Craig W. Bulkley

From: Craig W. Bulkley
Sent: Thursday, July 05, 2012 2:59 PM
To: Scott Lyons (EXEL CA) (Scott.Lyons@exel.com); Greg Foreman (EXEL US) (greg.foreman@exel.com)
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

Scott/Greg:

Thank you for your final submission of the rate calculation template. Below are several questions regarding your template numbers:

1. Please confirm that you are bidding on the one-warehouse solution only as we did not notice any rates or costs for the two-warehouse solution.
2. We noted there was no price in the Outbound Summary with regard to single-bottle processing. Does this mean that you do not intend to offer this service or does it mean you will offer this service at no cost to suppliers or the NHSLC?
3. Currently, Outbound Processing charges are borne by the NHSLC. In your proposal, it appears that you are planning to charge suppliers (e.g. – automatic orders = $.96/case). Please confirm. Please confirm your intent to charge suppliers for this expense and not the NHSLC.
4. Please confirm that the rates and costs provided are fixed for the first 30 months of the contract.
5. Section 1.10.4 of the RFP describes the negotiation of rate changes at the end of each 30-month period using the CPI for this region as it relates to the warehousing activities of the vendor. This section also limits any increase to the CPI for the previous twelve months. Please confirm your acceptance of this provision.

Please provide your response to me **with a cc to George Tsiopras** no later than Monday, 7/9 at 4:00 PM. Thank you.

Please consider the environment before printing this e-mail.

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

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Craig W. Bulkley

From: Scott Lyons (EXEL CA) <Scott.Lyons@exel.com>
Sent: Sunday, July 08, 2012 11:42 PM
To: Craig W. Bulkley; Greg Foreman (EXEL US)
Cc: George P. Tsiopras
Subject: RE: Exel Response to Questions Regarding Rate Calculation Template

1. Please confirm that you are bidding on the one-warehouse solution only as we did not notice any rates or costs for the two-warehouse solution.

   This is correct; we are bidding on a consolidated one-warehouse solution. It is our understanding that NHSLC asked us to consider a two warehouse option, but to only put it forward if it would be a lower cost alternative. Two warehouses are more expensive due to multiple touches, multiple infrastructure costs (buildings and systems), additional management staff, and higher inventory levels. We understand that the Commission may wish to keep its warehouse open, but it will be handling only products purchased by the NHSLC.

2. We noted there was no price in the Outbound Summary with regard to single-bottle processing. Does this mean that you do not intend to offer this service or does it mean you will offer this service at no cost to suppliers or the NHSLC?

   We intend to offer this service and built the cost of bottle picking into our costs structure. Per your request, we used the originally quoted rates to complete the analysis template. As we tried to note on our response, certain rates were not provided in the original proposal as our expectation is to work collaboratively with NHSLC to determine the appropriate revenue activity streams to be offered from a rate standpoint. If a bottle rate is deemed necessary and appropriate, the related costs would be carved out of the "Outbound" rate so that in totality the Exel budget remains same, i.e. the outbound rate will fall proportionally.

3. Currently, Outbound Processing charges are borne by the NHSLC. In your proposal, it appears that you are planning to charge suppliers (e.g. – automatic orders = $.96/case). Please confirm. Please confirm your intent to charge suppliers for this expense and not the NHSLC.

   It is our recommendation that all costs of operating the distribution system be borne by the suppliers.

4. Please confirm that the rates and costs provided are fixed for the first 30 months of the contract.

   We confirm that the rates and costs provided are fixed for the first 30 months of the contract.

   As we state in proposal and we try to explain in our answer to question 5 below the rates quoted are based on the volumes and profile presented in the RFP. As is only fair, should this information be found to have material errors we reserve the right to re-price our solution. This could result in lower cost per unit for the Commission! As an example, the higher volumes in the most recent template (as compared to the RFP figures), would result in a lower cost per unit. Please note that as per your request, we used the originally quoted rates to complete the analysis template.

5. Section 1.10.4 of the RFP describes the negotiation of rate changes at the end of each 30-month period using the CPI for this region as it relates to the warehousing activities of the vendor. This section also limits any increase to the CPI for the previous twelve months. Please confirm your acceptance of this provision.

   Beyond the proponent overly aggressively bidding or the provider poorly executing, there are three factors that can cause costs to change.
   - The first is cost inflation.

- The Commission included a mechanism to allow for adjustments to the rates due to cost inflation. This mechanism is acceptable to us though as we stated in our proposal we feel a transparent commercial structure is more optimal.

- The second is volume.
  - A fully variable rate structure that cannot be altered except for cost inflation as stated in section 1.10.4 requires accurate estimates of future growth. The reason is that the fixed costs of the operation do not vary with volume. If the actual volumes are less than estimated volumes there is less revenue to cover the fixed costs and the proponent is facing poor returns and potentially losses. Vic versa, the provider receives a windfall in the form of higher than expected profitability.
  - As this is a 20 year contract these estimates must be accurate across a 20 year time horizon. Changes in volume are outside of our control. Though not completely controlled by the Commission, the NHSLC does have influence over volumes. In any event, we believe you are in a better position to forecast volumes than the provider. Though, in its answer to question 127 on May 1 the NHSLC stated "It is impossible to project growth over the next twenty years". Faced with this provision, proponents will attempt to err on the side of under estimating growth thus leading to higher costs for the Commission.
  - A fixed / variable rate structure would resolve this issue. Under this commercial structure fixed costs, for example lease costs, do not vary regardless of the volume. The variable portion of the price also does not vary on a per unit basis, but the variable cost will rise or fall as volume rises or falls. As the fixed costs and the price per unit are set the Commission is protected against the a proponents overly aggressive bidding or poor execution.

- The third is the profile of the work.
  - Again, the fully variable rate structure that cannot be altered except for cost inflation as stated in section 1.10.4 requires that the profile of the work will not change. Many of the work profile issues can be handled through the pricing structure presented to suppliers. For example, longer storage attracts higher per unit rates, or smaller supplier shipments receive a higher per unit rate,... But, many of the work profile issues are controlled by the Commission for example, if NHSLC makes the decision to increase the frequency of deliveries to the stores the order sizes would drop and hurt the productivities in the warehouse. Thus, in effect this clause means the NHSLC is committing that it will not alter how it does business for the next 20 years. We don't feel this is a reasonable expectation. The Commission will have to make changes. With this provision in place, typically what happens is that changes that positively impact a proponents profitability are readily accepted, and changes that negatively impact their profitability are naturally resisted. Certainly the proponent will not suggest opportunities that increase the warehouse costs but lower the total costs to the Commission. Again, the net result is higher costs for the NHSLC.
  - It is our recommendation that a mechanism be put in place that allows either the proponent or the commission to review rates based on changes in the profile of the work. This can only be done under a transparent commercial structure where the provider shares its results, and the proponents expenses are auditable

Our goal is to set up a commercial structure that facilitates five objectives.

- One, protect the NHSLC against increased costs from a proponent's overly aggressive bidding or poor execution.
- Two, provide the Commission flexibility and control to address changing business conditions across the 20 years of the contract.
- Three, ensure the provider does not receive windfalls from factors outside of its control such as volume variances or profile changes.
- Four, encourage the provider to work collaboratively to maximize the NHSLC's net income.
- Five, provide the proponent and the Commission an opportunity to address volumes and profile changes.

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- Four, encourage the provider to work collaboratively to maximize the NHSLC's net income.
- Five, provide the proponent and the Commission an opportunity to address volumes and profile changes.

Let me apologize for this long answer, but it is not an obvious question. Our experience shows that clauses like section 1.10.4 are not in the best interest of our customers. Thus, we cannot confirm our acceptance of the provision. We believe our transparent commercial structure best achieves the five goals listed above. It also facilitates the development of a long term strategic relationship with the Commission much like we enjoy with most of our current customers including Walmart and the Alberta Gaming and Liquor Commission.

Our transparent commercial structure is more complex, and there are a number of variations that we can incorporate to best meet the Commission's unique circumstances. We would respectively ask for an in person meeting to dialogue about our transparent commercial model and it nuances. Further, we believe it would be advantageous to host the evaluation committee in Alberta to tour the operation we run on behalf of the Alberta Gaming and Liquor Commission. This would be a good opportunity for you to discuss the transparent commercial model with the Alberta Gaming and Liquor Commission and obtain an agnostic opinion of its value.

Sincerely,
Scott Lyons

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

From: Craig W. Bulkley [mailto:cbulkley@liquor.state.nh.us]
Sent: Thursday, July 05, 2012 2:59 PM
To: Scott Lyons (EXEL CA); Greg Foreman (EXEL US)
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

Scott/Greg:

Thank you for your final submission of the rate calculation template. Below are several questions regarding your template numbers:

6. Please confirm that you are bidding on the one-warehouse solution only as we did not notice any rates or costs for the two-warehouse solution.
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9. Please confirm that the rates and costs provided are fixed for the first 30 months of the contract.
10. Section 1.10.4 of the RFP describes the negotiation of rate changes at the end of each 30-month period using the CPI for this region as it relates to the warehousing activities of the vendor. This section also limits any increase to the CPI for the previous twelve months. Please confirm your acceptance of this provision.

Please provide your response to me **with a cc to George Tsiopras** no later than Monday, 7/9 at 4:00 PM. Thank you.

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Craig W. Bulkley

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Division of Administration
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Craig W. Bulkley

From: Craig W. Bulkley
Sent: Thursday, July 05, 2012 2:59 PM
To: Louis Cerone (lcerone@xtlonline.com)
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

Louis:

Thank you for your final submission of the rate calculation template. Below are several questions regarding your template numbers:

1. The rates you specified for Outbound Processing include a 12 cent charge for automatic orders to suppliers and a 12 cent charge for automatic orders to the NHSLC. Please clarify whether one or both supplier and NHSLC will be paying this fee or does it only relate to the NHSLC as is the current practice.
2. The pricing for the two-warehouse scenario appears incomplete as there are no charges for any Outbound Processing to the NHSLC. Please review and clarify.
3. Within your revenue sharing proposal, you noted an estimate of one million cases of product going out of state during the first 30-month period. We are estimating 85,000 cases during this same period. We are unsure as to where or one million cases can be achieved.

Please provide your response to me **with a cc to George Tsiopras** no later than Monday, 7/9 at 4:00 PM. Thank you.

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Craig W. Bulkley

From: Louis Cerone <lcerone@xtlonline.com>
Sent: Monday, July 09, 2012 11:54 AM
To: Craig W. Bulkley
Cc: George P. Tsiopras
Subject: RE: XTL Response to Questions Regarding Rate Calculation Template
Attachments: XTL-NH - answers to emailed questions of July 5, 2012.docx; RFP2012-14 Rate Calculation Template - revised - XTL-NH, Inc..xls

Mr. Bulkley,

Please find attached XTL-NH's answers to the three (3) questions in the below email and the completed rate calculation template.

Please confirm receipt.

Thank you.

Sincerely,

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

From: Craig W. Bulkley [mailto:cbulkley@liquor.state.nh.us]
Sent: Thursday, July 05, 2012 2:59 PM
To: lcerone@xtlonline.com
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

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Craig W. Bulkley
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July 9, 2012

Q1. The rates you specified for Outbound Processing include a 12 cent charge for automatic orders to suppliers and a 12 cent charge for automatic orders to the NHSLC. Please clarify whether one or both supplier and NHSLC will be paying this fee or does it only relate to the NHSLC as is the current practice.

A1. XTL-NH's proposal is to charge a total of 12¢ per case for outbound handling of automatic orders. In our proposal, we intended to convey that the 12¢ charge would be applied to either the NHSLC or the Supplier, but **not both**. XTL-NH would charge the same rate to either entity, and believes that either method will result in the same net cost to the NHSLC. Based on the NHSLC's question, and the information in Appendix L of the RFP, we understand that the past practice has been that the NHSLC has been billed for the outbound handling, rather than the Supplier. XTL-NH the Outbound Processing data we input in the template to reflect this clarification. Please see attached spreadsheet.

Q2. The pricing for the two-warehouse scenario appears incomplete as there are no charges for any Outbound Processing to the NHSLC. Please review and clarify.

A2. The two-warehouse scenario is completed. Please see attached spreadsheet.

Q3. Within your revenue sharing proposal, you noted an estimate of one million cases of product going out of state during the first 30-month period. We are estimating 85,000 cases during this same period. We are unsure as to where or one million cases can be achieved.

A3. XTL-NH projects that it can expand the current volume of Product distributed to locations outside of New Hampshire to 1,000,000 cases of Product within the first 30 months of the contract, and 1,000,000 cases per year thereafter, without any impact on XTL-NH's ability to provide the highest level of service to the NHSLC. This projection is based on our significant experience in warehousing wine and spirits, as well as the following factors that are unique to our RFP Proposal:

- Increased Warehouse Capacity: XTL-NH's proposed Merrimack warehouse facility will provide maximum storage and throughput capacity, and future growth capacity, which will allow it to expand the volume of Product shipped to locations outside of New Hampshire. We believe that the NHSLC's projected volume of 85,000 cases is based upon its past experience, which may be constrained by the capacity of the current warehouse facilities. XTL-NH's proposed facility will have more than enough capacity to serve all of the NHSLC's needs and with the NHSLC's approval, to achieve out-of-state distribution of 1,000,000 cases per year throughout the 20 year term of the contract.

- Innovative Operational Warehouse Design: XTL-NH's design and use of state-of-the-art automation and robotics in its proposed warehousing system allows it to provide efficient warehousing services at the lowest possible cost. XTL-NH's low cost structure

will allow it to expand the volume of Product destined for locations outside of New Hampshire.

- Warehouse Location: In addition to providing significantly higher capacity and innovative operation, XTL-NH's proposed Merrimack warehouse facility is centrally located to different transportation options that will allow XTL-NH to receive and distribute high volumes of Product efficiently and with low costs. The proposed facility's location in Merrimack provides easy access to highways and rail service, which will create more opportunities to receive and distribute wine and spirits destined for locations outside of New Hampshire. Based on our experience, a substantial volume of wine and spirits destined for New England is currently being shipped here by truck, which is substantially more expensive than shipment by rail.

XTL-NH believes that its estimate of 1,000,000 cases during the first 30 months of the contract, and annually thereafter, is an achievable estimate of the revenue sharing opportunity that is available to the State of New Hampshire. As you know, this estimate is a part of XTL-NH's revenue sharing proposal, which will maximize revenue for the NHSLC.

XTL - ONE WAREHOUSE - JULY 9, 2013

			5/2011-4/2012							SUPPLIER			NHSLC	APPENDIX D-1	
			NASHUA WHSE	CONCORD WHSE	TOTAL VOLUME	Est. Beginning Volume	EST. VOLUME OVER INITIAL 30 MONTH TERM			Total Est. Volume	Proposed Contract	Total Estimated	Total Est. Volume	Proposed Contract	Total Estimated
						11/1/2013	1st 12 months	2nd 12 months	Last 6 months	(1st 30 Months)	Rates	Cost	(1st 30 Months)	Rates	Cost
INBOUND HANDLING SUMMARY:															
1 - 180 cases per code			1,723,575	497,304	**2,220,879**	2,321,818	2,391,472	2,463,217	1,268,557	6,123,246	$ 1.10	$ 6,735,570	40,000	$ 1.10	$ 44,000
181 - 299 cases per code			453,332	126,736	**580,068**	606,432	624,625	643,364	331,332	1,599,321	$ 1.00	$ 1,599,321		$ 1.00	$ -
300 - 670 cases per code			936,930	225,353	**1,162,283**	1,215,109	1,251,562	1,289,109	663,891	3,204,562	$ 0.90	$ 2,884,106		$ 0.90	$ -
670+ cases per code			733,788	345,874	**1,079,662**	1,128,733	1,162,595	1,197,472	616,698	2,976,765	$ 0.80	$ 2,381,412		$ 0.80	$ -
Pallet Packs		1,781	1,781	0	**1,781**	1,862	1,918	1,975	1,017	4,910	$ 7.25	$ 35,597		$ 7.25	$ -
Cases uncoded or unsaleable			2,153	360	**2,513**	2,627	2,706	2,787	1,435	6,929	$ 5.00	$ 34,645		$ 5.00	$ -
Case Returns			1,645	0	**1,645**	1,720	1,771	1,824	940	4,535	N/A	$ -	50	$ 1.00	$ 50
Pallet Returns			5	0	**5**	5	5	6	3	14	N/A	$ -		$ 10.00	$ -
Bottle Returns			142	0	**142**	148	153	157	81	392	N/A	$ -		$ 0.50	$ -
	TOTAL INBOUND HANDLING:		3,853,351	1,195,627	**5,048,978**	5,278,454	5,436,808	5,599,912	2,883,955	13,920,674		$ 13,670,652			$ 44,050
STORAGE SUMMARY:															
Cases 1 - 84 Days			14,768,898	3,529,353	**18,298,251**	19,129,907	19,703,804	20,294,918	10,451,883	50,450,604	$ 0.10	$ 5,045,060	12,000	N/A	$ -
Cases 85 - 182 Days			2,634,122	309,589	**2,943,711**	3,077,503	3,169,828	3,264,923	1,681,435	8,116,185	$ 0.20	$ 1,623,237	11,000	$ 0.25	$ 2,750
Cases 183 - 365 Days			957,777	96,580	**1,054,357**	1,102,278	1,135,346	1,169,406	602,244	2,906,996	$ 0.50	$ 1,453,498	12,000	$ 0.25	$ 3,000
Cases 365+ Days			561,893	36,836	**598,729**	625,941	644,719	664,061	341,991	1,650,772	$ 1.00	$ 1,650,772		N/A	$ -
Cases on Hold Status <365			202,634	0	**202,634**	211,844	218,199	224,745	115,744	558,688	$ 0.50	$ 279,344		N/A	$ -
Cases on Hold Status >365			26,333	0	**26,333**	27,530	28,356	29,206	15,041	72,603	$ 1.00	$ 72,603		N/A	$ -
Allocated products <84			24,266	0	**24,266**	25,369	26,130	26,914	13,861	66,904	$ 0.10	$ 6,690		N/A	$ -
Allocated products>85			12,858	0	**12,858**	13,442	13,846	14,261	7,344	35,451	$ 0.20	$ 7,090		N/A	$ -
Pallet Packs 1-84		7,104	7,104	0	**7,104**	7,427	7,650	7,879	4,058	19,587	$ 5.00	$ 97,935		N/A	$ -
Pallet Packs 85-182		2,520	2,520	0	**2,520**	2,635	2,714	2,795	1,439	6,948	$ 10.00	$ 69,480		N/A	$ -
Pallet Packs 183-365		1,275	1,275	0	**1,275**	1,333	1,373	1,414	728	3,515	$ 20.00	$ 70,300		N/A	$ -
Pallet Packs 365+		762	762	0	**762**	797	821	845	435	2,101	$ 40.00	$ 84,040		N/A	$ -
Pallets on Hold Status <365		412	412	0	**412**	431	444	457	235	1,136	$ 20.00	$ 22,720		N/A	$ -
Pallets on Hold Status >365		5	5	0	**5**	5	5	6	3	14	$ 40.00	$ 560		N/A	$ -
	TOTAL STORAGE:		19,200,859	3,972,358	**23,173,217**	24,226,440	24,953,233	25,701,830	13,236,442	63,891,505		$ 10,483,330			$ 5,750
OUTBOUND SUMMARY:															
Single Bottle			536,536	-	**536,536**	560,922	577,749	595,082	306,467	1,479,298	N/A	$ -	1,479,298	$ 0.15	$ 221,895
Automatic Orders (Cases)			3,762,862	1,207,894	**4,970,756**	5,196,677	5,352,577	5,513,154	2,839,275	13,705,006	N/A	$ -	13,705,006	$ 0.12	$ 1,644,601
Non-Automatic Orders (Cases)			18,308	4,416	**22,724**	23,757	24,470	25,204	12,980	62,653	$ 0.15	$ 9,398	62,653	N/A	$ -
Automatic Orders (Cases) - out of state			30,992		**30,992**	32,401	33,373	34,374	17,702	85,449	N/A	$ -	-	N/A	$ -
	TOTAL OUTBOUND:		3,812,162	1,212,310	**5,024,472**	5,252,834	5,410,419	5,572,732	2,869,957	13,853,108		$ 9,398			$ 1,866,495
ACCESSORIAL SUMMARY:															
Advertising Material	HNDLG PER CASE - SMALL		48	-	**48**	50	52	53	27	132	$ 0.85	$ 112		N/A	
	HNDLG PER CASE - LARGE		173	0	**173**	181	186	192	99	477	$ 2.00	$ 954		N/A	
	STRG PER CASE - SMALL		48	0	**48**	50	52	53	27	132	$ 0.50	$ 66		N/A	
	STRG PER CASE - LARGE		173	0	**173**	181	186	192	99	477	$ 3.00	$ 1,431		N/A	
	REC STRG PER CASE - SMALL		48	0	**48**	50	52	53	27	132	$ 1.00	$ 132		N/A	
	REC STRG PER CASE - LARGE		2,326	0	**2,326**	2,432	2,505	2,580	1,329	6,413	$ 6.00	$ 38,478		N/A	
	NON-AUTO MIN UPCHARGE		31	0	**31**	32	33	34	18	85	$ 25.00	$ 2,125		N/A	
Blankets	HANDLING / BLANKET		418	0	**418**	437	450	464	239	1,152	$ 30.00	$ 34,560		N/A	
	STORAGE / BLANKET		695	0	**695**	727	748	771	397	1,916	$ 10.00	$ 19,160		N/A	
Extra Labor & Equipment	W/H LABOR - REG		315	15	**330**	345	355	366	188	910	$ 40.00	$ 36,400		$ 40.00	
	W/H LABOR - OT		0	0	**0**						$ 60.00	$ -		$ 60.00	
	W/H MAN & EQUIP - REG		8	0	**8**	8	9	9	5	22	$ 40.00	$ 880		$ 40.00	
	W/H MAN & EQUIP - OT		0	0	**0**						$ 60.00	$ -		$ 60.00	
	OFFICE - REG		3	1	**4**	4	4	4	2	11	$ 40.00	$ 440		N/A	
	OFFICE - OT		0	0	**0**						$ 60.00	$ -		N/A	
Physical Inventory	Cases - SUPPLIERS		623,686	132,732	**756,418**	790,797	814,521	838,957	432,063	2,085,541	$ 0.10	$ 208,554		N/A	
	Bottle Charge		13,788	0	**13,788**	14,415	14,847	15,293	7,876	38,015	$ 0.20	$ 7,603		$ 0.10	
	Case Charge - NHSLC		15,592	0	**15,592**	16,301	16,790	17,293	8,906	42,989	N/A	$ -		$ 0.05	
Special Reports	PER REPORT/LIST		16	0	**16**	17	17	18	9	44	$ 25.00	$ 1,100		N/A	
Destruction	PER CASE (0 to 55)		1,384	0	**1,384**	1,447	1,490	1,535	791	3,816	$ 4.00	$ 15,264		$ 4.00	
	PER CASE 56+		5,538	0	**5,538**	5,790	5,963	6,142	3,163	15,269	$ 3.50	$ 53,441		$ 3.50	
Labeling	Cases (0 to 55)		9,145	960	**10,105**	10,564	10,881	11,208	5,772	27,861	$ 2.50	$ 69,652		$ 1.00	
	Cases (56 to 99)		10,228	1,132	**11,360**	11,876	12,233	12,600	6,489	31,321	$ 2.25	$ 70,472		$ 0.90	
	Cases (100 to 299)		18,362	2,123	**20,485**	21,416	22,059	22,720	11,701	56,480	$ 1.25	$ 70,600		$ 0.80	
	Cases (300+)		16,070	1,000	**17,070**	17,846	18,381	18,933	9,750	47,064	$ 0.75	$ 35,298		$ 0.70	
	Minimum (upcharge)		418	0	**418**	437	450	464	239	1,152	$ 15.00	$ 17,280		$ 15.00	
Relabeling	Cases relabeled		14,674	2,133	**16,807**	17,571	18,098	18,641	9,600	46,339	$ 1.00	$ 46,339		$ 1.00	
	Minimum (upcharge)		19	0	**19**	20	20	21	11	52	$ 15.00	$ 780		$ 15.00	
Duplicate Labels	Duplicate labels		265	0	**265**	277	285	294	151	731	N/A	$ -		$ 0.50	
Min Invoice Chg	Min Invoice Upcharges		67	0	**67**	70	72	74	38	185	N/A	$ -		N/A	

XTL - TWO WAREHOUSES - JULY 9, 2012

			5/2011-4/2012		Est. Beginning Volume	EST. VOLUME OVER INITIAL 30 MONTH TERM			Total Est. Volume	Proposed Contract	Total Estimated	Total Est. Volume	Proposed Contract	Total Estimated
			NASHUA WHSE	TOTAL VOLUME	11/1/2013	1st 12 months	2nd 12 months	Last 6 months	(1st 30 Months)	Rates	Cost	(1st 30 Months)	Rates	Cost
INBOUND HANDLING SUMMARY:														
1 - 180 cases per code			1,723,575	1,723,575	1,801,911	1,855,969	1,911,648	984,499	4,752,115	$ 1.10	$ 5,227,327	40,000	$ 1.10	$ 44,000
181 - 299 cases per code			453,332	453,332	473,936	488,154	502,799	258,941	1,249,894	$ 1.00	$ 1,249,894		$ 1.00	$ -
300 - 670 cases per code			936,930	936,930	979,513	1,008,899	1,039,166	535,170	2,583,235	$ 0.90	$ 2,324,912		$ 0.90	$ -
670+ cases per code			733,788	733,788	767,139	790,153	813,857	419,137	2,023,147	$ 0.80	$ 1,618,517		$ 0.80	$ -
Pallet Packs		1,781	1,781	1,781	1,862	1,918	1,975	1,017	4,910	$ 7.25	$ 35,598		$ 7.25	$ -
Cases uncoded or unsaleable			2,153	2,153	2,251	2,318	2,388	1,230	5,936	$ 5.00	$ 29,680		$ 5.00	$ -
Case Returns			1,645	1,645	1,720	1,771	1,824	940	4,535	N/A	$ -	50	$ 1.00	$ 50
Pallet Returns			5	5	5	5	6	3	14	N/A	$ -		$ 10.00	$ -
Bottle Returns			142	142	148	153	157	81	392	N/A	$ -		$ 0.50	$ -
	TOTAL INBOUND HANDLING:		3,853,351	3,853,351	4,028,486	4,149,340	4,273,821	2,201,018	10,624,179		$ 10,485,928			$ 44,050
STORAGE SUMMARY:														
Cases 1 - 84 Days			14,768,898	14,768,898	15,440,144	15,903,349	16,380,449	8,435,931	40,719,729	$ 0.10	$ 4,071,973	12,000	N/A	$ -
Cases 85 - 182 Days			2,634,122	2,634,122	2,753,843	2,836,458	2,921,552	1,504,599	7,262,609	$ 0.20	$ 1,452,522	11,000	$ 0.25	$ 2,750
Cases 183 - 365 Days			957,777	957,777	1,001,308	1,031,347	1,062,288	547,078	2,640,713	$ 0.50	$ 1,320,356	12,000	$ 0.25	$ 3,000
Cases 365+ Days			561,893	561,893	587,431	605,054	623,206	320,951	1,549,210	$ 1.00	$ 1,549,210		N/A	$ -
Cases on Hold Status <365			202,634	202,634	211,844	218,199	224,745	115,744	558,688	$ 0.50	$ 279,344		N/A	$ -
Cases on Hold Status >365			26,333	26,333	27,530	28,356	29,206	15,041	72,603	$ 1.00	$ 72,603		N/A	$ -
Allocated products <84			24,266	24,266	25,369	26,130	26,914	13,861	66,904	$ 0.10	$ 6,690		N/A	$ -
Allocated products>85			12,858	12,858	13,442	13,846	14,261	7,344	35,451	$ 0.20	$ 7,090		N/A	$ -
Pallet Packs 1-84		7,104	7,104	7,104	7,427	7,650	7,879	4,058	19,587	$ 5.00	$ 97,935		N/A	$ -
Pallet Packs 85-182		2,520	2,520	2,520	2,635	2,714	2,795	1,439	6,948	$ 10.00	$ 69,480		N/A	$ -
Pallet Packs 183-365		1,275	1,275	1,275	1,333	1,373	1,414	728	3,515	$ 20.00	$ 70,300		N/A	$ -
Pallet Packs 365+		762	762	762	797	821	845	435	2,101	$ 40.00	$ 84,040		N/A	$ -
Pallets on Hold Status <365		412	412	412	431	444	457	235	1,136	$ 20.00	$ 22,720		N/A	$ -
Pallets on Hold Status >365		5	5	5	5	5	6	3	14	$ 40.00	$ 560		N/A	$ -
	TOTAL STORAGE:		19,200,859	19,200,859	20,073,538	20,675,744	21,296,017	10,967,449	52,939,209		$ 9,104,824			$ 5,750
OUTBOUND SUMMARY:														
Single Bottle			536,536	536,536	560,922	577,749	595,082	306,467	1,479,298	N/A	$ -	1,479,298	$ 0.15	$ 221,895
Automatic Orders (Cases)			3,762,862	3,762,862	3,933,884	4,051,901	4,173,458	2,149,331	10,374,689	N/A	$ -	13,705,006	$ 0.12	$ 1,644,601
Non-Automatic Orders (Cases)			18,308	18,308	19,140	19,714	20,306	10,457	50,477	$ 0.15	$ 7,572	62,653	N/A	$ -
Automatic Orders (Cases) - out of state			30,992	30,992	32,401	33,373	34,374	17,702	85,449	N/A	$ -	-	N/A	$ -
	TOTAL OUTBOUND:		3,812,162	3,812,162	3,985,425	4,104,988	4,228,137	2,177,491	10,510,615		$ 7,572			$ 1,866,495
ACCESSORIAL SUMMARY:														
Advertising Material	HNDLG PER CASE - SMALL		48	48	50	52	53	27	132	$ 0.85	$ 112		N/A	
	HNDLG PER CASE - LARGE		173	173	181	186	192	99	477	$ 2.00	$ 954		N/A	
	STRG PER CASE - SMALL		48	48	50	52	53	27	132	$ 0.50	$ 66		N/A	
	STRG PER CASE - LARGE		173	173	181	186	192	99	477	$ 3.00	$ 1,431		N/A	
	REC STRG PER CASE - SMALL		48	48	50	52	53	27	132	$ 1.00	$ -		N/A	
	REC STRG PER CASE - LARGE		2,326	2,326	2,432	2,505	2,580	1,329	6,413	$ 6.00	$ -		N/A	
	NON-AUTO MIN UPCHARGE		31	31	32	33	34	18	85	$ 25.00	$ 2,125		N/A	
Blankets	HANDLING / BLANKET		418	418	437	450	464	239	1,152	$ 30.00	$ 34,560		N/A	
	STORAGE / BLANKET		695	695	727	748	771	397	1,916	$ 10.00	$ 19,160		N/A	
Extra Labor & Equipment	W/H LABOR - REG		315	315	329	339	349	180	868	$ 40.00	$ 34,720		$ 40.00	
	W/H LABOR - OT		0	0						$ 60.00	$ -		$ 60.00	
	W/H MAN & EQUIP - REG		8	8	8	9	9	5	22	$ 40.00	$ 880		$ 40.00	
	W/H MAN & EQUIP - OT		0	0						$ 60.00	$ -		$ 60.00	
	OFFICE - REG		3	3	3	3	3	2	8	$ 40.00	$ 320		N/A	
	OFFICE - OT		0	0						$ 60.00	$ -		N/A	
Physical Inventory	Cases - SUPPLIERS		623,686	623,686	652,033	671,594	691,741	356,247	1,719,582	$ 0.10	$ 171,958		N/A	
	Bottle Charge		13,788	13,788	14,415	14,847	15,293	7,876	38,015	$ 0.20	$ 7,603		$ 0.10	
	Case Charge - NHSLC		15,592	15,592	16,301	16,790	17,293	8,906	42,989	N/A	$ -		$ 0.15	
Special Reports	PER REPORT/LIST		16	16	17	17	18	9	44	$ 25.00	$ 1,100		N/A	
Destruction	PER CASE (0 to 55)		1,384	1,384	1,447	1,490	1,535	791	3,816	$ 4.00	$ 15,264		$ 4.00	
	PER CASE 56+		5,538	5,538	5,790	5,963	6,142	3,163	15,269	$ 3.50	$ 53,441		$ 3.50	
Labeling	Cases (0 to 55)		9,145	9,145	9,561	9,847	10,143	5,224	25,214	$ 2.50	$ 63,035		$ 1.00	
	Cases (56 to 99)		10,228	10,228	10,693	11,014	11,344	5,842	28,200	$ 2.25	$ 63,450		$ 0.90	
	Cases (100 to 299)		18,362	18,362	19,197	19,772	20,366	10,488	50,626	$ 1.25	$ 63,283		$ 0.80	
	Cases (300+)		16,070	16,070	16,800	17,304	17,824	9,179	44,307	$ 0.75	$ 33,230		$ 0.70	
	Minimum (upcharge)		418	418	437	450	464	239	1,152	$ 15.00	$ 17,280		$ 15.00	
Relabeling	Cases relabeled		14,674	14,674	15,341	15,801	16,275	8,382	40,458	$ 1.00	$ 40,458		$ 1.00	
	Minimum (upcharge)		19	19	20	20	21	11	52	$ 15.00	$ 780		$ 15.00	
Duplicate Labels	Duplicate labels		265	265	277	285	294	151	731	N/A	$ -		$ 0.50	
Min Invoice Chg	Min Invoice Upcharges		67	67	70	72	74	38	185	N/A	$ -		N/A	

Craig W. Bulkley

From: Craig W. Bulkley
Sent: Thursday, July 05, 2012 2:59 PM
To: cbrown@nhdist.com
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

Chris:

Thank you for your final submission of the rate calculation template. Below is one question regarding your template numbers:

Within the Outbound Processing section of the template, we noted that you included two different charges for automatic orders (13 cents to suppliers and 7 cents to the NHSLC). Currently, the NHSLC is charged for expenses related to this category. Suppliers are not charged. Please explain and clarify your proposal regarding Outbound Processing and who pays for it.

Please provide your response to me **with a cc to George Tsiopras** no later than Monday, 7/9 at 4:00 PM. Thank you.

Please consider the environment before printing this e-mail.

Craig W. Bulkley
Director
Division of Administration
NH State Liquor Commission
☎ (603) 230-7008
FAX (603) 271-3897
Cell: (603) 490-1559
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Craig W. Bulkley

From: Chris Brown <cbrown@NHDIST.COM>
Sent: Monday, July 09, 2012 3:50 PM
To: George P. Tsiopras; Craig W. Bulkley
Subject: Hat Trick Logistics Question
Attachments: RFP2012-14 Rate Calculation Template - revised FINAL 7-9-2012.xls

Craig & George

We have updated the calculation template. We have removed the fees to SLC and simply charge the suppliers. Please let me know if you have any other questions.

The Hat Trick Team is all set to meet with your group on July 24th at 9am at the Storrs Street Location.

See you then

Christopher A. Brown
President & COO
New Hampshire Distributors, Inc.
65 Regional Drive
Concord NH, 03301
cbrown@nhdist.com
603-410-1824
603-235-3101 cell

HAT TRICK - ONE WAREHOUSE - JULY 9, 2012

		5/2011-4/2012			Est. Beginning Volume	EST. VOLUME OVER INITIAL 30 MONTH TERM			Total Est. Volume	Proposed Contract	Total Estimated	Total Est. Volume
		NASHUA WHSE	CONCORD WHSE	TOTAL VOLUME	11/1/2013	1st 12 months	2nd 12 months	Last 6 months	(1st 30 Months)	Rates	Cost	(1st 30 Months)
INBOUND HANDLING SUMMARY:												
1 - 180 cases per code		1,723,575	497,304	**2,220,879**	2,321,818	2,391,472	2,463,217	1,268,557	6,123,246	$ 1.20	$ 7,347,895	40,000
181 - 299 cases per code		453,332	126,736	**580,068**	606,432	624,625	643,364	331,332	1,599,321	$ 1.00	$ 1,599,321	
300 - 670 cases per code		936,930	225,353	**1,162,283**	1,215,109	1,251,562	1,289,109	663,891	3,204,562	$ 0.90	$ 2,884,106	
670+ cases per code		733,788	345,874	**1,079,662**	1,128,733	1,162,595	1,197,472	616,698	2,976,765	$ 0.80	$ 2,381,412	
Pallet Packs		1,781	0	**1,781**	1,862	1,918	1,975	1,017	4,910	$ 6.50	$ 31,918	
Cases uncoded or unsaleable		2,153	360	**2,513**	2,627	2,706	2,787	1,435	6,929	$ 5.00	$ 34,643	
Case Returns		1,645	0	**1,645**	1,720	1,771	1,824	940	4,535	$ 5.00	$ 22,677	50
Pallet Returns		5	0	**5**	5	5	6	3	14	$ 25.00	$ 345	
Bottle Returns		142	0	**142**	148	153	157	81	392	$ 2.50	$ 979	
	TOTAL INBOUND HANDLING:	3,853,351	1,195,627	**5,048,978**	5,278,454	5,436,808	5,599,912	2,883,955	13,920,674		14,303,296	40,050
STORAGE SUMMARY:												
Cases 1 - 84 Days		14,768,898	3,529,353	**18,298,251**	19,129,907	19,703,804	20,294,918	10,451,883	50,450,604	$ 0.09	$ 4,540,554	12,000
Cases 85 - 182 Days		2,634,122	309,589	**2,943,711**	3,077,503	3,169,828	3,264,923	1,681,435	8,116,185	$ 0.25	$ 2,029,046	11,000
Cases 183 - 365 Days		957,777	96,580	**1,054,357**	1,102,278	1,135,346	1,169,406	602,244	2,906,996	$ 0.70	$ 2,034,897	12,000
Cases 365+ Days		561,893	36,836	**598,729**	625,941	644,719	664,061	341,991	1,650,772	$ 1.20	$ 1,980,926	
Cases on Hold Status <365		202,634	0	**202,634**	211,844	218,199	224,745	115,744	558,688	$ 0.70	$ 391,081	
Cases on Hold Status >365		26,333	0	**26,333**	27,530	28,356	29,206	15,041	72,603	$ 1.20	$ 87,124	
Allocated products <84		24,266	0	**24,266**	25,369	26,130	26,914	13,861	66,904	$ 0.09	$ 6,021	
Allocated products>85		12,858	0	**12,858**	13,442	13,846	14,261	7,344	35,451	$ 0.25	$ 8,863	
Pallet Packs 1-84		7,104	0	**7,104**	7,427	7,650	7,879	4,058	19,587	$ 4.25	$ 83,243	
Pallet Packs 85-182		2,520	0	**2,520**	2,635	2,714	2,795	1,439	6,948	$ 10.95	$ 76,080	
Pallet Packs 183-365		1,275	0	**1,275**	1,333	1,373	1,414	728	3,515	$ 30.50	$ 107,218	
Pallet Packs 365+		762	0	**762**	797	821	845	435	2,101	$ 53.50	$ 112,400	
Pallets on Hold Status <365		412	0	**412**	431	444	457	235	1,136	$ 30.60	$ 34,760	
Pallets on Hold Status >365		5	0	**5**	5	5	6	3	14	$ 53.55	$ 738	
	TOTAL STORAGE:	19,200,859	3,972,358	**23,173,217**	24,226,440	24,953,233	25,701,830	13,236,442	63,891,505		11,492,953	35,000
										4,597,181		
OUTBOUND SUMMARY:												
Single Bottle		536,536	-	**536,536**	560,922	577,749	595,082	306,467	1,479,298	$ 0.55	813,614	1,479,298
Automatic Orders (Cases)		3,762,862	1,207,894	**4,970,756**	5,196,677	5,352,577	5,513,154	2,839,275	13,705,006	$ 0.13	1,781,651	13,705,006
Non-Automatic Orders (Cases)		18,308	4,416	**22,724**	23,757	24,470	25,204	12,980	62,653	$ 0.20	12,531	62,653
Automatic Orders (Cases) - out of state		30,992		**30,992**	32,401	33,373	34,374	17,702	85,449	$ 0.13	11,108	-
	TOTAL OUTBOUND:	3,812,162	1,212,310	**5,024,472**	5,252,834	5,410,419	5,572,732	2,869,957	13,853,108		2,618,904	15,246,957
ACCESSORIAL SUMMARY:												
										1,047,561		
Advertising Material	HNDLG PER CASE - SMALL	48	-	**48**	50	52	53	27	132	$ 0.85	112	
	HNDLG PER CASE - LARGE	173	0	**173**	181	186	192	99	477	$ 2.10	1,002	
	STRG PER CASE - SMALL	48	0	**48**	50	52	53	27	132	$ 0.85	112	
	STRG PER CASE - LARGE	173	0	**173**	181	186	192	99	477	$ 3.85	1,836	
	REC STRG PER CASE - SMALL	48	0	**48**	50	52	53	27	132	$ 0.85	112	
	REC STRG PER CASE - LARGE	2,326	0	**2,326**	2,432	2,505	2,580	1,329	6,413	$ 3.85	24,690	
	NON-AUTO MIN UPCHARGE	31	0	**31**	32	33	34	18	85	$ 25.00	2,137	
Blankets	HANDLING / BLANKET	418	0	**418**	437	450	464	239	1,152	$ 32.00	36,879	
	STORAGE / BLANKET	695	0	**695**	727	748	771	397	1,916	$ 7.25	13,892	
Extra Labor & Equipment	W/H LABOR - REG	315	15	**330**	345	355	366	188	910	$ 45.00	40,943	
	W/H LABOR - OT	0	0	**0**						$ 45.00	-	
	W/H MAN & EQUIP - REG	8	0	**8**	8	9	9	5	22	$ 60.00	1,323	
	W/H MAN & EQUIP - OT	0	0	**0**						$ 60.00	-	
	OFFICE - REG	3	1	**4**	4	4	4	2	11	$ 45.00	496	
	OFFICE - OT	0	0	**0**							-	
Physical Inventory	Cases - SUPPLIERS	623,686	132,732	**756,418**	790,797	814,521	838,957	432,063	2,085,541	$ 0.15	312,831	
	Bottle Charge	13,788	0	**13,788**	14,415	14,847	15,293	7,876	38,015	$ 0.15	5,702	
	Case Charge - NHSLC	15,592	0	**15,592**	16,301	16,790	17,293	8,906	42,989	$ 0.15	6,448	
Special Reports	PER REPORT/LIST	16	0	**16**	17	17	18	9	44	$ 15.00	662	
Destruction	PER CASE (0 to 55)	1,384	0	**1,384**	1,447	1,490	1,535	791	3,816	$ 4.25	16,217	
	PER CASE 56+	5,538	0	**5,538**	5,790	5,963	6,142	3,163	15,269	$ 3.25	49,624	
Labeling	Cases (0 to 55)	9,145	960	**10,105**	10,564	10,881	11,208	5,772	27,861	$ 2.65	73,831	
	Cases (56 to 99)	10,228	1,132	**11,360**	11,876	12,233	12,600	6,489	31,321	$ 2.10	65,774	
	Cases (100 to 299)	18,362	2,123	**20,485**	21,416	22,059	22,720	11,701	56,480	$ 1.30	73,424	
	Cases (300+)	16,070	1,000	**17,070**	17,846	18,381	18,933	9,750	47,064	$ 0.75	35,298	
	Minimum (upcharge)	418	0	**418**	437	450	464	239	1,152	$ 25.50	29,388	
Relabeling	Cases relabeled	14,674	2,133	**16,807**	17,571	18,098	18,641	9,600	46,339	$ 1.50	69,509	
	Minimum (upcharge)	19	0	**19**	20	20	21	11	52	$ 25.00	1,310	
Duplicate Labels	Duplicate labels	265	0	**265**	277	285	294	151	731	$ 1.50	1,096	
Min Invoice Chg	Min Invoice Upcharges	67	0	**67**	70	72	74	38	185	$ 25.00	4,618	
											869,270	

HAT TRICK - TWO WAREHOUSES - JULY 9, 2012

		5/2011-4/2012 NASHUA WHSE	TOTAL VOLUME	Est. Beginning Volume 11/1/2013	EST. VOLUME OVER INITIAL 30 MONTH TERM 1st 12 months	2nd 12 months	Last 6 months	Total Est. Volume (1st 30 Months)	Proposed Contract Rates	Total Estimated Cost
INBOUND HANDLING SUMMARY:										
1 - 180 cases per code		1,723,575	1,723,575	1,801,911	1,855,969	1,911,648	984,499	4,752,115	$ 1.25	5,940,144
181 - 299 cases per code		453,332	453,332	473,936	488,154	502,799	258,941	1,249,894	$ 1.10	1,374,883
300 - 670 cases per code		936,930	936,930	979,513	1,008,899	1,039,166	535,170	2,583,235	$ 0.95	2,454,073
670+ cases per code		733,788	733,788	767,139	790,153	813,857	419,137	2,023,147	$ 0.85	1,719,675
Pallet Packs		1,781	1,781	1,862	1,918	1,975	1,017	4,910	$ 6.85	33,637
Cases uncoded or unsaleable		2,153	2,153	2,251	2,318	2,388	1,230	5,936	$ 5.40	32,055
Case Returns		1,645	1,645	1,720	1,771	1,824	940	4,535	$ 5.40	24,492
Pallet Returns		5	5	5	5	6	3	14	$ 30.00	414
Bottle Returns		142	142	148	153	157	81	392	$ 4.00	1,566
	TOTAL INBOUND HANDLING:	3,853,351	3,853,351	4,028,486	4,149,340	4,273,821	2,201,018	10,624,179		11,580,938
STORAGE SUMMARY:										
Cases 1 - 84 Days		14,768,898	14,768,898	15,440,144	15,903,349	16,380,449	8,435,931	40,719,729	$ 0.10	4,071,973
Cases 85 - 182 Days		2,634,122	2,634,122	2,753,843	2,836,458	2,921,552	1,504,599	7,262,609	$ 0.25	1,815,652
Cases 183 - 365 Days		957,777	957,777	1,001,308	1,031,347	1,062,288	547,078	2,640,713	$ 0.70	1,848,499
Cases 365+ Days		561,893	561,893	587,431	605,054	623,206	320,951	1,549,210	$ 1.25	1,936,513
Cases on Hold Status <365		202,634	202,634	211,844	218,199	224,745	115,744	558,688	$ 0.70	391,081
Cases on Hold Status >365		26,333	26,333	27,530	28,356	29,206	15,041	72,603	$ 1.25	90,754
Allocated products <84		24,266	24,266	25,369	26,130	26,914	13,861	66,904	$ 0.10	6,690
Allocated products>85		12,858	12,858	13,442	13,846	14,261	7,344	35,451	$ 0.25	8,863
Pallet Packs 1-84		7,104	7,104	7,427	7,650	7,879	4,058	19,587	$ 4.50	88,140
Pallet Packs 85-182		2,520	2,520	2,635	2,714	2,795	1,439	6,948	$ 11.60	80,596
Pallet Packs 183-365		1,275	1,275	1,333	1,373	1,414	728	3,515	$ 32.40	113,897
Pallet Packs 365+		762	762	797	821	845	435	2,101	$ 56.70	119,123
Pallets on Hold Status <365		412	412	431	444	457	235	1,136	$ 32.40	36,804
Pallets on Hold Status >365		5	5	5	5	6	3	14	$ 56.70	782
	TOTAL STORAGE:	19,200,859	19,200,859	20,073,538	20,675,744	21,296,017	10,967,449	52,939,209		10,609,368
OUTBOUND SUMMARY:										
Single Bottle		536,536	536,536	560,922	577,749	595,082	306,467	1,479,298	0.65	961,544
Automatic Orders (Cases)		3,762,862	3,762,862	3,933,884	4,051,901	4,173,458	2,149,331	10,374,689	0.14	1,452,456
Non-Automatic Orders (Cases)		18,308	18,308	19,140	19,714	20,306	10,457	50,477	0.23	11,610
Automatic Orders (Cases) - out of state		30,992	30,992	32,401	33,373	34,374	17,702	85,449	0.14	11,963
	TOTAL OUTBOUND:	3,812,162	3,812,162	3,985,425	4,104,988	4,228,137	2,177,491	10,510,615		2,437,573
ACCESSORIAL SUMMARY:										
Advertising Material	HNDLG PER CASE - SMALL	48	48	50	52	53	27	132	0.90	119
	HNDLG PER CASE - LARGE	173	173	181	186	192	99	477	2.25	1,073
	STRG PER CASE - SMALL	48	48	50	52	53	27	132	0.90	119
	STRG PER CASE - LARGE	173	173	181	186	192	99	477	4.05	1,932
	REC STRG PER CASE - SMALL	48	48	50	52	53	27	132	0.90	119
	REC STRG PER CASE - LARGE	2,326	2,326	2,432	2,505	2,580	1,329	6,413	4.05	25,973
	NON-AUTO MIN UPCHARGE	31	31	32	33	34	18	85	30.00	2,564
Blankets	HANDLING / BLANKET	418	418	437	450	464	239	1,152	34.00	39,184
	STORAGE / BLANKET	695	695	727	748	771	397	1,916	7.65	14,659
Extra Labor & Equipment	W/H LABOR - REG	315	315	329	339	349	180	868	45.00	39,082
	W/H LABOR - OT	0	0						-	
	W/H MAN & EQUIP - REG	8	8	8	9	9	5	22	60.00	1,323
	W/H MAN & EQUIP - OT	0	0						-	
	OFFICE - REG	3	3	3	3	3	2	8	45.00	372
	OFFICE - OT	0	0						-	
Physical Inventory	Cases - SUPPLIERS	623,686	623,686	652,033	671,594	691,741	356,247	1,719,582	0.16	275,133
	Bottle Charge	13,788	13,788	14,415	14,847	15,293	7,876	38,015	0.16	6,082
	Case Charge - NHSLC	15,592	15,592	16,301	16,790	17,293	8,906	42,989	0.16	6,878
Special Reports	PER REPORT/LIST	16	16	17	17	18	9	44	32.00	1,412
Destruction	PER CASE (0 to 55)	1,384	1,384	1,447	1,490	1,535	791	3,816	4.50	17,171
	PER CASE 56+	5,538	5,538	5,790	5,963	6,142	3,163	15,269	3.50	53,441
Labeling	Cases (0 to 55)	9,145	9,145	9,561	9,847	10,143	5,224	25,214	2.80	70,599
	Cases (56 to 99)	10,228	10,228	10,693	11,014	11,344	5,842	28,200	2.25	63,450
	Cases (100 to 299)	18,362	18,362	19,197	19,772	20,366	10,488	50,626	1.40	70,877
	Cases (300+)	16,070	16,070	16,800	17,304	17,824	9,179	44,307	0.80	35,446
	Minimum (upcharge)	418	418	437	450	464	239	1,152	27.00	31,117
Relabeling	Cases relabeled	14,674	14,674	15,341	15,801	16,275	8,382	40,458	1.60	64,733
	Minimum (upcharge)	19	19	20	20	21	11	52	30.00	1,572
Duplicate Labels	Duplicate labels	265	265	277	285	294	151	731	1.60	1,169
Min Invoice Chg	Min Invoice Upcharges	67	67	70	72	74	38	185	30.00	5,542
										831,142

Craig W. Bulkley

From: Craig W. Bulkley
Sent: Thursday, July 05, 2012 2:59 PM
To: Goclowski, Mike
Cc: George P. Tsiopras
Subject: Questions Regarding Rate Calculation Template

Mike:

Thank you for your final submission of the rate calculation template. Below are several questions regarding your template numbers:

1. Within the Outbound Order Processing section for automatic orders, you are proposing a rate of 60 cents per case to suppliers, and no cost to the NHSLC. Please confirm and explain as current practice charges only the NHSLC for these transactions.
2. Please elaborate further on each of the tree components of your revenue sharing proposal.

Please provide your response to me **with a cc to George Tsiopras** no later than Monday, 7/9 at 4:00 PM. Thank you.

Please consider the environment before printing this e-mail.

Craig W. Bulkley
Director
Division of Administration
NH State Liquor Commission
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Stephen J. Judge

To: Craig W. Bulkley
Subject: FW: Distributech Answers to Questions Regarding Rate Calculation Template

From: Mike G [mailto:mike@webwei.com]
Sent: Friday, July 06, 2012 2:16 PM
To: Craig W. Bulkley
Cc: SLC -George Tsiopras
Subject: Distributech Answers to Questions Regarding Rate Calculation Template

Craig and George,

Your Question / Request: 1 Within the Outbound Order Processing section for automatic orders, you are proposing a rate of 60 cents per case to suppliers, and no cost to the NHSLC.
Please confirm and explain as current practice charges only the NHSLC for these transactions.

(1a) With the exception of the $0.50/bottle fee to create mixed cases, the supplier of record will pay for all fees.

(1b) In the NHSLC's template, you indicate that 40,000 cases out of the 13.9 million cases would be "NHSLC-owned" or supplied by the NHSLC itself.

Those are the only cases for which you are a "supplier" and will be assessed any handling fees

(1c) Regarding why we shift outbound charges to the suppliers when "current practice charges only the NHSLC for these transactions":

Why should suppliers pay instead of the NHSLC? In a "bailment" system the bailment suppliers are inherently involved in a perpetual loop of throughput that always includes inventory build-outs, inventory depletion and replenishment. Distributech provides the NHSLC's suppliers with a perpetual inventory handling and tracking service that adds value to the suppliers so they can optimize their inventories. Built-in and bundled together are all of physical and technical responsibilities for the suppliers.

The term "outbound order processing" alongside the myriad of accessorial fees has lead NH into a fragmented warehouse system. Distributech will build an integrated "inventory management service".

At the bottom of the One Warehouse template, we provided our Alternate Price Proposal that consolidates a huge "a la carte" menu of services into just 3 basic fees -- $1/case In, $1/case Out, with a penny per day storage.

Distributech simplifies billings, shifts costs away from the NHSLC and then appropriately assesses all the costs of bailment warehousing to the suppliers.

(1d) Your template was an excellent exercise. We were able to prove that our alternative price proposal is competitive and simpler than the current billing method. However, there are three (3) significant improvements with our proposed method: **(1)** The risks of future added costs are primarily shifted away from the NHSLC; **(2)** we eliminate the NHSLC's direct costs for bailment; (2) suppliers' costs are now stabilized, competitive, simple and forecast-able; **(3)** Distributech will save the NHSLC almost $1 million per year in costs that directly benefit the Commission's own operations. (see more about this in the answer to your question 2) .

Your Question / Request: 2 "Please elaborate further on each of the components of your revenue sharing proposal."

(2a) Instead of simply applying $900,000+ per year in fee reductions to suppliers, Distributech will allocate funds to support three warehouse-critical areas. Two of these areas are currently paid for by the NHSLC directly. Distributech will budget $600,000 to rent the Storrs Street facility and purchase most of its available manpower to supplement our operations. In addition, we will allocate $300K per year create/support a data bridge between the warehouse and the NHSLC for sharing, managing, publishing and auditing all warehouse inventory activities for suppliers, brokers and warehouse customers within the NHSLC's umbrella.

(2b) The NHSLC can still continue to use the Storrs Street facility to receive and store its own back-stock and buy-ins from profitable special purchases;

(2c) Distributech's $400K per year for Dave Harrison and the other SEA employees will still allow them to retain their official roles and benefits within the Storrs Street warehouse; while Distributech uses them within both warehouses;

(2d) By coordinating the Storrs Street facility with the close-by Distributech facility, the NHSLC can explore a separate bailment source of revenue. Instead of continuing to attempt to stuff 145K cases of the fastest moving liquor products into a relatively small 50,000 sq foot facility, the same or more NHSLC revenue could be derived through storage fees on the existing 65,000 cases of 180-day-old and greater stock within the current system.

By applying pre-2012 bailment rates to these slower-paced 65K cases on hand, the storage fees would gross the NHSLC more than $1.2 million in storage charges annually. Even if the NHSLC discounts those rates, the gross revenue on less than half the space capacity of Storrs Street will be significant. Additionally, even more profits can be derived by NHSLC when it places some sales focus upon supplier discounted and NHSLC marked-down "sell-offs" and "close-outs" of this aging or discontinued stock.

(2e) Distributech also benefits by having Storrs Street as a quality disaster recovery site that is very local to its own primary distribution facility (In the event of a large-scale disaster we also have authorization to use larger space available on Hall Street at the Amoskeag Beverage facility). Whether we share the Storrs Street space, use it periodically, seasonally or under emergency circumstances its 6 enclosed docks and portions of its space are useful.

We have many ideas as to how our proposal makes sense for both the NHSLC and Distributech, given our location close to Storrs Street.

We look forward to working together to optimize the system and profits to the NHSLC.

Please let me know when you have more requests or questions.

Mike Goclowski