

May 1, 2012 CLARIFICATIONS AND AMENDMENTS:

The Vendors' attention is drawn to Sections 1.7.1, 1.7.2 and 1.7.3. Read in conjunction, these sections should be understood as described below.

The proposal must contain a written response to all portions of the RFP and appendices. The response shall at least be "understood," which means that the Vendor agrees and takes no exception to that portion of the RFP. Even where the RFP "requires" that a particular task be accomplished, the Vendor may take a clearly described exception and, if possible, suggest an alternative. The NHSLC may waive mandatory requirements and accept alternatives deemed to be in the best interest of the NHSLC. The Vendor should make every effort to agree to the requirements of the RFP to the greatest extent possible in order for the Evaluation Committee to be able to compare similar proposals.

In the answers to the questions previously submitted and to the questions contained in this document, the Evaluation Committee has provided as much clarity as possible regarding the requirements of the RFP. The overarching desire of the NHSLC is for the Vendors to propose a system that will provide the highest possible efficiencies at the lowest possible cost.

Statutory interpretation for the executive branch is in the provenance of the attorney general. None of the following answers constitute an attorney general opinion.

Correction:

In Appendix H, on Page 78, there is an error in the monthly and total case shipments from Law Warehouses for FY11. Those numbers should read:

	<u>FY 11 Cases</u>		
	Concord	Law	Total
July	123,761	321,605	445,366
August	126,782	341,539	468,321
September	109,441	297,487	406,928
October	98,018	299,335	397,353
November	106,676	356,349	463,025
December	110,352	372,867	483,219
January	70,212	242,452	312,664
February	69,810	245,093	314,903
March	85,462	261,567	347,029
April	81,768	266,291	348,059
May	94,269	287,897	382,166
June	<u>119,272</u>	<u>344,709</u>	<u>463,981</u>
Total	1,195,823	3,637,191	4,833,014

In Appendix H on page 77, the total number of cases shipped from Concord should read 1,195,823. The total number of cases shipped from Nashua should read 3,637,191.

Correction:

In Appendix A, Section 2.3, and Appendix C, page 41, fourth paragraph, and Appendix H, page 77, the total number of trailer loads shipped from Nashua during FY11 should read 3,750.

Clarification:

The NHSLC has placed large files with statistical data on one of our servers to make as much statistical information available to you as possible. This data can be found at the following link:

<http://ice.liquor.nh.gov/warehouse/>

Clarification:

Page 18, Section 2.1: Please note that the inventory breakdown at the current contractor's facility is ~80% wine and 20% spirits by both number of SKUs and inventory.

Clarification:

Page 25, Section 3.0.8, last paragraph: This paragraph is amended to read as follows:

The NHSLC will require the Vendor to have the product loaded on a truck and ready for delivery to NHSLC stores within eight hours of receipt of the last received picking information for that truck. The standard transmission of NHSLC store orders begins at 7:35 PM and ends at 11:35 PM.

Orders must be processed for the next day's delivery except Friday and Saturday which will be delivered on Monday. Bidders should review current store delivery schedule included in RFP.

Question 1: Clearly define the meaning of 35,000 cases warehoused for the State, free of charge for 90 days.

- a. Is 35,000 cases "received in" for storage per year, or per month?
- b. If two warehouse locations – is this 35,000 each warehouse?

Answer: See NHSLC response from April 18, 2012, Question 19 (all NHSLC responses are posted on our website in the same location as the RFP). The 35,000 cases is the total number of cases regardless of how many locations a Vendor operates.

The NHSLC may wish to store at the Vendor's warehouse, product it has purchased for up to 90 days from receipt of goods to a maximum of 35,000 cases at any one time.

Question 2: Please provide data- by month - the following:

- c. outbound volume going out as bottles.
- d. # of orders broken down by – On Premise licensee, Off Premise Licensee and if applicable, to the State run warehouse.

Answer: Regarding outbound volume leaving the warehouse as bottles, please refer to the following data file:

http://ice.liquor.nh.gov/warehouse/cy11_bottle_pick.xls

Regarding order breakdown, this can be determined by reviewing the data that was published on Wednesday, April 18, 2012, Question 27. Follow the links in the answer chart to open these files. These files are very large and will take some time to open. The ship data has date, invoice and customer. Customer numbers ending in 00 are stores; 04, 46 and 47 are off-premise; all others are on-premise.

Question 3: What, if any, are the cross ownership restrictions for holding a Public Warehouse License/State Warehouse provider and another NHSLC License or Permit – more specifically:

- Liquor and wine vendor licensee,
- Liquor Representative Licensee,
- Beverage vendor licensee.

For example, is cross ownership between NH licensed companies limited to less than 10% ownership by the common stockholder?

Answer: In regard to the three licenses identified in the question, a representative may not hold any other license except a vendor license. RSA 178:10. A prospective licensee must file an application. RSA 178:1. The application must contain information required by statute and rule. In general, the NHSLC will closely examine any applicant for a license. RSA 178:3. In particular, RSA 178:3 provides:

V. The commission shall receive and evaluate sufficient information to identify and evaluate the qualifications of all persons with the de jure or de facto right to control the operations and policies of the proposed licensee. Among other things, license applications shall disclose fully and accurately:

- (a) The applicant's identity, the applicant's permanent residence address in the case of an individual, and the applicant's principal place of business.*
- (b) The names and addresses of any persons who own or have a right to control any interest in the proposed licensee.*
- (c) Any agency agreement or other contract between the applicant and third persons intended to affect the operation of the proposed business, and the identity of the third party involved.*
- (d) The name, location, physical layout, and nature of the proposed business.*
- (e) Any substantial business interests involving the manufacture, sale, or distribution of liquor or beverages held by any person identified pursuant to subparagraph V(b).*
- (f) All licenses issued to and all other license applications filed by the applicant, and by any person identified pursuant to subparagraph V(b), pursuant to this title during the previous 5 years.*

VI. No license shall be issued under this chapter to any person who has been convicted of a felony, or to any partnership, limited liability company or partnership, or corporation when a

partner, director, officer, member, or any other person with a controlling interest in the operation of the business has been convicted of a felony.

VII. The commission shall not issue a license under this chapter unless it is satisfied that:

(a) The application is complete in all respects.

(b) The applicant and any person listed pursuant to subparagraph V(b) are at least 21 years of age and of sufficiently good character to leave no substantial doubt that the proposed business shall be operated in strict accordance with all applicable state and federal alcoholic beverage control laws and rules.

(c) **The applicant has accurately disclosed its interests in other business activities, and there is no substantial likelihood that these interests would interfere with the operation of the proposed business in a lawful manner and in accordance with the provisions of this chapter. Any application may be denied if the proposed licensee, or a person with a substantial ownership interest in the applicant, has other business interests in this or any other state which the commission believes would create unreasonable opportunities for unfair competition or unlawful activities, or which would unduly hinder the commission in exercising its regulatory and financial responsibilities.**

(d) In the case of corporate, limited liability company or partnership, or partnership applicants controlled by persons who do not reside in the United States, the proposed business would not be managed in a manner which would unduly hinder the commission from exercising its regulatory and financial responsibilities. Inaccessibility of relevant records or unresponsiveness to nondiscriminatory commission inquiries which result from foreign control shall be grounds for revoking or suspending a license which has already been granted.

(e) The person or persons actually managing the proposed business on a day-to-day basis are of good character and are professionally qualified to perform such work in a manner which complies with the laws of this state and the rules of the commission.

(f) The proposed location of the business is an appropriate one, considering the nature of the business, the nature of the surrounding neighborhood, and the number of similar businesses in that neighborhood. (emphasis added)

In the RFP, Appendix A 3.4, page 39, the Vendor is required to submit a current warehouse license or a completed application.

Question 4: Ref Q/A #10 of 4.18.2012, stating the state is not charged for picking and loading of out bound orders.

e. How will the State be charged for the receiving of product?

f. Under existing contract with Law Warehouse, is the state charged for picking and loading of outbound orders?

Answer: The charges noted in Appendix D-1 for “Handling” and “Outbound Order Processing/Reporting” apply to state-owned product brought into and from the warehouse for delivery to state stores. The “Handling” charge covers inbound product and is charged at the time of inbound delivery to the warehouse. The Vendors should note that in Appendix D-1, the NHSLC shall not be charged for case or unitized picking or the unitized loading of outbound orders.

Yes. Under the contracts with Law Warehouses that end on April 30, 2012 and on October 31, 2013, the state is charged for outbound orders through the “Inbound Handling” and “Outbound Order Processing/Reporting” charges.

Question 5: Page 2, Section 1.0 Definitions: Please clarify what is meant by “otherwise unlawful unless evidenced by such document.”

Answer: The definition of license contained in section 1.0, page 2 is taken from RSA 175:1, XXXIX. The phrase “otherwise unlawful unless evidenced by such document,” is contained in the statute. Statutory interpretation for the executive branch is in the provenance of the attorney general. The following does not constitute an attorney general opinion.

An interpretation of the statute on its face leads to the conclusion that some of the products identified, liquor, wine, beverages (or tobacco), may be lawfully sold under some circumstances without a license. A possible example is the ability of an organized religious body to purchase sacramental wine “from any source.” RSA175:3. A license, therefore, allows the holder to sell these products when it would be unlawful to sell them without a license.

Question 6: Page 8, Section 1.5.4 Assignment Provision and Page 68, Section 27 Assignment Provision: Please explain in detail why NHSLC is requesting assignment of causes of action under antitrust laws and also if such an assignment to the state is required under state or federal law.

Answer: The attorney general’s office contains a consumer protection and antitrust bureau. RSA 21-M:9. Among other things, the bureau is authorized to bring civil and criminal actions in the name of the state to redress unfair or deceptive trade or business practices. Statutory interpretation for the executive branch is in the provenance of the attorney general. The following does not constitute an attorney general opinion. In this RFP, if the successful Vendor is a victim of an antitrust violation that effects the price of goods, the harm may well fall on customers or the NHSLC. The request for an assignment is in order to expedite an action brought by the attorney general. While the request for an assignment appears to be a sound idea, it is not a requirement of law.

Question 7: Page 10, Section 1.7.3: The RFP indicates that “picking orders received by 3:00 PM for shipment the following day” would be an innovation. That statement would indicate that the current order to shipment cycle time is longer than that, when in fact licensee orders received by 7:30 PM and liquor store orders received by midnight are picked and shipped the following day.

Answer: Orders must be processed for the next day’s delivery except Friday and Saturday which will be delivered on Monday. Bidders should review current store delivery schedule included in RFP.

Question 8: Page 10, Section 1.7.4 Financing: Please explain in detail the nature and terms of the “agreement” contemplated under this provision.

Answer: See answers to Questions 12 through 15.

Question 9: Page 15, Section 1.21: The second sentence appears to indicate that our landlord would be considered a subcontractor, would thus need to be listed, and thus subject to the approval of the NHSLC. Please clarify.

Answer: The second and third sentences are intended to narrow the scope of the NHSLC's approval of subcontractors. While the term subcontractor is not defined in the RFP, in the example cited in the question, it appears that the landlord is a prime or general contractor. Nevertheless, the RFP requires in a number of places that the proposal identify the warehouse. If the warehouse is leased, the lease, including the identity of the lessor must be provided.

Question 10: Page 41, Appendix C, How many of the 1,239,967 cases shipped were shipped from vendor stock and how many cases were shipped from SLC owned stock? In addition, please confirm that NH wineries do not receive free-bailment in the contractor's warehouse.

Answer: The NHSLC can not provide the number of cases of vendor stock vs. NHSLC stock. NH wineries store their product in the Concord warehouse at no charge; their product will not be stored in the contracted warehouse.

Question 11: Page 55, Appendix D-1, Storage Charges (SLC). Does the SLC intend to fix these rates at \$0.25 and \$4.50?

Answer: This RFP contains a large number of basic, functional requirements that must be met in some fashion. There is, however, an opportunity for the Vendor to propose a solution that reaches the same result but takes a different path. The NHSLC has identified the price that it seeks for the two items. The NHSLC would be happy if a Vendor proposed a lower price. The NHSLC may agree if a Vendor proposes a higher price but demonstrates savings elsewhere that balance against the higher price.

Question 12: Regarding Section 1.7.4 Financing, page 10, what variables does the NHSLC envision as potential methods of obtaining financing at the lowest possible cost?

Question 13: Regarding Section 1.7.4 Financing, page 10, does this mean the NHSLC will enter into an agreement with a Contractor to provide the financing?

Question 14: Regarding Section 1.7.4 Financing, page 10, in the case of leases or other long-term investments does this mean the NHSLC will pledge to accept an assignment of a lease or to purchase an asset at its book value if the contract terminates before its expiry date?

Question 15: Regarding Section 1.7.4 Financing, page 10, what does the NHSLC mean by "confined to the financing of the proposal"?

Answer: (Pertains to Questions 12 – 15) The NHSLC understands that in order to reach the cost efficiencies and warehouse automation that will drive down operating costs (for both the Vendor and the NHSLC) the successful Vendor may need to expend a large amount of money upfront in order to procure the facility and equipment that will help make this happen. We further understand that if a large amount of money is involved, some or most of this money may have to be borrowed. The NHSLC will not provide financing. We expect a bank will be looking for a long-term contract to support the lending of such an amount. We have asked the Vendors in the RFP to provide detailed financing solutions if the proposal will require financing. The financing solution may contain a menu of options which will lower the cost if the NHSLC agrees to a

particular or group of options. The NHSLC expects to be closely involved in the financing of a proposal if it is going to involve a commitment by the NHSLC. This involvement may result in a separate agreement that specifically focuses on the financing of the proposal.

Question 16: Regarding Section 1.10.1 Duration of Contract, page 11, is there flexibility to have a shorter term?

Answer: Yes, the term may be up to and including 20 years. The NHSLC requests a term that produces the greatest value for the state and its business partners including customers.

Question 17: Regarding Section 1.10.2 Exclusive Contract, page 11, if the NHSLC awards the contract to multiple Vendors the revenues generated will likely be significantly less than anticipated, and the operation may no longer be economically viable at the price point quoted. What process will the NHSLC follow to solicit new pricing from all proponents if they choose to award the contract to multiple Vendors?

Answer: The NHSLC fully expects that the greatest value will be produced by an exclusive contract with a single Vendor. If the multiple Vendor option presents a better solution, the NHSLC has the authority to request revised proposals at any time up to contract award. Section 4.7, page 36.

Question 18: Regarding Section 1.10.4 Rate Changes, page 11, Clause 5.2 of Exhibit C to Appendix E can be interpreted as inconsistent with this clause in the RFP. Please confirm that the rate change provision will be included in the contract, including the provision for termination.

Answer: Exhibit C, 5.2 will be amended to conform to sections 1.10.3 and 1.10.4.

Question 19: Regarding Section 1.10.4 Rate Changes, page 11, under this clause is it the intention of the NHSLC that the rate only changes every three years or can the rate change each year subject to agreement on the yearly rate changes made every three years?

Answer: The initial rate will be negotiated and will remain the same for the first 30 months of the contract. Note that the rate term is 30 months, not three years. Section 1.10.4 does not allow annual rate review. Rates will be negotiated three months from the end of each thirty month period and will remain constant.

Question 20: Regarding Section 1.10.4 Rate Changes, page 11, given the volatile economic conditions recently and resulting complexity and challenges associated with predicting costs, improvements and volumes across a three year period will the NHSLC consider an annual rate review schedule?

Answer: See answer to Question 19.

Question 21: Regarding Section 1.10.4 Rate Changes, page 11, recognizing that the pricing provided in this RFP will be more than one year in advance of start-up and therefore valid for a period of more than 4 years, will the successful proponent be given an opportunity to renegotiate the rates before 30 months after the contract commences?

Answer: See answer to Question 19.

Question 22: Regarding Section 1.10.4 Rate Changes, page 11, how does the NHSLC foresee managing changes in the volume, scope of services or operating parameters and their impact on costs and therefore rates? As an example, changes in the percentage of bottle pick will impact costs significantly. These factors may lower or raise the cost structure, or lower the total cost for the NHSLC but raise the cost to operate the warehouse.

Answer: Any impact on costs during a term will be resolved during the good faith negotiation at the end of each regularly scheduled 30 month term and will be reflected in the rates for the next term.

Question 23: Regarding Section 1.10.4 Rate Changes, page 11, there are items that can affect the costs of operating the warehouse that may be poorly correlated with CPI, e.g. taxes, interest rates, utility costs. Will the NHSLC accept rate increases above the rate of the CPI throughout the term of the agreement if the proponent is able to show that costs have risen greater than the CPI?

Answer: As set out in section 1.10.4, the NHSLC intends to use the CPI “as it relates to the warehousing activities of the Vendor....” The specific modification of the CPI will be the subject of negotiations with a selected Vendor. The Proposal should contain a detailed explanation of the Vendor’s desired modifications to the CPI, if any.

Question 24: Regarding Section 1.10.4 Rate Changes, page 11, recognizing that certain assets such as real estate, racking, systems development work, or start-up costs cannot be re-deployed, may take significant time to re-deploy, or may not be fully amortized, if the contract terminates before its expiration date what reasonable costs will the NHSLC reimburse to the Vendor?

Answer: See answers to Questions 12 through 15.

Question 25: Regarding Section 1.11 Monthly Billing Summary, page 11, please provide a rough example of this report.

Answer: The requirement is to provide the NHSLC with a recap of all billings to Suppliers and Brokers each month. All detail provided to warehouse users must be provided to the Commission.

Question 26: Regarding Section 1.19 Form of Contract, page 14, please confirm that in the case of warehouse service charges charged to Suppliers, the Supplier pays the Vendor directly and that the Supplier does not pay the NHSLC and the NHSLC in turn pays the Vendor?

Answer: The Supplier pays the Vendor directly for service charges charged to the Supplier.

Question 27: Regarding Section 1.19 Form of Contract, page 14, is it the NHSLC or the Vendor that contracts the Suppliers? Assuming it is the NHSLC, please provide the terms and conditions of the contract. In addition, what support can the Vendor expect from the NHSLC in dealing with Supplier’s non-compliance with the agreement between Vendor and the NHSLC in the case the NHSLC contracts directly with the Supplier? In addition, again assuming the NHSLC

executes the contracts with the Suppliers; what indemnification will the NHSLC provide to the Vendor?

Answer: The RFP is designed to result in a contract between the Vendor and the NHSLC. The effect of this contract is defined by rule 401.02 which is set out below. Note that for the purposes of answering this question, in the rule, the term “vendor” should be read as supplier. In the rule, the RFP Vendor is the bailment warehouse. The NHSLC does not contract directly with suppliers.

Liq 401.02 Bailment Warehouse Fees.

(a) Bailment warehouse fees shall be paid by vendors unless exempted by statute or rule. Vendor fees for bailment warehouse services shall be specified by contract between the NHSLC and the bailment warehouse(s).

(b) Contracted fees shall be charged to all vendors equally by the bailment warehouse(s).

(c) The NHSLC shall charge the same fees as contracted in (b) above at NHSLC owned warehouses except that no fee shall be charged on liquor and wine products manufactured in NH by any vendor who:

(1) Is licensed as a liquor manufacturer pursuant to RSA178:6, a rectifier pursuant to RSA178:7, or a wine manufacturer pursuant to RSA178:8;

(2) Maintains a federally bonded liquor warehouse in the state; and

(3) Maintains an inventory equal to 30 days average sales for each brand code registered with the commission.

(d) The NHSLC shall make available to vendors the contracted fees charged by bailment warehouses.

Question 28: Regarding Section 1.19 Form of Contract, page 14, what is meant by the invoice term “Net Due, Finance Charges apply at an annual rate of 18% for uncollected funds at the end of each calendar month”? Could you provide an example of once an invoice is issued when we would be entitled to the Finance Charge?

Answer: There is no reference to the 18% in Section 1.19 Form of Contract on page 14. There is a reference to 18% in Appendix D, page 53 under Invoice Terms. Payment for services is due 30 days after the invoice date at which point interest charges would be levied at the end of each calendar month.

Question 29: Regarding Section 1.19 Form of Contract, page 14, what is the history of Supplier’s defaulting on their obligations to the Contractor? Please provide any details as to the level of bad debt being incurred?

Answer: In the past ten years, there has only been one incident and that was insignificant.

Question 30: Regarding Section 1.19 Form of Contract, page 14, if during the term of the contract the Government of New Hampshire chooses to privatize all or part of the NHSLC's current scope of services, what would happen to the Contractor's contract with the NHSLC?

Answer: See answer to Question 17 from the April 18, 2012 clarifications and amendments. This question calls for speculation. The answer to this question would depend upon the scope and terms of privatization and the terms of the contract. Even if this information was known, the answer would require the participation of the Office of the Attorney General.

Question 31: Regarding Section 1.19 Form of Contract, page 14, is the NHSLC open to developing a dispute resolution process?

Answer: There are dispute resolution provisions in the RFP for specific purposes. See pages 16 and 66. The NHSLC does not want to use a dispute resolution process to negotiate the warehouse contract. If contract negotiations reach impasse, the NHSLC has the authority to negotiate with a different Vendor. Section 4.6.1, page 35.

Question 32: Regarding Section 3.0.15 Insurance, Bond and Registration, page 28, in order to facilitate comparison between proposals, please provide the value of Product owned by the NHSLC that all Vendors must use when determining the cost of the all risks insurance coverage. Also, please provide the value of Supplier product that all vendors must use in the pricing.

Answer: The approximate value of state-owned product at our contracted warehouse is \$1.7 million at the end of March 2012. The approximate value of supplier-owned product at our contracted warehouse is \$58 million.

Question 33: Regarding Section 3.0.15 Insurance, Bond and Registration, page 28, the NHSLC is asking for all risks insurance for its Products, and in addition the NHSLC is asking for fire and extended coverage. What are the scenarios that the NHSLC envisions needing fire and extended coverage insurance when all risks insurance is in place?

Answer: The NHSLC requires the maximum coverage from all perils to its product. It wants to be clear that the insurance required is not for the structure which is not owned by the NHSLC; rather it is for the Product. An "all risks" insurance policy does not necessarily cover all risks. If the Vendor has an alternative solution, propose it.

Question 34: Regarding Section 3.0.15 Insurance, Bond and Registration, page 28, what are the Supplier's' expectations relative to recovery for loss or damage to inventory while in the warehouse / Contractor's care custody and control? Will the vendors submit claims to the NHSLC or to the Contractor directly? Will the Suppliers agree to the terms and conditions regarding loss or damage to product that are in the agreement between Vendor and the NHSLC?

Answer: Appendix D, page 53 requires the Vendor to provide coverage for product in its custody. In addition a statute provides:

348:4 Insurance. – Such warehouseman shall, upon request in writing by a party placing property with him for storage, cause such property to be insured for whom it may concern.

A Supplier will make a claim to the Vendor, not to the NHSLC. The Suppliers may have their own insurance policies covering their product in the control of the Vendor. The NHSLC cannot predict what agreements the Suppliers will accept.

Question 35: Regarding Appendix C, VII, 8, page 45, will the NHSLC accept a certificate of insurance instead of a copy of the insurance policy?

Answer: Yes, the NHSLC will accept a certificate of insurance with the proposal. Appendix C, VII, 8, page 45 is a requirement that is triggered after the successful Vendor negotiates a contract.

Question 36: Regarding Appendix C, VII, 8, page 45, will the NHSLC accept 30 days notice of cancellation, suspension or surrender of the insurance policy?

Answer: The RFP requires 60 days notice. The Vendor may propose an alternative and explain how the alternative will create an advantage for the NHSLC.

Question 37: Regarding Appendix C, VII, 9b, page 46, should this sentence be broken into two sentences? For example, “The transportation contractor is responsible for damaged merchandise received by a store at the time of delivery. In addition, the transportation carrier is responsible for shortages from trailers arriving at stores with broken trailer seals”? As a single sentence it could be interpreted that the transport contractor is responsible for damaged merchandise received by a store at the time of delivery only if the trailer seals are broken.

Answer: Appendix C, VII, 9b, page 46 is amended to make clear that the transportation contractor is responsible for damaged merchandise received by a store at the time of delivery. The transportation contractor is also responsible for shortages from trailers arriving at stores with broken trailer seals.

Question 38: Regarding Appendix C, VII, 10d, page 46, what is the definition of other problems caused by the Warehouse contractor?

Answer: The term “other problems” is not defined. An example of another problem outside of picking or loading is a delivery missed because the wheels of the trailer are damaged by the Vendor or the dock approach is blocked by a condition within the control of the Vendor.

Question 39: Regarding Appendix C, VII, 10d, page 46, what is the definition of missing a delivery?

Answer: This question applies to transportation services and is not a part of this RFP. The contracted warehouse must have the loads ready for pickup per the developed schedule.

Question 40: Regarding Appendix C, VII, 10d, page 46, should the phrase “Three (3) scheduled deliveries within a span of a three-month period” be modified so that a single event does not trigger the liquidated damages? As an example, a system failure in the morning could lead to multiple be late deliveries throughout the day and therefore trigger multiple charges of liquidated damages.

Answer: System failures that are not controlled by the Warehouse Vendor will not trigger this provision. The NHSLC will determine on a case by case basis whether a situation should be treated as a single event or multiple events.

Question 41: Regarding Appendix C, VII, 10, page 46, would the NHSLC consider a more broad method for measuring service levels and a different approach to incentivizing attainment of these service levels?

Answer: Yes, if a selected Vendor makes an alternative proposal, it will be discussed in the negotiation phase. However, accountability must be maintained.

Question 42: Regarding Appendix C, VII, 13, page 46, what is the NHSLC's definition of a Force Majeure event?

Answer: A *Force Majeure* event is an event beyond the reasonable control of the Vendor, for example, an earthquake.

Question 43: Regarding Appendix C, VII, 13, page 46, what is the rationale for accessing the Contractor's insurance for an event outside of its control?

Answer: The *Force Majeure* insurance provision applies if the Vendor has coverage for the particular event. If such coverage exists for an event that has impacted the NHSLC, it would be imprudent to forego pursuing a claim to the extent of the coverage.

Question 44: Regarding Appendix C, XIV, page 48, this clause appears to contradict clause Appendix C, VII, 9b. Which clause should be considered correct?

Answer: The two provisions are consistent. In the baldest terms, Appendix C, XIV, page 48 refers to the NHSLC's ability to terminate the agreement for a material breach. Appendix C, VII, 9, both a and b, page 46, delineate liability for shortages between the Warehouse Vendor and the Transportation Vendor. If the Warehouse Vendor breaches its responsibility for shortages to the extent that it becomes a material breach, then the NHSLC may pursue termination.

Question 45: Regarding Appendix D, page 51, what is the definition of "Code" where the handling is charged upon receipt of goods and calculated on a "per code per receipt" basis?

Answer: The term "code" is the same as a SKU.

Question 46: Regarding Appendix D, page 51, please provide the definition of Blankets?

Answer: Blankets are occasionally used by suppliers to protect loads (usually wine) during the winter. Some are disposable and some must be returned. Most suppliers use a service to retrieve the blankets and return them to the suppliers at no cost to the warehouse.

Question 47: Regarding Appendix D, page 51, in order to facilitate comparisons between proposals, please provide the following figures that all Vendors must use (and that the NHSLC will utilize in costing the various proposals). These will need to be provided for both Nashua and Concord.

- Percentage of inbound receipts for each code category
- Percentage of storage for each aging category for cases, allocated inventory, unsaleable cases, pallets, and unsaleable pallets

- Percentage of outbound order processing / reporting for each bottle category

Answer: Please refer to the month end inventory data (which contains the original receipt date for each item) that can be found at:

<http://ice.liquor.nh.gov/warehouse/>

Question 48: Regarding Appendix E, page 58, some of our objections and proposed additions to the draft contract set forth as Appendix E have financial implications. Should this financial impact information and associated assumptions be included separate and apart from our pricing worksheets?

Answer: The Vendor must either accept the terms in Appendix E as modified by Exhibit C or identify terms it desires to negotiate including describing the alternative terms. Section 1.19, pages 14-15. The assumptions that are the basis of the effort to change the terms should be identified in the proposal and need not be separated into the pricing worksheet. A close examination of Exhibit C will reveal that the NHSLC has already modified the standard state contract terms to encourage Vendors to submit Proposals. Appendix D allows a Vendor to submit alternate proposals in addition to the required pricing worksheets. Page 50. In fact, the Vendors are encouraged to submit alternate proposals. The financial impact information must be provided separately. The Vendor may object to a term but include and break out the cost in its primary Proposal. It may then provide an alternate pricing worksheet setting a lower price if the NHSLC will agree to the Vendor's alternate term.

Question 49: Are there common SKUs in Concord, and Nashua? If so, how many SKUs are common to both?

Answer: Yes, but the only common SKUs are those SKUs that are part of the sub-pack program at the contracted warehouse in Nashua. The Concord warehouse provides feeders to this program as necessary. There are approximately 400 SKUs common to both warehouses.

Question 50: For a Product, are separate SKU numbers utilized for each unit of measure (bottle, case and pallets)?

Answer: No, the same SKU is used for each unit of measure.

Question 51: Please provide these data files:

- Item Master File. For each Product please include the SKU number, shipping unit quantity and the unit of measure (bottle, case or pallet), shipping case dimensions for each Product in the warehouse, and pallet stackability (e.g., certain SKUs can only be stacked 2 high in bulk locations)
 - If the file is not available please provide:
 - Weighted average cube per case (cubic feet per case) or item dimensions
 - Those SKUs with restrictions on the number of pallets that can be stacked, and for that SKU how many pallets can be stacked

- For both an average and peak month the please provide the customer/store order files. For each order please include the date, the customer type (state stores, licensee pick up, licensee delivery), for each line on the order the SKU, and quantity.
 - If the files are not available please provide:
 - Volumes for each store location
 - Volume of pallet picks, case picks, and unit picks
 - By customer type (state stores, licensee pick up, licensee delivery) please provide the annual volume shipped, orders shipped, order lines, and units per order line.
 - Current outbound cases per pallet
 - For Unit (single bottle) Picking:
 - Is bottle pick occurring at the Concord site? If so, please provide a breakdown by location?
 - Are the 3,400 SKUs identified as bottle pick included in the total SKU count of 13,700 at Nashua or are they in addition to them?
 - Are 967,285 bottle picks included in the annual case volumes provided or are they in addition to them?

Answer: All available data is available at:

http://ice.liquor.nh.gov/warehouse/cy11_bottle_pick.xls

Question 52: Regarding item and volume clarifications, the RFP provides two different volume totals for 2011. Please indicate which is correct for analysis:

- P77 shows 4,890,479 cases for both DCs
- P78 shows 3,298,235 cases for both DCs

Answer: See the first **CORRECTION** at the beginning of this list of questions and answers.

Question 53: Regarding delivery clarifications, are any shipments performed on side-loader trucks? Are there any shipments that must be hand loaded for delivery? If so, what is the volume?

Answer: All deliveries to warehouses are palletized. There are no side loaders. Deliveries to stores are palletized. Deliveries to large volume licensees like supermarkets are palletized. Smaller licensees, or their transportation agents, pick up product at the contracted warehouse in various types of vehicles (vans, pick up trucks, panel trucks, etc.). These are hand loaded.

Question 54: The RFP states that 29 stores receive loads on pallets. How are the remaining stores receiving loads i.e. are cartons floor loaded onto outbound trucks?

Answer: Those stores are hand unloaded from pallets utilizing rollers, therefore the warehouse contractor loads the trucks using pallets.

Question 55: Regarding inbound activity (Concord and Nashua DCs activity combined), Are inbound palletized loads all single SKU pallets? If not, can provide the percentage of mixed SKU pallets?

Answer: No, a pallet can contain multiple codes or SKUs. The percentage varies by supplier.

Question 56: What is the breakdown for inbound volume: % slip sheet vs. % pallet?

Answer: The Concord warehouse receives about 70% on pallets and 30% on slip-sheets.

The Nashua warehouse receives about one-third of its incoming shipments on pallets, over half arrive on slipsheets or require clamp truck attachments and the remainder require hand unloading.

Question 57: What is the breakdown for inbound loads: % FTL vs. LTL vs. Rail vs. Ocean Container?

Answer: The Concord warehouse has no rail loads. Less than 5% are ocean containers. The balance is trailered. The Nashua warehouse has no rail loads.

Question 58: What percentage of inbound loads are on ASNs vs. POs?

Answer: 95% are ASN.

Question 59: What is the breakdown on inbound cases arriving with the appropriate New Hampshire labels affixed to each case, i.e. what is the percentage of cases requiring labeling or relabeling?

Answer: Less than 2% need labeling or re-labeling at the Concord warehouse.

Question 60: Regarding returns, what is the volume/activity of product returns to be handled?

Answer: Licensees return product on an irregular basis because they have not ordered the correct product. Both warehouses deal with about 15 per week as an average.

Question 61: Regarding returns, does the supplier provide quality checking of returns and damaged product?

Answer: Regarding misorders in the preceding question, there is no need to do a quality check. If product arrives damaged at one of our retail stores, it is affidavit by store personnel and returned to the broker. If a licensee receives damaged product, the licensee gets permission to return the product to the warehouse. The product is put back in the supplier's account and a credit is issued to the licensee for that product. If a truck is correctly loaded at the warehouse, and the transportation vendor accepts the load, and it subsequently arrives damaged at a retail store or licensee, the transportation vendor is liable for the damage.

Question 62: Regarding Section 1.1 Purpose, page 3, under either scenario is it a correct assumption that the NHSLC will be responsible for all costs generated in cross-docking Products from the Concord site to the Vendor's site, and that these should not be built into the pricing worksheets?

Answer: The NHSLC absorbs all handling charges at our end when we ship product to Nashua that will be delivered to our stores. There is no transportation charge for moving this product from Concord to Nashua and no handling or transportation costs for moving this product from Nashua to Concord. The NHSLC is charged only the outbound order processing/reporting fees for the product when it is delivered to a store.

Question 63: Regarding Section 1.1 Purpose, page 3, under either scenario is it a correct assumption that the costs to warehouse any of the Products the state chooses to keep in the Concord warehouse should not be factored into our pricing worksheets?

Answer: Yes. Costs for products stored in the Concord warehouse should not be factored into Vendor pricing worksheets.

Question 64: Regarding Section 1.1 Purpose, page 3, under the one warehouse scenario please provide by customer type (state stores, licensee pick up, licensee delivery) the annual volume shipped, orders shipped, order lines, and units per order line assumptions for Products that the NHSLC wishes all Vendors to assume will be handled by the Concord warehouse and therefore not to be included in the costs built into the pricing worksheets.

Answer: See first **Clarification** at beginning of questions and answers above.

Question 65: Regarding Section 3.0.4 Warehouse General Requirements, page 20, what types of products will be stored in the temperature-controlled area?

Answer: The NHSLC anticipates that expensive wines would be stored there.

Question 66: Regarding Section 3.0.4 Warehouse General Requirements, page 20, what is the expected volume of the temperature-controlled products at the start of the contract term and what type of growth rate is forecast?

Answer: The NHSLC has seen an active interest by suppliers in having a temperature-controlled area. It is unclear at this time what the volume will be. It is also difficult to predict how receptive suppliers will be to using this space until they see the storage costs. The Vendor should propose an initial area, the cost of that area, and the increase in cost that will result from an increase in area over the first 30 months of the contract.

Question 67: Regarding Section 3.0.4 Warehouse General Requirements, page 20, does the NHSLC envision storing any Products it owns in the temperature-controlled area and is there a regulatory requirement to keep it segregated from bailment inventory?

Answer: The NHSLC may store certain product in this area. If the state-owned product is subject to bailment fees, it will be the responsibility of the Vendor to keep track of bailment costs. There is a requirement that the warehouse keep track of state-owned product. See answer to Question 102.

Question 68: Regarding Section 3.0.4 Warehouse General Requirements, page 20, is there a requirement for the inbound carrier to protect loads from temperature damages including damage to loads that occurs because the trailer cannot be unloaded before temperature damage occurs?

Answer: The warehouse Vendor has discretion whether or not to accept inbound product. It is anticipated that the inbound delivery will occur on a cooperative schedule developed by the

warehouse Vendor and the Shipper. Once Warehouse personnel sign for a delivery they are responsible for protecting the goods from temperature extremes. Frozen loads should either be refused or conditionally accepted.

Question 69: Regarding Section 3.0.4 Warehouse General Requirements, page 20, does the requirement to unload incoming road traffic typically within two hours pertain to sea containers, or floor loaded trailers?

Answer: Incoming loads may arrive via slip sheets or on pallets.

Question 70: Regarding Section 3.0.4 Warehouse General Requirements, page 20, is there a specific requirement for inbound and outbound pallets? If so, what are the requirements?

Answer: The NHSLC requires the standard grocery type pallet – 40”x48”.

Question 71: Regarding Section 3.0.4 Warehouse General Requirements, page 20, will the Vendor be responsible to for managing and / or returning pallets to suppliers? If so, what have been the quantities of pallets returned to suppliers?

Answer: Yes, the supplier and the vendor must work out an agreement for returning pallets. The Concord warehouse returns pallets for two suppliers – White Rock and MS Walker. Approximately 125 pallets are returned to these two suppliers each week. The Concord warehouse will load White Rock pallets on White Rock trucks, and our transportation vendor transports the MS Walker pallets to MS Walker’s facility in Massachusetts.

Question 72: Regarding Section 3.0.4 Warehouse General Requirements, page 20, who is responsible to provide the outbound pallets? Will pallets be returning from stores and licensees?

Answer: There is a surplus of inbound pallets such that there is always an adequate supply of pallets for outbound product. Yes, pallets are returned from our stores and licensees.

Question 73: Regarding Section 3.0.4 Warehouse General Requirements, page 20, will dunnage be returning from stores and licensees?

Answer: No, only pallets.

Question 74: Regarding Section 3.0.4 Warehouse General Requirements, page 20, what is the maximum height for pallets coming from Suppliers?

Answer: Most are less than 68” without the pallet. The standard pallet is between 4 and 6 inches high.

Question 75: Regarding Section 3.0.4 Warehouse General Requirements, page 20, is there a maximum height for pallets going to stores and licensees? If so, what is this height?

Answer: The maximum is six (6) feet.

Question 76: Regarding Section 3.0.6 Floor Capacity and Storage Strategy, page 22, are there specific requirements for the customs bonded warehousing area, and if so what are those requirements?

Answer: No, at the present time there are no specific requirements for customs bonded warehousing.

Question 77: Regarding Section 3.0.12 Warehouse Charges and Rates, page 26 what are the environmental restrictions associated with the destruction of unsaleable Product?

Answer: Currently, damaged or otherwise unusable product is destroyed in the City of Nashua's landfill without any environmental restrictions.

Question 78: Regarding Section 3.0.12 Warehouse Charges and Rates, page 26 how is FIFO determined? Is it by Purchase Order or by Lot Code? Please note that Suppliers often place multiple lots on a pallet?

Answer: Receipt numbers are generated as product arrives at the Concord warehouse. These numbers are then used to determine FIFO.

Question 79: Regarding Section 3.0.7 Floor Movement Capacity, page 23 there is reference to equipment to handle slip-sheets and barrels. What is the definition of a barrel? What Product is packaged in barrels? What is the volume of these Products and do they have any special handling requirements?

Answer: The NHSLC does not receive any product in barrels. All products are received in cardboard or wood cartons. The section is amended to delete the reference to barrels.

Question 80: Regarding Section 3.0.10, Computer Linkage with the NHSLC, page 25, how are new SKU's entered into the warehousing system? Is this an automatic upload from the NHSLC or does the warehouse contractor need to play a role? If the Vendor needs to play a role what is the role?

Answer: The NHSLC staff assign a code number and enter the number into our software system. The Vendor does not have a role in entering new SKUs.

Question 81: Regarding Section 3.0.10, Computer Linkage with the NHSLC, page 25, how many new SKU's are created on average in a month?

Answer: Approximately 50 new SKUs are created each month.

Question 82: What is the volume of emergency or special orders?

Answer: The NHSLC staff handle special orders from our stores. They average about two per month. If a licensee needs an emergency shipment prior to their next regular shipment, the NHSLC will give special permission for the broker to pick up the order from the warehouse and deliver it to the licensee. We handle about 3-4 emergency orders per month in Concord. Nashua handles more per month.

Question 83: What is the NHSLC's expectation for auditing outbound loads?

Answer: It is the responsibility of the transportation vendor to confirm what product has been loaded on his truck and the condition of that product. Once the product is accepted by the transportation vendor, the transportation vendor is responsible for this load until it is delivered and accepted by store personnel. In each case, a bill of lading would be used as a receipt of shipment.

Question 84: Please describe the NHSLC's operations clock, e.g. when do orders initially begin to become visible in the system, when does the order desk close, i.e. no new orders are permitted, when are the orders built into routes, when are the orders available to be organized into batches for picking, and when must the orders arrive at the store or licensee.

Answer: Restocking of retail stores occurs automatically via the POS software system. The POS system sends a file with restocking information after the store closes for the day. This typically occurs between 7:30 PM and 11:35 PM. Those orders are transmitted to the warehouses for picking the next day. This product is then delivered to each retail store according to the next scheduled delivery day (which could be as soon as the same day they are picked). Licensee orders are picked the day after the order is placed, and this product is transported by the licensee's transportation carrier according to a mutually agreed schedule between the carrier and the licensee.

Question 85: Are the New Hampshire labels required for reasons other than warehousing, i.e. is there any reason that the proposed solution could not use the use industry standard SCC barcodes?

Answer: The National Alcohol Beverage Control Association (NABCA) has established a specific format for labels for incoming product shipped by suppliers. The NABCA label includes the SCC code. These codes are affixed by the suppliers. These codes do not contain the specific information that the NHSLC uses for its codes. The vendor is free to use whatever relevant information is included on the portion of the label containing the SCC code. However, the vendor must use the portion of the label which includes the NH code.

To carry this discussion to include outbound shipments, a separate label is printed in the warehouse to identify where that case will be shipped. (An entire pallet of the same product going to the same destination can be shipped with one label on the pallet.)

Question 86: Do Suppliers co-mingle inbound bailment products with inbound NHSLC -owned Products? If so, how are the different Products identified? Are there different receiving requirements for processing both?

Answer: Product is typically co-mingled by suppliers, and the product is delivered to both warehouses (based on where the product is normally warehoused) at the supplier's expense. The supplier loads the truck in such a way as to minimize offload handling at each warehouse.

Question 87: On page 33 there is reference to accepting inbound deliveries until 8 PM, and on page 49 the window for inbound shipments is until 9:30 PM. Which is correct?

Answer: With our current warehouse contractor, the first standard appointment is 6:00 AM and the last standard appointment begins at 9:30 PM. They do, however, open up as early as 4:00 AM and stay open as late as 11:30 PM to receive product during periods of heavy inbound volume. It is expected that the warehouse Vendor will provide ample time for receiving inbound shipments so as to adequately and appropriately serve our business partners given operational requirements.

Question 88: What are the requirements for securing outbound pallets/cases, e.g. must they be stretch wrapped? Do the requirements vary in any way?

Answer: The NHSLC warehouse stretch wraps all outbound pallets. We expect the Vendor to propose whatever measures are necessary to secure the pallet. The Vendor may propose one method if it is sufficient to handle all pallets.

Question 89: In the Feb 15 meeting minutes it's noted that the Commission has conducted an extensive review of the previous short-term contracting practice. Can the commission disclose any more specifics regarding the review?

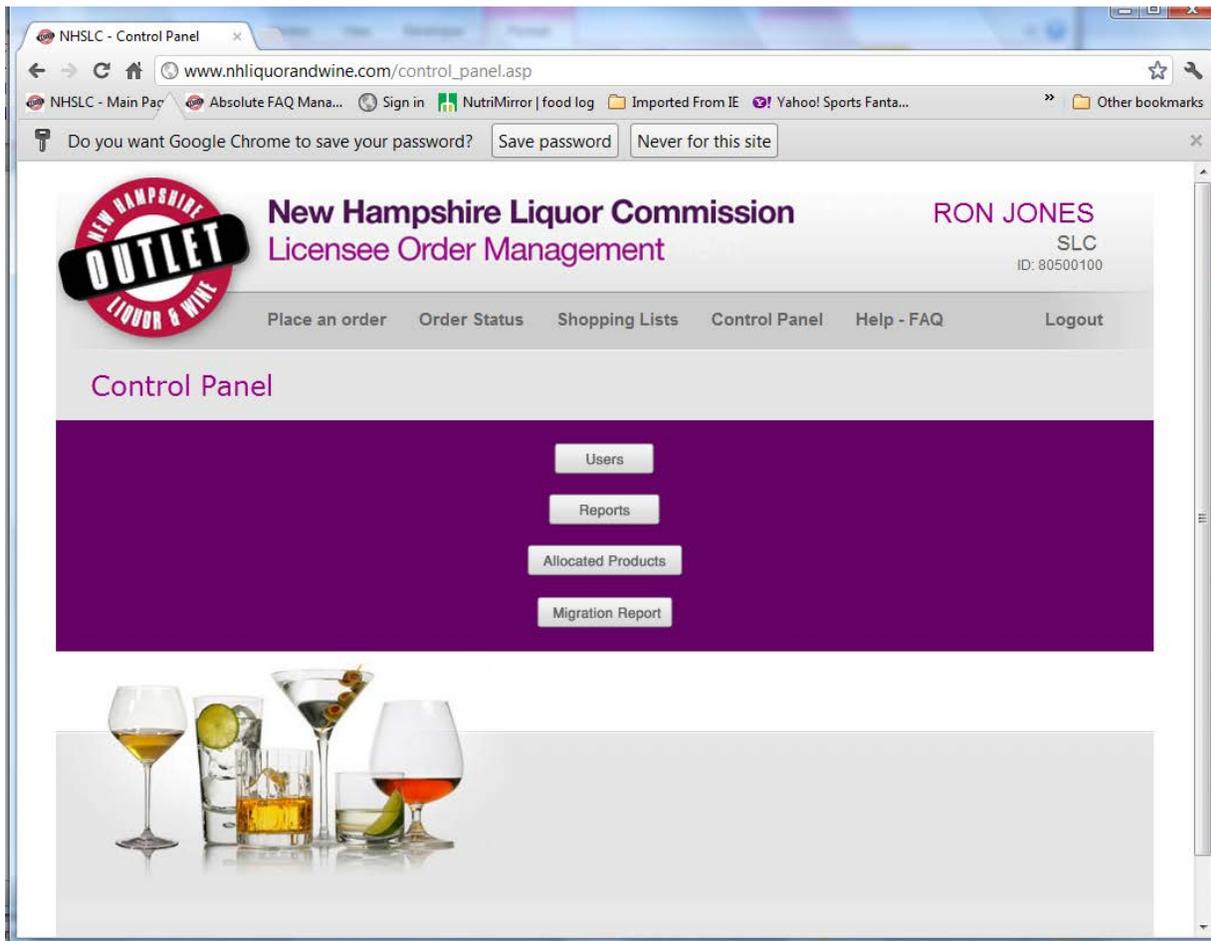
Answer: The NHSLC issued a short-term RFP. The response was underwhelming. The resulting contract contains a significant increase in costs. The reasonable conclusion was that a long-term RFP would bring more competition, increased service and lower costs.

Question 90: What is the NHSLC's definition of automation? Can the NHSLC provide any reports utilized or further information gathered in confirming the savings potential that could be realized through a modern automated system?

Answer: See answer to Question 126. The NHSLC is looking for levels of automation typically used by warehousing operations used by national distribution/logistics companies.

Question 91: Will the NHSLC grant potential Vendors the opportunity to view the ordering system(s)? At minimum can screen shots be provided?

Answer: Answer: A screen shot of the Control Panel page, the Place an Order page, and the Order Status page of the licensee ordering system are included below:



NHSLC - Order Page
 www.nhliquorandwine.com/order.asp

NHSLC - Main Page Absolute FAQ Mana... Sign in NutriMirror | food log Imported From IE Yahoo! Sports Fanta... Other bookmarks

Do you want Google Chrome to save your password? Save password Never for this site



New Hampshire Liquor Commission
 Licensee Order Management

Ron Jones
 Test Restaurant
 ID: 99999903

Place an order Order Status Shopping Lists Control Panel Help - FAQ Logout

Place an Order

• Credit: NHSLC \$0.00
 • Shipping Date: 05/01/2012 Select
 • Trucker: LAW MOTOR FREIGHT

• Product Look Up: Select the category
 • General Look Up: Search Reset
 • Shopping Lists: Select a Shopping List
 • Order Name: TEST RESTAURANT - 4/30/2012 Speed Order

Add	Code	Description	Pack / Price	Qty	Status				
Add to Shopping Cart Print HELP: How to place an order									
<<< My Shopping Cart >>>									
Line	Code	Description	Pack	Del	Chg	Qty	Price	Subtotal	Stock
10	4862	10 Cane Rum 750mL Alc:8	C 6u.	🗑️	📄	1	134.95	134.95	🔴🔴🔴

New Hampshire Liquor Commission Licensee Order Management

Ron Jones
Test Restaurant
ID: 99999903

Place an order Order Status Shopping Lists Control Panel Help - FAQ Logout

Order Status

Filter: Show All Orders From: 4/16/2012 To: 4/30/2012 Filter by Dates

Order Status	Confirm. W. Order Number	Brok. Ref. Number	Order Date	Expected Ship Date	Customer	Contact Order Name
UNFINISHED	-	-	4/30/2012 10:25:11 AM	5/1/2012	99999903	mikeg TEST RESTAURANT - 4/30/20
ON HOLD	-715332 -1A18E		4/30/2012 10:08:51 AM	5/1/2012	99999903	mikeg TEST RESTAURANT 4302012
ON HOLD	-714710 -1A126		4/25/2012 2:58:08 PM	4/26/2012	99999903	Karyltest TEST RESTAURANT 4252012
ON HOLD	-714241 -1A0XA		4/23/2012 6:58:09 PM	4/24/2012	99999903	eduardo TEST RESTAURANT 4232012
ON HOLD	-714701 -1A11X		4/23/2012 1:27:06 PM	4/26/2012	99999903	mikeg TEST RESTAURANT 4252012
PENDING	-	-1A0R8	4/21/2012 1:35:13 AM	4/23/2012	99999903	eduardo
ON HOLD	-713884 -1A0RA		4/21/2012 1:32:30 AM	4/23/2012	99999903	eduardo TEST RESTAURANT 4212012
ORDER WRITTEN Do Not Resubmit	-	-1A0R9	4/21/2012 1:05:31 AM	4/23/2012	99999903	eduardo
ON HOLD	-713882 -1A0R8		4/21/2012 1:05:02 AM	4/23/2012	99999903	eduardo TEST RESTAURANT 4212012
PENDING	-	-1A0R7	4/21/2012 12:53:00 AM	4/23/2012	99999903	eduardo
ON HOLD	-713885 -1A0R6		4/21/2012 12:17:16 AM	4/23/2012	99999903	eduardo
ON HOLD	-713881 -1A0R5		4/20/2012 11:54:24 PM	4/23/2012	99999903	eduardo
ON HOLD	-713848 -1A0R3		4/18/2012 3:14:20 PM	4/23/2012	99999903	michelle TEST RESTAURANT 4202012
ON HOLD	-713378 -1A0NA		4/18/2012 12:42:25 PM	4/19/2012	99999903	mikeg TEST RESTAURANT 4182012
ON HOLD	-713367 -1A0N0		4/18/2012 11:27:42 AM	4/19/2012	99999903	eduardo TEST RESTAURANT 4182012

Question 92: Will the NHSLC publish the 2011 short-term warehousing RFP responses?

Answer: A request may be made pursuant to RSA 91-A, the right-to-know law. The short term RFP contained the equivalent of section 1.14, page 12-13. The right-to-know law contains exemptions for, among other things, confidential, commercial or financial information.

Question 93: From a regulatory perspective can bailment inventory and NHSLC inventory be co-mingled in the warehouse or must it be segregated? This may be an issue because the bailment inventory has not been purchased from the Supplier while the NHSLC inventory has been purchased from the Supplier.

Answer: Being able to differentiate supplier-owned product from NHSLC-owned product is both a regulatory and an operational requirement. The Vendor must be able to differentiate between supplier-owned product and NHSLC-owned product wherever it is stored. This does not mean NHSLC-owned product must be physically segregated from supplier-owned product.

Question 94: Is the current operation at Nashua unionized and if so which union represents them?

Answer: No.

Question 95: What is the current run-rate for damages or losses charged back to the warehouses?

Answer: The Concord warehouse and all 77 state stores reported breakage of about \$117,000 in FY11. Our contracted warehouse had less than \$20,000 in breakage for FY11.

Question 96: How are the current operations performing against the following service parameters: receiving scheduled loads on time, goods available for sale on time, goods shipped on time, goods delivered on time, order completeness, order accuracy, and inventory accuracy? For the last three please provide the measure for case and bottle pick?

Answer: The NHSLC does not have statistics on these parameters. In general, the warehouse vendor has performed well.

Question 97: Regarding Appendix K, Page 88, 'The Warehouse will provide the Broker and Suppliers reports via the NHSLC Web server'. Is the expectation that the Vendor or NHSLC will be responsible ("own") the Web server moving forward?

Answer: These reports will be hosted ("owned") on the NHSLC web server.

Question 98: Regarding Appendix K, Page 88, what is the method by which the Warehouse will populate the Web server? How will the Warehouse access this server to provide requested reports?

- If Vendor, how many users are expected to need access to the Web server?

Answer: First, note the files listed on pages 110 - 156, Appendix P. These define the files, file layouts, frequency of reporting, and the mechanism for reporting that are required by the NHSLC. The contracted warehouse will be responsible for providing these electronic files to the NHSLC from which the broker and supplier reports will be generated.

Question 99: Regarding Appendix K, Page 86, in regards to all references to the 'Order Status Transaction History' and 'Perpetual Inventory': The RFP notes that this file is maintained by the warehouse

- Is the expectation for the file to be maintained within the 'Warehouse' for auditing purpose, or sent electronically to NHSLC based on the schedule defined in Appendix P?
- How long is the warehouse expected to keep a record of the Order Status Transaction History?

Answer: The Order Status Transaction History will be maintained in both locations – the contracted warehouse and the NHSLC.

The NHSLC and the contracted warehouse Vendor will keep Records of Order Status Transaction History and other files of importance as required by New Hampshire law.

Question 100: Regarding Appendix K, Page 86, 'Web customer orders will be written by the NHSLC Internet Ordering System directly into the Warehouse for immediate processing by the Warehouse's own internal systems.'

- Please clarify expectations surrounding the On Line Orders. Is the expectation that the Warehouse provides the website or will NHSLC retain ownership with a link to the Warehouse?

- If NHSLC retains ownership, what is the method of communication to the Warehouse to provide the required validation checks for processing?

Answer: The NHSLC operates the on-line ordering system that licensees use to place orders electronically. Those orders are transmitted electronically to the contracted warehouse for fulfillment.

Question 101: Regarding Appendix K, Page 87, ‘The Warehouse is required to commit/reserve inventory for each order as it is received into their system’.

- Will NHSLC do any level of inventory check prior to sending orders down to the Warehouse for processing?
- What is the expected result for the quantity that is unable to be fulfilled – is the entire order rejected, just the unavailable quantity, the entire line item for the shorted item, or other criteria?

Answer: When an order is received into the system, the system checks available inventory. If there is not enough inventory to satisfy the order, the system automatically reduces the order to the inventory on hand.

Question 102: Regarding Appendix K, Page 87, ‘The Warehouse will approve all Licensee orders based on their available credit.’

- Please clarify the expectations of the warehouse regarding credit checks. APPENDIX P references credit information will be transmitted hourly. As an example, if the available credit is \$100, is it possible to receive two orders within one hour for the same licensee, one for \$50 and a second for \$75? If so, what would be the expected outcome?

Answer: The NHSLC Accounts Receivable Section will provide current balances to the contracted Vendor warehouse via an updated credit file sent every hour. From this file, the Vendor can determine the credit status of any licensee. Any order that does not fit within the credit criteria will not be processed until approved by NHSLC.

Question 103: Regarding Appendix K, Page 88, references ‘Automatic Order List’ in APPENDIX P. Please send forward this transaction – did not locate within APPENDIX P.

Answer: The Automatic Order List is located on page 133 in Appendix P.

Question 104: Regarding Appendix K, Page 90, ‘Warehouse must verify that all stock received for distribution within the state at their location is owned by approved vendors, or by the NHSLC.’

- Outside of a blanket PO, how else will expected receipts be communicated to the Warehouse? Who will communicate with the Warehouse the expected receipts – NHSLC or Vendors?
- What are the expectations around blind receiving against an approved vendor?

Answer: The two warehouses will receive (from an approved supplier) product that is not properly coded but will put that product in the supplier's account in a hold status and notify the broker to resolve.

If a special order is placed, the NHSLC staff will notify the warehouse regarding the order.

Blanket P.O.s are issued by the NHSLC for the entire month of anticipated receiving at the warehouse. The responsibility of the warehouse is to document in detail all products received from suppliers.

Also, see Answer 107 for further clarification.

Question 105: Regarding Appendix K, Page 90, 'If product is unloaded from an unapproved vendor, then Warehouses shall, within 24 hours, report to the NHSLC any Liquor or Wine arriving in, in transit through or departing from the State for distribution outside the state'.

- What will be communicated to the Warehouse as to the expected receipts and shipment of product?
- What is the expected method of communications for reporting activity to the NHSLC?

Answer: If a truck arrives at a warehouse from an unknown or unapproved supplier, the warehouse contacts the NHSLC staff for a status. If the supplier is not registered with the state, the shipment is refused.

Question 106: Regarding Appendix K, Page 90, what are the expectations for processing of items that have unapproved Suppliers or brand codes? Who will control the submission of orders on items that are not on the Approved Brand list? Is it a correct assumption that items only on the Approved Brand list can be sold to licensee?

Answer: See previous answer.

Question 107: Regarding Appendix K, Page 91, 'Warehouse items not approved by the NHSLC must be suspended.'

- What is the agreement with the Suppliers regarding compliance issues? What is the process for managing Suppliers? Would it be a correct expectation is that the warehouse should not be receiving Products that are not on the Approved Brand list? Is the process that these Products would be returned to the Supplier and never received into the warehouse?

Answer: Suppliers are licensed and understand that non-compliance can result in loss of license and inability to do business in the state.

The suppliers are permitted to store product at bailment warehouses that may not be listed for distribution to state stores, when there is a demand from licensees for these products. The Commission supports a flexible system that allows suppliers to be creative in their marketing efforts. This may allow them the opportunity to introduce new products into the system. The NHSLC monitors turnover rate on all items in the bailment warehouses. Items that show little or no movement are discussed in detail with the supplier, and those problem items are resolved.

Nevertheless, it is generally correct that the warehouses will not receive product that is not on an approved list.

Question 108: Regarding Appendix K, Page 91, ‘The Warehouse will record all vendor purchases needed onto the monthly Blanket Purchase Order that is supplied by the NHSLC’. Is this statement intended to say ‘received’ instead of ‘needed’? If not, please explain process as the Blanket Purchase Order is specified to a one directional file from NHSLC.

Answer: The proper term should be “received”.

Question 109: Regarding Appendix P, Page 136, ‘Summary’ File is referenced only twice in the RFP in APPENDIX K as a requirement for SHIP (‘Each day the Warehouse must produce a Ship File that includes all items shipped that day. Warehouse must also produce a Summary file’) and PURCHASE (‘Each day the warehouse must produce a Purchase file that includes all of the bailment items shipped that day. Warehouse must also produce a Summary file’. However, in APPENDIX K, the ‘Summary’ file states ‘Each file transmitted must also have this summary file’ and lists Key Codes for files such as Inventory, Credit, Order Header, etc. Please clarify requirements for use of Summary file. How does NHSLC use this information?

Answer: The summary file is as its name suggests. It is a summary of the details contained in the file that it summarizes. The purpose of the summary file is to provide a means to verify that the entire file being summarized has been successfully transmitted. In the rare occasions when the summary file and main file disagree, the main file is not processed and the warehouse is asked to retransmit the main and summary files.

Question 110: Regarding Appendix K, Page 92: References ‘Core Detail’ in APPENDIX P. Please forward this transaction – did not locate with APPENDIX P

Answer: Appendix K, Page 92 is amended to read

- See APPENDIX P, Core Order Detail

You will find this file layout on page 115 of Appendix K with the title: “Order Detail”. The file layout is as follows:

Order Detail

Detail of new orders being placed at fulfillment warehouse. The OX version will also be used for the warehouse to send to the SLC a list of damaged goods ready to be shipped to a store and for the SLC to tell the warehouse where to ship the damaged goods.

Field name	Start	Length	Comment
Transaction Code	1	2	“OI” = normal order
License Number	3	8	Right justified, zero filled If a store number the format is: OOOsssOO where sss is the store number.
Location	11	3	800 = Concord 805 = Law
Order Number	14	5	Alpha / Numeric On DTX, blank from warehouse, SLC fills in

Brand Code	19	6	Right justified, zero filled
Quantity	25	6	Right justified, zero filled
Quantity Code	31	1	"C" = Case "S" = Sub-pack, default on DTX "P" = Pallet
Selling Units	32	5	Right justified, zero filled
Gift Pack Code	37	6	Left justified "G" = Gift pack
Vintage	43	4	CCYY
Alternate Acceptable	47	1	"Y" = Yes, default on DTX "N" = No (sell Units-Gift Pack-Vintage)
Line Item Entry Date	48	6	YYMMDD
Line Item Price	54	8	9(6)v99 Right justified, zero filled
Total		61	

Filename: (DTLxxx DTXxxx) DTL= normal orders DTX = breakage orders
xxx = Source Location 000 = Headquarters 805 = LAW Warehouse
Schedule: Hourly
Delete upon Pickup: Yes
FTP Command: append / get use append for files sent to the SLC
Directory: in / out

Question 111: Regarding Appendix P, Page 110, what is the preferred message format and transportation method for communication of files?

Answer: The NHSLC currently uses File Transfer Protocol (FTP) when transferring files between the NHSLC and the contracted warehouse. We expect to continue to use this method.

Question 112: Regarding Appendix P, Page 98, ‘The Warehouse will provide methods of summarizing and presenting the Warehouse orders in a manner that is reliable, useful and supportive of ordering management.’ RFP states that this information is going to be provided by the NHSLC Web site – what are the expectations of the Warehouse for ‘presenting’ the orders?

Answer: The warehouse will receive licensee order information from the state’s on-line ordering system. The expectation is that the warehouse will provide order confirmation information back to the website to validate that the order has been received, that the ordered quantities are available and the current status (pending, picking or shipped) for the licensee and the state to review.

Question 113: Regarding Appendix P, Page 97, RFP references ‘transfers out-of-state’, are there special systems requirements for managing out-of state orders?

Answer: The NHSLC staff approve all out-of-state releases before the product can be moved out of state.

Question 114: Please provide the rationale for the decision to wait to issue the transportation services RFP until a warehouse Vendor is chosen from the long-term warehouse RFP process? Having both transportation and warehousing in one RFP would allow all Vendors to build in the potential cost savings synergies from operating both warehousing and transportation.

Answer: In order for transportation services vendors to be able to provide transportation pricing, they must know where the warehouse will be located. The NHSLC consciously chose to separate these two contracts.

The issuance, review and approval of a long term warehouse contract is a very substantial undertaking. The NHSLC wants to focus on the best terms for a warehouse contract and wants participation by the maximum number of potential Vendors. Some potential warehouse Vendors do not have transportation capacity.

Question 115: The second paragraph of the General Requirements on page 42 asks the Vendors to “Use the following task descriptions as your point of departure. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained. If more than one approach is possible, comment on why you chose your approach”. As there are no task descriptions in General Requirements, where can we find these task descriptions?

Answer: While there are many task descriptions which follow Appendix C, II, page 42, in the interest of clarity, the word “following” is deleted. The task descriptions are contained throughout the RFP particularly in Part 3 and Appendix C.

Question 116: On page 103 Exhibit F (current warehousing pricing structure) is missing. Will this be provided?

Answer: You are correct that page 103 is missing Exhibit F from the May 1, 2012 through October 31, 2013 contract. You will find a copy of Exhibit F below following the last question and answer. As a minor note, the title of page 103 should be Appendix L. Appendix M begins on page 104.

Question 117: The RFP footer suggests that there are a total of 156 pages. The last page of the RFP is page 151. Are there pages missing?

Answer: This is a numbering error. There are no missing pages.

Question 118: Within appendix D-1 the rate for storage of cases is listed at \$.25/case/14 days. Is this a mistake or is this rate the NHSLC wishes to pay for the first 30 months of the contract? Likewise, the rate for storage for pallets is listed at \$4.50 per pallet per 14 days.

Answer: This RFP contains a large number of basic, functional requirements that must be met in some fashion. There is, however, an opportunity for the Vendor to propose a solution that reaches the same result but takes a different path. The NHSLC has identified the price that it seeks for the two items mentioned. The NHSLC would be happy if a Vendor proposed a lower price. The NHSLC may agree if a Vendor proposes a higher price but demonstrates savings elsewhere that balance against the higher price.

Question 119: The answer to Question 26 in the NHSLC Clarifications and Amendments dated April 18, 2012 states that the successful bidder is responsible for all inventory losses based on the NHSLC cost per bottle. This seems to contradict the Liability and Limitation of Damages clause in Appendix D. Which is correct?

Answer: Appendix D covers product that is not owned by the NHSLC. The answer to Question 26 is confined to NHSLC product.

Question 120: For your bottle pick operation, do you fill store orders using totes? If so, what size totes are used?

Answer: The contracted warehouse uses cardboard spirit and wine boxes.

Question 121: Store orders are sent electronically to the warehouse Vendor every night between 7:00 PM and 10:45 PM. Are these orders delivered the next morning or the day after that? For example, are orders sent Monday night for delivery Tuesday morning or delivery Wednesday morning?

Answer: These orders are picked the day after they are received and delivered according to the regular scheduled delivery date for each particular store which could be the same day the orders are picked. Some stores get deliveries every day while others only one a week. Note that in the Clarifications contained in this document, the orders are sent electronically between 7:35 PM and 11:35 PM.

Question 122: Just for clarification, under the “two warehouse scenario,” one warehouse will be the facility proposed by the bidder and the other warehouse will be the existing Concord warehouse, which will continue to function and operate as it currently does. Is this correct?

Answer: The two warehouse scenario will involve the existing Concord warehouse. The Concord warehouse will also be used in the one warehouse scenario. Under the one warehouse scenario, it is expected that the Concord warehouse will not continue to function and operate as it currently does. It may not function as it currently does under the two warehouse scenario depending on how the Vendors construct their Proposals.

Question 123: 3.0.14 Fire, page 27 of 156 – If the Warehouse bidder is proposing the construction of a new facility, fire permits will not be available until after the facility construction is completed. In this scenario, how can a bidder comply with the RFP requirement of attaching copies of permits to the Proposal?

Answer: As with the warehouse license, a Vendor may submit an application for a permit or explain how and when it plans to obtain a required permit.

Question 124: What software is the NHSLC using for its warehousing operations? What platform is it based on?

Answer: The NHSLC currently uses a locally-developed headquarters liquor inventory and distribution system (using Unisys Business Information Server software) but will be replacing that system with a new system within the next three years. Whatever system a Vendor employs for WMS, it must interface with our current system at the NHSLC. Vendors must exchange data in the format of the files described in Appendix P.

Question 125: Does the incumbent have their own WMS - or are they using the NHSLC WMS?

Answer: The contracted warehouse uses its own WMS that interfaces with NHSLC liquor inventory and distribution software systems.

Question 126: Warehouse automation is available on unlimited levels from none (manual operations) to fully automated (robotics), only limited by funding. What level of automation is currently in use at the two warehouses? What level of automation is expected in the new warehouse operation(s)?

Answer: Both warehouses currently use manual pick operations for cases. The contracted warehouse uses automation to handle its single-pick operation. The NHSLC wants the Vendors to propose a solution that increases service and lowers costs. There is no minimum or maximum requirement for automation.

Question 127: Since we are providing potentially a 20-year solution, would you please provide the NHSLC forecast for future requirements - total case volume projected?

Answer: It is impossible to project growth over the next twenty years. Over the past five years, the NHSLC has experienced annual growth in case volume of 3%. Please note that past performance is not a certain indicator of future performance.

Question 128: Please provide the annual volume data (cases shipped and average SKU, by each location) for the past 10-years?

Answer: See the link to data files noted in the first **Clarification** at the beginning of this list of questions and answers.

Question 129: Please provide any information you may have on planned expansion of existing SLC stores (both capacity and numbers), which may increase volume.

Answer: The NHSLC may construct two new stores over the next few years – subject to funding by the NH State Legislature. It is also anticipated that several stores will be enlarged over the next few years. The NHSLC is constantly reviewing store size and location in order to improve service and selection to our customers.

Question 130: It's not clear who does the invoicing of the shippers for the various services provided. Does the warehouse Vendor submit an invoice to the NHSLC or do they invoice all the shippers' individually?

Answer: The warehouse Vendor invoices the product suppliers directly.

Question 131: Regarding the statistics file located at <http://ice.liquor.nh.gov/warehouse/> , please answer the following questions:

- Is the “cases” column – cases or bottles?

Answer: Numbers are in cases.

- If bottles - how do we know the # of cases it represents?

Answer: N/A

- If mixed units - How do you know what lines/transactions are in bottles?

Answer: N/A

- If mixed units - How do you know what lines/transactions are in pallets?

Answer: Numbers are in cases

- If bottles and pallet pacs are not included, please provide sales for bottles and pallet pack units.

Answer: N/A

EXHIBIT F

Warehouse Service Charges

May 1, 2012 through December 31, 2012

BASIC BAILMENT CHARGES:

INBOUND HANDLING:

Charged to:

Suppliers/NHSLC

Covers the ordinary labor and duties incident to the unitized (slipsheet, pallet, or clamp) unloading of cases; verifying case quantities against a proper packing slip and carrier bill of lading; placing into storage, administrative receiving. Handling is charged upon receipt of goods and calculated on a "per code per receipt" basis.

Codes of 1 - 180 cases	\$ 1.20 per case
Codes of 181 - 299 cases	\$ 1.05 per case
Codes of 300 - 669 cases	\$ 0.95 per case
Codes of 670+	\$ 0.85 per case
Pallet packs	\$ 6.75 per pallet
Cases received uncoded or other <u>unsaleable</u> status	\$ 5.00 per line item

surcharge

Licensee/Liquor Stores Returns - charged to the SLC \$ 5.00 per case / \$1.00 per bottle / \$14.50 per pallet

STORAGE:

Charged to: Suppliers/NHSLC

Storage is calculated on an anniversary basis and initially charged upon receipt. For each 14-calendar day from date of receipt, the number of cases in storage is charged according to the table below on a "per code per receipt" basis.

Cases in inventory	1 - 84	days from receipt	\$ 0.10 per case per 14
days			
Cases in inventory	85 -182	days from receipt	\$ 0.25 per case per 14
days			
Cases in inventory	183 - 365	days from receipt	\$ 0.70 per case per 14
days			
Cases in inventory	366+	days from receipt	\$ 1.25 per case per 14
days			

Allocated inventory	1 - 84	days from receipt	\$ 0.10 per case per 14
days			
Allocated inventory	85+	days from receipt	\$ 0.25 per case per 14
days			

Any case, 0-365 days, on an unsaleable status:	\$ 0.70 per case per 14 days
Any case, 366+ days, on an unsaleable status:	\$ 1.25 per case per 14 days
Cases in SLC inventory 1 - 28 days from receipt/transfer	\$ 0.00 per case per 14 days -1st 35,000 cases/month

Pallet packs in inventory	1 - 84	days from receipt	\$ 4.50 per
pallet per 14 days			

Pallet packs in inventory	85 - 182	days from receipt	\$11.40 per pallet per
14 days			
Pallet packs in inventory	183 - 365	days from receipt	\$31.80 per pallet per 14 days
Pallet packs in inventory	366+	days from receipt	\$55.65 per pallet per 14 days
-----			-----
Any Pallet pack, 0-365 days, on an unsaleable status:			\$31.80 per pallet per 14 days
Any Pallet pack, 366+ days, on an unsaleable status:			\$55.65 per pallet per 14 days

OUTBOUND ORDER PROCESSING/REPORTING:

Charged to: NHSLC

Consists of creating a packing slip, permanent adhesive labels for each in-state liquor store and licensee shipment, electronic shipping orders provided daily to suppliers summarizing the quantities of each product shipped.

Normal order processing: charged to SLC

\$ 0.12 per case

Manual Non-Auto Orders: charged to Supplier/SLC minimum

\$ 0.17 per case / \$25.00

Non-Auto Sub-pack Orders

\$ 0.75 per bottle / \$25.00

Out-of State Sub-pack Orders

\$ 0.75 per bottle /\$25.00

Sub-pack 'Less than Full-Case' Picking: charged to SLC

\$ 0.60 per sub-pack unit

EXHIBIT F
Warehouse Service Charges
May 1, 2012 through December 31, 2012

ACCESSORIAL SERVICE CHARGES:

ADVERTISING MATERIAL

Handling (small/large)	Charged to: Suppliers \$0.85/2.25 per carton
Storage (small/large): month	\$0.60/4.00 per carton per

BLANKETS

Handling:	Charged to: Supplier \$35.60 per blanket
Storage: month	\$ 7.25 per blanket per

EXTRA WAREHOUSE LABOR

Labor used for handling services not included in	Charged to: Suppliers/NHSLC <u>Regular Time</u> \$ 39.65 per person/per
hour	
the normal processing of a receipt or shipment,	<u>Overtime</u> \$ 59.50 per person/per
hour	
nor listed separately	<u>Sunday/Holiday</u> \$ 89.25 per person/per
hour	

EXTRA WAREHOUSE LABOR & EQUIPMENT

Suppliers/NHSLC	Charged to:
Labor and equipment used for handling services	<u>Regular Time</u> \$ 75.70 per person/per
hour	
not included in the normal processing of a receipt	<u>Overtime</u> \$ 92.20 per person/per
hour	
or shipment, nor listed separately below	<u>Sunday/Holiday</u> \$138.30 per person/per
hour	

OFFICE SERVICE CHARGE

Labor used for office services and other unusual	Charged to: Suppliers/NHSLC <u>Regular Time</u> \$39.65 per person/per
hour	
office or data information services not included in	<u>Overtime</u> \$ 59.50 per person/per
hour	
the normal administration of receipts, shipments,	<u>Sunday/Holiday</u> \$ 89.25 per person/per
hour	
or inventory.	

ANNUAL PHYSICAL INVENTORY

\$ 0.18 per case	Charged to: Suppliers/NHSLC
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\$ 0.18 per bottle Charged to: Suppliers/NHSLC

SPECIAL DOCUMENTATION RUNS

For the printing and forwarding of reports and/or invoices available electronically

Charged to: Suppliers
\$30.00 per run

FACSIMILE CHARGE

Charged to: Suppliers
\$ 1.25 per page

DESTRUCTION OF INVENTORY

Suppliers/NHSLC
Rate subject to change based on disposal fees and transportation costs.

Charged to:

\$ 4.40 per case (0-55)
\$ 3.50 per case (56+)

EXHIBIT F
Warehouse Service Charges
May 1, 2012 through December 31, 2012

ACCESSORIAL SERVICE CHARGES (continued):

<u>LABELING:</u>		Charged to: Suppliers/NHSLC
Labor and materials used to apply SLC code labels to <u>unc</u> oded cases.	<56 cases per code	\$ 2.85 per case
	56-99 cases per code	\$ 2.25 per case
	100-299 cases per code	\$ 1.40 per case
	300+ cases per code	\$ 0.80 per case
	Minimum per code	\$15.00

<u>RELABELING:</u>		Charged
to:Suppliers/NHSLC		
Labor and materials used to apply SLC code labels to coded cases. min		\$ 1.25 per case / \$ 15.00

<u>DUPLICATE LABELS:</u>		Charged to:
Suppliers/NHSLC		
Labor and materials used to create labels that were not needed.		\$ 0.40 per label

<u>MISSED APPOINTMENTS:</u>		Charged to: Suppliers
Charged after the third missed appointment in a rolling 12-mo period		\$250.00 per appointment

<u>PALLET CHARGE</u>		Charged to:
Suppliers/NHSLC		
		\$ 12.00 per pallet

<u>MINIMUM INVOICE CHARGE</u>		Charged to: Suppliers
		\$ 25.00 per monthly invoice

LIABILITY AND LIMITATION OF DAMAGES Applies to: Suppliers

For cases in its possession, the warehouseman shall be liable for loss or damage only when caused by his failure to exercise such care for them as a reasonably careful person would exercise, but, he shall not be liable for any loss or damage to the goods which could not have been avoided by the exercise of such care. The amount of damages that depositor may recover from the warehouseman for lost or damaged goods is limited to \$90.00 per case unless there has been a catastrophic loss, which is defined as any combined loss across suppliers and all products of \$5,000,000 or more, in which case the total amount of damages that depositor may recover from the warehouseman is equal to a formula the denominator of which is total loss across all suppliers and the numerator of which is the value of the supplier's loss at cost multiplied by \$5,000,000. In no event shall the warehouseman's combined liability to all depositors in the event of a catastrophic loss exceed \$5,000,000 for that loss.

INVOICE TERMS

Net Due, Finance Charges apply at an annual rate of 18% for uncollected funds at the end of each calendar month.

EXHIBIT F
Warehouse Service Charges
January 1, 2013 through October 31, 2013

BASIC BAILMENT CHARGES:

INBOUND HANDLING:

Charged to:

Suppliers/NHSLC

Covers the ordinary labor and duties incident to the unitized (slipsheet, pallet, or clamp) unloading of cases; verifying case quantities against a proper packing slip and carrier bill of lading; placing into storage, administrative receiving. Handling is charged upon receipt of goods and calculated on a "per code per receipt" basis.

Codes of 1 - 180 cases	\$ 1.40 per case
Codes of 181 - 299 cases	\$ 1.20 per case
Codes of 300 - 669 cases	\$ 1.05 per case
Codes of 670+	\$ 0.95 per case
Pallet packs	\$ 7.60 per pallet
Cases received uncoded or other <u>unsaleable</u> status	\$ 6.00 per line item

surcharge

Licensee/Liquor Stores Returns - charged to the SLC \$ 5.00 per case / \$1.00 per bottle / \$15.00 per pallet

STORAGE:

Charged to: Suppliers/NHSLC

Storage is calculated on an anniversary basis and initially charged upon receipt. For each 14-calendar day from date of receipt, the number of cases in storage is charged according to the table below on a "per code per receipt" basis.

Cases in inventory	1 - 84	days from receipt	\$ 0.11 per case per 14 days
Cases in inventory	85 -182	days from receipt	\$ 0.29 per case per 14 days
Cases in inventory	183 - 365	days from receipt	\$ 0.80 per case per 14 days
Cases in inventory	366+	days from receipt	\$ 1.40 per case per 14 days

Allocated inventory	1 - 84	days from receipt	\$ 0.11 per case per 14 days
Allocated inventory	85+	days from receipt	\$ 0.29 per case per 14 days

Any case, 0-365 days, on an unsaleable status:			\$ 0.80 per case per 14 days
Any case, 366+ days, on an unsaleable status:			\$ 1.40 per case per 14 days
Cases in SLC inventory	1 - 28	days from receipt/transfer	\$ 0.00 per case per 14 days -1st 35,000 cases/month

Pallet packs in inventory	1 - 84	days from receipt	\$ 5.00 per pallet
Pallet packs in inventory	85 - 182	days from receipt	\$12.90 per pallet per 14 days

Pallet packs in inventory	183 - 365	days from receipt	\$36.00 per pallet per 14 days
Pallet packs in inventory	366+	days from receipt	\$63.00 per pallet per 14 days
-----			-----
Any Pallet pack, 0-365 days, on an unsaleable status:			\$36.00 per pallet per 14 days
Any Pallet pack, 366+ days, on an unsaleable status:			\$63.00 per pallet per 14 days

OUTBOUND ORDER PROCESSING/REPORTING:

Charged to: NHSLC

Consists of creating a packing slip, permanent adhesive labels for each in-state liquor store and licensee shipment, electronic shipping orders provided daily to suppliers summarizing the quantities of each product shipped.

Normal order processing: charged to SLC

\$ 0.15 per case

Manual Non-Auto Orders: charged to Supplier/SLC
minimum

\$ 0.25 per case / \$25.00

Non-Auto Sub-pack Orders
minimum

\$ 0.75 per bottle / \$25.00

Out-of State Sub-pack Orders
minimum

\$ 0.75 per bottle / \$25.00

Sub-pack 'Less than Full-Case' Picking: charged to SLC

\$ 0.65 per sub-pack unit

EXHIBIT F
Warehouse Service Charges
January 1, 2013 through October 31, 2013

ACCESSORIAL SERVICE CHARGES:

ADVERTISING MATERIAL

Handling (small/large)

Storage (small/large):

Charged to: Suppliers
\$1.00/2.50 per carton
\$1.00/4.50 per carton per month

BLANKETS

Handling:

Storage:
month

Charged to: Supplier
\$37.75 per blanket
\$ 8.50 per blanket per

EXTRA WAREHOUSE LABOR

Labor used for handling services not included in

the normal processing of a receipt or shipment,

nor listed separately below

Charged to:Suppliers/NHSLC

Regular Time
\$ 46.20 per person/per

hour

Overtime
\$ 69.25 per person/per

hour

Sunday/Holiday
\$103.88per person/per

hour

EXTRA WAREHOUSE LABOR & EQUIPMENT

Suppliers/NHSLC

Labor and equipment used for handling services

not included in the normal processing of a receipt

or shipment, nor listed separately below

Charged to:

Regular Time
\$ 88.20 per person/per

hour

Overtime
\$107.40per person/per

hour

Sunday/Holiday
\$161.10 per person/per

hour

OFFICE SERVICE CHARGE

Labor used for office services and other unusual

office or data information services not included in

the normal administration of receipts, shipments,

or inventory.

Charged to: Suppliers/NHSLC

Regular Time
\$46.20 per person/per

hour

Overtime
\$ 69.25 per person/per

hour

Sunday/Holiday
\$103.88per person/per

hour

ANNUAL PHYSICAL INVENTORY

\$ 0.18 per case

Charged to: Suppliers/NHSLC

\$ 0.18 per bottle Charged to: Suppliers/NHSLC

SPECIAL DOCUMENTATION RUNS

For the printing and forwarding of reports and/or invoices available electronically

Charged to: Suppliers
\$36.00 per run

FACSIMILE CHARGE

Charged to: Suppliers
\$ 1.25 per page

DESTRUCTION OF INVENTORY

Suppliers/NHSLC

Rate subject to change based on disposal fees and transportation costs.

Charged to:

\$ 5.00 per case (0-55)
\$ 3.85 per case (56+)

EXHIBIT F
Warehouse Service Charges
January 1, 2013 through October 31, 2013

ACCESSORIAL SERVICE CHARGES (continued):

<u>LABELING:</u>		Charged to: Suppliers/NHSLC
Labor and materials used to apply SLC code labels to <u>unc</u> oded cases.	<56 cases per code	\$ 3.10 per case
	56-99 cases per code	\$ 2.50 per case
	100-299 cases per code	\$ 1.55 per case
	300+ cases per code	\$ 0.90 per case
	Minimum per code	\$30.00

<u>RELABELING:</u>		Charged
to:Suppliers/NHSLC		
Labor and materials used to apply SLC code labels to coded cases. min		\$ 1.75 per case / \$ 30.00

<u>DUPLICATE LABELS:</u>		Charged to:
Suppliers/NHSLC		
Labor and materials used to create labels that were not needed.		\$ 1.00 per label

<u>MISSED APPOINTMENTS:</u>		Charged to: Suppliers
Charged after the third missed appointment in a rolling 12-mo period		\$250.00 per appointment

<u>PALLET CHARGE</u>		Charged to:
Suppliers/NHSLC		
		\$ 12.00 per pallet

<u>MINIMUM INVOICE CHARGE</u>		Charged to: Suppliers
		\$ 30.00 per monthly invoice

LIABILITY AND LIMITATION OF DAMAGES Applies to: Suppliers

For cases in its possession, the warehouseman shall be liable for loss or damage only when caused by his failure to exercise such care for them as a reasonably careful person would exercise, but, he shall not be liable for any loss or damage to the goods which could not have been avoided by the exercise of such care. The amount of damages that depositor may recover from the warehouseman for lost or damaged goods is limited to \$90.00 per case unless there has been a catastrophic loss, which is defined as any combined loss across suppliers and all products of \$5,000,000 or more, in which case the total amount of damages that depositor may recover from the warehouseman is equal to a formula the denominator of which is total loss across all suppliers and the numerator of which is the value of the supplier's loss at cost multiplied by \$5,000,000. In no event shall the warehouseman's combined liability to all depositors in the event of a catastrophic loss exceed \$5,000,000 for that loss.

INVOICE TERMS

Net Due, Finance Charges apply at an annual rate of 18% for uncollected funds at the end of each calendar month.

