



California Faucets[®]

From our hands to your home[™]

August 28, 2018

Dear Select Dealer:

This year, California Faucets celebrates its 30th anniversary. When the company was founded in 1988 by my father, Fred, he instilled three core values that remain proudly part of our DNA to this day: Artisan quality product, superior service, and on-time delivery. Thanks to these old-fashioned values — along with commitment to innovation and our custom manufacturing story — you, our select dealers have blessed us with significantly increasing business. For this, on behalf of our entire company, I thank you.

Of course, like any successful company, growth comes with challenges. As they say, this is a “good problem,” but it is a problem nonetheless. In our case, unfortunately, it has meant that during this past year we have not performed to the standards which you expect from us. Our estimated lead times have suffered, as has our overall consistency in communication and guidance. This is especially bothersome because “build-to-order” custom faucetry is by its own nature already less predictable than mass produced product. In short, we need to do better.

To this end, I want to share with you the significant steps we are taking to firmly tackle the challenges of the wonderful growth we have worked so hard to achieve. Here are just some of the investments we are currently making to improve our production capabilities, improve customer communication and restore our estimated lead times back to industry-leading status:

Increased Physical Production Capacity:

- We recently added a 3d warehouse allowing us to hold more inventory while making additional floorspace available for manufacturing.
- We continue to build our 2nd shift team to further increase production capacity.
- We have significantly increased our inventory — both to replenish depleted supplies and to increase available inventory for current and future orders.

New Chrome Plating Line

- An environmentally friendly trivalent chrome plating line should become operational in the coming weeks. This trivalent chrome will be used primarily as a base for PVD finishes and significantly reduce estimated lead times on those finishes.
- We have prided ourselves on controlling almost every aspect of the finishing process for our more than 30 artisan finishes, but chrome plating has been a missing link. This new plating line will allow us to directly fill this need and will substantially reduce lead times from outside chrome plating vendors.
 - Currently, outside vendor chrome plating lead times have more than quadrupled and they are no longer willing to expedite any rush orders.
 - Our past experience has shown that every time we bring an outside finishing process in-house to California Faucets, we drastically improve lead-times, consistency and quality. When we control the process, we can make more accurate commitments to you and stand behind those commitments.

New Manufacturing Software System:

- State-of-the-Art ERP (Enterprise Resource Planning) software will tie together all factory operations allowing for better factory floor planning, inventory purchase forecasting, engineering control, financial visibility, and most importantly, increased order status visibility to the customer service team.
- The ERP system is a major and significant upgrade to our current software capabilities. It was great for many years, but we have clearly outgrown it due to both accelerating sales volume and an ever-increasing and complex product line.
- Our current goal is for this ERP system to be operational by the end of this year.

Investment in our Team:

- We continue to expand and upgrade our team to handle the increased volume and complexity of our uniquely artisan “build-to-order” business.
- We are making a significant increase in shop floor head count for both 1st and 2nd shifts.

- Recent key hires include: production managers, inventory managers, quality control managers, line supervisors, and engineers.
- In addition, we recently added an excellent new Customer Service Manager to instill best practices in our growing service team, and hired an outstanding Human Resources Director (from Nordstrom's no less) to help ensure we attract and hire the best talent available.

The above gives you just a glimpse into the steps we are taking to improve our ability to deliver and service. While we expect these steps will significantly increase our performance and capabilities, the full impact won't happen overnight.

In the meantime, we thank you in advance for your patience, goodwill, and support. To increase our level of communication and more accurately reflect our current performance, **we have updated and attached a revised estimated lead time sheet.**

These extended lead times are estimates based on our actual current performance results. While the vast majority of orders will ship within these estimated times, please remember that we produce custom, hand-crafted fittings and occasionally a longer lead time may occur.

It remains our goal to continue producing the industry's most extensive array of fine plumbing fittings, built to order (not mass produced!), with infinite variety and choice in style combinations and finishes, meeting the highest quality standards, and all delivered in a timely manner. We are excited about our future as we continue to build a world-class, state-of-the-art provider of artisan decorative fittings.

We will continue to keep you informed with periodic updates and will be sure to let you know of any changes (positive or otherwise) in estimated lead time performance. In the meantime, feel free to contact me or any member of our team if you have any questions, comments or suggestions.

Thanks and Warm Regards,

Jeff Silverstein
President & CEO
California Faucets