



Heads & Threads International LLC  
Corporate Office  
785 Center Ave  
Carol Stream, IL 60188  
800.323.2073  
[www.headsandthreads.com](http://www.headsandthreads.com)  
e-mail: [info@handt.com](mailto:info@handt.com)

---

May 3, 2010

To Our Valued Customers,

Prices are escalating throughout our industry as a result of rising costs, and we want to explain the key factors causing the increases.

First and foremost, steel prices are rising again. As you know, steel rose to near term historical highs in 2008 and then fell in 2009. Increased demand, especially in Asia, and rising cost of the raw material used to produce steel, have driven the cost of steel up over 25% this year. Much of that increase has occurred over the past two months. This has a significant and immediate impact on the cost of the product we sell you.

The second major factor is the increased cost of shipping containers from Asia to the United States. Shipping lines greatly reduced capacity throughout 2009 resulting in limited cargo space for imported merchandise. The shippers are insistent on higher prices to transport goods and they have been successful in making these price increases stick.

Other factors, less significant, but still important, include rising labor, overhead, plating and packaging costs. Select duty increases have also impacted certain product lines.

We anticipate that the Chinese government will begin allowing the yuan to appreciate against the U.S. dollar in the near future, which will put additional upward pressure on the price of product from China.

At HTI, we continue to mitigate cost increases as aggressively as possible, but current circumstances force us to pass along some of the increases we are incurring.

If you need additional information, please contact your local HTI salesperson. We will do our best to meet your needs.

Sincerely,

*Mike*

Michael T Wrenn  
CEO