

April 18, 2012 CLARIFICATIONS AND AMENDMENTS:

In Part 1, section 1.3, the vendors are invited to submit written inquiries to the Issuing Officer. A number of written inquiries were received by April 16, 2012, as well as questions raised during the vendor's conference. The official written responses are set out below. The NHSLC appreciates and encourages written inquiries. They provide effective communication among the NHSLC and vendors.

The NHSLC has extended the vendor inquiry period from Thursday, April 19, 2012 to Monday, April 23, 2012. The NHSLC is also extending the Final Response Deadline from Friday, April 27, 2012 to Tuesday, May 1, 2012. All other deadlines remain the same.

Clarification: Paragraph 1.9 Contract Performance Bond on Page 10-11 of the RFP identifies two performance bonds. The second performance bond is described in the last paragraph of 1.9 on Page 11. The first sentence in this paragraph is stricken and the following is added in its place:

“The successful vendor shall also be required to submit a separate performance bond or performance guarantee acceptable to the NHSLC. This bond or guarantee shall cover any and all costs related to the transition from the contract in force at the time to the new contract because the successful vendor is unable to perform duties under the contract as of November 1, 2013.”

Question 1: Does the vendor's warehouse need to be physically located in the State of New Hampshire?

Answer: Yes. The vendor may have multiple locations, but they all must be in New Hampshire. See RFP, Section 3.0.1.

Question 2: What is the history of free warehouse storage for NHSLC product?

Answer: The current extension of the NHSLC contract with Law Warehouses (ending on April 30, 2012) calls for free storage of 25,000 cases per month for up to 28 days. Prior extensions of this same contract with Law Warehouses called for free storage of 20,000 cases for up to 28 days. The new 18-month contract with Law Warehouses starting on May 1, 2012 and ending on October 31, 2013 allows for free storage of 35,000 cases for 56 days.

Question 3: What is the cost to run the Concord warehouse?

Answer: In the most recent fiscal year ended June 30, 2011:

Concord Warehouse revenues (bailment)	\$1,719,743
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Concord Warehouse expenses (Including depreciation) \$1,125,807
(State employees operate this warehouse)

We do not anticipate that the vendor solution will include running the Concord warehouse.

Question 4: How often is the contract for Transportation Services put out to bid?

Answer: The current contract is the last extension on a 5-year initial contract with two 5-year extensions and ends on April 30, 2012. A new 18-month contract goes into effect on May 1, 2012 and ends on October 31, 2013. Once we know where the long-term warehouse will be located, we will issue a new transportation services RFP. The NHSLC will determine at that time how long the term will be.

Question 5: What is the primary reason you are putting out a long-term Warehouse Services RFP? What are you looking to improve upon over the current contract?

Answer: The NHSLC is very pleased with the current contractor and level of performance. The NHSLC has entered into an 18-month contract with the current contractor for warehouse services. The NHSLC has determined that a long-term contract should result in increased revenue and reduced operating costs.

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. We expect a bank will be looking for a long-term contract to support the lending of such an amount.

Question 6: What is the length of the current warehouse services contract?

Answer: The current contract that expires on April 30, 2012 was effective May 1, 1997 as a 5-year contract with two 5-year extensions (if both parties agreed to extensions). Those extensions were exercised with the second extension ending on April 30, 2012. A new 18-month warehouse services contract goes into effect on May 1, 2012 until October 31, 2013. This long-term RFP that we are discussing at the vendor's conference will take effect on November 1, 2013.

Question 7: The RFP calls for two proposals – one involving a one-warehouse operation and one involving a two-warehouse operation with one of the warehouses being the state-owned warehouse in Concord. Can you explain why?

Answer: The NHSLC has asked for both proposals because it wants to see how each scenario affects the costs proposed by vendors. We do not anticipate that the Concord warehouse will close. At the very least, it will be used for storing state-owned product and other special items. Should it become clear that a single warehouse is the favorable solution, the Concord warehouse will be used for storing state-owned products.

Question 8: Where is the state-owned warehouse located?

Answer: The state-owned warehouse is located at 50 Storrs Street, Concord, NH

Question 9: Please explain how the free storage exemption works for product owned by the NHSLC and how many cases typically are stored for free.

Answer: Under the criteria noted in this long-term warehouse services RFP at Appendix D-1, page 55, the NHSLC is requiring free storage of up to 35,000 cases for 90 days from date of receipt. Please note that these cases are subject to some fees such as Inbound Handling. See the answer to Question 10 below for further guidance.

Question 10: Where do you want proposed costs for picking and loading out a truck? Where will the truck be loaded?

Answer: The cost for (Inbound) Handling (Appendix D) for suppliers includes the cost for outbound handling.

The title of the first section in Appendix D under BASIC BAILMENT CHARGES is changed from "INBOUND HANDLING" to "HANDLING".

The following language replaces the definition of Handling in Appendix D:

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

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.

The successful vendor will be responsible for loading trucks at its warehouse.

Question 11: Do you know the number of full pallets that come into the warehouse and go out as the same full pallets.

Answer: The NHSLC does not have a count, but it is very few pallets from either warehouse. Sometimes, the Concord warehouse will have full pallets of Absolut or Captain Morgan going to our largest stores or as feeder items going to Nashua. There are some full pallets of wine products that will go to large licensees like supermarkets.

Question 12: What is the decision making process once all proposals are submitted by June 7, 2012?

Answer: The process is described in Part IV, starting on Page 30 of the RFP. The Evaluation Committee performs an initial analysis which may include meeting with

specific vendors. The committee then makes a recommendation to the Commissioners who are free to take whatever action they deem appropriate. Once the Commissioners have voted to begin contract negotiations with a specific vendor, the evaluation committee enters the negotiation process with that vendor. If an agreement on a contract is reached, the contract is presented to the Commissioners who vote whether to accept it. Once the contract is accepted, it is sent to the Attorney General's office for final approval. It is expected that the Commissioners and the Attorney General's office will play an active role during the negotiations so that when the final product is presented, it will already have been vetted.

Question 13: The chart showing historical shipments on Page 78 of the RFP seems to be incorrect regarding FY11 Cases. Are these numbers correct?

Answer: The correct totals for FY11 cases shipped are located on the previous page (page 77) as the first two numbers noted on the page.

Question 14: Is this RFP asking for refrigerated storage?

Answer: Please refer to the requirements in Section 3.0.4 Warehouse General Requirements, second paragraph, page 20, where there is a description of minimum and maximum storage temperatures. In addition, the paragraph contains the option for the requirement for a different temperature range.

The following paragraph in Section 3.0.4 requires an area of about 5,000 square feet to be temperature controlled at about 55 degrees. It also provides that the vendor may charge a premium for storage in this area (see Appendix D, page 51).

We anticipate that there will be future requests for product to be stored in this area. We believe there are self-contained refrigerated units that will meet this requirement. The vendor may propose a smaller unit initially but must be prepared to expand to 5,000 square feet upon demand.

Question 15: What role will the Concord warehouse play under the potential different scenarios?

Answer: We do not anticipate that the Concord warehouse will close. We also do not anticipate that the Concord warehouse will result in costs incurred to the successful vendor. What we do anticipate is that the Concord warehouse under the two-warehouse scenario will continue to operate as it does now. That is, it mainly contains spirits which are shipped either directly to the state liquor stores or are shipped as feeder items to the other warehouse. What we also anticipate is that under the one-warehouse scenario, the Concord warehouse will continue to be utilized to store state-owned product and other special items and will be staffed by state employees.

Question 16: What will be received at a single warehouse?

Answer: All supplier-owned product will be stored at the single warehouse other than that product the NHSLC wishes to store in the Concord warehouse. As indicated in a

previous answer, some product stored in Concord may go directly to a state liquor store while other product may be shipped to the single warehouse as feeder items or to be included with other shipments.

Question 17: Is it possible for the NH Legislature to close the Concord warehouse?

Answer: As a matter of statutory authority, the state has owned and operated a liquor warehouse since before 1964. The legislature has the authority to change or amend laws and the NHSLC can not predict the future. The history of the NHSLC strongly suggests that the state will continue to own a liquor warehouse.

Question 18: Does the NHSLC have a preference to have two separate warehouses?

Answer: The NHSLC seeks the most efficient, optimal warehouse operation possible that also results in minimizing operational costs that would be passed on to suppliers, the NHSLC and our customers. The RFP requires that two proposals be submitted – one for a single warehouse and one for two separate warehouses. On the basis of these proposals, the NHSLC will determine the most beneficial solution.

Question 19: Explain how the NHSLC storage fee exemption works.

Answer: Under the criteria noted in this long-term warehouse services RFP at Appendix D-1, page 55, the NHSLC is requiring free storage of up to 35,000 cases for 90 days from date of receipt. Once the same 35,000 cases have been in the warehouse for over 90 days, the standard storage fee applies (see Appendix D-1). What the NHSLC anticipates is that the same case will not be stored in the warehouse for over 90 days. Therefore, the NHSLC expects to use the Concord warehouse to store state-owned product so that it will avoid having to pay storage charges for state-owned product.

Question 20: How often is the contract for transportation put out to bid?

Answer: The current transportation services RFP ends on April 30, 2012. Like the current warehouse services contract, it too had an initial length of five years with two 5-year options. We are completing the second 5-year option. On May 1, 2012, a new 18-month contract starts. Law Motor Freight was awarded that 18-month contract.

A new transportation services RFP will be released once a warehouse vendor is chosen from the long-term warehouse services RFP process.

Question 21: How are orders transmitted to the warehouse?

Answer: As indicated below, licensee orders placed on the NHSLC website are immediately transmitted electronically to the warehouse. Replenishment orders for our 77 state stores and licensees are sent via electronic file (single large batch) every night between 7 PM and 10:45 PM.

Question 22: What is the breakdown of orders submitted electronically, by phone and manually?

Answer: Licensees can order via the NHSLC's licensee ordering website or they can place an order with one of our retail stores for pickup in that store. The vast majority of licensees use the web ordering system. When a licensee places an electronic order, it immediately goes to the warehouse.

Question 23: When are orders picked up by licensed carriers and licensees?

Answer: The Concord warehouse does not have any pickups other than the three agency stores. The contracted warehouse in Nashua schedules pickups based on their operational requirements. Law Warehouses allows licensees to come in anytime between 8:00 AM and 4:30 PM. Licensed carriers are scheduled for pickups.

Question 24: Are warehouse pickups scheduled in advance or for specific time slots?

Answer: Our contracted warehouse in Nashua does schedule time slots for pickups. The scheduling of these pickups is done by the contracted warehouse and not dictated by the NHSLC.

Question 25: Is the current delivery schedule for state stores driven by sales or are different products coming from the state warehouse and Law warehouse?

Answer: Replenishment at stores is done automatically and daily by our Point of Sale software and is based on what was sold that day. Each store has a minimum/maximum for each SKU, and once the inventory falls below that minimum, additional product is ordered. Those products come from both warehouses.

Question 26: Could you explain in greater detail how warehouse breakage and shrink are handled?

Answer: Regarding the Concord warehouse, the NHSLC has specific policies dealing with breakage and how it will be reported. Due to the potential of employee theft, breakage is carefully monitored. The NHSLC has its own internal audit team that monitors breakage and shrinkage. Currently, inventories of all stores are performed quarterly, and the Concord warehouse is performed semi-annually. We are considering increasing the frequency of our store inventories in the future.

Inventories at the contracted warehouse are conducted on the same schedule as our Concord warehouse. The successful bidder is responsible for all inventory losses based on the NHSLC cost per bottle.

Final Inquiry and answer on following page

Question 27: Can you provide information on historical sales and inventory data?

Answer:

Request	Solution
Monthly Sales by SKU	Summarize the files in Daily Sales by SKU
Daily sales by SKU for Dec (or FY11)	<p>cy11_concord_recv_ship.xls contains the daily shipping from Concord to the stores or licensees</p> <p>law_ship_cy11.csv contains the daily shipping from Law to the stores or licensees</p> <p>Notes</p> <ul style="list-style-type: none"> • These files are daily shipments showing location, SKU, cases and customer • The customer number identifies the store or licensee. Numbers ending in 00 are stores. Example 6000 is store 60. • Shipments to stores generally reflect sales of the store
Monthly receipts by SKU	Summarize the files in Daily receipts by SKU
Daily receipts by SKU	<p>cy11_concord_recv_ship.xls contains the receipts daily from the vendors by SKU</p> <p>cy11_law_recv.xls contains the daily receipts from vendors in cases but does not have the SKU (SKU is unavailable)</p>
Month ending inventories by SKU	fy11_monthly_inventory.xls contains the monthly ending inventory for both warehouses
Monthly (or annual) sales for each State store location	Contained within the Daily Sales by SKU files, summarize by month and store (customer)
Monthly (or annual) sales for each licensee	Contained within the Daily Sales by SKU files, summarize by month and store (customer)

* the blue items are links to the files on our ICE web server.