Southern Wine & Spirits of America, Inc.

Strategies for Supply Chain / Logistics Management

Ward Chaplin
January 26, 2010
Agenda

- An Overview of Southern Wine and Spirits
- Supply Chain / Inco Terms
- Supply Chain Strategies for 2010
Over time, Southern has established the largest sales and distribution footprint—in large, diverse, high-growth markets

SWS’ 29 Markets of Operation\(^{(1)}\)

Open States - Primary Distribution Centers
- FLORIDA: Miami – Lakeland
- CALIFORNIA: San Francisco – Los Angeles
- SOUTH CAROLINA: Columbia
- NEVADA: Las Vegas – Reno
- ARIZONA: Tempe
- HAWAII: Honolulu – Maui – Hawaii – Kauai
- KENTUCKY: Louisville
- NEW MEXICO: Alburquerque
- COLORADO: Denver
- ILLINOIS: Bolingbrook
- NEW YORK: New York City – Syracuse
- DELAWARE
- ALASKA

Control State Facilities
- PENNSYLVANIA: Philadelphia
- MAINE, NEW HAMPSHIRE, VERMONT
- NORTH CAROLINA, VIRGINIA, WEST VIRGINIA
- MISSISSIPPI, ALABAMA
- WASHINGTON, OREGON, IDAHO, MONTANA, UTAH AND WYOMING
- OHIO

Note: \(^{(1)}\) TX, NE and IN are all licensed permittees of SWS and currently not active markets of operation.
Over time, Southern has established the largest sales and distribution footprint—in large, diverse, high-growth markets

SWS’ 43 Facility Locations

OPEN STATES
- SOUTH CAROLINA: Columbia
- NEVADA: Las Vegas – Reno
- ARIZONA: Tempe
- HAWAII: Honolulu – Maui – Hawaii – Kauai
- KENTUCKY: Louisville
- NEW MEXICO: Albuquerque
- COLORADO: Denver
- ILLINOIS: Bolingbrook
- NEW YORK: New York City – Syracuse
- NEW JERSEY
- DELAWARE

CONTROL STATES
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- OHIO

The foundation of Southern’s strategic capabilities is a sales organization with more “feet on the street” than any distributor in the country.

SWS Salesforce and Account Coverage

The largest, best-trained sales force in the industry, our sales professionals represent 53% of our total personnel.

We serve more accounts than any other wholesaler in the U.S.

<table>
<thead>
<tr>
<th>Accounts</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-Premise</td>
<td></td>
</tr>
<tr>
<td>National Accounts</td>
<td>20%</td>
</tr>
<tr>
<td>Broad Market</td>
<td>45%</td>
</tr>
<tr>
<td>Off-Premise</td>
<td></td>
</tr>
<tr>
<td>Chains/Clubs</td>
<td>16%</td>
</tr>
<tr>
<td>Independents</td>
<td>19%</td>
</tr>
</tbody>
</table>

Sources: SWS HR and SWS Data Warehouse.
We have a warehouse network that is second to none

SWS Asset Base Overview

- 41 warehouses across the U.S.
- Over 7.1 million square feet of warehouse space, including over 440K of temperature control square footage
- Over 1,300 delivery vehicles
- State-of-the-art facilities that can load over 10,000 cases per hour

SWS Asset Base Overview

Lakeland, Florida

Santa Fe Springs, California
Our world-class Business Services Group and Supply Chain Management organization supports our sales activities

Southern Operations and Back-Office Key Capabilities

- We maintain a world-class Business Solutions Group (BSG) and Supply Chain Management (SCM) organization to support high-volume, back office functions across the company; frees up the sales divisions for market-related activities; captures detailed measures for continuous improvement

- We leverage sophisticated warehouse & distribution technology to improve our Supply Chain. This includes forecasting & replenishment, automated warehousing and fleet management, and includes tools such as WMS technology, GPS truck tracking, advanced order routing and paperless warehousing

- We have set up a robust redundant network connecting all of our sites nationwide and a Disaster Recovery Center in Atlanta capable—within a two hour period of time—to back up the primary Miramar Center with full application functionality(1)

- We have a dedicated Purchasing and Logistics Group responsible for order placement and inbound transportation tracking and tracing

Note: (1) SWS recently invested $400K to handle increased volume and ensure the two hour response period.
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There are 17 major activities in our supply chain

SWS High-Level Supply Chain Process
The foundation of a disciplined freight management process starts with a clear understanding of INCO Terms.

INCO Terms 2000: Merging Ownership with Location
Of the 13 basic INCO terms, SWS uses 7…

**INCO Terms 2000**

1. **EXW** - Ex-Works, **Named place** where shipment is available to the buyer, not loaded. The seller will not contract for any transportation.

2. **FCA** - Free Carrier, unloaded at the seller’s dock OR a **Named place** where shipment is available to the international carrier or agent, not loaded. This term can be used for any mode of transport.

3. **FAS** - Free Alongside Ship, **Named ocean port of shipment**. Ocean shipments that are NOT containerized.

4. **FOB** - Free On Board vessel, **Named ocean port of shipment**. This term is used for ocean shipments only where it is important that the goods pass the ship's rail.

5. **CFR** - Cost and Freight, **Named ocean port of destination**. This term is used for ocean shipments that are not containerized.

6. **CIF** - Cost, Insurance and Freight, **Named ocean port of destination**. This term is used for ocean shipments that are not containerized.

7. **CPT** - Carriage Paid To, **Named place or port of destination**. This term is used for air or ocean containerized and roll-on roll-off shipments.

8. **CIP** - Carriage and Insurance Paid To, **Named place or port of destination**. This term is used for air or ocean containerized and roll-on roll-off shipments.

9. **DAF** - Delivered At Frontier, **Named place of destination**, by land, not unloaded. This term is used for any mode of transportation but must be delivered by land.

10. **DES** - Delivered Ex-Ship, **Named port of destination**, not unloaded. This term is used for ocean shipments only.

11. **DEQ** - Delivered Ex-Quay, **Named port of destination**, unloaded, not cleared. This term is used for ocean shipments only.

12. **DDU** - Delivered Duty Unpaid, **Named place of destination**, not unloaded, not cleared. This term is used for any mode of transportation.

13. **DDP** - Delivered Duty Paid, **Named place of destination**, not unloaded, cleared. This term is used for any mode of transportation.
1. PO Issued-

2. Receive Arrival Notice-

3. Receipt of Additional Documents- B/L; COLA; COMMERCIAL INVOICE; CERTIFICATE OF ORIGIN

4. File Entry-

5. Vessel Arrives-

6. SWS Issues DO-

7. Clear Customs-

8. Drayman Schedule Pick Up-

9. Container Delivered / Unloaded-
Container Processing w/ 10+2

A. PO is issued

B. Appropriate parties to file 10+2 information with US CBP

C. Advanced Manifest

D. Receive Arrival Notice

E. Receipt of Additional Documents

F. FDA Prior Notice

G. File Entry

H. Vessel Arrives

I. Issue Delivery Order
   TCC (Reefer) Genset Required

J. Clear Customs

K. Drayman Schedules Pick Up / Delivery of Container (within Free Time)

L. Container Delivered / Unloaded

10+2

- Importer or Agent through Power of Attorney (POA)
  1. Manufacturer (or supplier) name & address
  2. Seller name & address
  3. Buyer name & address
  4. Ship to name & address
  5. Container stuffing location *name & address
  6. Consolidator name & address
  7. Importer of record number or Foreign Trade Zone applicant identification number: Internal Revenue Service (IRS), Employer Identification Number (EIN), Social Security Number (SSN), or CBP assigned number of the entity liable for payment of all duties and responsible for meeting all statutory and regulatory import incurred as a result of importation.
  8. Consignee number(s): IRS, EIN, SSN, or CBP assigned number of individual/firm in the US on whose account the merchandise is shipped.
  9. Country of origin
  10. Commodity Harmonized Tariff Schedule number(s) (HTSUS): The HTSUS number is required to be provided to at least the 6 digit level.

11. Bill of Lading Number

Carriers would be required to file the following two data elements:
PLUS 1 - Vessel stow plan
PLUS 2 - Container status messages (CSM)
SWS Logistics manages 300 truckload equivalents /12.5 million pounds per day

**SWS Inbound Freight Statistics**

- 88.6 million cases (domestic and imports combined) per year, and growing
- Imports from 36 Countries
- 15 USA Ocean Ports
- 38,000+ Ocean Containers
- OTR 20,000 +
- IMDL 18,200 +
- Boxcar 198
- 41 Destination Warehouses

**SWS is the 42^{nd} largest importer in the United States***

*Journal of Commerce Annual Importer May 25, 2009
Volume “Top 100 Importers and Exporters”*
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Southern Wine & Spirits currently uses the Panama Canal to shorten transit times on many of our Supply Chains.
SWS uses Panama Canal- Northern Europe

MAERSK LINE
SWS uses Panama Canal – South America
SWS uses Panama Canal - Australia to EC/ WC

MAERSK LINE
Direct Import Transit Time

- Southern Wine & Spirits currently uses the Panama Canal to shorten transit times on many of our Supply Chains.
- Current transit times are used to forecast what lead-time our purchasing cycles are set at.
Economic times forcing better forecasting

- Various Routes
- Capacity and SSL Participation
- Balance of Transit Timing with forecasted replenishment requirements
- Rates

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>BUY</th>
<th>SELL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>June</td>
<td>Aug/ Sept</td>
</tr>
<tr>
<td>South America</td>
<td>June</td>
<td>Sept/ Oct</td>
</tr>
<tr>
<td>European</td>
<td>June</td>
<td>Oct/ Nov</td>
</tr>
<tr>
<td>Australian</td>
<td>June</td>
<td>Oct/ Nov</td>
</tr>
</tbody>
</table>
## Direct Import Transit Time

### From Europe to SWS No. California

<table>
<thead>
<tr>
<th>ORIGIN COUNTRY</th>
<th>PORT</th>
<th>Supplier lead time</th>
<th>JFH Booking lead time</th>
<th>Overseas Inland</th>
<th>Vessel Transit time</th>
<th>US custom clearance</th>
<th>Drayage to warehouse</th>
<th>Total transit time</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Le Havre/Ant/Fos</td>
<td>1</td>
<td>7</td>
<td>27</td>
<td>3</td>
<td>1</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>R'dam/Ant.</td>
<td>1</td>
<td>7</td>
<td>27</td>
<td>3</td>
<td>1</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>Livorno, Genoa</td>
<td>1</td>
<td>7</td>
<td>26</td>
<td>3</td>
<td>1</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**
- 3 days Customs Clearance is not in totals formula
- If paperwork arrives on time (proactively) we clear customs before container arrives

### From South America to SWS New York

<table>
<thead>
<tr>
<th>ORIGIN COUNTRY</th>
<th>PORT</th>
<th>Supplier lead time</th>
<th>JFH Booking lead time</th>
<th>Overseas Inland</th>
<th>Vessel Transit time</th>
<th>US custom clearance</th>
<th>Drayage to warehouse</th>
<th>Total transit time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Buenos Aires</td>
<td>30</td>
<td>1</td>
<td>7</td>
<td>32</td>
<td>3</td>
<td>2</td>
<td>72</td>
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<tr>
<td>Argentina</td>
<td>San Antonio</td>
<td>30</td>
<td>1</td>
<td>7</td>
<td>20</td>
<td>3</td>
<td>2</td>
<td>60</td>
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<tr>
<td>Chile</td>
<td>San Antonio</td>
<td></td>
<td></td>
<td>7</td>
<td>20</td>
<td>3</td>
<td>2</td>
<td>30</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Dominican Republic</td>
<td>Caucedo</td>
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<td>7</td>
<td>16</td>
<td>3</td>
<td>2</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

### From Australia to SWS Network WC / EC

<table>
<thead>
<tr>
<th>ORIGIN COUNTRY</th>
<th>PORT</th>
<th>Supplier lead time</th>
<th>JFH Booking lead time</th>
<th>Overseas Inland</th>
<th>Vessel Transit time</th>
<th>T&amp;T from POE to CY Port</th>
<th>US custom clearance</th>
<th>Drayage to warehouse</th>
<th>Total transit time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia to Southern CA</td>
<td>Melbourne</td>
<td>1</td>
<td>7</td>
<td>28</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Australia to Northern CA</td>
<td>Melbourne</td>
<td>1</td>
<td>7</td>
<td>28</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Australia to Miami, FL</td>
<td>Melbourne</td>
<td>1</td>
<td>7</td>
<td>37</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Australia to Syosset, NY</td>
<td>Melbourne</td>
<td>1</td>
<td>7</td>
<td>27</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>36</td>
<td></td>
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Direct Import Transit Time

- Southern Wine & Spirits currently uses the Panama Canal to shorten transit times on many of our Supply Chains.

- Current transit times are used to forecast what lead-time our purchasing cycles are set at.

- Should the expansion of the Panama Canal shorten our transit time, allowing Southern Wine to turn our inventory faster, for a better return of our investment and providing the rates offered by the lines are competitive Southern Wine would increase our routing through the Panama Canal.
THANK YOU!