



Fairn & Swanson, Inc.

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News Flash

Business Recap

2010 was a banner year for Fairn & Swanson. Extending our run of annual revenue increases to a sixth year, we grew sales by more than 20% in 2010. Both our retail stores and our wholesale operations contributed equally to our continued growth.

In the summer of 2010, we left our previous 30,000 square foot warehouse in Ft. Lauderdale, Florida and moved a few miles north to our new 80,000 square foot warehouse in Pompano. The new space allows us to offer a wider product assortment to our customers, as well as keep sufficient inventories to meet the demand. Additionally, we are now operating our own Foreign Trade Zone space, greatly improving the efficiency of our US customs filing requirements.

For 2011, we will continue to build our reputation on the East Coast with our commitment to customer service and excellence. Though a lot of our attention has been focused on the East Coast over the last couple of years, we are continuing to grow in our home market on the West Coast. Coming out of the largest recession in recent memory, we expect continued growth in both the cruise and commercial ship supply, as well as in our South Pacific markets.

Our Baja Duty Free retail chain grew at almost the same rate as the rest of Fairn & Swanson. Although we did not open any new stores in 2010, we saw sales increases of 19% for all our stores. Particularly successful was the relocated Gateway store in San Ysidro, which became our fastest growing store. Despite having been significantly reduced in size in 2009, the new location and updated layout has allowed us to not only maintain our existing customers, but also attract many new customers to our Baja Duty Free stores.

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Achim Fritzen
CEO, Fairn & Swanson Inc.

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F&S President

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Like other duty-free operators in the USA, we adapted our store to the new FDA guidelines for cigarette sales. Despite initial misgivings about the need to reconfigure our stores, the changes actually allowed us to streamline the traffic flow, improving the interaction between our associates and customers; helping to make tobacco the fastest growing category in our stores.

In 2011, we are looking forward to opening our newest store in Tecate, CA. Additionally, with what we've learned from the reconfiguration of our newer stores, we plan to make improvements to some of our older locations. High on the list is a remodel of our Calexico store, which will take place in 2011.

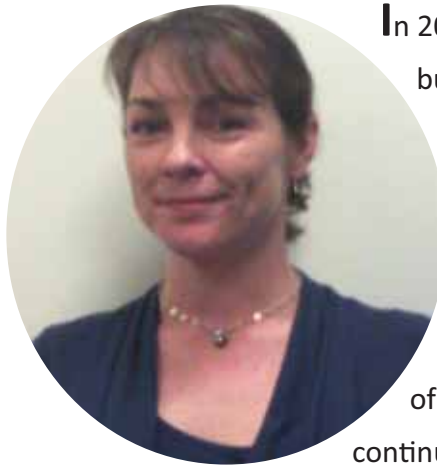
As always, a great thank you is due to our many vendors who have helped us make 2010 such a great year. Without your continued support and commitment to open and honest communication we could not have achieved the results of the last years. The entire team at Fairn & Swanson is looking forward to working together with you during 2011 and beyond.

Sincerely,

Achim Fritzen

CEO, Fairn & Swanson Inc.

New President



In 2010, forty years after buying Fairn & Swanson, Wolfgang Uhlig retired from his position as President. Nicole Uhlig, Wolfgang's daughter, has been appointed President of Fairn & Swanson and will continue to represent the Uhlig

family interests in the long-term strategy of Fairn & Swanson. Achim Fritzen will continue to manage Fairn & Swanson as CEO, a position he assumed in 2008.

Florida Warehouse

Fairn & Swanson Inc. moved its operations in Fort Lauderdale, which started 2 years ago, to a new 80,000 square foot warehouse located in Pompano Beach, Florida. "The move was a necessity due to the high demand in customers we are experiencing" commented Rene Terbeek, VP of Sales and Vendor Relations. F&S Florida, services all different types of customers from cruise ships, vacation resorts, all inclusive hotels, airport shops to consulates and embassies. We look forward to experiencing a great year by growing our business on the East Coast.

Baja Duty Free News

New Tecate Store

Fairn & Swanson’s retail division, Baja Duty Free, plans to open its newest store in Tecate, California next month. The Port of Tecate is located 35 miles east of the San Ysidro crossing into Tijuana, Mexico, which makes the port of entry an alternative to the long lines on the Tijuana-San Ysidro border. The city of Tecate, Mexico, has a population of over 100,000, and it is best known outside its region as the home of Tecate beer. “This area has grown so much in the last 5 years that it became strategically necessary for F&S to have a store at this crossing”, states Elisa Castro, Vice President of Retail for F&S. The Tecate location is the ninth Baja Duty Free store owned and operated by Fairn & Swanson Inc. along the U.S./Mexico border.



New Purchasing Manager



Martha Guerra has been hired as the new F&S Purchasing Manager for the Baja division. Martha’s primary responsibility is to oversee the purchasing and merchandise planning for the fragrance, accessory, and confectionary categories as well as the merchandise planning for the spirits category. With over 10 years of experience in the retail industry, Martha has perfected her professional skills to include product development, purchasing and inventory management. Most recently

Martha was overseeing the purchasing department at Robanda International, responsible for all of the brands within the Robanda umbrella. Prior to joining Robanda, Martha was employed by the Estee Lauder Companies, under the Prescriptives brand, where she served as Merchandise Planner developing and executing product assortments and inventory levels for 108 stores.