



# State Store Auction Bidders' Conference



April 5, 2012



# Agenda

- Purpose & Scope of Auction
- Bidder Rights and Options
- Bid Evaluation Criteria
- Post Auction Incentive Program
- Q & A



## When?

- When did the auction open?
  - Thursday, March 8, 2012
- When will the auction close?
  - Friday, April 20, 2012
- When will the winners be announced?
  - Monday, April 30, 2012





## What?

- What is the goal of the auction?
  - To generate the maximum reasonable value
- What exactly is being auctioned?
  - The exclusive right to apply for a liquor license at the existing location within its current footprint.





## More What?

- What is not included
  - Property rights
  - Inventory
- What are the bidding options?
  - Bid on individual store(s)
  - Bid on all system network





## Even More What?

- What can the winner do with the right?
  - Exercise it
  - Sell or transfer it
  - Hold on to it for future action
- What if the winner can't reach agreement with the landlord?
  - May request the Board to consider an alternate location within 1 radius mile.





## Who?

- Who can place a bid in the auction?
  - Anyone who has registered and submitted a bid deposit.
    - \$1,000 for individual store bidding
    - \$5,000 for all store network bidding
- Who determines the winner?
  - Staff will make recommendations to the Board who will make the final award decision(s).





## How?

- How will the winner be determined?
  - By comparing the sum total of individual high bids to the high all system bid.
  - Cost avoidance will be considered to determine the Net Bid Value
    - defined as the bidder's last offer minus removal cost for inventory and fixtures based on bidders demonstrated intent and ability.





## More How?

- How does a bidder establish intent and ability with respect to the inventory and fixtures?
  - Landlord letter of intent to lease to bidder
  - Financial institution proof of funds to purchase inventory

**Due by April 20, 2012**





# Bid Evaluation: Cost Avoidance

Bidder Options	Bid Devaluation Impact
<b>Inventory</b>	
Purchase Inventory In Place	\$ 0.00 per case bid adjustment
Purchase Inventory Pickup	\$ 4.21 per case bid adjustment
Do Not Purchase Inventory	\$ 4.44 per case bid adjustment
<b>Fixtures</b>	
Establish Property Rights (Lease)	\$ 0.00 bid adjustment
Do Not Establish Property Rights (Lease)	\$3,000 bid adjustment

NOTE: Any bid adjustments are for evaluation purposes only and does not change the amount of money ultimately due from the designated winner of the auction. Bidder intent and ability shall be determined based on documentation submitted to the LCB no later than April 20, 2012



# Evaluation Example

Bidder	Bid Value	Location	Inventory	Fixture Removal Expense	Inventory Removal Expense	Net Bid Value
A	\$8,000	New	No Purchase	\$3,000	\$8,880	- \$3,880
B	\$7,900	New	Purchase For Pickup	\$3,000	\$8,420	- \$3,520
C	\$6,000	Existing	No Purchase	\$ 0	\$8,880	- \$2,880
D	\$3,000	Existing	Purchase In Place	\$ 0	\$ 0	\$3,000

NOTE: Inventory removal expense only includes materials and labor not otherwise covered through the supplier inventory buy back program. Assumes 2,000 cases.



## Unexercised Proxy Values

- In the event competition does not require a Bidder's proxy to be fully exercised in order for them to be the high bidder at the close of the auction, the remaining proxy may be used as necessary to offset an unfavorable Net Bid Value and secure the auction right for that Bidder.

**Based on the questions and comments during the Bidders Conference, this slide was added to clarify how Proxy's may be used in the bid evaluation process.**



## Post Auction Incentive

- State faces \$8 million in unemployment insurance expense due to displaced workers.
- To help reduce this potential expense, LCB is offering a rebate of the 6% Buyer's Premium
- Employees hired during the 10 month period beginning June 2012 through March 2013 would be considered towards the calculation of any rebate earned.





## Post Auction Incentive (cont.)

- Individual Store Bidder Rebate Formula  
(Employees Hired x Employee Earned Months)/40 = Rebate Percentage x 10
- All Store Network Bidder Rebate Formula  
(Employees Hired x Employee Earned Months)/6,720 = Rebate Percentage x 10
- A bidder who paid \$8,000 and employed 4 displaced employees for 10 months could earn a **\$4,800 rebate**





## Important Dates

- April 19<sup>th</sup>: Deadline for bid deposits
- April 20<sup>th</sup>: Evidence of intent & ability due  
Auctions close
- April 23<sup>rd</sup>: Bid evaluation begins
- April 30<sup>th</sup>: Bid award announced





## Where?

- Where can I get more auction information?
  - [www.liq.wa.gov/retail/auctions](http://www.liq.wa.gov/retail/auctions)
- Where can I get more licensing information?
  - [www.liq.wa.gov/licensing/licensing-services](http://www.liq.wa.gov/licensing/licensing-services)





**Q & A**

**Thank You!**