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April 1, 2005

Dear Valued Distributor:

As many are aware, the price of raw material in the form of Tungsten carbide continues to escalate. The first of these increases came over a year ago and we absorbed these costs in order to avoid a price increase. Unfortunately, we have received sharp increases in recent months and are therefore forced to implement a general price increase of 5% effective April 25, 2005 on all standard and special products. New price lists will be shipped to you in May. The following guidelines will affect all orders received after April 24, 2005:

1. All orders placed prior to April 25, 2005 will be completed under the current terms and billed at the current price.
2. Applicable orders that are received after April 24, 2005 will reflect the 5% price increase.
3. Blanket orders entered prior to April 25, 2005 will be subject to a 5% increase.
4. Quotations made before April 25, 2005 will be honored at the price quoted until the completion of the expiration date of the quote, at which time the quote will be adjusted to reflect the 5% increase.
5. Special inserts that require a non-standard blank could experience increases beyond 5% and will be quoted upon request.

Due to the instability of the raw materials market we may see more increases in the near future. However, please be assured that we will do everything possible to prevent price increases by the continued streamlining of our manufacturing operations. We have taken delivery on several new CNC Robotic Grinders this year with plans for more; and we will continue to push ahead with automated inspection equipment. To further assist your staff our new catalog is scheduled to be released in May; it will contain all of our current as well as several new product lines. In addition it will have expanded technical sections and simplified grade-material recommendations.

We want to take this opportunity to express our appreciation for your business and look forward to working closely with you in the future.

Sincerely,

A handwritten signature in cursive script that reads "Keith Holland".

Keith Holland
National Sales Manager