

December 8, 2009

Subject: 2010 price increase

Dear Valued Customer:

We at Pacer Industries appreciate your business and are working hard to remain your best source for grinding wheels. Our goals are to continue providing high quality products and developing wheels to best meet your roughing and finishing needs.

As you may be aware, raw materials costs have risen sharply over the past three years. For us it has been 23% (more expected next year). These include abrasive grain, epoxy resin, rubber, cork and phenolic resin. Other costs also have increased such as utilities and health care. During those years Pacer prices increased only 6% total. We worked diligently to absorb increases through internal efficiencies and other measures.

Unfortunately we no longer can absorb the full impact of those costs and must raise prices 5% effective 01/01/10. In past years Pacer had only 2% price increases, unlike often higher and more frequent ones of other grinding wheel manufacturers. We regret this increase but hope you understand the necessity of our decision.

In order to reduce the impact somewhat, orders received before 12/31/09 for immediate shipment will be filled at current prices even if shipment is made in January.

Sincerely,

PACER INDUSTRIES, INC.



Tom Linkins
V.P. Sales and Marketing