

WILFLEY

A.R.Wilfley and Sons, Inc.

March 23, 2007

TO: Wilfley Customers
FROM: Dave Krebs, Director of Sales
RE: Material Surcharge

We regret to inform you that effective March 26, 2007 Wilfley will institute a material surcharge to cover the rapidly rising metal alloy costs.

Over the past 2 years, metal alloy costs have increased rapidly and substantially requiring us to implement a number of price increases. Due to continuing cost increases we have experienced so far during 2007, we have decided to institute a "material surcharge" on orders entered on and after March 26, 2007.

The "material surcharge" will be identified as a separate line item on the order acknowledgement. It will be based on the pump and/or pump parts' metal composition and weight (calculated on a cost / pound basis). It will be adjusted up or down reflecting changing material costs.

To highlight the magnitude of the problem, nickel prices have reached record price levels increasing almost 40% since January 2007. Wilfley purchased nickel 5 years ago for less than \$3/pound. As of the date of this letter, nickel is now over \$23/pound. It should be noted that nickel is not the only material that is experiencing escalating prices.

We thank you for your continuing business and special consideration during these times of fluctuating alloys costs.

CC: Mike Wilfley – President
Wilfley Representatives

