



LETTER TO
CUSTOMERS OF
CRAFTSMAN

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Dear Friends,

In a very short time, Craftsman will be transitioning into a new era. We had a great run starting as a small shower door operation in the Heights, and growing to become one of the largest independent glass fabricators in the country.

Recently, there has been a lot of concern about Craftsman's future; I am writing to assure all of you that Craftsman will continue to play a vital role in the glass industry, and to you as your supplier.

Craftsman isn't simply a glass fabrication facility, it encompasses people who have cared for you, and cared for every good and bad thing that may have happened to you in your business; and they have also cared greatly for how we affected your business.

Rumors can have malicious Consequences

Now I am asking that you consider how your decisions affect the people at Craftsman who have assisted you all these years. Several customers have admitted to giving competitors orders that would have come here because of rumors they have been hearing. Consideration should be given to our employees. They are here to stay. They need your support, and they need it now.

Rumors, especially those coming "from a very reliable source" that no one can seem to identify, can have malicious consequences. Some examples: we were "sold" several times over the last two years to some interesting prospects including the Chinese; it was certainly a surprise to me to find out in early June of this year that "Craftsman is going to close its doors on June 23rd". Just last week, I heard that "Bob took all the employees' 401-K funds and skipped the country", and that we had recently taken all the employees vacations away from them.

We also know these kinds of rumors were repeated during sales calls by competitors who were soliciting business from our customers. We have been involved with some incredibly challenging events these last two years; however, decisions based on rumors isn't something our employees should additionally suffer.

Please let me tell you what has really been going on

The 2006 expansion included adding a new tempering furnace, insulated line, automated glass cutting line, automated seaming line, another CNC hole drilling & milling station, and a year later, a laminated line that rivals any in the world. We also chose to add new order entry software with integrated manufacturing control software and bar-coding capability; all this was to be integrated with equipment and with employees who needed to be trained. This was certainly a challenge, but achievable... however, this proved to be the biggest challenge I faced in my 41 year glass career. The process took well over 18 months. For the first time, we lost money month after month while we fought to get things turned around; and the losses began to challenge our banking relationship soon after our 2006 expansion.

It was July 2008 that everything started working; it was like magic. We weren't done with fine tuning, but we had finally turned the corner. Now we needed to get a number of profitable months on record to satisfy a desire that our lender had: that we find another lender. In the interim, my wife and I put our personal savings into the business to keep it shored up. We have incredible relationships with long standing vendors who, while they would have much preferred to be paid promptly, worked with us as we stretched our accounts and worked through the persistent issues we faced back then.

Replacing our Lender

And although we had never failed to pay our bank obligations, certain covenants (ratios, etc.) were not met that triggered a need for the bank to forbear those covenants. In the forbearance agreement signed last year, we were expected to either: 1) find alternate financing as one of the demand paths we were to pursue, or 2) pursue a sale of the company as another path in the event refinancing the company wasn't achieved. This was signed early last year before the turnaround was achieved. As anyone who has been in this situation would know, either path would be difficult given months of losses with a turnaround yet to be achieved, and at a time when the economy was in turmoil. On the other hand, there was sufficient equity in the 10 acre real estate and 230,000 SF building that was also owned by me.

So, even before the turnaround was evidenced, we received an offer by a local lender that believed in us; it was willing to take out the current lender last year. It recognized the value in the real estate, and we were happy to agree that it could use the real estate as additional security for this loan. However, the real estate loan was with a lender that did not allow 2nd liens on their mortgages, and it would not budge. At this juncture, we were also gaining traction on an acceptable strategic sale path that was to eventually close in October 2008.

Timing can be incredibly bad

Just as we were finalizing details in this strategic sale, U.S. Treasury Secretary Paulson, in an effort to save the economy, got his rescue plan passed through Congress on the last weekend in September 2008. This set in motion the \$700 Billion TARP funds to bail out nationally recognized financial institutions. Immediately following, international markets crashed and our strategic sale was postponed. Due to the uncertainties created by this event, our prospects for refinancing or a strategic sale turned impossible. Additionally, our area had received an unwelcome guest, Hurricane Ike. It closed area businesses down for a week or more. This storm put people, communities and businesses out of communication for weeks. For us, September '08 represented the last "bad month" we had...

Fast forward to June 12th, 2009.

I'll never forget this day. I was returning from Austin after having a great two-day joint outing with one of our major suppliers and one of our largest customers. Not only was I happy with the continued relationship building between two key components of Craftsman's future, the drive back gave me an opportunity to reflect on, and appreciate the huge amount of effort that our managers, supervisors and production employees had made to relentlessly improve our reliability, service and satisfaction that is so important to our customers. From these efforts, we continue to experience improved percentages for completed orders and customer satisfaction. Cost cutting, in anticipation to the slowing economy earlier in the year, was starting to reflect in the profit numbers; we had made substantial progress in paying down vendors; and we were about to achieve 12- months of profitability that banks want to see in this kind of economy. We were gaining traction for refinancing. It was during the drive back from Austin that I found out what the bank was threatening.

Of important note: the forbearance agreement that was extended in February was to expire July 31, 2009; in late May, I received and rejected a buy offer that would have paid the bank its secured loan. And in early June, it was evident that our refinancing efforts would extend beyond the end of July as we worked towards June becoming that final, magical 12 months of profitability that lenders look for in this kind of economy before they commit to refinancing. So, we presented several options to our current lender... one was to simply extend the forbearance agreement to achieve the desired replacement lender. A second option was to replace the current lender with that earlier replacement lender which required a real estate lien – because it was now willing to forgo the real estate lien if we could negotiate a discount or a note with the current lender for the discount amount.

That offer I rejected in May was overreaching even in a distressed economy; it would have been unacceptable to our key suppliers which had no security, yet it played a part in subsequent events...

This is when I learned what the term “Dynamic Tension” means

Our lender had heard that I had received the purchase offer; it did not care that it was insufficient to other creditors. When a lender decides that they want a client to leave, they employ tools that will make its “unwelcome” clients’ lives miserable. One of those tools is to create reserves against the client’s line of credit; and they can stop funding. Early this year, although it is an obligation for the operating company to pay the property taxes, our lender decided that it would reserve against the taxes to be paid... not allowing us the use of qualified funds to pay the taxes. We had no choice but to watch as interest charges and penalties grew. While we continued to improve our performance, there was little reason for the lender to demand that I put a “Chief Restructuring Officer” in my place to take the reins of my company, and the power of my pen. We resisted these unacceptable demands which led to a notice of public sale that got national attention. We prevailed, and the notice of public sale was pulled down. There are “new” faces representing our lender; and, we are building mutual respect. Now we are making progress towards a change of ownership for Craftsman.

In Closing

Please understand that Glass Wholesalers / Craftsman has appreciated your support for many years. I like the word “relationship,” because I firmly believe that business relationships are special when everyone in the chain of sale, from our vendor to your customer being delighted with the product you installed; and everyone is satisfied with this profitable relationship.

We still have challenges; our team has never misled you, and we are not going to put “loser prices” out there just to buy business. Nothing will change under the proposed sale except the stockholders. To this point, I have concentrated on reporting the facts... no rumors. I encourage you to understand that our incredible employees make up a great team that needs your support now more than ever.

Sincerely,



Bob Lawrence