

# Supply Chain Capabilities

2008

## Union Partners is a Private Equity and Performance Acceleration Firm

Union Partners is backed by combined experience growing and transforming companies, Union Partners is a unique investment partner for established middle-market companies and their management teams, where the opportunity exists for unlocking value.

Through capital investment for acquisition and/or transformational growth, we create a partnership with management and co-investors that is focused on superior long-term value-creation.

Established to focus on investment and transformational opportunities, Union Partners is backed by a strong group of capital partners that collaborates with us to create tomorrow's market leaders.

Union Partners provides transformational services in partnership with Company management.

## Union Partners is a Private Equity and Performance Acceleration Firm

In a consulting relationship, we employ our operations management expertise to help firms improve performance while funding the performance improvement through realization of actual benefits.

We do not take a long term position in companies but rather work with management to define, design and implement programs to achieve mutually agreed results.

Consulting allows Union Partners to utilize our capital to underwrite performance improvement programs until such time as the team can get the improvements implemented and yielding benefits.

## Union Partners Utilizes Three Forms of Capital to Accelerate Programs

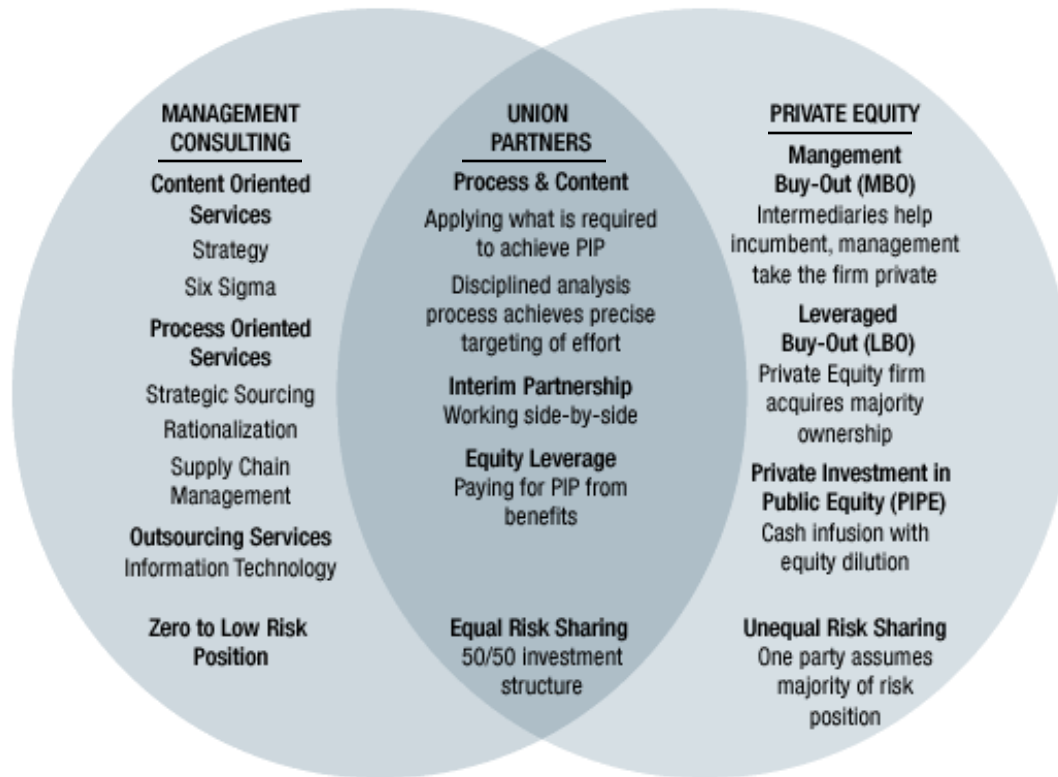
**Intellectual Capital.** Union Partners has developed the intellectual capital required to define, design and – most importantly – implement operational performance improvement changes in order to achieve performance improvement. We offer approaches, methods, tools and change disciplines that are founded in the best of both the management consulting world as well as the private equity arena.

**Human Capital.** The professionals of Union Partners are all senior, experienced business people – most of whom have dual backgrounds in being operating executives of successful firms as well as having extensive consulting backgrounds.

**“Results Based” Capital.** We co-invest in the results commitment that we make with our clients. Our remuneration for the consulting services deployed is significantly funded from the actual results we achieve with our client’s organization.

## Our Balanced Approach

Union Partners brings unique value to firms that are motivated to achieve their performance potential ... it represents a viable option between classic consulting and private equity options.



## Our Four-Phase Approach

**Opportunity Definition.** Success in corporate transformation requires vision and discipline. Vision provides the ability to see what isn't there – yet. Discipline provides the ability to focus resources on the high impact initiatives that drive cash flow and value. In this phase we work with Management to understand what “performance potential” means in concrete terms.

**Discovery Phase.** Union Partners professionals work with Management to understand the baseline performance of an organization across the rational, political and emotional aspects of change. Rational aspects involve developing a fact based business plan that would include process and system analysis to define existing best practices as well as bottlenecks and barriers. Political aspects involve understanding how the various parts of the business work together and support a common desired outcome. Emotional aspects explore how people will be affected at the individual level.



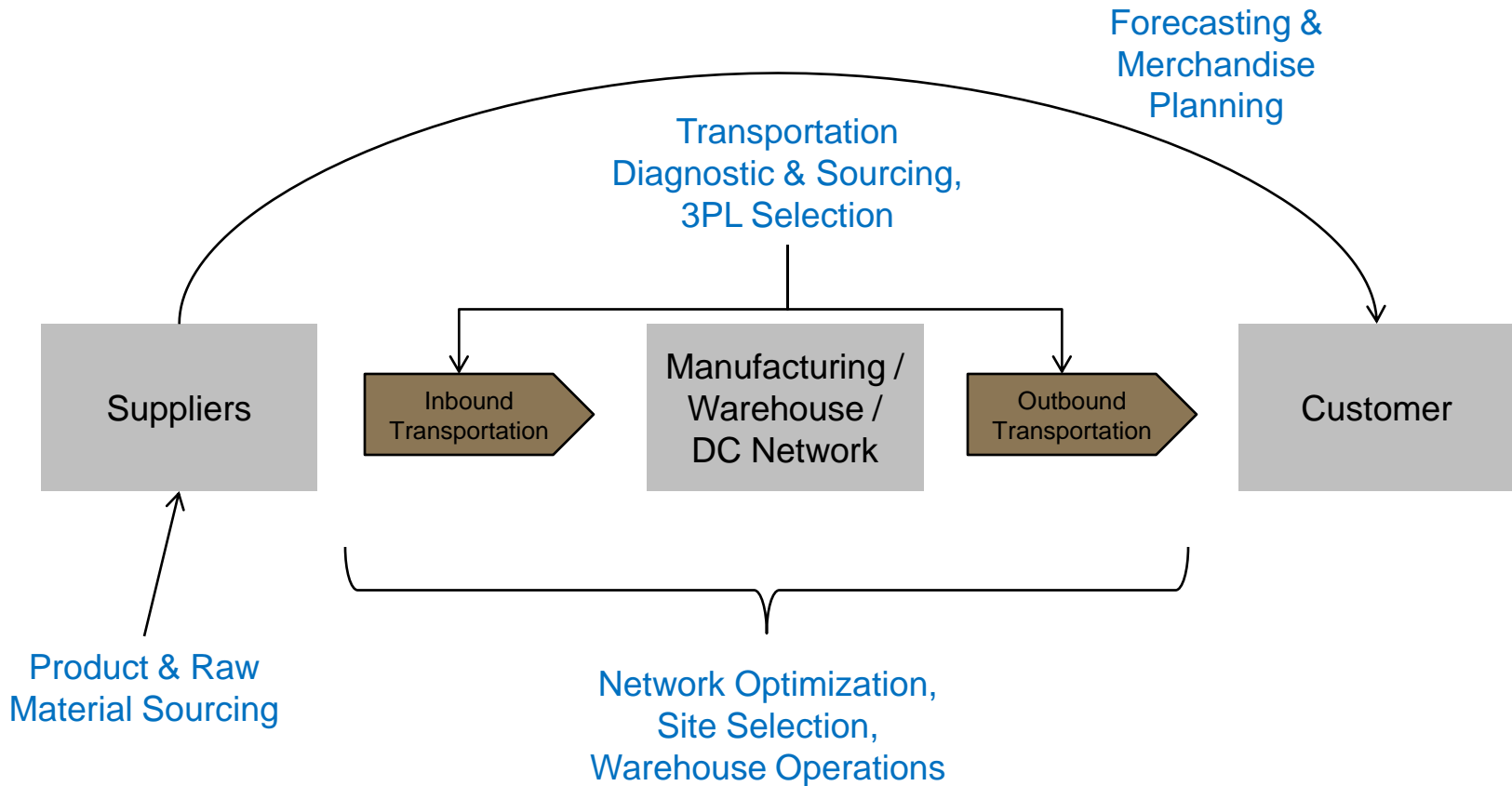
## Our Four-Phase Approach

**Design Phase.** Performance improvement designs focus on what needs to be accomplished to re-engineer processes and systems so that the program becomes self-funding within 12 months or less. The Union Partners approach focuses on how improvements are going to be sustained over time and “stick to the ribs of the organization.”

**Implement Transformation.** We employ a collaborative approach that integrates the experience and knowledge of your management, our business transformation and leadership expertise, and financial structuring that accommodates both partners goals. We agree return-on-investment (ROI) targets and structure the programs to achieve results aligned to that ROI commitment.



## Union Partners' Supply Chain Capabilities Range From Product Sourcing To Transportation And Site Selection



## Rising Costs, Rapid Technological Changes And Infrastructure Issues Make Supply Chain Evaluation Difficult, And More Important To Undertake

- Rising Costs
  - Diesel prices are at record highs and rising
  - Low equipment residual values
  - Increasing replacement costs due to: emissions/safety regulations and rising cost of steel
  - Increase in driver wages and driver recruitment costs
  - Increasing insurance premiums
- Highly volatile carrier market with continued consolidation of carriers across modes
- Governmental/Regulatory volatility and uncertainty (e.g. Increasing cross-border security regulations and initiatives such as Fast, CTPAT, etc...)
- Fast paced technological development
- Lack of infrastructure in developing markets and deteriorating infrastructure in mature markets
- Customer demands for increasing flexibility and visibility of the supply chain
- Need for consistent, predictable service

**Best in class companies are responding to current conditions to meet the challenges and achieve breakthrough results**

## Union Partners Offers A Broad Range Of Programs With Deep Experience Across Industries

Types of Programs Offered	Example Industry Experience	
<ul style="list-style-type: none"> <li>• Overall supply chain strategy</li> <li>• Materials and product sourcing               <ul style="list-style-type: none"> <li>• Domestic and foreign product and materials sourcing</li> <li>• Low-cost country sourcing and product source development</li> </ul> </li> <li>• Forecasting and merchandise planning               <ul style="list-style-type: none"> <li>• Forecasting evaluation &amp; retooling</li> <li>• Merchandise planning overhaul, tool development, vendor integration</li> </ul> </li> <li>• Network optimization, site selection               <ul style="list-style-type: none"> <li>• Logistics network modeling and design</li> <li>• Warehouse/other location site selection</li> </ul> </li> <li>• Transportation and warehouse operations               <ul style="list-style-type: none"> <li>• Transportation diagnostic, sourcing, and negotiations training</li> <li>• Transportation operations assessment</li> <li>• Private fleet assessment</li> <li>• 3PL selection</li> <li>• Warehouse operations improvement programs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Retail</li> <li>• Chemicals</li> <li>• Oil &amp; Gas</li> <li>• Automotive</li> <li>• Industrial Manufacturing</li> <li>• Consumer Products</li> </ul>	<ul style="list-style-type: none"> <li>• Telecom</li> <li>• Food Service and Products</li> <li>• Freight</li> <li>• Steel</li> <li>• High Tech</li> <li>• Energy</li> </ul>
	Example Transport Category Experience	
	<ul style="list-style-type: none"> <li>• 3PL Services</li> <li>• Dry Van</li> <li>• Tank</li> <li>• Flatbed</li> <li>• Refrigerated</li> <li>• Intermodal</li> <li>• LTL</li> <li>• Small Package</li> <li>• Air freight</li> </ul>	<ul style="list-style-type: none"> <li>• Barge</li> <li>• Ocean FCL, LCL, ro-ro and Tanker</li> <li>• Rail</li> <li>• Specialized and Heavy Haul</li> <li>• Freight Payment and Audit</li> <li>• TMS Systems</li> <li>• Oil Field Supply Services</li> </ul>

## Strategic Sourcing Engagements Form The Foundation For A Supply Chain Re-Alignment

### Strategic Sourcing

Our professionals have a strong background in strategic sourcing in all types of supply environments, including nearly monopolistic supply bases. Our sourcing programs focus on first identifying the best manner to approach each product category, whether that be a simple price based RFP, outsourcing the manufacturing to a low-cost country, or development of a long-term relationship with a partner-supplier. Our sourcing engagements focus not only on optimizing the supply, but also in mitigating the risks associated with the supply base, including agreement development, hedging in raw materials and currencies, etc.

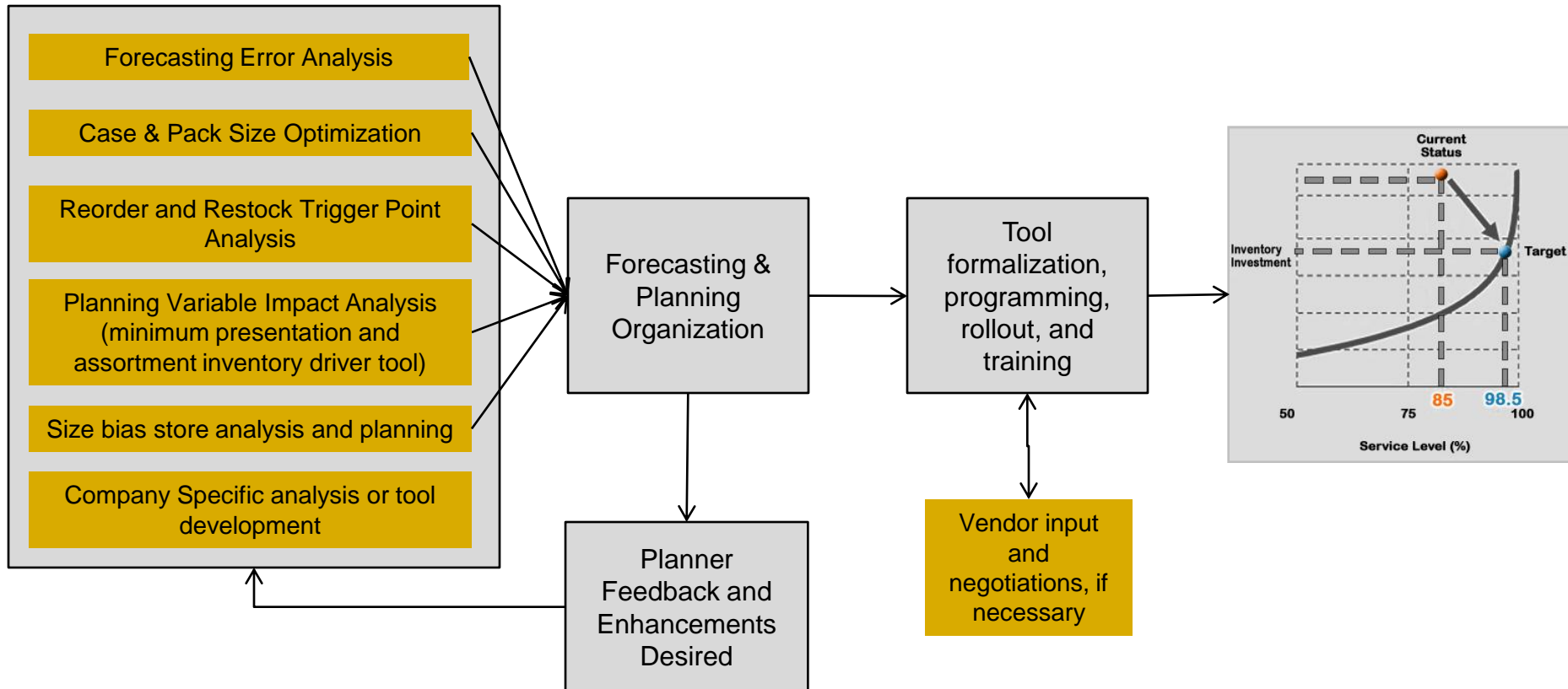
### Low-Cost Country Sourcing

Union Partners' Chinese affiliate has operations in mainland China that is focused on developing manufacturing relationships for our clients in and around China and other low production cost countries (including India, Vietnam, Thailand, Philippines and others). Savings typically in the 15 – 20% range. Services Include:

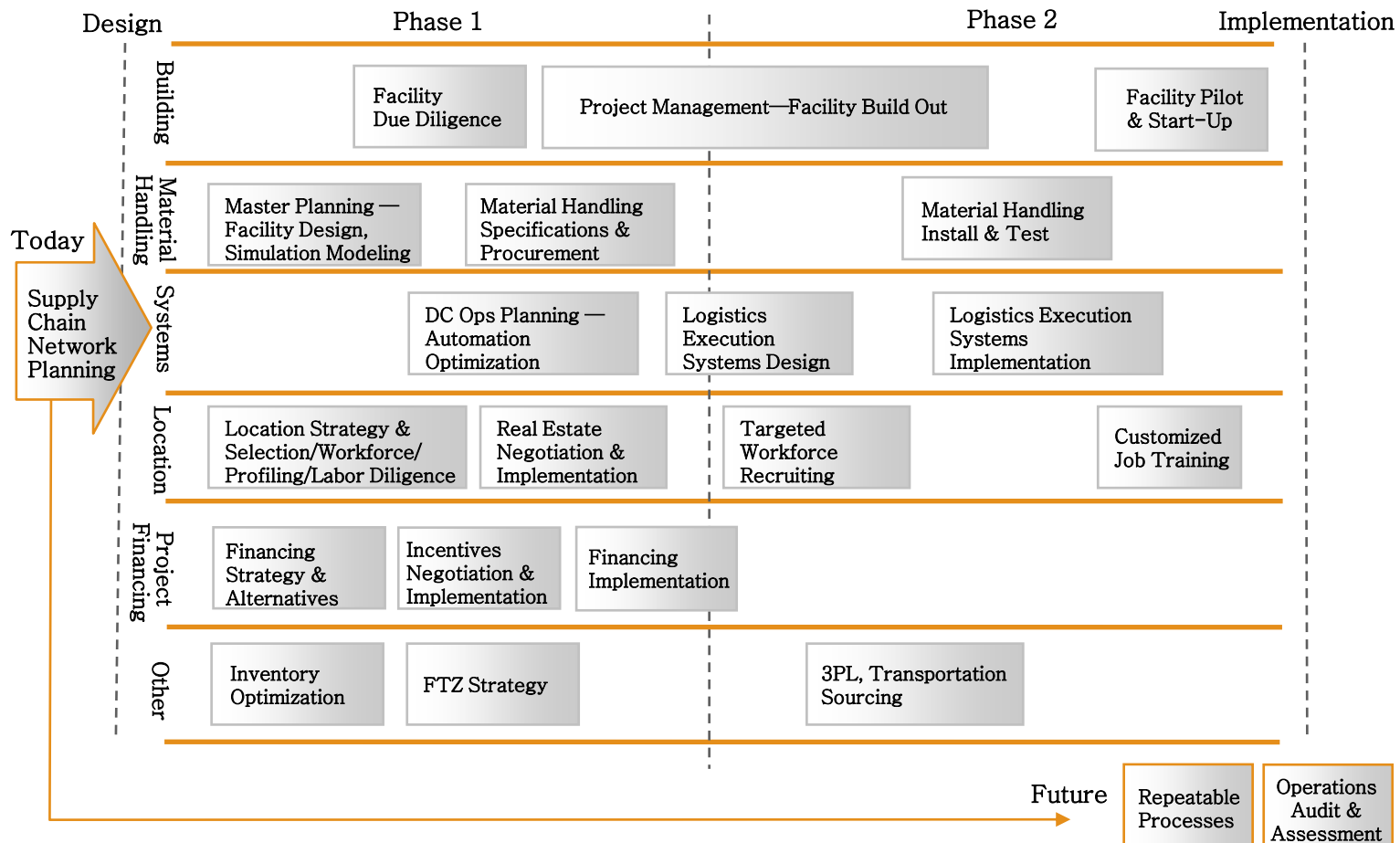
- Supplier selection due diligence
- Product design assistance
- Product safety and efficacy verification (initial and ongoing)
- Pre-export order check
- Logistics management, rate negotiation
- Flexible spending and cash flow management

Union Partners also has experience in other foreign sourcing engagements, including Latin America.

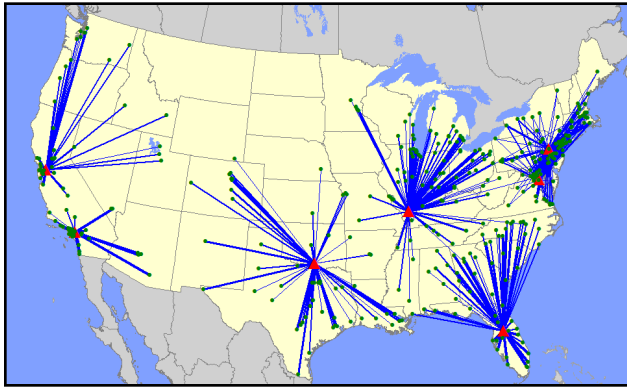
# Union Partners Professionals Have Implemented Customized Forecasting And Planning Solutions To Fit The Needs Of The Client



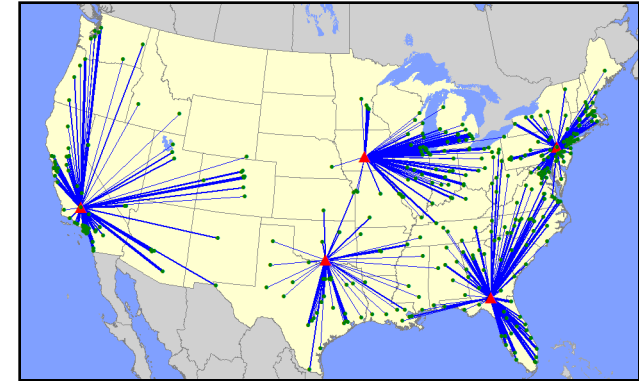
# Network Design Is The Strategic Initiation Of A Set Of Integrated Processes That Become Increasingly Tactical In Nature



# Our Experiences Network Optimization Team Goes Beyond A Model To Include Future Flexibility And Organizational Change

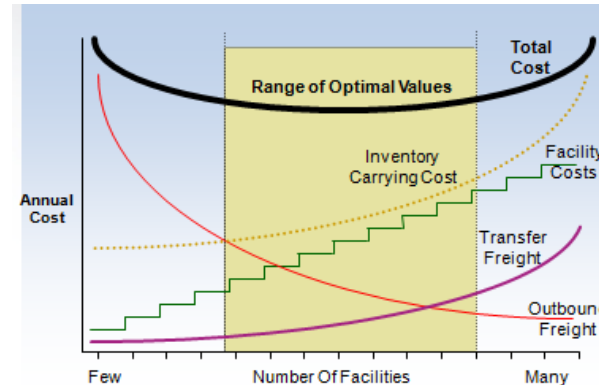


Current State Model

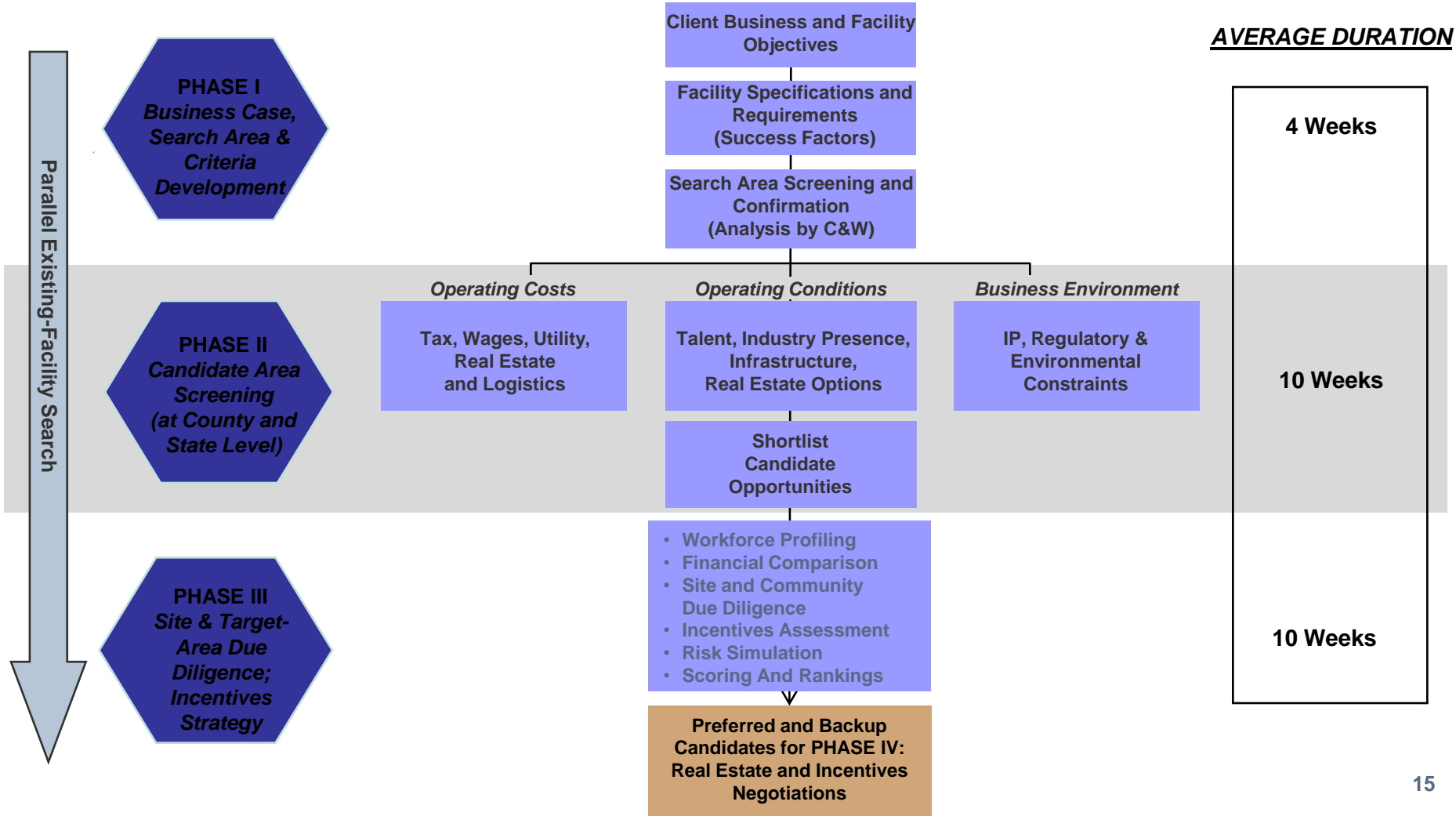


Future Design

- Transportation Costs
- Service Level Requirements
- Future Supply Chain Changes
- Merchandise Planning Factors
- Organizational Change



# Our Location Strategy and Site Search Approach Is Focused On Implementing The Optimal Site For Client Facilities



# World Class — Warehouse and Fulfillment

## Warehousing and Fulfillment

- Flexible capacity planning and optimization across flow paths
- RF enabled receiving, put away
- Single SKU pallets from vendors
- Certified ASNs from vendors
- Multi-tiered product flow and load consolidation
- Flexible labor scheduling
- Layouts to support seasonal, bulk products that require non-conventional handling capabilities
- Standardized review of facilities operations performance
- Systematic sharing of best practices across network
- Fulfillment and pack sizes optimized to economically support customer requirements

## Primary Metrics

- Labor cost per case / Pallet
- Order fill rate
- Line fill rate
- Shipment accuracy
- Capacity Utilization
- Flow / Cross dock as a % of throughput
- Warehouse shrink

## People

- Balanced part time / fulltime labor
- Central planning, tracking and monitoring performance
- Locations with adequate availability of skilled labor

## Process

- Dynamic SKU profiling and slotting
- Inbound trailer prioritization
- Shipment planning and prioritization
- Dynamic pick path to optimize travel distances

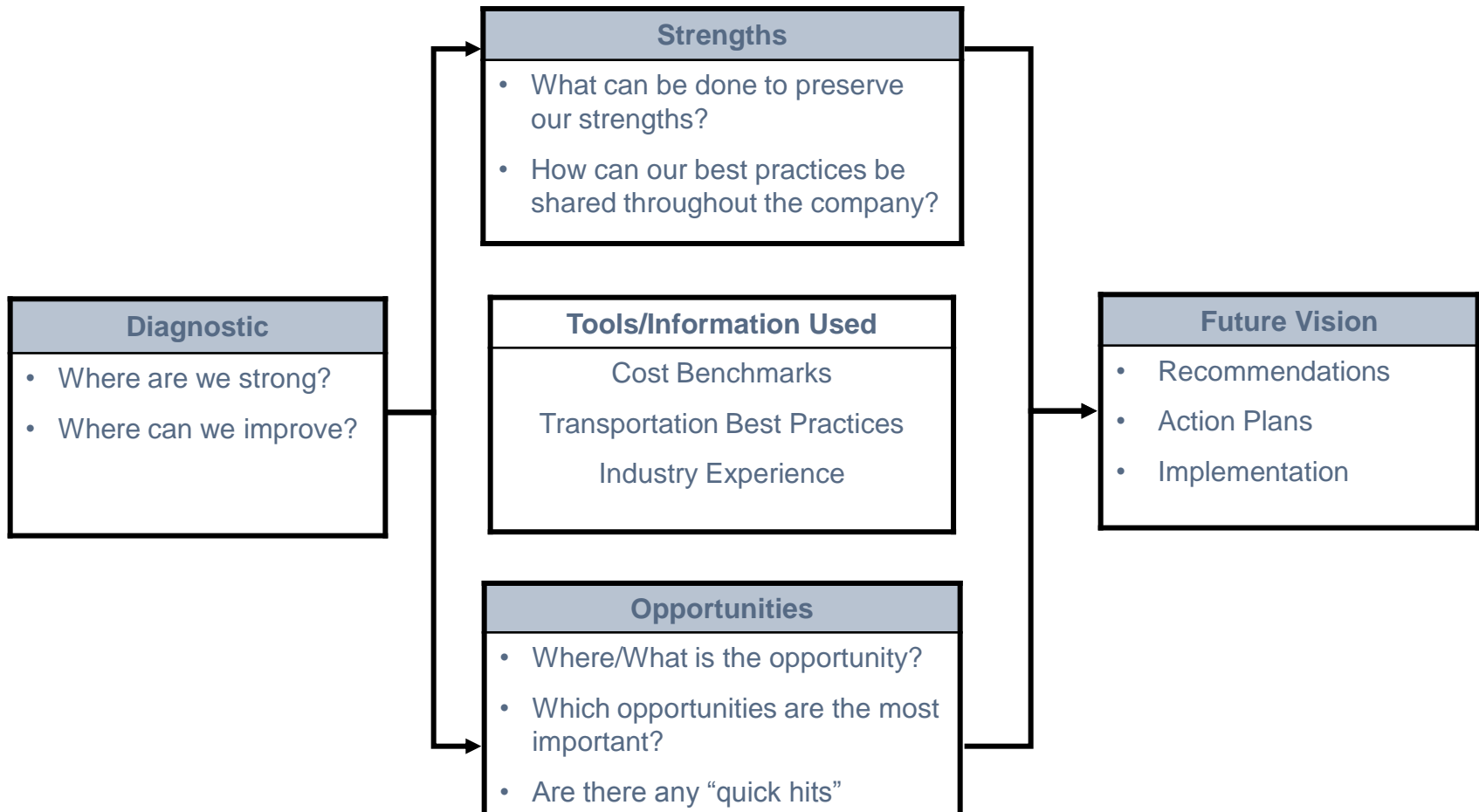
## Technology

- RF enabled receiving and put away
- WMS capabilities for inventory, labor, replenishment, picking, staging and loading
- WMS integrated with store inventory and APS systems
- Integrated ASN, Receipts and Yard management systems with extended enterprise

## Transportation Services

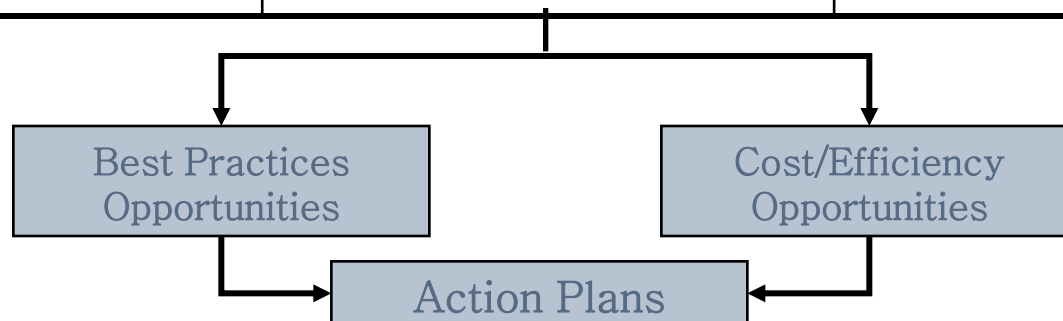
- Transportation Diagnostic
- Transportation Sourcing
- Private Fleet Improvement
- Warehouse Operations
- 3PL Partnering

# Union Partners' Transportation Diagnostic Focuses On Leveraging Our Best Practice And Cost Benchmark Tools



# The Diagnostic Seeks To Evaluate Not Only Cost, But Also The Operations And Management Side Of Transportation

Transportation Operations	Transportation Rates & Costs	Transportation Management
<ul style="list-style-type: none"> <li>• Routing, scheduling &amp; dispatching</li> <li>• Planning &amp; scheduling</li> <li>• Mode &amp; carrier selection</li> <li>• Carrier negotiations &amp; contracting</li> <li>• Consolidation &amp; distribution programs</li> <li>• Customer service levels</li> <li>• Asset effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Outbound rates/costs</li> <li>• Inbound rates/costs</li> <li>• Accessorial policies/costs</li> <li>• Fuel surcharge programs</li> <li>• Private fleet costs</li> <li>• Maintenance costs</li> <li>• Freight terms</li> <li>• Asset utilization</li> </ul>	<ul style="list-style-type: none"> <li>• Organizational capabilities</li> <li>• Organization design/effectiveness (centralization/span of control)</li> <li>• Performance measures &amp; controls</li> <li>• Transportation data &amp; management reporting</li> <li>• Carrier/supplier management</li> <li>• Freight payment</li> </ul>

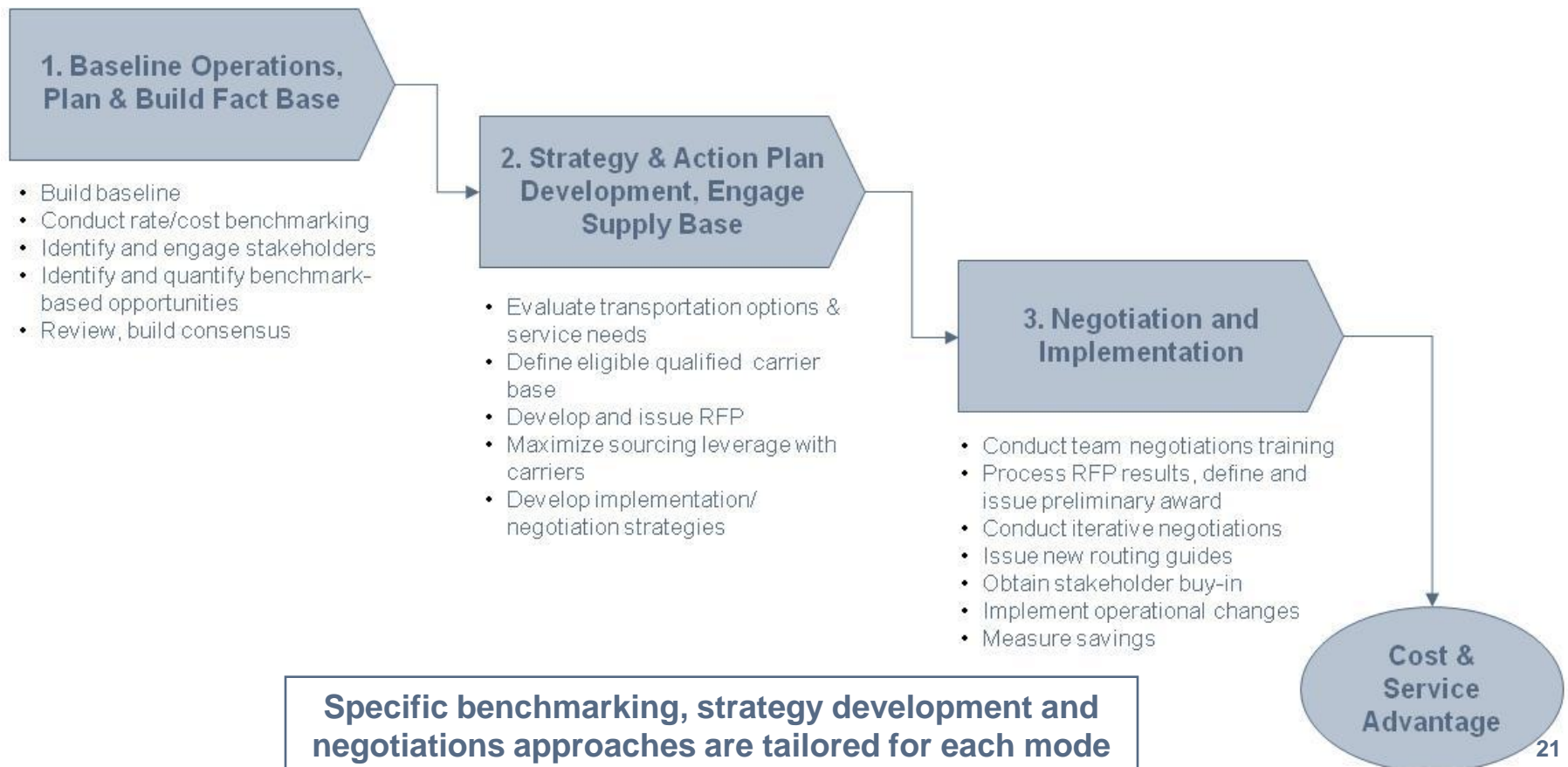


## A Transportation Diagnostic Typically Takes 4-5 Weeks

Steps	Profile Transportation Operations Spend	Conduct Transportation Operations Assessment	Benchmark Rate Opportunities	Prioritize Opportunities	Develop Program Plan
Purpose	<ul style="list-style-type: none"> <li>• Develop transportation baseline</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmark operations</li> </ul>	<ul style="list-style-type: none"> <li>• Identify freight rate reductions</li> </ul>	<ul style="list-style-type: none"> <li>• Get buy-in from management</li> </ul>	<ul style="list-style-type: none"> <li>• Develop savings realization schedule</li> </ul>
Tasks	<ul style="list-style-type: none"> <li>• Gather spend information on inbound and outbound routes including origin/destination, mode, mileage, weight, rates, etc.</li> <li>• Develop a profile of current transportation practices</li> </ul>	<ul style="list-style-type: none"> <li>• Use interviews and on-site observations to map operations and compare to transportation industry best practices – and conduct a gap analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmark current rates for similar modes, services, lanes, distances, commodities, and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize the operations and rate improvement opportunities according to the highest savings and the easiest to implement</li> </ul>	<ul style="list-style-type: none"> <li>• Calculate the savings associated with each opportunity and develop an action plan with expected savings cash flow</li> </ul>
Estimated Timeframe Weeks	• 1 - 2	• 2 - 4	• 2 - 4	• 4	• 5

# Unlocking Savings Is Achieved Through A Rigorous Transportation Sourcing Process

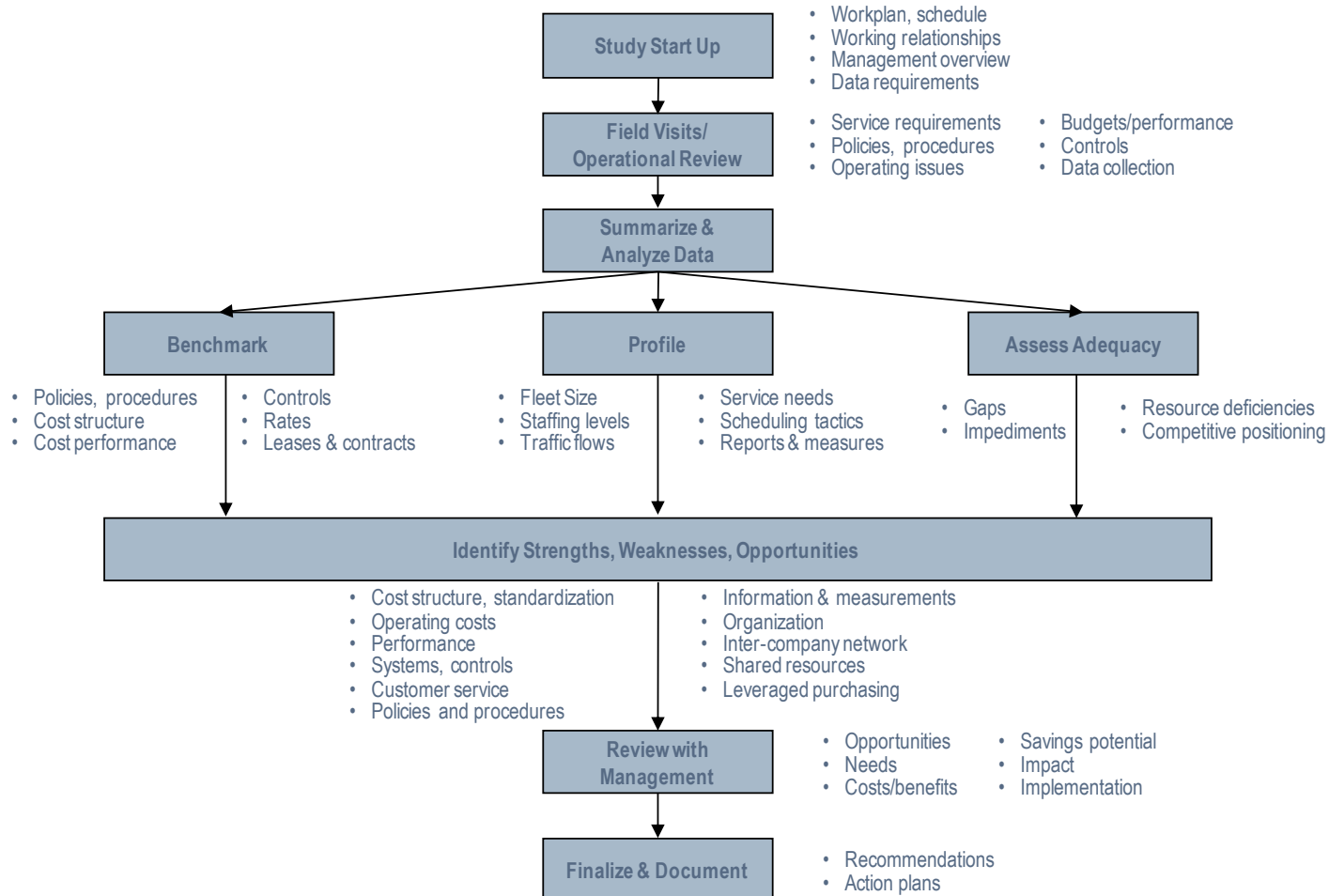
## Transportation Opportunity Assessment And Implementation



## Union Partners Transportation Diagnostics Drive Both Cost Savings And Better Carrier Relationships

- Leveraging the corporate network, both inbound and outbound, to drive efficiencies
- Proactively approaching market through competitive bids utilizing latest technology
  - User friendly tools
  - Functionality developed and proven for each mode
  - Companies are realizing an average of 5 to 10% of savings through strategic sourcing and optimized bidding
- Making freight carrier-friendly – changing business practices that puts undue burden on the carriers. E.G:
  - Tighter delivery windows than needed
  - Fixed delivery times
  - Delays at loading and unloading
- Optimizing use and mix of large global or national, regional and niche carriers to take advantage of strengths and networks while reducing risk
- Ensuring sufficient diversity at the lane level to ensure coverage at competitive prices

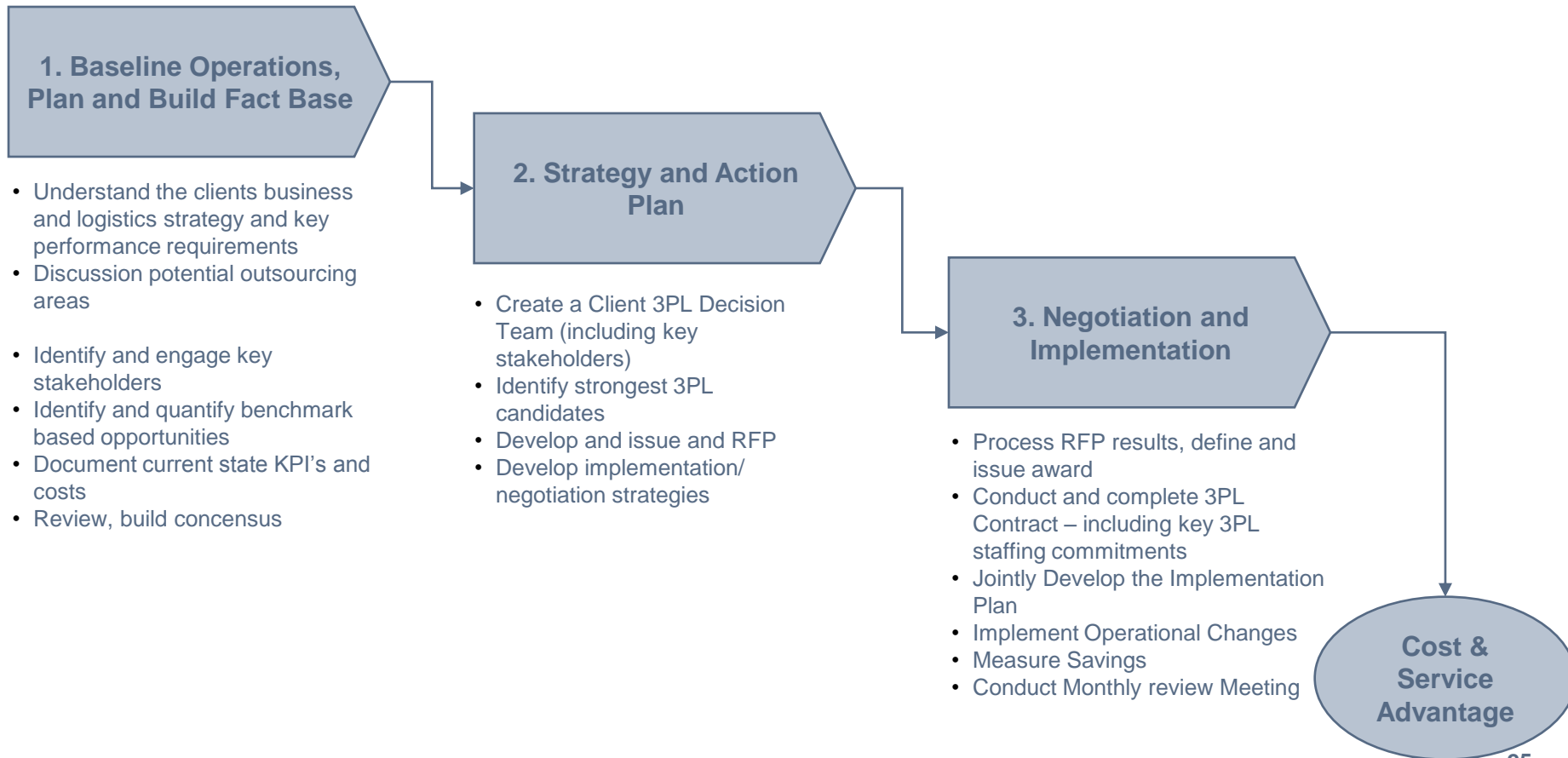
# Our Private Fleet Management Program Seeks To Gain Efficiencies For In-House Logistics Operations



## Warehouse Improvement Initiatives Can Drive Further Supply Chain Savings And Increase Service Levels

Baseline Operation, Plan and Build Fact Base	Strategy and Action Plan Development	Implementation
<ul style="list-style-type: none"> <li>• Understand the facility mission and critical management and customer service requirements</li> <li>• Build baseline</li> <li>• Conduct cost/productivity benchmarking</li> <li>• Identify and engage stakeholders</li> <li>• Review written processes and procedures</li> <li>• Observe and document current actual processes and procedures</li> <li>• Identify opportunities</li> <li>• Review, build consensus</li> </ul>	<ul style="list-style-type: none"> <li>• Redesign critical processes and procedures and facility layout</li> <li>• Redesign organization structure (if required)</li> <li>• Evaluate critical personnel</li> <li>• Develop measurable KPI's and data capture systems</li> <li>• Evaluate outside vendors</li> <li>• Create the change management plan</li> <li>• Prepare training materials and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce and implement the new organization</li> <li>• Introduce the revised processes and procedures</li> <li>• Conduct appropriate training</li> <li>• Implement the new KPI system</li> <li>• Modify the facility as required</li> <li>• Implement continuous improvement activities</li> <li>• Revisit training as required</li> </ul>

# Utilizing 3PL Partners Can Drive Flexibility And Cost Savings In A Supply Chain



## 3PL RFP Responses Will Be Evaluated Against Objective Transportation Management Service Criteria Including:

- Carrier management and contracting
- Outbound and inbound shipment planning
- Load planning and tendering
- Loss and damage administration
- Tracking and tracing
- Freight bill audit and payment
- Performance tracking and reporting systems
- Breadth and depth of services
- Financial stability
- Commitment to long-term relationship
- Personnel qualification and capability



## Our Team

Union Partners is an experienced leadership team. Our members have transformed a number of global 200 companies to gain significant increases in operating cash flows and reductions in cost of capital — the key drivers of shareholder value.

We understand the operational challenges associated with achieving true, world-class performance. The founding members of Union Partners bring critical competencies in revenue enhancement, operating cost reduction and asset and portfolio optimization.

Our team members have a mix of industry, operations and investment banking experience across multiple sectors: automotive supply, chemical/specialty chemical, healthcare/pharmaceutical, consumer products and industrial products.

## Our Team

**John D. Andrica, Managing Director** and co-founder of Union Partners, LLC provides organizational and re-structuring vision and direction for Union Partners' portfolio companies. In these situations he frequently serves as Chief Restructuring Officer. As a Senior Vice President at A.T. Kearney, he has worked with the leadership of global enterprises to extract value from the chaos that results from mergers and acquisitions. He has extensive experience in organizational strategy and operations effectiveness and is highly recognized for implementing innovative methods for change.



## Our Team

**David Morra, Managing Director** of Union Partners, LLC brings extensive experience in business and marketing strategy development and execution, general management and executive leadership on a global scale. In his industry career he has led executive teams in the planning and execution of major change and growth initiatives that have resulted in value creation. His experience spans across restructuring, turnaround and acquisition integration of both manufacturing- based as well as service businesses. Prior to joining Union Partners, Mr. Morra held officer-level executive positions at Omnicare, Inc. and Mallinckrodt, Inc. He brings a hands-on, practical approach to building and transforming businesses to unlock value.



## Our Team

**Michael Lipman** , **Director** of Union Partners, LLC specializes in transportation and logistics solutions. Mr. Lipman is a former Principal with A.T. Kearney, Inc., with over 35 years of consulting experience working with corporate clients in the consumer products, transportation, steel, paper, communication, chemical and retail industries. His focus is on developing and implementing transportation strategies and improving the performance of logistics operations.



## Our Team

**Daniel Anzevino, Manager** at Union Partners, is focused on leading consulting projects and due diligence teams for targeted acquisitions. Mr. Anzevino, formerly with A.T. Kearney, is an experienced operations, marketing and strategy consultant. With expertise ranging from manufacturing to retail and service based organizations, he has worked with some of the largest companies in the US and globally, bringing efficiencies to their operational models and creating new revenue generating products, services and business segments. He is also an accomplished entrepreneur with a successful track record as an owner / manager of several private businesses.

