



October 8, 2008

To the Members of the Coastal Craftsmen ESOP Trust,

Please find enclosed the (much delayed) 2007 ESOP account statements. These were delivered just this Tuesday (October 7, 2008). The value of each share is \$14.00.

Although the delay in these statements is in my opinion excessive, there were reasons which delayed their preparation, all related to the overall economic state. The preparation of these statements rely on basically three elements; the valuation of the company at the end of a year, the repayment of the ESOP loan by Coastal and the payroll of both Coastal and Alumi Guard(our sister company which does not participate in the ESOP).

First, the valuation required an extended analysis to ascertain the true value of the company, despite any losses shown on the income statement. The independent valuation firm was required to rely not only on the cash flow generated by the company, but also to the assets it held, the value of its reputation, the potential for future business and its ability to garner sales in different areas. This is a basic description of a very complex approach which takes a significantly longer time and greater care.

Next, to assist with the operating cash requirements, entire payments and partial payments during the year were made using both cash and non-cash methods. This non-cash method was a form of debt-forgiveness to our sister company, Alumi Guard. Although this was an effective way to keep cash in Coastal to help with continuing operations, it added more time to the analysis of the ESOP.

Finally, regarding the payroll. Even though Alumi Guard does not participate in our ESOP, their payroll, and more specifically, their participation in the 401K plan, does need to be taken into consideration when evaluating the ESOP. In prior years, this information was sent from the 401k administrator in a form which could be easily interpreted by our ESOP administrator. This year, this information was not, which required the ESOP administrator to recreate every payroll transaction for every member of both companies, adding a few weeks to the delivery of the statements.

I again apologize for this delay, but have taken steps to ensure the 2008 statements are delivered more expediently in 2008.

Thank you,
Chris Webb

Please note: Traditionally, a Summary Plan description and Beneficiary designation form accompany this statement. If you have not received or filled out either, please notify your manager for a copy or find them online at www.coastalcraftsmen.com/esop .