



July 10th, 2020

TRANSPARENCY REGARDING OUR LABORATORY PRODUCTION

I, Adam, want to update our outstanding customers on the status of production at Cherry Optical Lab as things are certainly not “normal” at the moment. Starting the week of 05/10, we saw a pattern (below) of new orders from reopening ECPs that lead to us accelerate the rehiring of our furloughed employees and restaffing all our shifts.

- 05/10-05/16 = 25% increase over the preceding week
- 05/17-05/23 = 37% increase
- 05/24-05/30 = 34% increase
- 05/31-06/06 = 8% increase
- 06/07-06/13 = 12% increase
- 06/14-06/20 = 7% increase
- 06/21-06/27 = 14% increase
- 06/28-07/04 = 14% decrease
- 07/06-07/10 = 5% increase (projected)

After the week of 06/14-06/20, I thought things had leveled out a bit only to have the week of 6/21-06/27 be an additional 14% higher than the week before. Heading into the 4th of July week gave us a breather, and this week is a bit more in line with what we saw the week of 06/14-06/20 in terms of total new orders received.

Clearly, there is a lot of pent up demand. For the past two days, I joined our Customer Service team to listen and speak directly with many of you. Each person I talked to shared how fast the return of business has come, and similar to us, many of you are experiencing challenges regarding staffing. As part of our layoffs and furloughs associated with the massive reduction in business throughout April, there were a few employees that we decided not to rehire. Additionally, some employees found different employment or chose not to return. We have a couple of key-employees missing, and whether it's planned medical leave, vacations, or unexpected life events, we are not currently fully staffed for all production shifts. We have been actively interviewing and have already hired employees to fill all but two newly added positions. In total, we have 13 of 15 new employees who have started or are starting soon for needed production positions. It takes time to get new hires up to speed. However, I am confident our management team is dedicating the attention necessary to get our new laboratory opticians contributing.

Another challenge we are working our way through is lens inventory and supply chain disruptions. Under normal circumstances, our lens suppliers are the absolute best and largest in the nation. Unfortunately, our primary supplier, and the lens manufacturers that supply lenses to our primary supplier, are feeling many of the same challenges we are at the laboratory. For comparison, in February 2020, we would average no more than 75 lenses on an active backorder list. At the time I am writing this, we currently have 1,511 lenses on backorder. Our Inventory and Customer Service Teams are working tirelessly to find alternative products and sources to eliminate these backorders. I have heard some tough stories about operations at some of the major lens distribution facilities. The only timeline I have received for a possible return to the regular lens supply chain is the end of July.

What I just shared are not excuses. It is the truth, and I want you to know we are aware of the situation and working very diligently to get through the backlog and handle what is to come. We have many bright days in our future. Our building expansion is moving along nicely and will be completed in 6-8 weeks. Our high capacity AR coating chamber is being dialed in with our recipes right now. We ordered another high-speed milling edger that should arrive at the same time as the expansion completion. I mentioned above the new hires that are coming on each week - all of them appear to be outstanding people.

We are not afraid, and we are not buckling under the pressure. I am confident in our direction and know we will be back to outstanding service levels soon. No matter the backlog level, our primary focus will remain on providing exceptional customer service and impeccable quality. If there is one thing I know about our current challenge at Cherry Optical Lab, I would much rather lead my team of amazing employees through the demands of a rapid return and growth in business than through another event like April of 2020.

I ask for your understanding, but I do not expect you to lower your expectations. You have chosen to work with Cherry Optical Lab for many reasons, and we know that service levels are a primary factor. We will be honest with you about delays and do our best to provide solutions to mitigate them. I will be here to work directly with you if you feel you are not getting the support or straight answers needed to meet your patients' expectations as we all dig out and grow together. You can reach me at adamcherry@cherryopticallab.com, calling the laboratory at 920-469-2559 or via text/call on my cell at 920-217-0249.

We appreciate your business and the support you have provided us. Please understand this is a temporary reduction in service levels. At Cherry Optical Lab, we're obsessed with two things: making the world's best lenses and the world's happiest humans (our employees, customers, and your patients). We are "Seekers of Better" and will not let these delays or supply chain issues define our customer experience for long. Thank you for your faith in our team.

Sincerely,



Adam Cherry