



Washington State
Liquor Control Board

Bidders'
Conference

State Store Auction Bidders' Conference 2

April 13, 2012



Agenda

- Activity Timeline
- Bid Evaluation Criteria
- Proof of Bidder Intent & Ability
- How Proxy's Will be Used
- Q & A





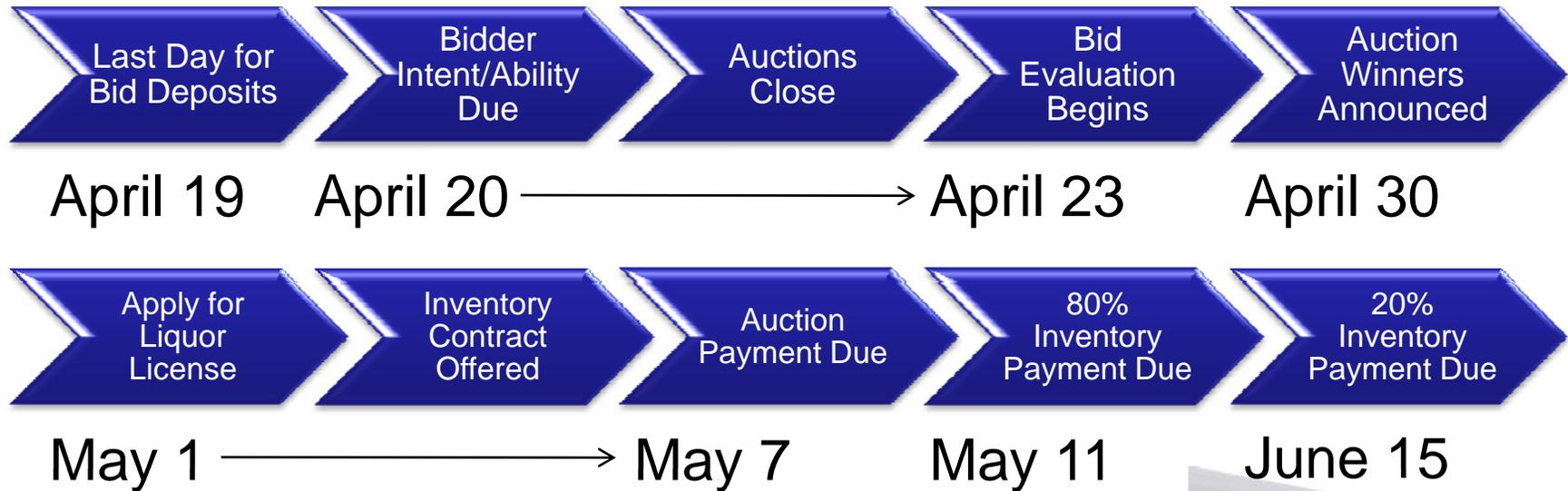
Why Such Tight Timelines?

- I-1183 requires the LCB to get out of the business by June 1, 2012.
- New retailers want to begin operating as soon as the new law allows, June 1, 2012.
- In order for LCB to exit quickly so new operators can begin, there is only a few weeks in May to finalize the transition schedule.
- In order for the LCB to award the auction rights by April 30, 2012, Bidders must produce documented intent & ability by April 20, 2012.





Upcoming Activity Timeline





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 bidder's 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

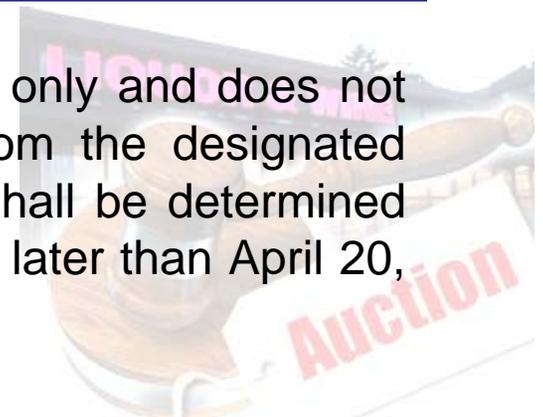




Bid Evaluation: Cost Avoidance

Bidder Options	Bid Devaluation Impact
Inventory	
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
Fixtures	
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.





How will my Proxy be used?

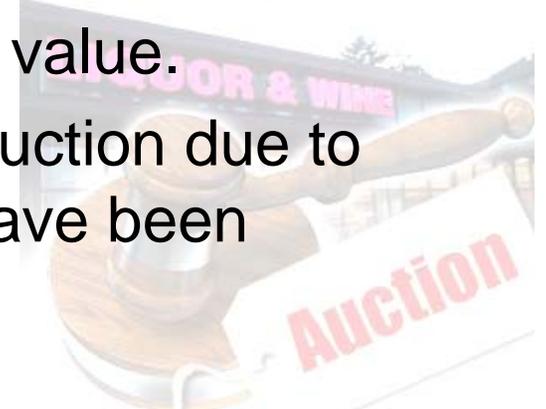
- A Bidder has the option to establish a Proxy to bid on their behalf up to their established limit.
- A Proxy bid is only exercised as necessary to respond to a competitive bid.
- Unexercised Proxy value may be applied during the LCB evaluation process in order to offset expenses associated with LCB's fixture and inventory removal.





Why would LCB Use Unexercised proxy?

- Before the auction closes, only a competitive bid will cause a proxy to be exercised.
- During the evaluation period LCB applied criteria could result in a high bidder at auction close to lose due to expenses caused by their intent for fixtures & inventory.
- By creating a Proxy, a Bidder is stating their willingness to pay more if necessary, to secure the auction rights.
- A Bidder's unexercised proxy would only be used as necessary to offset an unfavorable net bid value.
- This ensures that a Bidder won't lose an auction due to an unfavorable Net Bid Value that could have been adjusted using available Proxy dollars.





Evaluation Example

Bidder	Proxy	Bid Value	Location	Inventory	Fixture Removal Expense	Inventory Removal Expense	Net Bid Value
A	\$20,000	\$8,000	New	No Purchase	\$3,000	\$8,880	- \$3,880
B	\$7,900	\$7,900	New	Purchase For Pickup	\$3,000	\$8,420	- \$3,520
C	\$ 0	\$6,000	Existing	No Purchase	\$ 0	\$8,880	- \$2,880
D	\$3,000	\$3,000	Existing	Purchase In Place	\$ 0	\$ 0	\$3,000

- Bidder A has \$12,000 of unexercised proxy available to be used to offset their unfavorable Net Bid Value.
- Bidder B and D fully exercised their proxy so no further adjustments can be made to their Net Bid Value.
- Bidder C did not create a proxy so no further adjustments can be made to their Net Bid Value.
- **Bidder A would pay \$14,980 and be awarded the auction.**
 - Bid Value \$8,000 plus \$6,880 (difference between A's Net Bid Value and D's Net Bid Value) plus \$100





Important Dates

- April 19th: Deadline for bid deposits
- April 20th: Evidence of intent and ability due
Auctions closes
- April 23rd: Bid evaluation begins
- April 30th: Bid award announced
- May 1st: Apply for liquor license
Inventory contract offered
- May 7th: Auction payment due
- May 11th: 80% inventory payment due
- June 15th: 20% inventory payment due





Where?

- Where can I get more auction information?
 - www.liq.wa.gov/retail/auctions
- Where can I get more licensing information?
 - www.liq.wa.gov/licensing/licensing-services





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Thank You!

