



November 3, 2005

Board of Directors  
National Conference of State Fleet Administrators  
c/o Mr. Scott Madsen, President  
225 East 16<sup>th</sup> Avenue, Suite 800  
Denver, CO 80203

Dear Scott:

Following are our responses to the three questions regarding our proposed services to NCSFA posed in your email to me of November 2.

*Please verify that "full time consultant" signifies that Mr. Saltzgeber will leave any current employment and be working for Mercury "full time".*

Steve would retire from the State of Utah and become a full-time salaried employee of Mercury Associates, Inc. We anticipate that the majority of his time would be devoted to fulfilling the role of NCSFA Executive Director, but that he also would be available to work on some other client engagements (much the way Joe O'Neil used to serve as ED of both NCSFA and RMFMA).

Steve has intended to leave the State and become a consultant for some time. He became an independent contractor to Mercury six months or so ago – long before either of us contemplated Mercury offering to provide professional management and administrative support services to NCSFA.

*Please confirm that survey data and organization information that may be on Mercury computers is proprietary to NCSFA and will not be used by Mercury without written permission of NCSFA.*

Mercury Associates would not use any data or information obtained through its contractual relationship with NCSFA that is not in the public domain for any purpose other than to fulfill its obligations pursuant to such a contract without the prior written consent of NCSFA.

*The proposal says that Mercury wants to compete if NCSFA decides to bid out fleet training and certification programs. Please address in detail how Mercury envisions avoiding conflicts of interest in such situations when the Executive Director of NCSFA and a Mercury employee, will be a major player in IFB development then contract oversight for those services.*

If NCSFA wished to contract for the development of training and/or certification programs for its members, we would attempt to persuade the Board of Directors that Mercury has the requisite expertise to provide such services and that this need could best be met through an amendment to our contract to provide professional management services to the Association (or through a separate sole-source contract). After all, the rationale for us proposing to provide any services to NCSFA is that we believe we have an abundance of experience and skills within our firm that makes us particularly well qualified to assist the Association in meeting the needs of its members, whether this be through planning and conducting an annual conference, publishing a newsletter, developing and hosting a web site, conducting on-line surveys, or developing and administering a training or certification program.

Industry associations such as NAFA and APWA have outsourced some of the work of developing certification programs for the simple reason that their staff lacked either the time, the technical expertise, or both to undertake such an endeavor. NCSFA differs from these organizations in that it outsources virtually all staff work associated with managing and administering the organization. We believe that NCSFA would be better served by outsourcing this work to a firm like Mercury Associates that has a strong track record of work with state government and state higher education institution fleet management programs, than to a firm of professional management and administration generalists or a firm or individual with limited state government fleet management experience. If the Association concurs with this view and selects Mercury Associates to provide these services, we would hope that its first choice for contract assistance in developing new services for its members – such as a certification program – would be its chosen professional management and administrative support contractor.

If it were the Board of Directors' opinion, however, that it would be beneficial to purchase or outsource the development of a new tool or service from/to someone other than Mercury Associates, we would hope to at least be given the opportunity to submit a formal proposal to furnish it (assuming it were a product or service we felt we were qualified to provide). It goes without saying, however, that it ultimately would be the Board's decision, not ours, as to whether or not to permit Mercury to submit such a proposal – either on a sole-source basis or in competition with other potential service providers. If the Board felt that doing so would create a conflict of interest, it could simply prohibit us from submitting a proposal as a condition of the continuation of our professional management services contract. We cannot imagine a situation in which we would be willing to give up the larger contract in exchange for the mere opportunity to develop or sell some other product or service to NCSFA. If such a product or service truly were to be developed at the Association's expense, its commercial potential for Mercury Associates (or any other contractor the Association might engage, for that matter) presumably would be limited or nonexistent due to the simple fact that it would be proprietary to NCSFA.

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Needless to say, Mercury could not play the role of both client and contractor in the event that NCSFA expects the Executive Director to manage such an undertaking rather than to spearhead and actively participate in it. However, we can foresee no circumstance under which such a conflict of interest would arise. Under one scenario, the work would not be outsourced to Mercury, in which case the Mercury-employed Executive Director would oversee the work of the chosen service provider without handicap. Under the other, the work would be outsourced to Mercury and the Board of Directors would oversee it – just as the Board would need to provide oversight of all other contractual services Steve Saltzgiver and any other Mercury employees (e.g., our bookkeeper) furnish to NCSFA.

I hope this answers the selection committee's questions. Please do not hesitate to contact me if I can provide you with further information about or clarifications to our proposal. Thank you again for giving us the opportunity to offer our services to NCSFA. We look forward to hearing from you.

Very truly yours,

A handwritten signature in black ink that reads "Paul T. Lauria". The signature is written in a cursive, slightly slanted style.

Paul T. Lauria  
President

The logo for Mercury, featuring the word "MERCURY" in a bold, blue, sans-serif font. The letters are white with a blue gradient and a slight shadow effect, giving it a three-dimensional appearance.