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Cost Savings Analysis

**Study and Analysis: Potential Cost
Savings Through the Use of
Private Printing Services**

A Report to the Secretary of Administration
Department of Administration, State of Kansas
By Allen, Gibbs & Houlik, L.C.
November 2011



November 22, 2011

Mr. Dennis Taylor, Secretary of Administration
Department of Administration
State of Kansas
Curtis State Office Building
1000 SW Jackson, Suite 500
Topeka, Kansas 66612

Dear Secretary Taylor,

We are issuing this letter in response to your request for a study and analysis of the potential cost savings through a comparison of printing service cost rates of the State printer with the private sector as well as an investigation of the feasibility of selling the related assets. In addition, we understand that state agencies may currently choose among private sector service providers in addition to the state printer.

We performed our analysis by gathering information from the Kansas Department of Administration's Offices of General Services, Business Process Improvement and Inspector General. Additionally, the National Association of Printing Leadership (NAPL), a leading, independent print association, was contracted to provide the current fair market value of the production equipment. This analysis was performed solely to assist the Department of Administration in the determination of the potential for cost savings that may be realized from the use of external print providers as well as the sale of any related real estate and equipment. The analysis is intended to provide reasonable estimates about future results of outsourcing printing functions, however, the results will vary depending on future needs, and the procurement methodologies used to outsource printing services.

Based on our work and the analysis of the information attained, as described in the report, evidence exists that there is a fairly competitive market for certain print services currently provided by the Department of Administration. Cost estimates of those services were not provided from outside print providers to enable a true calculation of that market. In addition to various print services, a schedule of assets has been compiled. Those assets, land, buildings and equipment are estimated at a value of approximately \$3,204,920. A schedule of revenue and expenditures was compiled and included in this report. In addition, based on interviews with Department of Administration staff as well as selected print providers, it is our opinion that adequate service providers exist to perform the agency's printing needs. The above estimate and conclusion is subject to limitations of the current print economy, technology, the capacity of private print providers, the complex requirements of certain print jobs, and the appraisal value of real estate and equipment prices available during the analysis conducted.

The attached information is based on historical financial data provided to us by the Department of Administration and others. Had we audited the underlying data, matters may have come to our attention that could have resulted in our using amounts that differ from those provided. Financial statements are the responsibility of management. Accordingly, we take no responsibility for the underlying data presented in this report.

Respectfully,

Allen, Gibbs & Houlik, L.C.

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Introduction and Project Objective:

During the 2011 Kansas Legislative session, H.B. 2014, Section 97, Subsection (a) was introduced and became law (2011 Session Laws, Chapter 118, Section 97 Subsection (a)). This legislation includes language that calls for a study and analysis of the potential cost savings that may result from the use of private sector printing services and an investigation of the feasibility of selling the assets of the state printer. The specific statutory language is as follows:

And provided further, That in addition to the other purposes for which expenditures may be made by the above agency from the general administration account for fiscal year 2012, expenditures shall be made by the above agency from the general administration account for fiscal year 2012 for the secretary of administration, or the secretary's designee, to issue a request for proposal for a study and analysis to review the potential costs savings related to the use of private sector printing service providers in lieu of the state printer:

And provided further, That such study and analysis shall investigate the feasibility of selling the assets of the state printer, including real estate and any improvements thereon:

And provided further, That the secretary of administration shall present the findings of this study to the legislative budget committee on or before November 1, 2011.

State agencies can and do seek competitive bids from private sector printers for their print projects. Agencies wanting to use the state printer for their printing needs continue to do so. The legislation quoted above requested a study be commissioned to analyze the cost savings should private sector printing services be selected in lieu of the state printer. The analysis presented below is from an external perspective in that it attempts to identify the private printing service rates and costs to gain a comparison with the state-provided rates.

Therefore, initially there were two objectives of this engagement:

1. **To determine the potential cost savings, if any, that may result from the use of private printing services, and**
2. **Provide an estimate of the liquidation value of State printer assets as well as provide the feasibility of selling the assets along with a recommended method of disposal.**

An initial email survey of 14 private companies (described below) was conducted to attain the future gross cost estimates of services currently being provided by the State printer. The survey included detail narrative providing extensive information to the private printers being surveyed in an effort for the printers to include the best estimate available. Upon the initiation of that survey we found that the print companies were unwilling to partake in the survey due to the complexity and cost of assembling the private cost estimate information.

Upon meeting with the Secretary of the Department of Administration, and the Directors of the Offices of Inspector General, General Services, and Business Process Improvement, the scope of the first objective was modified to the following: **determine the existence of a competitive market respective to the service groups currently being provided by the State printer by conducting a survey of the same group of private print companies.** Existence of the private market would be determined so that the Department of Administration could evaluate the option of proceeding with the use of private printing services for portions of the services currently being provided by the State printer.

Service Group Competition:

State agencies currently have a choice to select the state printer or go thru a competitive bid process to obtain printing services from the private sector or the state printer. These printing services are broken down into 16 different 'service groups'. Listed in **Attachment A** and in **Table 1** below are those 16 groups along with various subgroups. In addition, the Division of Printing provided summary volume information related to each service. The volume information for the twelve months ending June 30, 2011 contains the number of pages printed, books bound, hours used, or clicks made in each group.

To evaluate the existence of a competitive market for these service groups, we selected 14 printing companies (**Attachment B**) from a list of 22 printers compiled by the Department of Administration. Eight of the printers were either unwilling to participate or did not produce the required services. Within the survey we asked the 14 companies of the likelihood of their company bidding on each of these service groups. The companies were asked to respond either "yes" (y) indicating their ability to perform the services either in whole or in part, "maybe" (m) indicating that based on additional information within the category the company would be able to bid, and "no" (n) indicating that the company would be unable to satisfy any of the requirements as attached. In an effort to assist in providing them information related to the groups a narrative was written by the Department of Administration describing in detail each of the service groups.

A sample of the detail (**Attachment C**) contains information related to each service group such as the statement of work, frequency of order, quantity, trim sizes, stock paper to be used and/or proof requirement.

The 14 companies were invited to participate in the survey with a total of 12 choosing to participate, representing a strong majority of companies. **Table 1** indicates the interest in each of the areas requested. The total "Y" responses are indicated relative to the group represented. The number of companies along with the Service Group number and description are outlined in the table.

Table 1

Kansas State Printing Office Summary of Group Responses Activity: July 1, 2010 to June 30, 2011															
Group #	Type	No. "Y"	Allen Press	Color Impressions	Consolidated Printing	Hall's Printing	Mainline	Memnonite Press	Docuplex (Print Mart)	Band Graphics	Spangler Graphics	McCormick Armstrong	Southwest Printing	CS&S Printing	
1	Letterhead	8	-	Y	Y	m	Y	Y	Y	Y	Y	-	-	Y	
1a	Envelopes	6	-	Y	Y	m	m	Y	-	Y	Y	-	-	Y	
1b	Business Cards	6	-	Y	Y	m	m	Y	-	Y	Y	-	-	Y	
2	Saddle stitched Books 1 col	8	m	Y	Y	Y	Y	Y	m	Y	Y	-	-	Y	
2a	Saddle stitch books multi-co	9	m	Y	Y	Y	Y	Y	m	Y	Y	-	-	Y	
2b	Newsletters	7	m	Y	Y	Y	Y	Y	m	Y	Y	Y	-	Y	
3	Perfect bound books	7	m	Y	Y	Y	Y	Y	-	Y	Y	-	-	m	
3a	Plastic bound publications	7	-	Y	-	Y	Y	Y	-	Y	Y	-	-	-	
3b	Looseleaf publications	8	-	Y	Y	Y	Y	Y	m	Y	Y	-	-	Y	
4	Case bound books	3	-	-	-	-	Y	Y	-	Y	-	-	-	Y	
5	Legislative session Printing	4	-	-	Y	-	Y	m	-	Y	Y	-	-	-	
6	Revenue Tax printing, tax br	5	m	-	Y	Y	Y	m	-	Y	Y	-	-	-	
6a	Revenue tax printing, flat fc	7	-	-	Y	Y	Y	m	-	Y	Y	-	-	-	
6b	Revenue tax Test forms	5	-	-	-	Y	Y	m	Y	Y	Y	-	-	Y	
7	Brochures & Posters not pro	7	m	Y	Y	m	Y	Y	m	Y	Y	-	-	Y	
8	Band & carbonless forms	5	-	-	-	m	m	Y	Y	Y	Y	-	-	Y	
9	Color copy jobs	7	-	Y	Y	-	Y	Y	Y	Y	Y	-	-	Y	
9a	Black & White copies	7	-	Y	Y	-	Y	Y	Y	Y	Y	-	-	m	
10	Miscellaneous bindery operations	6	m	Y	Y	-	Y	Y	m	Y	Y	-	-	-	
	plastic coating, tabcutting, dri	5	-	m	Y	-	Y	Y	m	Y	Y	-	-	-	
10a	Diecutting, perforating, foil	6	-	-	Y	-	Y	Y	Y	Y	Y	-	-	-	
10b	Folding	5	-	-	Y	-	Y	Y	m	Y	Y	-	-	-	
10c	Handwork	5	-	-	Y	-	Y	Y	m	Y	Y	-	-	-	
11	Variable data (non address)	4	-	-	-	-	Y	Y	m	Y	Y	-	-	m	
12	Mailing-addressing	6	m	-	-	Y	m	Y	m	Y	Y	-	-	m	
13	Typesetting-Legal text conv	4	m	-	Y	m	Y	Y	m	Y	m	-	-	-	
14	Graphic creation (10% spent	6	-	-	Y	Y	Y	Y	-	Y	Y	-	-	-	
15	Scanning	6	-	-	Y	Y	Y	Y	-	Y	Y	-	-	-	
16	Four color process printing /	7	-	Y	Y	-	Y	Y	-	Y	Y	Y	-	m	

Within the 16 service groups submitted, each had at least three companies indicating the likelihood of having the capacity to perform services for a particular group. The group with the least positive responses, case bound books, had 3 companies indicating capacity to satisfy the state requirements. Case bound books include Statute and Court books and are ordered in quantities of 12,000 books per order. Kansas Reports and Kansas Court of Appeals Reports are ordered in quantities of 1,500 to 1,700 each. Upon further inquiry, printing companies interviewed indicated the possible reason for the low interest is that the equipment necessary to produce the case bound books is very specialized with the demand for those types of products in significant decline.

Based on survey results AGH believes a competitive market exists for the use of private printing services related to a significant number of 'service groups' currently provided by the State printer. The highest interest came from the multi-color saddle stitch books, 1 color saddle stitch books, letterhead and looseleaf publications all with 8 or more responses. With additional trim-specific volume information envelopes, business cards, and mailing-addressing services (each containing 6 positive responses) have the potential to attract additional competition.

Private Printing Companies:

As we mentioned earlier, a total of 14 printing companies were selected to participate in the survey with a total of 12 choosing to respond. The print companies selected represented themselves as full service (i.e. McCormick Armstrong, Rand Graphics, and Spangler Graphics) to more specialized (Allen Press – saddle stitching & perfect bound publications). Throughout the survey, discussions with various printers took place regarding the capacity for firms to fulfill the needs of the service groups as outlined in **Attachment C**. Although very detailed, the group narrative that was provided by the Department of Administration did not provide enough trim-specific detail for the firms to determine an exact fit for each service. However, they did indicate if they had the capacity to perform the services as it was outlined in the information available.

Throughout the survey, discussions with various printers took place regarding the capacity for firms to fulfill the needs of the service groups as outlined in **Attachment C**. The respondents indicated whether they had the capacity to perform the service as outlined in the information provided. To determine the exact fit for each service, more detailed job-specific information would need to be provided to the printers.

Printing Office Financial Summary:

We have prepared below, a Schedule of Assets as of June 30, 2011 for the State printer. The equipment represents fair market value compiled by the NAPL whose report is enclosed (**Attachment D**). The value of the land and building are presented based on Shawnee County Appraiser records representing taxable value. A formal liquidation value of the land and building was not available to the Department of Administration at the date of this report.

The NAPL is an organization dedicated to management education and research in the printing industry and is not a broker of printing equipment. The valuation was performed based on a listing of equipment obtained from the Department of Administration.

Through discussion with the NAPL we understand that there is a wide variety of interest in the equipment listing attached to this report. Some pieces of equipment such as the Muller Martini Bravo Saddle Stitcher would be very marketable to private printers while others that have been in use for quite some time would be relatively difficult to dispose of.

**State Printing Office
Schedule of Appraised
Value of Assets
Compiled**

Fixed Assets	June 30, 2011
Equipment	\$ 407,150
Building	2,455,820
Land	341,950
Total Fixed Assets	\$ 3,204,920

The Department of Administration has two options in potentially disposing of the equipment; retaining a printing equipment broker or auctioning the equipment. In contacting the NAPL we understand resources are available in both cases to determine the most appropriate mode of disposal. Real-estate and equipment brokerage would potentially allow the Department of Administration to achieve negotiated, expected prices on the equipment.

Similar to the equipment, the land and building options for disposal exist through real estate brokers or auctioning methods.

We have prepared below a schedule of revenue and expenditures. The schedule is presented for the year ended June 30, 2011.

State Printing Office Schedule of Revenue and Expenditures Compiled	
Revenue	June 30, 2011
Charges for services	\$ 4,334,840
Total Revenue	4,334,840
Expenditures	
Salaries and Wages	2,440,777
Contractual Services	753,467
Commodities	1,051,689
Capital Outlay	187,291
Debt Service	199,302
Non-Expense Items	312,529
Total Expenditures	4,945,055
Net change	(610,215)
Fund balance per 2010 CAFR	3,390,000
Ending Fund balance	\$ 2,779,785

The above information is provided for comparative purposes should the state proceed with an RFP for various printing services.

If the State chooses to dispose of any printing related assets, we recommend an exit strategy be constructed prior to any disposition. In addition, if the Department of Administration proceeds with exclusively utilizing private printers for service groups, a determination would need to be made how additional work load would need to be completed should the provider be unable to perform. The work load would need to either be shifted to additional firms or performed in-house. Should work be shifted in-house, the necessary equipment and plant property would need to be operational.

Conclusion:

Through our research and inquiries, we believe a competitive market currently exists for the Department of Administration to evaluate whether cost savings and efficiencies may be realized through the exclusive use of private printing services.

Currently, state agencies can seek competitive bids from private sector printing companies or use the state printer. Therefore, if the state decides to no longer provide printing services, competition in the marketplace for state agencies has inherently been reduced. However, at a value of \$3,204,920, assets could be available for possible liquidation. Care needs to be taken, however, so that assets being disposed are not essential to the ability for the State printer to serve its customers. Disposal methods are available to achieve the highest cost possible. However, it is possible, with the push to move to a paperless process, some printing services may be harder to employ within the printing industry. Doing a thorough request for information by a purchasing agent with extensive knowledge of state processes could possibly produce considerable savings through the use of private printing services.

**Attachment A: State of Kansas Print Office
Service Groups**

<u>Group</u>	<u>Group Title</u>
1	Letterhead
1a	Envelopes
1b	Business Cards
2	Saddle stitched Books 1 color
2a	Saddle stitch books multi-color
2b	Newsletters
3	Perfect bound books
3a	Plastic bound publications
3b	Loose leaf publications
4	Case bound books
5	Legislative session Printing
6	Revenue Tax printing, tax booklets
6a	Revenue tax printing, flat forms
6b	Revenue tax Test forms
7	Brochures & Posters not process color
8	Bond & carbonless forms
9	Color copy jobs
9a	Black & White copies
10	Miscellaneous bindery operations Plastic coiling tab cutting, drilling, wafer tabbing
10a	Die cutting, perforating, foil stamping
10b	Folding
10c	Handwork
11	Variable data (non address)
12	Mailing-addressing
13	Typesetting-Legal text conversion & file prep
14	Graphic creation (10% spent training agencies)
15	Scanning
16	Four color process printing 41" press

**Attachment B: State of Kansas Print Office
Private Print Providers**

Allen Press,
810 E 10th,
Lawrence, KS 66044

Arrow Printing
PO Box 2898
Salina, KS 67402-2898

Rand Graphics
500 S. Florence
Wichita, KS 67209

Spangler Graphics
2930 SE 44th St.
Kansas City, KS 66106-3700

McCormick Armstrong
1501 E Douglas Ave.
Wichita, KS 67211-1608

Southwest Publishing
2600 NW Topeka Blvd,
Topeka, KS 66617

CS&S Printing
410 N St. Francis
Wichita, KS 67202

Docuplex (Print Master)
243 Wabash St.
Wichita, KS 67214-3945

Printing Inc.
627 E 3rd St.
Wichita, KS 67202

Color Impressions
3550 Comotara
Wichita, KS 67226-1303

Consolidated Printing
319 S 5th
Salina, KS 67401

Hall's Printing
1935 NW Topeka Blvd
Topeka, KS 66606

Mainline
3500 SW Topeka Blvd
Topeka, KS 66606

Mennonite Press
PO Box 867
Newton, KS 67114-9403

**Attachment C State of Kansas Print Office
Sample Detail Group Narrative**

**GROUP 1
Letterhead, Envelopes & Business Cards**

Statement of Work: These specifications cover the production of letterhead, requiring such operations as printing, gold stamping, gold embossing, packaging and delivery.

Title: Letterhead

Frequency of orders: See attached spreadsheet for frequency and quantities; do not assume orders may be grouped or ganged.

Quantity: Ranges from 250 to 10,000 per order

Trim Sizes: 8-1/2 x 11. Some letterheads may bleed on 1 or more sides

State To Furnish: Electronic media, assume Microsoft publisher and Microsoft word, or PDF will be furnished on approximately 45% of orders.

Basic Stocks: White 60lb offset 92 Bright minimum (long grain) laser compatible bond 20lb bs. No 1 Sulphite bond 20lb bs. Some agencies may furnish stock. All stocks provided by vendor should be tested with ordering agency before printing to ensure laser compatibility. Vendor is responsible in the event that excess curl occurs due to non-testing, and shall reprint on suitable stock at no additional charge to ordering agency.

Proofs: Vendor shall furnish digital black & white and/or color proofs. PDF proof can be e-mailed. Fax proofs will be acceptable if agreeable with ordering agency. No additional charges will be allowable for proofs other than UPS charges to agencies outside of the city of Topeka. Proofs must be delivered to ordering agency. Agency may request onsite proofs.

If any vendor errors are serious enough in the opinion of the ordering agency to require revised proofs, the revised proofs are to be provided at no expense to the State of Kansas. No extra time can be allowed for this reproofing; such operations must be accomplished within the original production schedule allotted in the specifications.

The vendor must not print prior to receipt of an "ok to print".

Printing: Letterhead shall be printed in black, black & color, multi-color, stamped, or embossed as specified by ordering agency. Letterhead may have screens, reverses, solids and/or bleeds. Some Letterhead may be printed in four-color process. All inks to be laser compatible. All prices must include charges for prepress, proofing, makeready and run time.

Quality: Letterhead must be of the highest quality. Letterhead with hickies, weak, washed out or any other defects or letterhead that is not uniformly trimmed with clean edges and image square to edges or not aligned exactly as copy or proof, will be rejected and must be reprinted at vendor's expense.

Bindery Operations: Some letterheads may be gold stamped, or gold embossed in addition to the printing. Camera-ready art for stamping and gold embossing dies will be furnished. No additional charges shall be allowed for these dies. Costs for dies shall be built into vendor's pricing structure for gold stamping and gold embossing letterheads. Commonly used dies include open state seals for gold stamping in 5/8", 7/8" and 1" diameters, gold statehouse is approximately 1"x1". Solid gold embossing state seal in 1" diameter. Other dies may be required at times.

Delivery: Letterheads are to be priced FOB Topeka. Inside delivery is often required. There are approximately 125 different delivery points within the city of Topeka. Delivery will be required to other agency addresses within the State of Kansas. Normal UPS charges will be allowed for delivery to points outside the city of Topeka. Audits may be performed to verify correct freight charges. Vendor shall maintain records available for this purpose.

Timeframe: Normal delivery to be made within 10 working days to commence when vendor receives order and copy. Occasionally delivery times may be requested with 24- hour turnaround time required. Any additional charges for rush delivery must be included in vendor bid or they will not be allowed.

Group 1a Envelopes

Statement of Work: Specifications cover the production of envelopes, requiring such operations as printing, gold Stamping, gold embossing, packaging and delivery.

Title: Envelopes

Frequency of orders: See attached spreadsheet for frequency and quantities.

Quantity: Ranges from 500 to 100,000. Larger quantities will be noted by category.

Sizes and Styles: #6-3/4 non-window, monarch non-window, #9 window and non-window, #10 window and non-window, 6x9 brownkraft clasp and catalog, 7x10 brownkraft clasp and catalog, 7-1/2x10-1/2 brownkraft clasp and catalog, 9x12 brownkraft clasp and catalog, 9-1/2x12-1/2 brownkraft clasp and catalog, 10x13 brownkraft clasp and catalog, 12x15-1/2 brownkraft clasp and catalog, 10x13 white open end peel and seal, 9x12 brownkraft peerless-tac catalog, 6x9 white booklet. Baronial sizes 4, 5, 5-1/2, 6 and Lee size.

State Agencies to furnish: Electronic media assume Microsoft publisher and word, or PDF will be furnished on approximately 50% of orders. Assume that approximately 50% of orders will require type setting from marked up copy.

Proofs: Vendor shall furnish digital black and white and/or color proofs and/or bluelines. E-mailed proofs will be acceptable if agreeable with ordering agency. No additional charges will be allowable for proofs other than UPS charges to agencies outside of the City of Topeka. Proofs must be delivered to ordering agency. Agency may request onsite proofs. If any vendor errors are serious enough in the opinion of the ordering agency to require revised proofs, the revised proofs are to be provided at no additional charge to the State of Kansas. No extra time can be allowed for this re-proofing, such operations must be accomplished within the original production schedule allotted by ordering agency. Vendor must not print prior to receipt of an "ok to print".

Printing: Envelopes shall be printed in black, black & color, two color, 2 sided, gold stamped, or gold embossed as specified by ordering agency. Envelopes may have screens minimum 133 lines in color and text overprinted in black. Multicolor envelopes may require trapping, close registration is required. Flexo is not acceptable unless specified by agency.

Stock/Paper:

- CAT. I. #6-3/4, monarch, #9 & #10 regular and windows. White wove 24lb bs, gummed flap. Monarch & #10 will have some orders requiring white 24lb 25% rag content. #10 windows will all have window starting 5/8" from bottom.
- CAT. II. 6x9, 7x10, 7-1/2x10-1/2, 9x12, 9-1/2x12-1/2, 10x13, 12x15-1/2 Brownkraft clasp and catalog, are to be 28lb bs. unglazed brownkraft, gummed flap, flaps folded.
- CAT. III. 10x13 White open end peel and seal, 28 lb. bs whitekraft, open-end style, center seams, and flaps with Peel N Seal adhesive for one-time use.
- CAT. IV. 9x12 Peerless tac, 28lb. bs. unglazed brownkraft, open-end style, flap with reusable adhesive tab.
- CAT. V. 6x9 white booklet, 24 lb. bs. white wove, side seam, gummed flap, flaps folded. Prints two sides.
- CAT. VI. Baronial sizes, Starwhite Vicksburg Tiara Vellum 70lb. bs.
- CAT. VII. Imprint charges for furnished envelopes.

Quality: Envelopes must be of the highest quality. Envelopes with hickies, weak, washed out printing, or do not align with copy or proof, will be rejected and must be re-printed at vendors' expense. Window envelopes must be suitable for insertion using standard mailing equipment.

Delivery: Envelopes are to be priced FOB Topeka. Inside delivery is often required. There are approximately 125 different delivery points within the City of Topeka. Delivery will be required to other agency addresses within the State of Kansas. Normal UPS charges will be allowed for delivery points outside the City of Topeka. Audits may be performed to verify correct freight charges. Vendor shall maintain records available for this purpose.

Timeframe: Normal delivery to be made within 10 working days to commence when vendor receives order and copy. Occasionally, delivery times may be requested with 72 hours or less turnaround. Any additional charges for rush delivery must be included in schedule of prices or they will not be allowed.

Group 1b

Business Cards

Statement of Work: Specifications to provide business cards for the State of Kansas.

Frequency of orders: See attached spreadsheet for frequency and quantities. An order may be for business cards for 1-96 or more individuals.

Quantity: 250, 500, and 1,000. No extra charge allowed for overruns. Occasional orders over 1000 per individual may be received. The majority of orders are for 250 or 500 cards.

Orders for less than 250 cards may be billed at the 250-card rate.

Trim size: 3.5x2. Some business cards may bleed on 1 or more sides.

Basic stock: All cards shall be printed on a bright white 80# premium #1 opaque cover; Acid free, archival quality. Brightness 96 or greater.

State of Kansas will furnish: Copy to be typeset, electronic file on flash disk, by E-mail or FTP. The vendor shall set type from these sources. No additional charges shall be allowed for any work to make electronic files print ready. AA charges will be allowed for any customer requested changes made after submission of order.

Proofs: Vendor shall furnish digital black & white and/or color proofs and/or blueline proofs. E-mailed proofs will be acceptable if agreeable with ordering agency. No additional charges will be allowable for proofs other than actual delivery costs, passed along to agencies outside of the city of Topeka. Proofs must be delivered to ordering agency. Agency may request on site proofs.

If any vendor errors are serious enough in the opinion of the ordering agency to require revised proofs, the revised proofs are to be provided at no expense to the State of Kansas. No extra time can be allowed for this reproofing, such operations must be accomplished within the original production schedule allotted in the specifications.

The vendor must not print prior to receipt of an "ok to print".

Printing: Cards shall be printed in black or colored in as specified by ordering agency. Cards may have screens, reverses, solids and/or bleeds. Some cards may be printed in multiple colors of ink and/or printed on the backside of the card.

Quality: Cards must be of the highest quality. Cards with hickies, weak or faded ink, or other printing defects or cards that are not uniformly trimmed with clean edges and the image square to the edges will be rejected and must be reprinted at the vendor's expense.

Bindery Operations: Some cards may be gold stamped, gold embossed and/or die cut to the shape of the State of Kansas in addition to the printing. Camera-ready art for stamping, gold embossing and die cutting dies will be furnished. No additional charges shall be allowed for these dies. Costs for dies shall be built into vendor's pricing structure for gold stamping, gold embossing and die cutting cards. Commonly used dies include open state seals for gold stamping in 7/16" and 7/8" diameters, solid gold embossing state seal in 9/16" diameter, gold statehouse gold stamping die and state shape steel rule die cutting die. Other dies may be required at times.

Delivery: Cards are to be priced FOB Topeka. Inside delivery is often required. There are approximately 125 different delivery points within the city of Topeka. Delivery will be required to other agency addresses within the State of Kansas. Normal UPS charges will be allowed for delivery to points outside of the city of Topeka. Audits may be performed to verify correct freight charges. Vendor shall maintain records available for this purpose.

Timeframe: Normal delivery to be made within 10 working days to commence when vendor receives order and copy. Occasionally delivery times may be requested that allow for less than the standard 10 working days to as little as 24 hour turnaround time. Any additional charges for rush delivery must be included in vendor bid or they will not be allowed.



Attachment D: NAPL Equipment Valuation Report

October 25, 2011

Mike D. Lowry
Senior Manager, Assurance
Allen, Gibbs & Houlik, L.C.
301 N. Main, Suite 1700
Wichita, Kansas 67202-4868

Dear Mr. Lowry:

Per the NAPL engagement letter dated October 14, 2011, we are pleased to present the attached equipment appraisal reflecting Fair Market Value for the State of Kansas.

NAPL consultant and subject matter expert, James Coughlin (bio attached) performed the valuation of the production equipment. The valuation assumes that all equipment is in good working condition and that reasonable maintenance has occurred. We did not perform a mechanical inspection and make no representation as to future repairs and maintenance and the useful life of the equipment being valued. NAPL is under no obligation to update the report in the future.

NAPL provides objective, independent advice that is free from conflict because we do not buy or sell equipment ourselves. Our work is based on industry-specific professional experience, research, and judgment. We do not subscribe to the so-called "certification programs" offered by various organizations that proclaim to have formulated standards for equipment appraisals as they serve no legal or business requirement and fail to support our client's objectives.

Please contact either John Hyde or James Coughlin with any questions regarding this appraisal. Thank you for choosing NAPL and we look forward to working with you again in the future.

Sincerely,

John E. Hyde
Senior Vice President

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STATE OF KANSAS
STATE PRINTER

APPRAISAL OF PRODUCTION EQUIPMENT

PRODUCTION EQUIPMENT	FAIR MARKET VALUE
Baum Liberty 26"x40" Folder w/ pile feeder (1989)	\$500
Baum Liberty 26"x40" Folder w/continuous feeder & 32-page section (1989)	700
Baum 23"x22" Pile-Feed Folder (1964)	No Value
Muller Martini Bravo Saddle Stitcher w/ 6 pockets & cover feeder (2009)	110,000
Sulby 12-Pocket Perfect Binder (1969)	2,500
Rosback 201 Stitcher w/ hand-feed extension (1983)	1,000
Rosback 203 Bindery System w/ feeder, stitcher & trimmer (1995)	2,500
Muller Martini 335 Stitcher w/ 6 pockets, cover feeder & trimmer (1987)	40,000
Nygren Dahly Flat-Sheet Perforator (1951)	No Value
Sheridan 28-Station Gathering Machine (1956)	No Value
Polar 62" Paper Cutter (1974)	7,500
Didde-Glaser 1215AG Collator (1968)	No Value
Smyth Automatic Sewer	500
MBO 8-Page Folder (1985)	2,000
Polar EMC115 Paper Cutter (1980)	12,000
Kolbus Auto-Feeder for Sewing Machine (1970)	500
Kolbus Nipper, Gluer & Dryer (1978)	6,000
Kolbus Rounder & Backing Machine (1978)	1,000
Kolbus Backliner (1973)	2,000
Kluge Stamping & Die Cutting Press	500
Smyth Casemaking Machine (1950)	No Value
Smyth Case In Machine (1951)	No Value
Hydro Press (1964)	500
Smyth #2 Sewing Machine (1964)	No Value
Accufast Tabbng Machine	2,000
Southworth Punch (1959)	50
Nygren Dahly Drill (1953)	No Value
Nygren Dahly Drill (1950)	No Value
Singer Oversewing Machine (1934)	No Value
Cloth Cutter (1956)	No Value

STATE OF KANSAS, DIVISION OF PRINTING
 APPRAISAL OF PRODUCTION EQUIPMENT

PRODUCTION EQUIPMENT	FAIR MARKET VALUE
Round Cornering Machine (1960)	No Value
Book Compressor (1914)	No Value
AM Stitcher (1938)	No Value
Bostitch Stitcher (1960)	No Value
Kolbus Board Cutter (1956)	500
H & H Folder (used 2006)	4,000
Baum Drill (used 2008)	1,000
Baumann Paper Jogger	6,500
3 - Interthor ELF1001-2200 Electric Pallet Lifts @ \$1,500	4,500
Baum Stitch & Fold	2,000
Neopost SI-68 Collator (2004)	3,500
Neopost SI-70 Inserter	1,000
Neopost M6000 Inserter (2009)	1,000
Rena Accufast 3FV Conveyor (2009)	500
Drill for Proofs	50
Bostitch #2 Stitcher (1993)	300
Horizon MC80 Collator-Stitcher-Trimmer w/ 3 towers	10,000
Interthor Lift (2008)	300
Xerox #135 Folder-Stitcher-Trimmer (used 2010)	500
AM 1250 Single-Color Press (1970)	No Value
AM 1250 Single-Color Press (1973)	No Value
AM 1650 Single-Color Press (used 1996)	No Value
AM 1850 Single-Color Press (1972)	No Value
Ryobi 3302H Two-Color Press	4,500
Hasler HJ 930 Envelope Printer	1,500
Neopost SA60 Address Printer	1,500
Astrojet 2600 Printer	3,000
Mosca Autostrapper	900
Neopost 36" 4419 Conveyor	1,000
Gerard Semi-Auto Strapper	300
Neopost Super-Stocker Conveyor	1,000
Baum 17"x22" Folder (1973)	No Value
Baum 714 Table-Top Folder (1996)	300
AB Dick Table-Top Folder (1992)	50
AB Dick Table-Top Folder (1979)	No Value
Challenge 42" Paper Cutter (1976)	1,000
Challenge 20" Paper Cutter	1,000
Miehle Roland 28"x40" Two-Color Perfecting Press (1980)	20,000
Miehle Roland 25"x36" Single-Color Press (1986)	4,000

STATE OF KANSAS, DIVISION OF PRINTING
APPRAISAL OF PRODUCTION EQUIPMENT

PRODUCTION EQUIPMENT

FAIR MARKET VALUE

Miehle Roland 25"x36" Single-Color Press (1985)	\$4,000
Heidelberg KOR Single-Color Press (1971)	2,000
Halm Jet Single-Color Envelope Press (1985)	4,000
Heidelberg 28"x40" Four-Color Press w/ dryer (1991)	50,000
Goss Four-Color Community Web Press w/ accessories	20,000
Interthor Lift	100
Penta Electronic Typesetting System	No Value
Sun Ultra Five Desktop Computer	300
Polychrome 30"x50" Platemaker	No Value
Pyrofax (1975)	No Value
3M 1133 32" Plate Processor	No Value
Screen Rite 8000II Computer-to-Plate System	40,000
Epson 9800 Proofer	2,000
Canon 8000 Proofer	3,000
Special 2.0 Unit Square Heidelberg Punch	300
Mac G5 Work Station	900
Mac G4 Work Station	600
Clark 3,000 lb. Forklift	2,000
Weldotron Shrink Wrap Machine	100
Weldotron Shrink Wrap Machine	100
Hyster E35XM Lift Truck w/ Roll Clamp	4,000
Hyster E30XM Forklift	6,000
Lectro Truck Lift	300

TOTAL

\$407,150

This appraisal was done without the benefit of inspecting the equipment. I assume all machines are in a working condition considered normal for their age. Any deviation in the condition could impact the value.

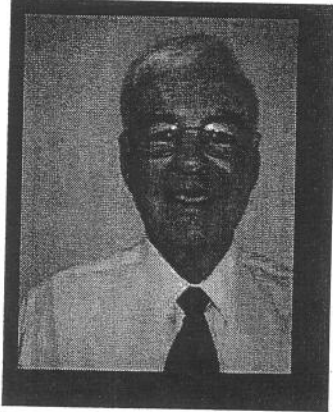
October 24, 2011

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Jim Coughlin's career in the printing machinery industry spans 35 years. His extensive knowledge of machinery in all areas of the printing process has won the respect of graphic communications industry owners and senior executives throughout the country.

Jim's areas of expertise include sales and valuation of prepress, press, bindery, and related equipment. He has worked with clients of all sizes including from the Vermont Industrial Development Authority, the Small Business Administration, Douglas G. Peterson & Associates, Inc., Consulting Engineers, and Glastonbury Bank, and has conducted valuations for more than 100 printing companies nationally. He has testified in several court cases as an expert witness on printing equipment values

