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June 4th 2008

Dear Customer,

As a valued customer of Heads and Threads International, we would like to thank you for your continued support throughout these trying times in our industry. We know some of the challenges you face each day in this uncertain market and are committed to provide you the best service at the lowest total cost possible.

As you are well aware, fuel costs have been and continue to increase at an unprecedented rate. Last week, the national average cost for diesel fuel exceeded \$4.72 per gallon, up over \$2/gal from a year ago and over \$1/gal in just the last three months. Although we do everything possible to mitigate the impact of higher fuel costs on our customers, HTI has experienced a 21% increase on outbound freight paid shipments over last year and over 40% over a few years ago. This increase is a direct result of a fuel surcharge (FSC) that all carriers have implemented.

Although it often seems easier to include the cost of outbound freight in the selling price of our product, it has become impractical and ineffective for HTI to do so. One reason is that carriers are adjusting their FSC up to 5% each week. This would require that HTI revise pricing each week to keep pace with adjusted FSCs. Also, trying to predict what impact the FSC will have on a given product line, so as to include it in our item price, could (depending on your product) artificially increase your total quote price. This is something we categorically oppose. Our commitment is to offer you the lowest total cost possible on all product lines we supply.

Though all master fastener distributors have been including the FSC in the item's cost since its inception, we firmly believe that the time has come for the Fastener Industry to adopt its own FSC separate and distinct from the cost of the product itself. It has been common place in the plumbing and electrical supply industries for quite some time and has now become an absolute necessity for all distributors.

Consequently, in an effort to provide you with a fair, more consistent price model, effective August 1, 2008 HTI will implement a fuel surcharge on all prepaid shipments. The FSC will be a rate per pound times the total weight of the invoice and will appear as a separate line on the invoice. Further details are contained in the attached appendix. Once again, we thank you for your support and encourage your feedback in this matter.

Sincerely,

Michael T Wrenn
President and CEO

Rich Megliola
Vice President, Sales

APPENDIX: HTI FUEL SURCHARGE POLICY SUMMARY

- HTI will continue to prepay shipments per our current freight policy and will ship collect using the carrier of your choice.
- Effective August 1, 2008, HTI will begin charging a Fuel Surcharge calculated at a given rate per pound times the total weight of the invoice. This rate is published in advance and is available online. The FSC will not be added to collect, will call or prepaid and add shipments
- To ensure that HTI's FSC is directly linked to the cost of diesel fuel and the Carriers FSC, the FSC will go up and down with the price of diesel fuel.
- HTI's fuel surcharge will be adjusted every Wednesday based upon the U.S. National Average Diesel Fuel Index of the prior Monday. This index, published by the Energy Information Administration of the U.S. Department of Energy, is available by telephone at 202-586-6966 and on their website as follows
<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>
- To view or print the entire HTI FSC policy and rate, please go to <http://www.headsandthreads.com/> and click FSC. HTI reserves the right to make changes to the FSC policy and rate at any time.