

Status Update from Bill Hinz about American LaFrance's New Direction

As we enter our fourth week of legal proceedings I would like to provide you with an update. Before I do that however I would like to take this opportunity to thank each and every one of you for staying the course. In these difficult times you have faced many challenges both operationally and emotionally and we know without you there is no American LaFrance.

I can assure you without a doubt American LaFrance will not only survive, but prosper in the near future. We have the systemic changes in place from material procurement to financial management to ensure we are poised for not only sustainable market presence but to quickly take **THE** leadership position in both the fire and vocational market.

In the very new future we will be able to process and build fire apparatus consistently in the 180 day range from order receipt to delivery. Additionally, you will see innovative product designs that will truly differentiate our products from all others and will have tremendous benefits for our customers and make American LaFrance the supplier of choice. I am as anxious as you to realize these operational improvements and new products. Rest assured the team will be working on them diligently to make it happen.

As I alluded to earlier we are taking this time through the legal proceedings to implement systems and repair those that were broken. I can report to you that our Material Requirements Planning (MRP) system is now up and running. This gives our purchasing team material requirement visibility along with lead times to procure materials as needed for production in a timely manner. This accurate picture of the requirements prevents either a shortage situation which causes production delays or also an overage situation which results in excess inventory and cash that is tied up. Successfully implementing the MRP system will dramatically improve our cycle time and speed us on our way to our 180 day build commitment.

Along with our MRP system we have successfully implemented our accounts payable system to ensure we have visibility to invoices. This allows us to efficiently process our payables to keep the free flow of parts to the shop floor.

Also through this process we are retraining our workforce instilling the principles of Lean Manufacturing. This understanding of Lean process will also contribute to our improved throughput and reduced cycle time as well as reduce both material and labor waste.

These three major improvements are vital to our success and we are well on our way. With that said we know as the Leadership of American LaFrance we must perform. We expect to achieve operational excellence quickly and know that we must do so to meet our customer and employee expectations. Each one of you is a key to our success and we will continue to rely on you as partners into the future.

On a more immediate issue we will be releasing the delivery schedule by the end of the week of February 25th. I know everyone is very anxious to have this information and we have missed our self imposed two week commitment we had promised. We are working through terms and lead times very successfully with all of our vendors and once that portion is confirmed we can plug in those dates to our MRP system and generate the schedule. It is imperative that we have this information before we publish to ensure we provide a schedule that is accurate and sustainable.

Again, thanks to everyone for helping American LaFrance through these difficult times as we chart our course for long term success!

All the best,

A handwritten signature in black ink that reads "Bill Hinz". The signature is written in a cursive, flowing style.

Bill Hinz
CEO American LaFrance LLC.