



TOOL FLO

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To our Valued Distributors:

The price of raw material in the form of Tungsten carbide continues to escalate at rates never before experienced in our industry. In addition to the sharp increases we experienced earlier this year, our industry has been hit with additional steep increases. Tungsten APT, the main component of Carbide Inserts has increased over 500% since January of 2004 and continues to escalate rapidly. Since our last general price increase on April 25th we have experienced our largest raw material increase ever, and the materials market could be poised to go higher. China's industrial growth appears to be creating a demand that cannot be adequately met.

We are determined to provide a stable pricing environment for our customers; therefore effective July 1, 2005 we will be instituting a 5% price increase. Price Lists will be shipped to you toward the end of this month.

Tool-Flo is committed to working with our customers to help mitigate the impact of this increase by helping your sales staff in implementing productivity improvements. We can provide your customer with overall tooling cost decreases by upgrading to the following product:

- AT grade series – prolonged tool life of up to 50% and reduced cycle times due to higher SFM
- Chip-Flo – Pressed in breaker with high positive entry angle allows feed rates to double
- Rigid Lock – Insertable Ball Nose line that is much more cost effective than solids
- Threadmilling – Inserts that are much more cost effective than solids

These are just some of the suggested improvements that can be provided immediately; we will work closely with you to provide cost savings wherever possible. Please be aware of the following guidelines:

1. Blanket orders entered prior to July 1, 2005 will be subject to a 5% increase.
2. All outstanding quotes will be reviewed and will be subject to increases.
3. Special inserts that require a non-standard blank could experience increases beyond 5% and will be quoted upon request.

We are hopeful that pricing stabilization will occur this fall; in the meantime we will continue forward in our aggressive path of automation and system efficiencies in order to keep your cost down. We appreciate your business and continued support.

Sincerely,

Keith Holland
National Sales Manager