

December 23, 2003

Dear Customer,

For a little over one year our goal has been to improve the efficiency or productivity of our customers. In part, we are responding to requests from our customers. Below is a brief summary of our projects:

1. Our "named rocker" software system is completely in place. The majority of our customers are using named rockers. Internally this has saved us a significant expense. We believe our customers have some savings and we see a dramatic reduction in error. Early next year there will be additional software added to this system further improving our level of service and efficiency.
2. We introduced a new version of the modified Hitachi power planer that we have been building since 1988. Included with the new planer is a very complete manual that describes the features of the planer and compares it to a Skil 100. The planer has been well received. The outstanding features of the new planer are light weight, more power, a five minute blade change, custom options, and an absence of the many flaws in our older planer.
3. We have increased the number of hand shaping tools that we carry. Most of the hand tools we carry are difficult to find. Included in the selection are high density foam sanding blocks, Stanley planers, and the Grace Manufacturing surfboard blade.
4. We installed an \$8,000.00 fully automatic blade sharpener and now offer a free blade exchange service for our planer and the hand tools we carry as well as blade sharpening for Skil 100 blades. For our planer, changing the blades takes less than five minutes as we index the blades at our factory. We sharpen all blades at a steeper angle than the stock blades. This gives significantly better performance than the stock angle when shaping foam. We also use a very fine stone and go very slow. This results in a much sharper blade than commercial blade sharpening services and a product equivalent to high quality hand sharpening.
5. We have developed a current sensing switch that turns on a vacuum system when the power planer is turned on and delays the vacuum shutting off for twenty seconds after the power planer is turned off. The time can be adjusted. Our time studies show this switch is an excellent investment for production shapers.
6. We have just finished the development of a very complete, very heavy duty vacuum system for shaping and cleaning the shaping room. We did this after observing the time consuming struggle it is for our customers to build their own systems plus some of their designs and components do not work very well. Another point is that most shapers who do not use a vacuum are working in a highly flammable and often explosive environment. A qualified fire marshal or insurance company inspector should require a vacuum system in the shaping

room. Last, we believe that our vacuum system gives a minimum of interference to the shaper and is more efficient than any other shaping method. We do not use the commonly used cheap vacuums, but use a powerful two stage industrial vacuum with a special, self cleaning filter. Our system includes a special, heavy duty bag that we stock and a gate type dump. We stock all components and supplies at Clark Foam. At most locations we will do the complete installation as long as the shaper will be available to help.

Our latest catalog will have all the above components and services listed.

Our world is rapidly changing. Imported machine shaped and molded surfboards from factories that do the entire board at one location using roughly \$3.00 per day labor are rapidly expanding. They have the benefit of almost all of the state of the art American and Australian technology and design.

A large portion of our industry is inefficient and not able to withstand serious price pressure and promotion. In the past a lot of economic thinking has been based on growth and unlimited demand - not efficiency. Very rarely is the inefficiency tied to a single source or problem. It is usually an accumulation of small inefficiencies and extra expenses not directly related to the actual manufacturing of the surfboard. Our proven time study shows the tools mentioned in this letter are more efficient than the tools used by the majority of our customers. While these tools are not a big change, it is a step in the right direction. Therefore, we are offering a special on the fully automated vacuum system for a limited time and have priced the other tools very reasonably. I would advise you to look very seriously at what we are offering.

As we were stepping outside of our very complex factory to develop products for our customer's factories, we found our project was a lot more difficult than we originally anticipated. We found we needed an awful lot of outside help. I feel that it is important to thank a few of the individuals who assisted us in the development of these products. I have done that in the attached document. I apologize if the list is not complete or we skipped original developers of ideas or designs.

Thank you for your business,  
Gordon Clark