended to lead or constrain Proponent's submission in any way.
- 9** Green cells are not to be changed by Proponents.
- 10** Pink cells are calculated and not to be changed by Proponents

Services to Suppliers and Agents
Services Pricing

Calculated Field	Participant Inputs	Do not Modify	Example
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Instructions:

- 1 Proponents are to provide the names and descriptions of all the services and associated prices that Supplier and Agents would be charged.
- 2 Proponents are to document all General Assumptions related to service prices proposed in this tab.
- 3 Proponents are also to document all Services specific assumption in each Service and Prices table
- 4 For each proposed service, Proponents should provide the related service price, and the following underlying price components:

Direct Labour

Office Supplies and Equipment

Technology (software applications and hardware)

Distribution Facilities Lease

Distribution Facilities Maintenance

Distribution Equipment Lease

Distribution Equipment Maintenance

Investment Recovery

Overhead Labour

Others
- Note: the proposed service price is the sum of all price components

General Assumptions

0	An acceptable pallets include CHEP or CPC pallet 48"x40" four-way entry.
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...	[Add rows for additional assumptions]
N	

Services and Prices

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100	Receiving palletized product	For bottled beer, canned beer, wines and spirits, received on acceptable pallet.	Pallet conforms with General Assumption #1	Variable	per pallet received	\$										
Cost Components	Direct Labour (Salaries & Benefits)	Allocation of receiving staff costs	Regular receiving floor staff complement of X FTEs receiving XXX pallets per hours.	Variable		\$										
	Office Supplies and Equipment	Allocation of general office supplies and equipment		Variable		\$										
	Technology (software applications and hardware)	Internal allocation of support and maintenance of distribution IT systems and infrastructure		Fixed		\$										
	Distribution Facilities Lease	N/A	Distribution facilities will be purchased. See Worksheet 3.0 for assumptions			\$										
	Distribution Facilities Maintenance	Allocation of annual maintenance and operating costs for distribution centres		Variable		\$										
	Distribution Equipment Lease	Represents only equipment maintenance costs	All distribution equipment will be purchased not leased.	Variable		\$										
	Distribution Equipment Maintenance	Allocation of annual equipment maintenance costs		Variable		\$										
	Investment Recovery	Recovery of building and distribution equipment investments. See Worksheet 3.0	See Worksheet 3.0 for assumptions	Fixed		\$										
	Overhead Labour	Allocation of corporate overhead costs allocated to contract.		Fixed		\$										
	Others	Portion of staff training costs during year 1	Staff transfers all at once at contract start so training can be completed within the first year.	Variable		\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Service name					\$										
Cost Components	Direct Labour (Salaries & Benefits)					\$										
	Office Supplies and Equipment					\$										
	Technology (software applications and hardware)					\$										
	Distribution Facilities Lease					\$										
	Distribution Facilities Maintenance					\$										
	Distribution Equipment Lease					\$										
	Distribution Equipment Maintenance					\$										
	Investment Recovery					\$										
	Overhead Labour					\$										
	Others					\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2	Service name					\$										
Cost Components	Direct Labour (Salaries & Benefits)					\$										
	Office Supplies and Equipment					\$										
	Technology (software applications and hardware)					\$										
	Distribution Facilities Lease					\$										
	Distribution Facilities Maintenance					\$										
	Distribution Equipment Lease					\$										
	Distribution Equipment Maintenance					\$										
	Investment Recovery					\$										
	Overhead Labour					\$										
	Others					\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

add services as required

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
n	Service name					\$										
Cost Components	Direct Labour (Salaries & Benefits)					\$										
	Office Supplies and Equipment					\$										
	Technology (software applications and hardware)					\$										
	Distribution Facilities Lease					\$										
	Distribution Facilities Maintenance					\$										
	Distribution Equipment Lease					\$										
	Distribution Equipment Maintenance					\$										
	Investment Recovery					\$										
	Overhead Labour					\$										
	Others					\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Services to Wholesale Buyers
Services Pricing

Calculated Field	Participant Inputs	Do not Modify	Example
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Instructions:				
1 Proponents are to provide the names and descriptions of all the services and associated prices that Wholesale Customers would be charged.				
2 Proponents are to document all General Assumptions related to service prices proposed in this tab.				
3 Proponents are also to document all Services specific assumption in each Service and Prices table				
4 For each proposed service, Proponents should provide the related service price, and the following underlying price components:				
Direct Labour	Office Supplies and Equipment	Technology (software applications and hardware)	Distribution Facilities Lease	Distribution Facilities Maintenance
Distribution Equipment Lease	Distribution Equipment Maintenance	Investment Recovery	Overhead Labour	Others
Note: the proposed service price is the sum of all price components				

General Assumptions

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..	
N	

Services and Prices

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
200	Online product ordering	Receiving and processing of orders submitted via ABC123.com on-line ordering website.		Variable	per online order	\$										
Cost Components	Direct Labour (Salaries & Benefits)	Allocation of order handling staff costs	Regular order processing staff complement of X FTEs.	Variable		\$										
	Office Supplies and Equipment	Allocation of general office supplies and equipment		Variable		\$										
	Technology (software applications and hardware)	Internal allocation of support and maintenance of distribution IT systems and infrastructure		Fixed		\$										
	Distribution Facilities Lease	N/A	Distribution facilities will be purchased. See Worksheet 3.0 for assumptions			\$										
	Distribution Facilities Maintenance	Allocation of annual maintenance and operating costs		Variable		\$										
	Distribution Equipment Lease	Represents only equipment maintenance costs	All distrubution equipment will be purchased not leased.	Variable		\$										
	Distribution Equipment Maintenance	N/A				\$										
	Investment Recovery	Recovery of building and distrubution equipment investments. See Worksheet 3.0	See Worksheet 3.0 for assumptions	Fixed		\$										
	Overhead Labour	Allocation of corporate overhead costs allocated to contract.		Fixed		\$										
	Others	Portion of staff training costs during year 1	Staff transfers all at once at contract start so training can be completed within the first year.	Variable		\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
201	Delivery Charge for Orders not meeting minimum quantity requir	Delivery of order to Wholesale Customers for orders not meeting the minimum order size requirement.		Variable	additional charge per order	\$										
Cost Components	Direct Labour (Salaries & Benefits)	Average incremental labour to manually handle order	Incremental labour effort is estimated at X minutes per order	Variable		\$										
	Office Supplies and Equipment	N/A				\$										
	Technology (software applications and hardware)	N/A				\$										
	Distribution Facilities Lease	N/A				\$										
	Distribution Facilities Maintenance	N/A				\$										
	Distribution Equipment Lease	N/A				\$										
	Distribution Equipment Maintenance	N/A				\$										
	Investment Recovery	N/A				\$										
	Overhead Labour	N/A				\$										
	Others	N/A				\$										
Total						\$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Warehousing and DMS (Surrey DC)					\$										
Cost Components	Direct Labour (Salaries & Benefits)				per outbound carton	\$										
	Office Supplies and Equipment				per outbound carton	\$										
	Technology (software applications and hardware)				per outbound carton	\$										
	Distribution Facilities Lease		S 21		per outbound carton	\$										
	Distribution Facilities Maintenance				per outbound carton	\$										
	Distribution Equipment Lease				per outbound carton	\$										
	Distribution Equipment Maintenance				per outbound carton	\$										
	Investment Recovery				per outbound carton	\$										
	Overhead Labour				per outbound carton	\$										
	Others				per outbound carton	\$										
Total						\$										

add services as required

#	Service	Description of service and components	Assumptions	Type	Billing Unit	Units	Unit Prices									
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2	Transportation					\$										
Cost Components	Direct Labour (Salaries & Benefits)				er outbound carton	\$										
	Office Supplies and Equipment				er outbound carton	\$										
	Technology (software applications and hardware)				er outbound carton	\$										
	Distribution Facilities Lease				er outbound carton	\$										
	Distribution Facilities Maintenance		S 21		er outbound carton	\$										
	Distribution Equipment Lease				er outbound carton	\$										
	Distribution Equipment Maintenance				er outbound carton	\$										
	Investment Recovery				er outbound carton	\$										
	Overhead Labour				er outbound carton	\$										
	Others				er outbound carton	\$										
Total						\$										

Investments and Capital Plan

Calculated Field	Participant Inputs	Do not Modify	Example
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Instructions:

1

Proponents should provide a description of each investment required to support the proposed Services.

2

For each investment, provide the dollar amount investment and the amounts associated with the recovery of the investment.

General Assumptions

1

See "Assumptions" tab

2

See "Capital Summary" tab for more detail on various investments

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..

[Add rows for additional assumptions]

N

Investment & Capital Plan

Asset Name/Identifier	Asset Description	Assumption	Recovery Method		Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Inventory Management System Software	One-time license cost for ABC Inventory Management Software.	Major version upgrade will be required in year 5	Investment recovered within services fees in Year 1 to 5	Purchase/Investment Amount	\$ -										
				Annual Recovery Amounts	\$ -										
				Purchase/Investment Amount	\$ -										
				Annual Recovery Amounts	\$ -										
				Purchase/Investment Amount	\$ -										
				Annual Recovery Amounts	\$ -										
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				Purchase/Investment Amount	\$ -										
				Annual Recovery Amounts	\$ -										
				Purchase/Investment Amount	\$ -										
				Annual Recovery Amounts	\$ -										
		S 21								S 21					

Scale Impacts

Calculated Field	Participant Inputs	Do not Modify	Example
---------------------	-----------------------	------------------	---------

Instructions:

1

Proponents are to list all Services where the Services Price listed in worksheets 1.0 and 2.0 would be impacted by the changes in annual volumes of the Services.

2

For each Service, describe the underlying cost driver(s) that would impact the services pricing.

3

Under the scenarios of -20% and 20% volume growth, provide the % change in price relative to the proposed pricing.

Note: the percentage growth is to be interpreted as a one-time increase in Year 1, not an annual growth rate.

General Assumptions

1	
2	
3	
4	
5	
6	
7	
8	
..	[Add rows for additional assumptions]
N	

Services to Suppliers and Agents

		% Variation of the Proposed Pricing relative to Proposed Price in that same year -20% growth in volumes in Year 1										% Variation of the Proposed Pricing relative to Proposed Price in that same year 20% in volumes in Year 1									
List of Services	Description of Impacted Cost Drivers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Service 1																					
Service 2																					
Service 3																					
...																					
Service N																					

Services to Wholesale Buyers

		% Variation of the Proposed Pricing relative to Proposed Price in that same year -20% growth in volumes in Year 1										% Variation of the Proposed Pricing relative to Proposed Price in that same year 20% in volumes in Year 1									
List of Services	Description of Impacted Cost Drivers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10

Assets	Term	Quantity	\$ Capital
MHE			
	S 21		
STORAGE			
	S 21		
OFFICE EQUIPMENT			
	S 21		
SECURITY			
	S 21		
IT CAPITAL			
	S 21		

Pricing Assumptions:

S 21



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June 27, 2012

To Whom it May Concern:

This letter is in regards to the IVSA's experience and business relationship with Exel-Connect Logistics within Alberta, Canada.

Since merging with the Beverage Alcohol Importers Council of Alberta (BAICA) in 2010, the IVSA has been pleased with the responsive interaction and attentive approach displayed by Connect Logistics Services Inc. (CLS).

CLS has been timely in responding to our requests and have demonstrated a clear willingness to work together with the IVSA to identify and resolve issues that are important to our association's membership. CLS has been supportive of industry related events through both participation and sponsorship.

Dave Gordon

Alberta Chair – IVSA

The IVSA is a trade association representing the interests of agents, importers, marketing groups, and trade offices of beverage alcohol products in BC and Alberta.

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Raising Expectations for BRITISH COLUMBIA

SATP-301 Response | June 29, 2012

2. PROPOSAL RESPONSE

→ Distribution Services

➡ Warehousing plan

Guideline:

Proponents should describe in detail their warehousing plan to manage the volume of inventory on an annual basis. The warehousing plan proposed should reflect the Distribution Services model being proposed by the Proponent taking into consideration the opportunities for supply chain improvements/ optimization and the goals and expected benefits outlined in Section 3.2 for this DLP. Proponents should detail the physical property, ownership (whether owned or leased) internal business processes, staff shift cycles and numbers, warehouse management technology, control measures, available floor space, compliance with regulations, location, current warehouse volume and capacity, existing customers and any other information needed to fully describe the Proponent's warehouse to be used for delivery of its proposed Distribution Services. Historical LDB volume data as well as supplier touch points is provided in Appendix E and can be used as reference. The warehouse plan should be consistent with the proposed plan for the Distribution Services.

Response:

Physical Property

S 21

S 21 We will be developing the new, build to suit, facility from design through to completion as requirements dictate, i.e. in phases to optimize costs. Exel already has developed relationships with property development companies and believes a new facility can be available within 18 months putting start of operations mid to late 2014. To our knowledge this is the most suitable parcel of land to enable a long term, gateway strategy.

S 21

In addition, Exel recognizes the need of the Province to work closely and collaboratively with the proponent. Exel is proposing that appropriate office space be made available permanently and temporarily as needed by the Province in the new build to suit facility.

Ownership (whether owned or leased)

We recommend that the new facility be leased to the Province and then sub leased to Exel as the operator of the facility. This results in maximum flexibility and control of the physical building and land for the Province.

Internal Business Processes

As described in the Concept of Operations section and depicted in the process flow diagram, the main activities in the building consist of:

- Receiving and staging
- Putaway to reserve storage
- Replenishment of active locations
- Pallet, case and bottle picking
- Shipping

Our engineering team carefully studied the data, and it is our recommendation to utilize conventional processes, except for case picking, where semi-automated solution is proposed. In particular, we recommend

S 21

S 21 We do not see the need for mechanized bottle pick capability. The volumes do not justify the investment.

The concept of operations details how the product flows through the warehouse.

Concept of Operations

This description defines the general Concept of Operations (COO) for the Province. The concept of operations is based on the build to suit, conventional facility solution that Exel is proposing. The transition to the new building is expected to be 18 months after takeover of the existing network.

The COO describes each major function of the warehouse at a high level to understand how the day to day operation will work; however, Exel's standard practice is to develop Standard Operating Procedures, Process Flows and Work Instructions for every function within the warehouse to ensure quality, efficiency and reliability. The procedures and processes for this operation will be specific to the solution but based on years of experience and significant expertise.

Dock Management

Dock utilization will be dynamic in nature, meaning that doors will be assigned in a logical manner with no preset Shipping and Receiving allocation. While a specific 'end' of the dock may be dedicated to accommodate certain functions, the majority of the dock will become dynamic to accommodate receiving and shipping as needed based on proximity to the activity and volume flow. Door assignment will be managed via a combination of Warehouse Management System (WMS) and manual inputs to increase efficiency and reduce travel.

Receiving Product from Suppliers / Shippers

Exel will manage the inbound receiving schedule. While the needs of the Supplier and Shippers will be taken into full consideration, the booking of appointments will be driven by the following criteria:

S 21

Inbound visibility will be through a combination of open Purchase Order Reporting and wherever possible Advance Shipping Notices (ASN's) electronically, and by fax where such communications can be negotiated with Agents or Suppliers.

All Shippers will telephone to book appointments. Ideally going forward, Shippers will use the telephone less and migrate to electronic communication to ensure accurate information exchange and record keeping.

The inbound information will be used by the receiving clerk to create the receiving package for the receiver.

When an inbound shipment arrives, and after the trailer has been checked in at the security checkpoint, a receiver will get a receiving package for the load with generic LPN labels. The Receiver will then begin the receiving process by entering into their Radio Frequency (RF) scanner the associated receiving control number, location lane being received to, and the SKU. The Receiver will verify the quantity of the SKU. If there is more than one pallet, the Receiver will refer to a specification sheet for that SKU to determine the correct Ti x Hi. The Receiver will enter this into the quantity field. When all information is entered for an individual pallet, the associate will be prompted for an License Plate Number (LPN). An LPN label is applied to the lower right corner of the pallet and scanned into the system. The Receiver will continue to enter for each pallet until a SKU is complete and the trailer is empty.

Receiving associates are responsible for verifying all product and quantity information at receipt. Exel's WMS compares the actual receipts of the products against the expected inbound, and produces a Receipt Discrepancy Report. Any noted discrepancies are then audited, confirmed and resolved before the inventory records are updated in Exel's WMS.

All inbound pallets will be assigned a generic WMS pallet license plate for tracking within the facility.

The freight handling of inbound receipts to warehouse Ti/Hi is performed by the warehouse receiving staff.

New items need to be flagged for a quality audit and "CubiScan®" data verification. This process records the weight, length, width, and height of all products for use in WMS, transport planning, and related systems.

In the event of vendor compliance violations, we will separate the offending product and place it on one pallet with a single LPN. The Receiver will contact his/her team leader to determine the correct course of action based on the following criteria:

- If the load is direct from the domestic vendor, the load/damages may be refused and returned to the vendor.

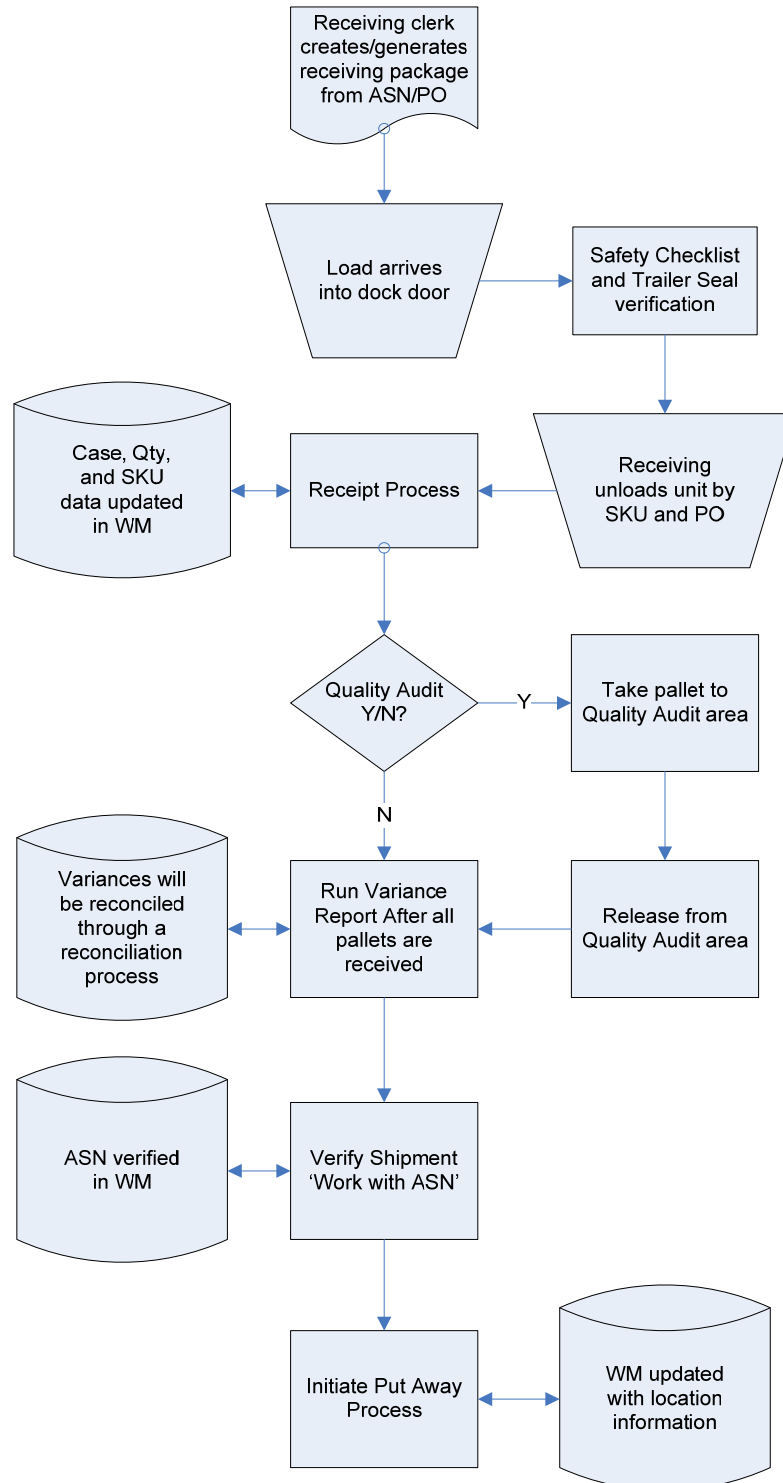
- If the load is a 3rd party carrier, violations may be accepted into the system and flagged as violating product.
- If the driver has left and violations were found, contact IC to investigate the product and correct the receipt or the inventory.
- In the event there are violations, the quantity of offending product is entered as a separate pallet with its own LPN. To flag as a violation enter the correct violation code in the Lock code field.
- In the case of violations the driver MUST sign the altered receiving documents to acknowledge the changes. If he refuses, contact a team leader.

Receiving

1.1 Version

06/29/2012

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Fork Task Management

All fork trucks will be RF based to allow task measurement and interleaving. Interleaving will increase efficiency by allowing operators to complete any type of Fork Work based on where they are in the facility. By combining putaway, replenishment, and full pallet pick functions a Fork Lift Operator will be less likely to travel without a load thus reducing empty travel time.

Putaway of Products

Once the inventory has been received, the WMS will direct fork putaway activities utilizing RF to locate the pallet of product based on predefined 'putaway rules' as setup by Inventory Control. The following are some of the considerations that will be used to define the rules:

1. Partial replenishment of the forward pick shelf / case flow:

S 21

2. Full pallet replenishment to forward picks if:

S 21

3. Putaway to reserve will be directed based on the following:

S 21

S 21

4. Multi-pallet putaway

Where product weight and characteristics permit, the operator will scan multiple pallets at the receiving dock and perform a subsequent series of putaways as directed by the WMS. This allows the ability for 2x pallet jack to transfer pallets from receiving dock to a drop zone to reduce Fork travel times.

5. Opportunistic cross dock

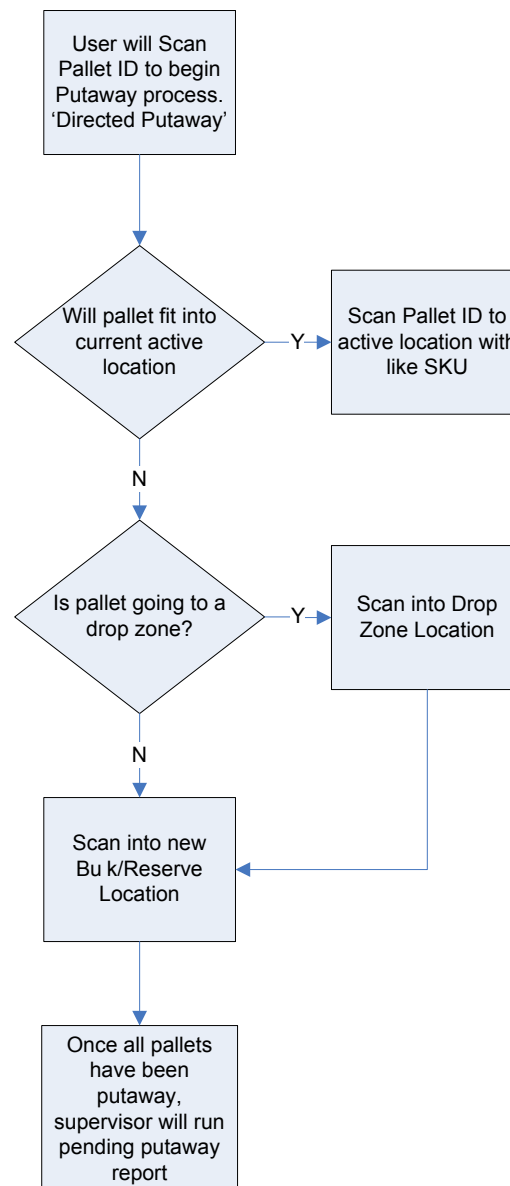
Where product is received and the pallet quantity matches a 'full pallet pick' request, and FIFO rules permit together with Supplier's requirements, this pallet would be directed to shipping (staging for outbound).

The putaway process will utilize RF functionality to manage, track and verify activities. The putaway operator will scan the pallet LPN at the dock and will be directed to the reserve location (or drop location, etc.). Once the operator arrives at the specified location he/she will scan the reserve location check digit and deposit the pallet. Activities that require partial replenishment of the forward pick will confirm quantity and location of the replenishment.

Putaway

1.1 Version

06/29/2012

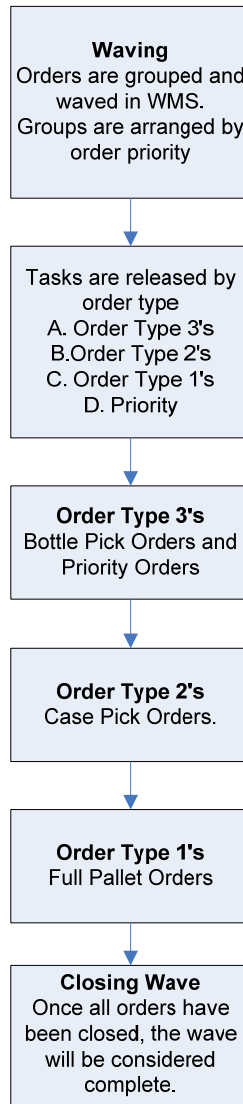
BCLDB – NRFP
SATP-301


Wave Planning and Order Management Move (ahead of picking)

Waving

1.1 Version

06/29/2012

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Replenishing Pick Locations

Under the WMS system we will be utilizing two forms of pick location replenishment. These are Lean Time and Wave Replenishments.

Lean Time Replenishment for carton flow locations, and LP1 and LP2 that have more than 1 pallet per pick location

Lean Time Replenishment, also known as "Top-Ups", is purely a system driven process which does not take orders into consideration. These will be carried out on shifts prior to picking with the goal of filling all pick locations to their maximum capacity where labour capacity exists.

The team leader will run a system report on a daily basis showing the number of locations that can be 'topped up' and estimate the manpower requirement. The Team Leader will assign tasks based on available labour and necessity of the replenishment. The ultimate goal of these replenishments would be to ensure that all pick locations are fully stocked in preparation for the picking shift coming in.

Wave Replenishment

Wave replenishments are driven by real time picking activity in the facility. As picking progresses and product is depleted in the pick locations, the system will generate replenishment tasks based on a user configurable replenishment point.

The Team Leader will manage the work flow by closely monitoring the number of Wave replenishments by priority level in the system. They will run this report at least on an hourly basis evaluating their manpower levels and making necessary changes. S 21

S 21

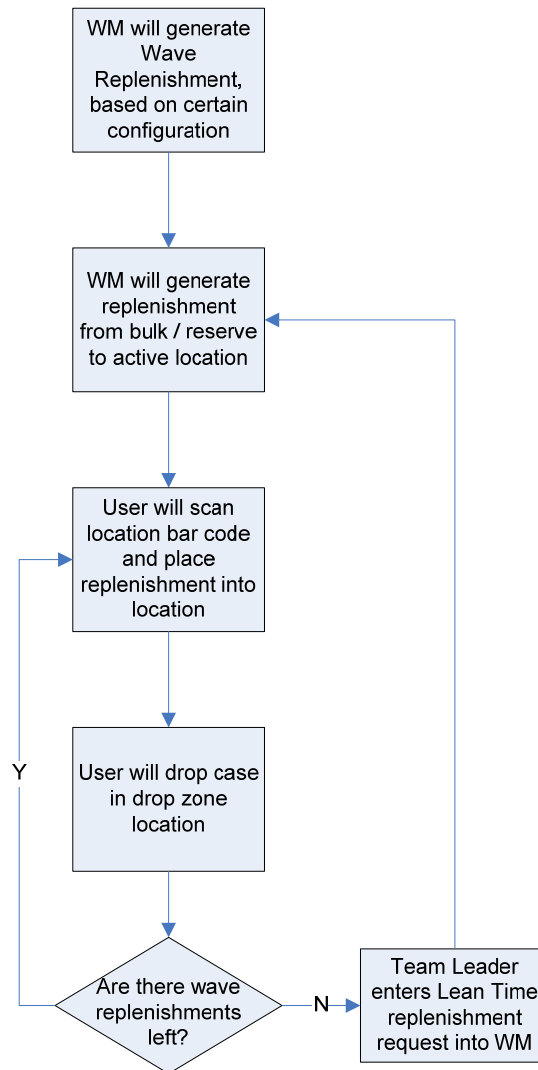
S 21 This ensures that if a picker encounters a short then he / she can circle back and complete their pick before depositing their assignment on the shipping dock.

It is imperative that replenishments are closely monitored and managed as poor performance in this area will result in delays in picking, shipping, and loading.

Replenishment

1.1 Version

06/29/2012

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Order Picking

Sales Orders will continue to be captured throughout the business day. At the time at which the order desk closes the orders will be downloaded to the WMS.

The Province will continue with the traditional methods employed there.

All order picking will be done utilizing S 21 during the pick process yet directed by the WMS for accuracy and efficiency.

The WMS will allow a variety of picking methods to be employed on any wave including full pallet pick, pick from reserve, conventional fixed ground location picking, bottle pick, etc.

Order Picking Process, Full Pallet Picks

As required, full pallet picks are made from reserve locations and typically would be transported direct to the Shipping Dock as directed by the WMS via RF. When such a 'reserve pick' occurs it will be made with full adherence to S 21 FIFO requirements of the whole inventory for that SKU. As mentioned earlier, Full Pallet Pick will be combined with other Fork activities to maximize efficiency.

This process will require strategically located label printing stations for the fork driver to stop and request the outbound pallet label, possibly at the pallet wrap stations.

Order Picking from Forward Pick Locations

Pick methods allow for one or two assignments to be picked using a single or double pallet jack. Three types of pick methodology will be employed to maximize efficiency, Single Store Order, Multi Store Order and Batch Pick.

Single Store Order Picking

S 21

The facility will have a mix of storage systems and hence picking slot methods available. It will use a mix of Bulk floor locations and Single Deep Racking, with LP1, LP2 and carton

flow locations. The pick-path for will engage a 'Z-Pick', working from the bulk storage side of the warehouse to the case pick / slow moving carton flow then on to the bottle pick / tote consolidation side.

All Pick Assignments will be based on 60 cubic feet except full pallet picks which may have a higher cube. Each pallet will have a unique LPN label. All picked pallets will be confirmed to a staging lane using the LPN.

Bottle Picking

Picking from the bottle pick locations will be performed using an upgraded S 21 system integrated with the WMS. Bottle picking staff will use the S 21 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 sent to the dynamic pick / consolidation area where it will be married up with the case pick for that order.

The bottle order picking process will be prioritized based on the outbound scheduling sequence (see wave planning) required for that day.

High Value Product Picking

There are a number of SKU's defined as 'high value' that are segregated in the warehouse and camera monitored. Once an order has been released for these SKU's they will be given to the order selector for picking. A 100% audit of these SKU's will be performed prior to loading the order on the outbound truck.

Appropriate segregation, camera and management control methods will be applied to these high-value SKU's as required.

Dynamic Pick Slots

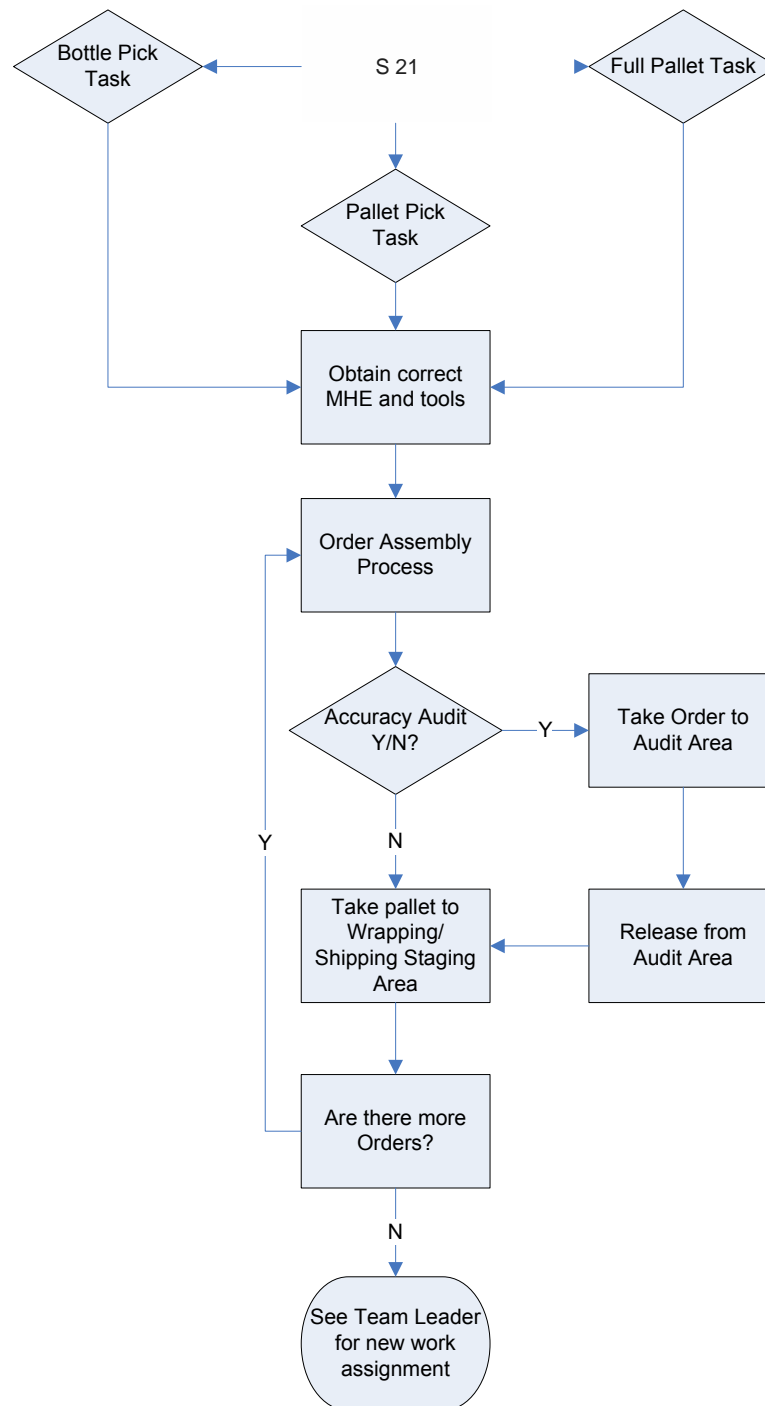
The WMS will have the ability to deploy dynamic pick slot capability to facilitate the following activity:

Merge area / 'Put-To' Rollers for bottle cartons / totes picked to meet wave requirements. These cartons can be picked from a zone, Dynamic slots in this environment could be 'multi tote'. This will allow consolidation of full case pick orders and bottle totes to be combined into one assignment.

Order Selection

1.1 Version

06/29/2012

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Audit & Pallet Wrap

Once the order is picked all pallets will be sent to audit and will be dropped in the audit location.

Once a pallet has been audited by

S 21

it will

be QC labeled and immediately moved to the pallet wrap induction.

S 21

Pallets in the wrap induction area will be placed in the wrap station and then moved to the designated outbound staging lane or loaded directly onto the trailer if available.

Every case is confirmed S 21 at the time of picking and is secondarily audited by S 21 Therefore, Exel expects the highest degree of accuracy prior to shipping any order to the customer. This will eliminate all miss picks, short ships, or over ships.

S 21

Loading

Prior to transportation the loading of trailers will comprise of two distinct methods for moving store pallets onto trailers:

- Pallets are placed in an outbound store staging lane
- Pallets are "hot loaded" directly to the trailer thereby no store staging lanes are used.

S 21

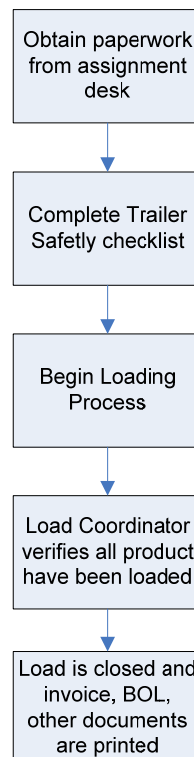
Pallets will be arriving to the loading dock from full pallet select and audit / wrap area. For product integrity and accuracy all pallets will be wrapped.

The loader will collect the appropriate paperwork from the assignment desk which will include the loading instructions prior to commencement of loading. The responsibility of the loader is to ensure that all pallet LPN and bottle totes /cartons have been loaded and recorded into the WMS by RF scanner. The trailer will be loaded

according to the store's specific delivery requirements. Pallets will be loaded and secured to allow de-palletization at the store location for single case conveyance into the store via static roller if necessary (where proper loading docks or doors are not available).

After all pallet LPNs have been scanned and recorded the load will be closed in the WMS and the door can be released for the next trailer to be loaded. The printing of the invoices, Bill of Ladings, and other delivery documents will be automatically triggered when the load is closed in WMS.

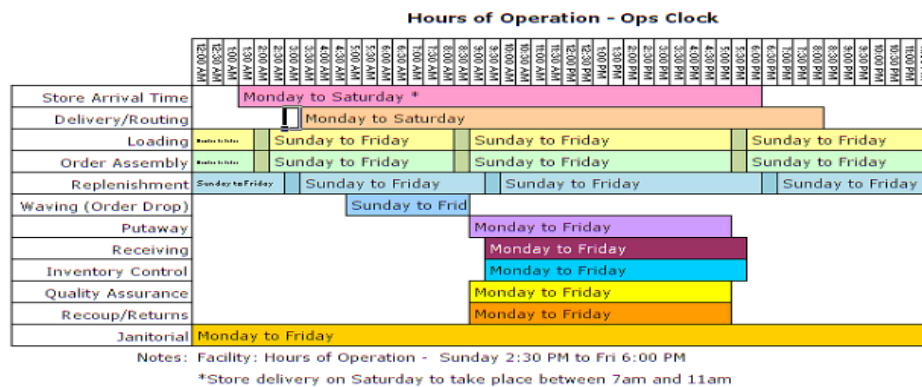
Loading		
1.1 Version	06/29/2012	BCLDB – NRFP SATP-301



[Staff shift cycles and numbers](#)

Exel believes that the right staffing plan tied to activity based planning results in excellent labour execution and minimizes expenses associated with being either over or under capacity. The Exel engineering and operations team have developed a operational clock for this facility which is designed to maximize the service offering by the Province while controlling operational costs. The Ops Clock can be adjusted to account for special events such as holidays and peak season; however, Exel has assumed a 3 shift operation spanning from Sunday at 2:30 p.m. to Saturday at noon.

The anticipated facility operating hours are 2:30 p.m. Sunday to 6:00 p.m. Friday, transportation operating hours are 3:30 a.m. Monday to 11:00 a.m. Saturday.



Once the final facility design and level of mechanization are determined Exel will determine the correct staffing levels for the business and each shift/department.

Warehouse Management Technology

It is our experience that systems capability is often the secret to unlocking superior performance. At Exel, systems are a core competency. Exel is recommending four systems to enable the Distribution of Liquor Project. They are all and will handle all of the Province's current and future requirements.

Control Measures

Control measures encompass Security and Inventory Management.

The goal of the security methodology is to provide an approach for securing inventory within Exel owned or leased warehouses, which is proactive and focuses on a posture intended on combining physical and visual deterrents, and to simultaneously create a non-threatening friendly environment for associates, customers, visitors and contractors.

Exel will deploy a level of security control S 21
S 21 This will include access control, CCTV, chain of signature control, property and perimeter security measures as well as yard and employee entrance ways.

Inventory control is discussed in detail in section 8.2.1.c "Inventory Management Plan". In short, our warehouse processes will always ensure secure and accurate handling of products with receipt verification confirmed and all shipments checked for accuracy.

Available floor space

Exel is proposing a new build to suit, dedicated facility for the Province. This enables the Province maximum flexibility to use, and control, infrastructure to best service the liquor distribution customers in British Columbia.

Compliance with Regulations

Exel and its associated member companies maintain strict control and compliance with all regulatory agencies including workers compensation, food safety, employment standards, Canada revenue agency etc. Our Human Resources team is always current and working with location HR resources to ensure each site is up to date on relevant changes within any of the regulatory authorities.

Location

S 21

S 21

S 21 This location has been selected due the estimated size of the new facility, land availability, development costs, availability of labour and transportation infrastructure. This location also has capacity to secure additional land as may required to accommodate future growth.

Current warehouse volume and capacity

Exel is proposing assuming the existing LDB distribution facilities whilst starting construction for a new build to suit, dedicated facility. Exel does not estimate any impact to customers while operating the existing facility through transition to the new facility.

Existing customers

Exel envisions a new dedicated facility to be opened and will not have any other customers in the building.

Beverage alcohol supply chain optimization

Guideline:

Proponents should consider opportunities for optimization in the supply chain as described in Section 5 and describe how their optimization recommendations augment their proposed Distribution Services solution and how they address the goals and expected benefits described in Section 3.2.

Response:

Supply chain optimization

Exel intends to address the goal of achieving the following supply chain performance outcomes through deploying Mechanization and Innovative solutions to address the following:

- i. Service delivery to GLS and Wholesale Customers that is predictable, cost effective, fair, efficient and meets industry norms for key performance indicators; and
- ii. A logistics model that lowers overall supply chain costs.

Exel envisions a number of areas of supply chain optimization which include the closure of the WCCs, productivity improvements through Labour Management Systems and mechanization, transportation efficiency through a combination of dedicated fleet and contract carriers, utilization of a carrier's cross dock for deliveries into the interior of BC, and moving from 12 distribution points down to 1.

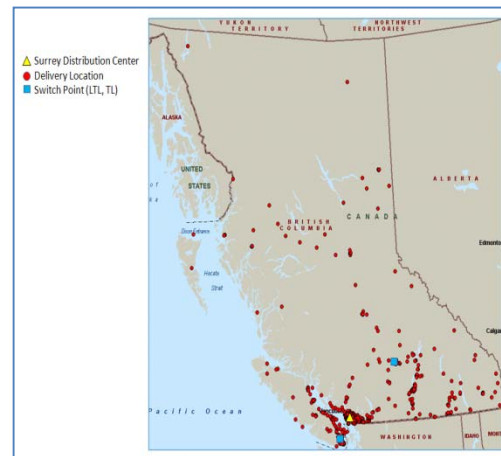
Exel calculates (based on the information supplied) that its supply chain optimization strategy will generate savings to the industry of 15% to 20%.

Wholesale Customer Centers

Exel is suggesting the closure of the WCCs within the current network. We believe that more efficiency and customer satisfaction can be achieved by offering direct delivery to all customers who order more than 30 cases including those currently picking up at the WCCs. Approximately 133 of the current 600 customers of the WCCs (primarily licensees) pickup products more than once per week. Their average frequency is 1.7 pickups per week. They may require more than one delivery per week. The remaining customers who order between 6 and 30 cases would place an order through our central ordering desk and have that order filled at the main warehouse then sent to the nearest GLS for customer pick up. From the information supplied there are currently 82 employees involved in operating the WCCs. Exel can manage this order volume much more efficiently through the main warehouse thus reducing significant cost in the supply chain.

Transportation Efficiency

Exel will partner with transportation companies to complete deliveries to government liquor stores and wholesale customers. A strategic partnership will exist with a carrier in the Kamloops area to service the Interior of BC. A dedicated delivery network would be set up out of the main DC in the Lower Mainland to service all customers within driving distance of the DC. All other areas including Vancouver Island would be serviced by contract carriers.



Exel has a wide network of contract carriers and does a significant amount of transportation services with many customers in Western Canada. As such Exel typically negotiates rates far less than market rates and often less than rates our customers achieve. Exel will use this leverage in our transportation services strategy for the Province to ensure the lowest possible rates. By setting up a dedicated carrier solution for the Lower Mainland, Exel can negotiate the lowest possible rates while having the reliability of a dedicated fleet of trucks and drivers. Our strategic partnership in the Interior BC area will not only allow us to eliminate the Kamloops facility by utilizing our partner's facility to cross dock orders but will also give us reliability and dedicated service to those customers in the Interior. With this Transportation Strategy, Exel expects to reduce the overall cost per stop and improve on time delivery service.

Consolidation of Agent Warehouse Program

Exel has designed the main warehouse in the Lower Mainland such that all product can be processed through that facility eliminating the need for The Agent Warehouse Program. Through the consignment system, all agents are welcome to store and ship their products through Exel's main distribution facility. By consolidating the product flow through the main warehouse the Province will have better control over the warehousing and distribution process. Products will be available for ordering within 24 hours of the product arriving at the warehouse (depending on customs clearance) and in most cases sooner. This also means they will be visible to wholesale customers placing orders. Agents will be charged for the storage and handling of goods based on certain criteria and service parameters. These charges imposed on the agents by the Province will offset the operating cost of the facility. We believe the cost of storage and shipping beverage alcohol in the province of BC will be significantly reduced by the consolidation of products in the main warehouse and the elimination of the Agent Warehousing Program. This requires a substantial and flexible real estate solution to accommodate.

Mechanization

In the following pages, Exel will describe a level of mechanization that we believe best suits the long term operational goals of the network. We have also included other levels of mechanization that we explored including Pick to Belt, and Robotic Layer Picker that we discounted at this point due to the lack of a solid business case. The business case for ASRS may make sense, but there are challenges with constructing a building high enough to accommodate an ASRS in the lower mainland. We would like to discuss the ASRS options further with the Province as we move through the NRFP process.

Our current design includes the cost for a turnkey semi-automated Laser Truck picking solution with the aim to significantly reduce the operator's travel while increasing throughput and overall efficiencies and productivity.

The capital expenditure included in the budget is \$ 21 which includes:

- Capital cost to purchase \$ 21 unmanned Laser Truck Double Pallet Jack equipment as well as \$ 21
\$ 21
- Project Management
- Mechanical and Electrical Installation

- Onsite System Commissioning, and Testing

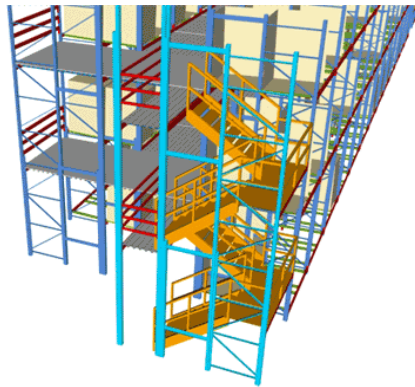
Should the Province choose to make any other significant changes in the supply chain, and depending on Province's inventory and growth strategy, a conventional (or less mechanized) solution may provide a more flexible solution. The savings of mechanization need to be balanced against the loss of flexibility.

Exel has engaged the design services of S 21 one of Exel's preferred automation vendors, to assist in the evaluation of the Province's business requirements for this facility. The concepts presented are the outcome of thorough analysis of data provided in the RFP and detailed design discussions involving subject matter experts from within Exel including operations, engineering team, real estate, and IT.

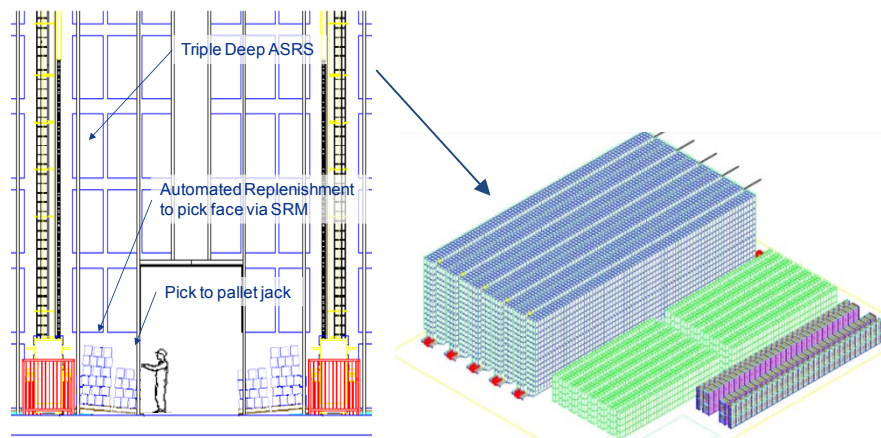
These concepts are intended to illustrate some of the options that have been considered during the design process. The scenarios studied are as follows:

- 1) Conventional solution: This solution utilizes double pallet jacks and voice units to pick products. This scenario is used as the baseline to assess payback period for mechanized solutions.
- 2) Laser Truck: This solution utilizes unmanned laser guided trucks within the case picking area to significantly reduce operator's travel.
 - Approximately S 21 of case picking time spent in activities other than picking, based on using powered pallet trucks
 - Laser guided trucks automatically move pallets down each aisle, and stop right next to pick locations. Thus, reducing the travel time for the operator.
- 3) Pick to Belt: This solution utilizes pick towers with conveyor belts in the middle used to handle case and bottle picking. Operators walk down the aisle and batch pick cases across orders. Then shoe sorter is utilized to sort cartons to each store lane, where operators palletize cases onto the pallets





- 4) ASRS: Automated Storage and Retrieval System is used to minimize putaway and replenishment activities and reduce the building footprint by going vertical. ASRS with integrated pick tunnels is used, where fast moving SKUs are slotted at the bottom level of ASRS and replenished automatically. Other SKUs are also stored in the ASRS system, but once retrieved they need to be manually replenished into the pick locations that are outside of ASRS system.



- 5) Laser Truck & ASRS combined: this solution combines scenarios 2 & 4 to further reduce square footage and headcount.

The analysis of the laser truck option indicates an attractive payback of \$21 and a reduction in annual operating expenses. It is Exel's recommendation to include this level of mechanization. Automated Storage and Retrieval System (ASRS), and the combination of ASRS and Laser Trucks have a payback of approximately 8 years, and should not be completely dismissed, as they have other advantages, such as:

- Reduction of FTEs
- Reduction of labour injuries

- Reduction of square footage

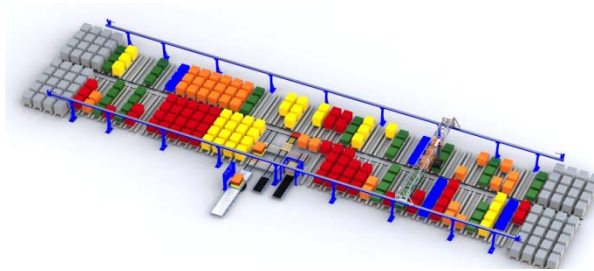
Simple payback for the various levels of mechanization:

S 21

There are additional technologies for mechanization and construction which can enhance both the operational and facility efficiency. These options can be investigated further, as the business profile unfolds.

One example of these technologies is Layer Picking. This can be obtained either through:

- Claw picking attachments on forklifts
 - This solution requires low investment, and provides quick payback
- Robotic Layer Picking systems
 - Robotic Gantries picking and palletizing layers



Further detailed item master information is required to identify candidate SKUs for Layer Picking. A high level analysis was performed and it was estimated that 6% of cases could be picked as layers, which needs to be validated with the Province.

Labour Management Systems

S 21

Exel

provides labour solutions that both augment and improve the capabilities of human capital. Exel combines engineered productivity standards, comprehensive operating practices, labour management technology, and performance recognition. We create very precise structures so every worker knows exactly what is expected, the work is measured, and results rewarded.

Labour management is a core competency at Exel. The structured labour management program aims to improve operational performance by creating a culture in which it is routine to set performance expectations, provide feedback and coaching on actual performance, and reward top performers. The use of technology through a customized labour management system (LMS) supports the structured process to provide accurate feedback on performance and is critical to the program's success.

Exel sites that have deployed labour management programs on behalf of many different customers have consistently seen improvements in each productive function and reductions in associate turnover. Since the program's inception, S 21 implementations have been accomplished across the US and Canada, and the program has

S 21

S 21

saving millions of dollars for customers. We have successfully implemented Labour Management Systems in other unionized environments.

At its core, the labour management program continuously measures in real time how individuals and the team are performing against defined standards. To establish standards Exel engineers start by reviewing all processes within a facility to ensure the most effective processes are in

place. All distances - vertical and horizontal - are measured, and each activity is broken down to its elemental part and assigned a time element. Detailed activity observations by the team ensure that all anomalies are captured. Time studies are performed to ensure that the standards produced by the LMS were accurate.

By compiling and analyzing this information and research the team is able to establish the site's engineered labour standards: a list of each warehouse task and the time it takes to complete each one. Because these times – called “zero base” – are what an average person could accomplish, the program establishes fair and attainable standards, ensuring consistent expectations for every associate's performance. And, with documented standards, management is able to work with associates who may not be meeting performance expectations.

A labour management implementation facilitates productivity and process improvements to a site with a tenured labour force, and enables them to take on additional volume without increasing the number of associates at the distribution center.

Summary

The Supply Chain Optimization Initiatives listed above are some of the ways in which Exel can minimize the distribution costs for beverage alcohol in the province of British Columbia and improve the service to the retailers and licensees throughout the Province. Exel will work with the Province to explore other optimization methodologies through our

S 21

Exel is making and will continue to make recommendations, but we recognize that the decision to choose any of these strategies rests with the Province.

Inventory management...

Guideline:

Proponents should detail their inventory management plan considering the proposed supply chain optimization plan. The inventory plan should include all aspects of inventory management and include details such as how inventory tracking takes place, processes for compliance with provincial and federal policy and regulations, adjustments tracked (e.g. real time), product tracking and updates, capacity planning, inventory rotation, quality assurance processes (e.g. bar codes, packaging), pallet control and safety compliance. Proponents should also explain their proposed demand management processes detailing replenishment strategies (including issuing purchase orders). The proposed inventory management plan should be compatible with the

scope and volume of Product supply that the Proponent will be required to deliver within established KPI's.

Response:

Inventory management Program

All cycle counting, bay counting and physical inventory programs will be developed and completed through the Inventory Control group and utilize RF technology. Cycle counting takes place on a daily basis with all locations being audited a minimum of 4 times per year. The top 20% of SKUs based on sales volume are audited a minimum of 12 times per year. In addition to cycle counting, random putaway & replenishment audits are completed on a daily basis.

Items with variances are researched and resolved on a timely basis. Root cause analysis of each variance and action steps to prevent future occurrences will be provided for each adjustment made.

Compliance Programs

Exel's regulatory division is well versed on all permits, licenses and compliance requirements for distribution of controlled products within Canada. Exel currently distributes beverage alcohol in the province of Alberta and must comply with all provincial and federal regulations. Exel also distributes prescription drugs including narcotics throughout Canada. Exel's systems are very capable of the inventory tracking requirements set out by Customs and Excise including returns and disposal. Exel has a good working relationship with many Customs branches throughout Canada and we understand the necessity for accurate and timely inventory reporting to all agencies.

Adjustments tracked (e.g. real time)

Reconciliation between the Host and WMS should be 'near real time' transactions, as defined through Information systems due diligence. This has yet to be defined, but will probably be in the range of 15-minutes between updates. It is typically achieved by deploying a set of standard interfaces that facilitate update of static SKU information, and dynamic receipts, adjustments, shipments (shorts) transactions.

Product tracking and updates

The Inventory Control Manager works closely with the client's Internal Auditors, Agents, Suppliers and also with Customs & Excise Officials as required when dealing with the physical inventory. They are also

responsible for managing product data files and ensuring accuracy of product attributes including dimensions, weights & Ti-Hi's.

Capacity planning

Capacity planning will be based on utilization of the storage medium at the main facility including pick faces. Capacity optimization is normally set at S 21 of the total number of cases the facility can hold. Capacity and utilization are measured on a daily basis and discussed during the daily operations meeting. Working with the demand management team, forecasts are developed based on historical information and demand planning outputs to determine upcoming capacity requirements. Forecasts are made monthly, quarterly and annually. Should forecasts suggest that the facility will be over capacity, alternative measures will be taken to secure additional capacity including securing additional warehouse space. Exel is confident that we have designed the main warehouse to handle capacity requirements through 2022.

Inventory rotation program

The Exel IC Team ensures that proper product rotation is followed, according to established company/client policy & procedures. S 21

S 21

Exel will adhere to temperature control requirements for all applicable products.

Quality Assurance Programs

Upon receipt into the warehouse each SKU is checked by the Inventory Control Team to ensure compliance. All new SKU's are separated and thoroughly inspected through a documented process checking all attributes of the SKU including Bar Code Compliance, Packaging Compliance, Bottle Labeling, etc. The Inventory Control Manager works closely with the client's Internal Auditors, Agents, Suppliers and also with Customs & Excise Officials as required when dealing with the physical inventory. They are also responsible for managing product data files and ensuring accuracy of product attributes including dimensions, weights, Ti-Hi's, Bar Code Compliance, Packaging Compliance and bottle labeling requirements.

Pallet programs

Exel will utilize the inbound pallets to store and ship product to the extent possible to minimize cost. Our expectation is that inbound pallets will cover our needs, but it may be necessary to purchase grade A pallets to

store product in the warehouse and grade B pallets to ship product to retailers. This has not been built into our costs. Exel will work with our contract and dedicated carriers to recover the pallets shipped to retailers wherever possible. Exel does not see the need to participate in the CHEP or CPC pallet programs for warehouse activity.

S 21

S 21

S 21 Exel has the ability to track pallets to retailers and track the return of those pallets. Should the Province require, Exel can set up a pallet return program whereby the retailer is charged for any pallets not returned.

Exel will comply with all safety regulations regarding the storage of wood pallets including the stack height, bulk storage and disposal of bad pallets.

Demand Management Services: A Collaborative Solution

The Demand Management team will be responsible for forecasting and replenishing all items slotted in the Distribution Centre as outlined in this response. This will include approximately 5,800 to 16,000 items.

The Exel DMS team will use S 21 for both planning and deployment functions. The DMS team will use the information provided to produce a forecast, replenishment plan and subsequent suggested orders. Along the way key performance indicators will be measured and monitored to ensure the best possible service at all times.

With the implementation of the DMS system the Province will be able to:

- Make more informed, fact-based decisions regarding the purchase of products from their vendors.
- Provide better product availability at the Distribution Center (DC).
- Maintain high service levels.
- Achieve inventory cost reduction due to better inventory control.

Utilizing depletions and any other applicable marketing intelligence, the demand planning team will use S 21 to produce a weekly forecast. The forecast will then drive a daily replenishment process.

S 21 allowing the Province the ability to share the forecast and replenishment plans with key stakeholders. This will support the goal of improving key performance

indicators such as service level while minimizing stock obsolescence. This will strengthen the Province's supplier relationships and improve customer service performance.

The role of the suppliers and agents in approving suggested purchase orders will need to be determined. It may be that agents don't choose to use this capability, and decide to submit their own purchase orders to the Province.

Exel recommends a best practice weekly meeting with all key stakeholders to ensure communication of important topics such as forecast collaboration, demand exceptions, supply related issues and market intelligence. In addition, this is a good platform to discuss customer service and operations related issues.

The Demand Planning Model

Historical Data

The first step of the Demand Planning Process occurs during the pre forecast period. It requires storing of the shipment history from the pre forecast periods. This data will be used later in the cycle as input to determine the accuracy of the demand models.

S 21

S 21 This history serves as the basis for the initial statistical model.

Updating the Model

The demand post date must update to reflect the most recent period of history that will be posted to the database (Typically this is the previous week's/month's shipment/depletion activity). Shipment volume for the period ended is imported to the history database and will be used to update the statistical forecast.

The system will cycle the most recent period of history for demand exceptions, recalculate coefficients for the model based on the most recent loaded history, update the base forecast and set exception codes.

Evaluating and Controlling the Model

With the completion of the batch update to the Demand Planning System, the demand planner is responsible for

evaluating the performance of the model and resolving any exceptions arising from the model update.

Reviewing Forecast Performance

Forecast performance is tracked on an ongoing basis. The two measures of performance that will be examined will be the model's performance as a predictor of demand (measured against actual demand), and the change in the model's performance as the forecasted date approaches.

- The first measure will indicate if accuracy is improving or declining over time.
- The second measure will test if the forecast is improving as we approach the current forecast period.

Based on this analysis, models will be refit or market intelligence will be adjusted, to improve the total forecast accuracy.

Reviewing Demand Exceptions

The Demand Management System ^{S 21} is an exception-based system, which means that it is not necessary to review every Demand Forecasting Unit or "DFU" to manage the forecast.

The DFU represents an "item" at a "DC location".

After you develop and fine-tune all DFU models, you use the exception messages (posted as an output after the model has been updated) to manage the statistical model.

Applying Market Intelligence

A statistical model can be a very good way of predicting future behavior or patterns. However, there will be many times when important information (other than history) will also be a predictor to that behavior or pattern. For example, information about competition, new product introductions/discontinued products, or other factors affecting the market in general must be included in the forecast to make it as accurate as possible. Everyone with information about these factors that may impact the statistical base demand in the future must communicate that information to the demand planner.

The demand planner will be responsible for synthesizing all the information available and producing the net forecast. At the end of the forecast period, the system must be updated and maintained via a batch process.

The demand plan output will reflect a forecast of anticipated depletion volume at the Demand Forecasting Unit (DFU) level. This output will be used as the basis for planning the movement of products throughout the supply chain.

Outputs of Demand Planning

- Time Phased Demand Forecast
- Archived Historical Forecast
- Forecast Performance Metrics
- Planning Exceptions to be reviewed and resolved by the Demand Planners

The Replenishment Process

The goal of the replenishment process is to maximize customer service levels.

Inputs to the Replenishment Plan

S 21 requires the final consensus forecast from S 21
S 21 current inventory status, (via warehouse activity) and open orders from the WMS as primary inputs to calculate the replenishment plan.

In addition, set planning rules or “parameters” must be established to guide the correct planning behaviors and outcome. Certain planning parameters such as safety stock strategies, lead times, service levels and MOQ’s are vital to an optimized plan. The Province will work with Exel Replenishment to determine the parameters and set them correctly in the system. These parameter settings will be needed in the initial set up and will be subject to periodic review/update (timing TBD by the Province and Exel), depending on the parameter and business situation.

Outputs of the Replenishment Plan

When all of the above parameters are set up completely throughout the S 21 in accordance with design, the replenishment plan can now be run. This process creates recommended shipments and any potential supply exceptions. Supply exceptions will be reviewed and managed by the Replenishment Analyst. An example of a replenishment exception would be a “stock out” which means that the item being reviewed will be out of stock at the DC at a point in the future and would need to be ordered from the vendor.

Once all of the exceptions have been cleared, the Replenishment Analyst will then review the recommended shipments in S 21 and make adjustments to the suggested orders as needed. The S 21 will be organized by vendor, respective of all vendor constraints (i.e. vendor minimum, truck capacity, etc.). These suggested orders will then be reviewed by the Replenishment Analyst for completeness and compliance and forwarded to the purchase order management system.

The chart below **shows some** of results attained with other customers

Exel's Value to Our Customers



S 21

Inventory Control Process

Inventory Management

Create timely, concise & correct inventory management procedures that allow for the monitoring of inventory accuracy. Manage the physical inventory by way of regular cycle counts along with conducting all special inventory counts as requested.

Reporting

Develop & manage a program to maintain all necessary reports & documentation to facilitate accurate inventory counts including records of audits, counts & adjustments. Issue proper inventory reports in a timely manner.

Reports included, S 21

S 21

Slotting Management

Ensure products are slotted in a manner that will allow for optimum efficiency with regard to replenishments & picking. Constant monitoring of product movement must take place. Issues such as

S 21

Manage all parameters within the WMS to ensure optimum efficiency relating to put away, replenishment and order assembly.

Management of Quality Assurance

Develop & oversee a recoup program to ensure all damaged/defective products are accounted for & properly handled by repackaging and returning to stock or dumping. Dumping must be done according to established client & Customs & Excise requirements.

Analyze system issues & make recommendations for solutions. Develop & implement ongoing training of team members specific to policies, procedures & systems. Investigate discrepancies in warehouse reports, with regard to inventory, transfers, shipping & receiving quantities.

Ensure all Provincial & Federal product labeling requirements are adhered to and provide a service to rectify issues as required.

Manage Returns

Manage a program to audit product returns & move returned product to its proper location. Complete the processing of proper documentation to generate a prompt credit transaction. Take appropriate action on product that is not in saleable condition.

Manage product recalls as required working closely with the client and the Canadian Food and Inspection Agency (CFIA) to ensure appropriate procedures are in place and followed.

Manage a program to audit empty keg returns and process proper documentation to generate a prompt credit transaction.

Purchase Order Entry

Enter all purchase orders received from Agents/Suppliers for inbound product in a timely & accurate manner.

Interprovincial Transfers

Work closely with the client, agents and Customs & Excise to carry out requests to transfer product into the facility from other provincial jurisdictions or to other jurisdictions from the facility ensuring that all required documentation accompanies the shipment.

This service will be managed to as not to interfere with the Province's own peak periods. For normal operations, the following schedule is in place:

S 21

The general operating sequence for Board-to-Board Transfers is as follows:

- Orders received by inventory clerk from other provinces via fax or email
- Verify inventory levels
- Confirm via email that the product is in the building
- Enter order into Host system

- Orders drop into batch 998 to be picked at end of day
- Photocopy of P.O. made and given to the Province and shipping clerk
- Shipping clerk calls specified carrier
- BOL drawn up
- Product is loaded and shipped

Client/Customer Relations

A high level of client satisfaction must be maintained with regards to reporting & overall program management. Communicate regularly with internal/external customers regarding issues as they pertain to inventory control.

Reporting

Custom level reporting will be developed as required by the Province.

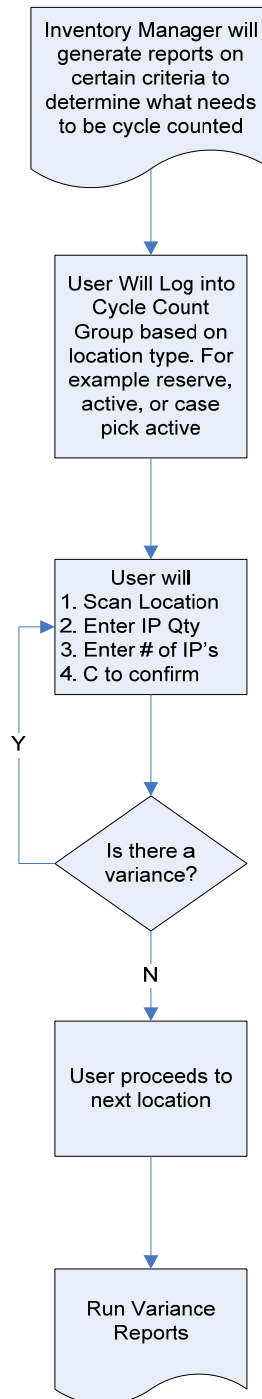
S 21

Inventory Control – Cycle Count

1.1 Version

06/29/2012

BCLDB – NRFP
SATP-301



Delivery schedule management

Guideline:

Proponents should describe their delivery and schedule management processes and explain how their proposed business processes will ensure effective delivery scheduling management (e.g. freight management) and shipping tracking (e.g. pallet bar code packing documents, fleet monitoring) for delivery of Product from the Proponent.

Response:

Delivery and Schedule Management Processes

Scheduling of deliveries and order days would be based on volumes and location. GLSs within travel distance from the DC or Kamloops Cross Dock (4 hours) would receive multiple deliveries per week (exact number to be worked out with the Province). RAS, Wine Stores and Licensees would receive 1 to 2 deliveries per week depending on volume and location. The exact number of deliveries per week would be agreed between the Province, Exel and the customer.

We will also work with all government liquor stores and wholesale customer to determine the optimal scheduling windows that best service each region and type of customers based on location, delivery frequency and volume, customers will be provided day of delivery and a AM/PM delivery windows. In the event the delivery will be late, the call centre will call the customer. Our ultimate delivery strategy will be to apply reliability and consistency for the distribution services to clients across the Province.

Exel is proposing a change in the transport network for the Province whereby all licensees would now receive direct delivery for orders more than 30 cases on a set delivery schedule. We would employ a number of delivery methods including pallet to dock, pallet to door, and dock to storage. The exact services and pricing will need to be agreed with the Province. For those customers who order between 6 and 30 cases, Exel is proposing that these orders would be picked at the main distribution center and sent to the nearest GLS to the ordering customer for pick up. These orders would be separated by customer so that the GLS would not be responsible for sortation of cases. For those orders of less than 6 cases, the same procedure as today would continue.

Exel will partner with transportation companies to complete deliveries to the Province's customers. A strategic partnership will exist with a carrier in

the Kamloops area to service the Interior of BC, and Victoria to service Vancouver Island. A dedicated delivery network would be set up out of the main DC in the Lower Mainland to service all customers within driving distance of the DC. All other areas including Vancouver Island would be serviced by contract carriers under contract with Exel. This will necessitate utilizing the barge service out of Horseshoe Bay and the Fraser Port.

Shipping tracking

Orders will be placed together with each pallet having a bar coded individual license plate, this will be tracked via each shipping bill of lading as the order moves through the warehouse into the transportation network and finally upon delivery to the customer. Chain of signature will confirm receipt for each transaction from warehouse to transportation company and then to the final customer. Each pallet ID will also detail the master order it is part of and the specific quantity and items included in the individual pallet (Order Manifest).

Exel will look to partner with transportation carriers that can service the unique geography in British Columbia as well as ensure visibility and traceability for goods being distributed to the Province's customers.

Distribution services and key performance indicators

Guideline:

Proponents should describe their proposed Distribution Services to suppliers/ Agents, GLS and Wholesale Customers.

Proponents should also describe how their Distribution Services will meet industry standards for distribution and warehouse operations including the KPI's provided in Appendix E and as described in Section 5.2.2.8. Proponents should also propose remedies in the event the KPI's are not achieved.

Response:

Proposed Distribution Services

The below graphic details all the delivery points being serviced from the new facility, S 21 with strategic carrier relationships providing switch points to service customers outside the Lower Mainland and in Vancouver Island.

With this proposed change, there would be no operational requirement for the WCC. All orders for the Lower Mainland and Vancouver Island would be picked and shipped from the proposed new warehouse. All orders for the Interior BC would be picked at the main DC and cross docked in Kamloops at our strategic partner's location then delivered to the customers.

Exel estimates the efficiency gained through the closure of the WCCs will offset the additional delivery costs. Exel would also expect to supplement the overall transportation costs through a back haul program where possible.

Industry standards for distribution and warehouse operations

Exel will partner with the Province to establish and ultimately drive continuous improvement for all metrics and key performance indicators. Exel agrees the KPI's detailed in Appendix E are integral to our overall model, and once achieved will constitute solid service to the industry.

We measure many other metrics that ensure we deliver on these KPIs.

The following confirms our understanding and confirmation on the below KPI's as provided:

S 21

f) Inventory count accuracy S 21 The physical count to what the warehouse system indicates as in stock either in total or by location.

Remedies in the event the KPIs are not achieved will be agreed as part of the commercial discussions.

Key Performance Indicators help both the Province and Exel understand how well we are performing in relation to the strategic goals and objectives. In the broadest sense, a KPI is the most important performance information that enables Exel and the Province to understand whether they are meeting or exceeding the objectives of the operation.

KPIs should clearly be linked to the business strategy of the Province. The process of creating the KPIs begins with understanding the business of the Province. Once the strategy has been defined and mapped, the KPIs are benchmarked and goals established to help manage and improve performance.

Exel works with our clients to identify the building blocks for creating a performance management system. These building blocks will be the foundation for effective management that aims to inform stakeholders with information that they need to make better informed decisions that leads to improvements. These KPIs can be used as evidence to inform management decisions, to challenge strategic assumptions, and for continuous learning and improvements.

The source information is critical to the development and tracking of the KPIs. The design of the source data documentation and SOPs are required to avoid any misunderstanding of the results. Exel's Integration team can create IT based solutions to incorporate computerized solutions to report KPI results.

Reports on performance are created and are reviewed at frequent intervals with relevant stakeholders. This information is commonly measured on a daily, or weekly, basis to allow operational managers to formulate action plans that are specific to the defect affecting a KPI. The aim is to equip our managers and employees with the information they require to make better informed decisions that will lead to improvements.

Our Process Improvement methodology, S 21

S 21 are just some of the tools that Exel utilizes to maintain, and improve on, their client's KPIs.

S 21

Quality Management Systems –

S 21

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Order processing including help desk

Guideline:

Proponents should explain how the customer order processing function would be integrated into their proposed Distribution Services order taking and processing functions. Based on the scope and volume of orders the Province currently handles and depending on the Distribution Services model proposed, Proponents should detail their order taking business processes, the technology used, integration with the Proponents' warehouse information technology systems, structure of the customer services desk, current throughput, number of clients and any other information needed to explain the Proponents' proposed order taking and processes to be used for the Distribution Services.

Response:

Customer Order Processing

Our research indicates that an area of opportunity to improve services is centralizing and updating the ordering process for Wholesale Customers. These improvements include consolidation of all ordering methods into one centralized group, offering the ability to handle product allocations,

elimination of back orders, management of product returns, and flexible invoice formatting.

These enhancements are our recommendations, but ultimately and changes to the order processing methods require the approval of the Province.

Order Taking Business Processes

When a client places an order the inventory will be reserved on a first come, first serve basis. Inventory will not be available if it has been pre-allocated or held by the Agent or the inventory is unavailable to that category of client, for example duty free products.

Clients will be assigned a designated delivery day. Larger wholesale customers may have multiple delivery days assigned. Orders may be placed at any time during the week. At the order deadline for a particular delivery day the orders are consolidated into a single shipment. If the order is greater than 30 cases it will be direct delivered.

If the order is less than 30 cases and more than 6 cases it will be dropped off at their designated GLS for pickup on the next scheduled order for that GLS. These orders will be "ready to go" and picked/prepared at the DC so there will be little work completed at the GLS. Our calculations indicate that this will result in 241,000 cases or 6% of the current WCC volume moving into government liquor stores. This will likely be offset by new licensees now receiving delivery.

If the order is less than 6 cases the wholesale customer should deal with their GLS directly and the GLS store will add the cases to their next order.

Ordering Methods and Features

Exel will have web based ordering, phone ordering, fax ordering, and email ordering through a centralized service center.

Web based ordering is available 24 hours per day. Orders are processed immediately, and inventory is secured at that time. Order confirmation will be near immediate through refreshing the page or email.

Conveniently, if no inventory of a product is available an email alert can be configured to be sent when the inventory becomes available. There will be no back orders. Other features include:

- Easy to search products, narrow by category, and pictures of products

- Allocations reports outlining cases/kegs restricted to client
- Electronic order file upload
- Advance Shipping Notices (ASNs) will be sent when the order is picked
- Download of electronic invoices for potential sorting, subtotalling, etc
- Product information, features, and other marketing info from the Province, Agents, etc.
- Browse product catalog by various product attributes: e.g Brand, new products, products with recently lowered prices, etc.
- User definable, reusable order templates.

Phone, Fax, and Email ordering will be centralized through a single phone number or email to the Client Service Center. The service center will be available during the hours of 08:00 to 16:00 Sunday thru Friday. Orders are submitted in the order they are received.

S 21

the goal for BC.

S 21

This will be

Allocations

Exel recognizes the requirement to ensure inventory intended for specific clients remains allocated. Exel will enforce the agreed allocation rules consistently to all clients. Allocations can be setup by Agents directly by calling the Agent Service Center. Allocation reports for Retailers are available online via the ordering website. Allocation reports for Agents are available online via the reporting website.

Elimination of back orders

Exel believes that back orders are not required as in the proposed solution all inventory is in one building, readily visible and available for sale. If the product is out of stock an email alert can be configured by the Client to be sent when product becomes available. Informal feedback from BC Stakeholders has also confirmed that back orders are not preferred and instead greater visibility to inventory availability is important.

Product returns

Exel will consistently enforce agreed product return rules to all Clients. Sales are final on products that are not eligible, per agreed rules, for return. Clients will contact the Client Service Center for all applicable returns to get a product return authorization (PRA). Conveniently the credit could be applied to the Clients next order.

Products can be returned in two ways:

- For clients with a designated GLS they can return in two ways:
 - Products can be returned to the designated GLS when accompanied with a PRA.
 - For a quoted transportation fee, products can be returned via the delivery driver when accompanied with a PRA. This must be pre-arranged and quoted through the Client Service Center.
- For clients without a designated GLS, for instance isolated, rural Clients:
 - Products can be returned to the delivery driver when accompanied with a PRA. This must be pre-arranged through the Client Service Center.

Flexible invoice formats

Invoices are shipped in hard copy with product deliveries / pickup. Invoice format can be client selected from a number of pre-defined formats intended to make certain clients reconciliation significantly easier. Exel will setup pre-defined format through industry consultation during transition. For example, Licensee's may find it helpful to subtotal between categories. Invoices details can be downloaded as referenced in Web-Based Ordering and manipulated as the client sees fit.

Structure of the Service Desk

The order desk will be staffed to operate six days per week from Sunday thru Friday 08:00 to 16:00. Operating the Service Desk 6 days per week, in our experience, is optimal for liquor industry stakeholders who do not operate on a standard work week.

Exel operates many client service centers of varying sizes for many clients.

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Technology Used and Integration

Technology regarding the order desk is explained in section 8.2.1.h).

➔ Systems integration and reporting

Guideline:

Proponents should describe their current systems infrastructure and propose a plan for integration with the Ministry/ LDB's systems so that master data management processes (product, vendor, customer data) and warehouse shipping information (e.g. shipping scheduling data) can be seamlessly shared and wherever possible available for real time viewing by the Ministry/ LDB. Proponents should explain their sales order capture technology (e.g. centralized order management system so that electronic orders from the GLS and Wholesale Customers can be logged and tracked) as well as procedures for real time sharing of warehouse receipts for inventory updates and customs and excise reporting as well as real time viewing of available inventory within the Proponents' overall supply chain. Proponents should also explain their purchasing system application solution and explain how it will interface with the Ministry/ LDB's systems.

Proponents should explain what processes and procedures they have or will put into place so as to comply with the Province's privacy and information technology policy in delivery of their proposed Distribution Services.

Response:

Exel IT Capabilities and Value

Staff of over 400 IT professionals focused on supply chain management solutions

Portfolio of proven supply chain execution and planning software applications

- Core competency in solution selection, implementation, ongoing support, operational usage
- Strategic partnerships with software leaders like

S 21

S 21

Customer and trading partner integration

- 110M EDI transactions per year
- 650 trading partners, 190 customers, 270 sites
- Proven experience integrating with JD Edwards, SAP, Oracle
- EDI via VAN or AS2 (EDI Internet)

World-class Technology Centers

- Aggressive approach to information security

Redundant global network with divergent network access points

- 24 x7 operation
- Generator power backup

Broad and deep experience with many technology providers

- Executive level relationships with all key providers
- Influence product design and functional enhancements

Experience with multiple concurrent implementations

- Leverage operational knowledge
- Leverage systems tools e.g. Project plans, custom programs, test scripts, etc.
- Reduce risk to customers
- Close communication between operational requirements and technology
- Wide variety of integration methods and topologies used
- Have completed start-ups in 60 days or less

On-going professional IT support

- Support mechanisms already in place:
 - Trained site resources
 - First/second level support in house

- Support procedures and escalation processes in place
- Strong relationships with suppliers
- Leverage previous infrastructure investments

Systems Implementation Methodology



Implementation Methodology

S 21



S 21

Proposed Systems

Exel has carefully considered the needs of the Province and has outlined the proposed system flow:

LDB - Proposed Data Systems Flow

S 21

Sharing of information will be finalized through further discussions with the Province's IT experts. Rest assured all required formats, reports, and inputs/outputs will be acceptable and made available. This table illustrates a few standards Exel regularly uses, but is not limited to:

S 21

The frequency of data sharing will also be determined based upon Province's specific requirements. Transaction integration can be Real-Time, Near Real Time, or Batch at scheduled intervals, depending on the nature of the transaction and Province's requirements. The Province's data sharing requirements will be met by the technology Exel is suggesting.

[Sales order capture technology](#)

S 21

S 21

Benefits of S 21 include vetting the order or delivering the 'perfect order', supporting expanded product/service offerings, providing accurate promise dates, taking into account fulfillment strategies, improving order fill rates and cycle times, and reducing buffer stock inventories (where applicable).

One notable additional benefit is the ability to tailor product catalogues based on the customer. In short, the S 21 will take into account Agent allocations to specific clients, based on approved rules, for private label brands or spec items intended to a single customer.

Finally, the S 21 is very easy to use and thus onboard new customers.

Inventory updates and warehouse management system

The backbone of the inventory system is the Warehouse Management System.

Exel's standard warehouse management system is the S 21 S 21 generally regarded as an industry leader in the retail sector. The chart below lists some of S 21 key features as well as a sampling of its extensive customer install base:

S 21

Exel will provide the Province direct access to the WM system as well as the extensive list of predefined reports.

Reporting and real time status

Exel is very familiar with the requirements regarding liquor distribution in Canada. We are confident the IT solutions being put forward will exceed these requirements. Please refer the aforementioned 'seamless sharing and integration' for an overview of how real time sharing of receipts and inventory updates will be shared with the Province.

The Province and selected stakeholders will have web based reporting capability through S 21 For instance, Agents will have vastly improved visibility into their inventory position. Exel and the Province will decide on report details and which reports are available and to specific stakeholders.

S 21

An example view is as follows:

S 21

Purchasing system

Purchasing will be tightly controlled and overseen by the Province. The exact purchasing business process needs to be confirmed with the Province. The IT solution is flexible to support any proposed end process.

Exel utilizes the S 21 solution. This solution will provide the maximum flexibility and ease of control for the Province. Features likely to be applicable to the Province's environment include:

- Automatic interface of suggested purchase orders from the Demand Management System (DMS)
- Flexible document styles
- Tolerance Based Auto-approvals
- Multiple Tax definitions supporting recoverable, unrecoverable, GST and VAT
- Communicate PO's and change orders in a variety of methods which include hard copy, fax, pdf, email, xml and edi.
- Record supplier acceptances
- If requested, Outsource maintenance of inventory level to Supplier (Vendor Managed Inventory)
- Formalized features for deferred ownership of inventory until it is actually used (Consigned Inventory)

As discussed above, frequency of integration with the Province will be decided to best suit the Province.

Privacy and IT policy

Exel is a wholly owned subsidiary of DP-DHL. DP-DHL is a global company that must adhere to municipal, state/provincial, national and international rules and regulations regarding privacy and IT. We are contracted to various Governments, government entities/corporations, militaries, and global companies with the most stringent privacy and IT policies.

Exel is confident in our ability to meet all privacy and IT policy requirements set out by the Government of BC and this NRFP with the policies, procedures, and systems we currently utilize.

Current detailed privacy and IT policies will be shared with the Province during next phases of the NRFP.



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June 29, 2012

Ministry of Labour Citizens' Services and Open Government
c/o Reception Desk
2nd Floor, 563 Superior Street,
Victoria, British Columbia
V8V 1T7

Attention: Pella Agerup

Subject: Negotiated Request for Proposal for the Distribution of Liquor Project
Procurement No. SATP-301 including any amendments (the "NRFP")

The enclosed Proposal is submitted in response to the above-referenced NRFP. Through submission of this Proposal, we confirm that we have carefully examined the NRFP documents including the information relating to material disclosures and have a clear and comprehensive knowledge of the required services and agree to the evaluation and negotiation process as described in the NRFP and the NRFP process terms as described in the Declaration.

We represent and warrant that to the best of our knowledge all of the information contained in the Proposal is true and accurate.

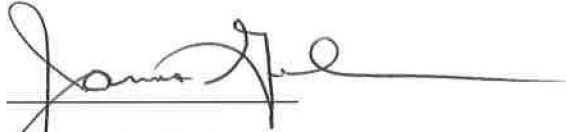
We acknowledge and agree that:

- (a) the NRFP process will be governed by the Declaration;
- (b) our pricing information is submitted in the form prescribed by the NRFP;
- (c) inaccurate, misleading or incomplete information, including withdrawn or altered pricing, could adversely impact the evaluation, ranking or contract award process under the NRFP;
- (d) engaging in any Conflict of Interest activity or breaching the confidentiality provisions of the Conflict of Interest Declaration may result in our disqualification from the NRFP process;
- (e) The Province make no representation, warranty or guarantee as to the accuracy of the information contained in the NRFP, the Service Bundles or any addenda;
- (f) We have read and understand all addenda issued by the Province prior to submitting this Proposal;
- (g) any information provided in this Proposal, even if it is identified as being supplied in confidence, may be disclosed where required by law or if required by order of a court or tribunal; and

(h) the Province may disclose, on a confidential basis, the information contained in this Proposal to the Province's advisers retained for the purpose of evaluating or participating in the evaluation of this Proposal.

We acknowledge that the enclosed Schedule "A" Conflict of Interest Declaration has been prepared in accordance with the prescribed instructions.

Yours truly,

A handwritten signature in black ink, appearing to read "Jim Gehr", written over a horizontal line.

Name: Jim Gehr

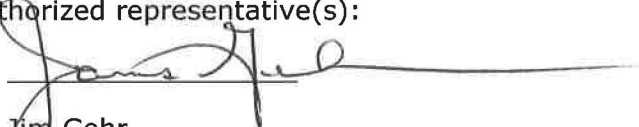
Executed under the seal shown below with the intent that such execution take effect as a deed.

CORPORATE PROPONENT:

Print name of Proponent: Exel Canada Ltd.

by its duly authorized representative(s):

Per:

A handwritten signature in black ink, appearing to read "Jim Gehr", written over a horizontal line.

Print Name: Jim Gehr

Title: President, Retail

Schedule "A"

CONFLICT OF INTEREST DECLARATION

"Conflict of Interest" means that, in relation to the NRFP process, the Proponent has an unfair advantage or engages in conduct, directly or indirectly, that may give it an unfair advantage, including but not limited to: (i) having or having access to information in the preparation of its Proposal that is confidential to the Province and not available to other Proponents; (ii) communicating with any person with a view to influencing preferred treatment in the NRFP process (including but not limited to the lobbying of decision makers involved in the NRFP process); and (iii) engaging in conduct that compromises or could be seen to compromise the integrity of the NRFP process or render that process non-competitive.

- 1.1** If the box below is left blank, the Proponent will be deemed to declare that: (1) there was no Conflict of Interest in preparing its Proposal; and (2) there is no foreseeable Conflict of Interest in performing the contractual obligations contemplated in the NRFP. Otherwise, if the statement below applies, check the box.

☐

The Proponent declares that there is an actual or potential Conflict of Interest relating to the preparation of its Proposal, and/or the Proponent foresees an actual or potential Conflict of Interest in performing the contractual obligations contemplated in the NRFP.

- 1.2** If the Proponent declares an actual or potential Conflict of Interest by marking the box above, the Proponent must set out below details of the actual or potential Conflict of Interest:
