

Dear Valued Customer,

You may already be aware that the current carbon steel market has a high level of uncertainty and the worldwide demand for scrap is very strong with export demand driving the prices for this scarce commodity higher. We have numerous articles that you may request that may assist you in explaining the current situation to your company for the need to have a flexible price structure.

It has always been our practice to become a more efficient manufacturer to offset yearly rising costs. However, this year, Midstate will not be able to offset the 20 - 30% increase in material costs from January 2008, or the predicted future increases. We have tried to secure blanket order quantities of material to provide you with a seamless flow of product, but this industry's uncertainty will not allow us to lock in pricing.

You will be contacted individually about the parts that are most affected by this recent surge in material costs. I would like to add an additional cost component to the base price that will be constant for the quantity of parts manufactured. We can only set this cost at the time of purchasing this material for each run quantity. Please let us know if you prefer a separate line for this charge, or if you want us to add this on to the unit price.

I would like to thank you for your business, support and understanding during these unprecedented times, and I assure you that we are doing everything possible to minimize the overall cost to you.

Thank you,

John Kirby
General Manager
Midstate Spring, Inc.