



Blair Industries Inc. – HSM Machine Works Inc.
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August 21, 2012

Dear Valued Customer:

Blair-HSM is pleased to announce an agreement with a premier machine tool dealer for current and future state of the art machining equipment. Included in this agreement is the previously announced purchase of three, state of the art machining centers installed at our North Carolina manufacturing facility in the 1st and 2nd quarter of 2012. Our agreement includes the following purchases:

- September 7, 2012 installation of state of the art horizontal machining center
- October 12, 2012 installation of specialty large stroke (48”) honing machine, CNC controlled
- Early 1st quarter 2013 installation of state of the art horizontal machining center
- Late 1st quarter 2013 installation of state of the art turning center (lathe)
- 4th quarter 2013 installation of state of the art turning center.

These strategic capital investments demonstrate the Blair-HSM management team commitment to expand our manufacturing capacity, capabilities and improve our competitive position to more effectively serve of customers. This new equipment will increase the Blair-HSM manufacturing capacity by 12% and ensure our current record of delivering 100% quality level products. Blair-HSM is fully capitalized to fund these investments and will continue to expand capacity to support all of our aerospace customers.

If you would like additional information, kindly contact us at any time.

Very Best Regards,

Rob Lehmann