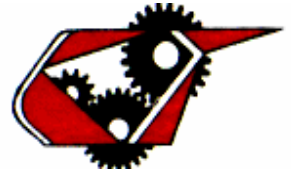


COMTEC MFG., INC.



DESIGNERS AND MANUFACTURERS OF POWDERED METAL COMPONENTS

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QUARTERLY NEWSLETTER

To Our Market:

September 30, 2009

To start, we would like to comment on the current level of business activity of our collective markets that we observe, and the impact current economic conditions have on Comtec. As we begin the 4th quarter of 2009 our “year to date” sales revenue volume is averaging 33% below normal. Although this is still unprecedented it is better than the first half of the year which was 50% below normal. Since June we have been working production consistently at 5 days per week instead of the 3 day work weeks for the first 5 months of 2009. Presently, all but 5% of our workforce is back to work full time, and, we anticipate this trend to continue through October of this year. Whether or not this spike in our production output is short lived remains to be seen, and we will continue to operate our facility with cautious optimism.

Over the past few weeks we have been making moderate investments in accessory equipment and building infrastructure to enhance or compliment the production processing end of the business. A larger underground wastewater routing and storage system has recently been installed. We will no longer need to treat our wastewater prior to discharge to the municipality. This will eliminate “in plant” storage, treatment, testing fees, permit fees, and disposal charges in exchange for the lower cost of “offsite” treatment. It will add floor space to the plant and eliminate the man hours associated with treatment and disposal. The recent purchase of an additional 50 horsepower air compressor, air receiver, air dryer, and filtering system will deliver ample, clean, moisture free, consistent pressure air to critical production equipment. This will further help stabilize process variable characteristics of individual components for pneumatically controlled equipment. We have equipped our sintering furnaces with new technologically advanced nitrogen gas flow scopes with “low flow” alarms to control a consistent introduction of a nitrogen base gas atmosphere to reduce component characteristic variability in the sintering portion of the production process. In addition, we have acquired “in process” additional material handling equipment to reduce the amount of movement production components see, and/or to reduce the amount of floor space they consume with the use of rotary accumulator tables and upright pallet rack storage units.

In July our quality system underwent a surveillance audit by a third party registrar for the re-issue certification of ISO 9001:2000 for which we received a re-issue certification to the standard. However, some elements of the audit were comprised of the new ISO 9001:2008 standard to which we expect to receive certification sometime in the first quarter of 2010. Great job by our quality department! This is underscored by our “year to date” defective PPM (parts per million) score of 0 for 2009!

Showcase “Part of the Quarter



Part Name: “Fan Hub”

Part Use: Outdoor Power Equipment

Alloy: Heat Treated Nickel Steel

Quantity: 20,000 pieces per month

Part Cost: Inquire at www.comtecmfg.com/rfq.html and ask for “showcase” part costs

Tool Cost: Inquire at www.comtecmfg.com/rfq.html and ask for “showcase” tool costs

Part Specifics:

An excellent example of the numerous multi-level components produced at Comtec Mfg., Inc. that exemplify our ability to produce net shape configurations with proper material density throughout each section of the part. This structural component is produced at a density of 7.00 gr./cc and it is heat treated and tempered to HRA 62 hardness scale.

Tooling configuration consists of a flange die, pneumatically driven dual upper punches, core pin and core pin nest assembly, stationary bottom punch, and 3 pre-lift bottom punches pneumatically driven on a another level to accommodate the three “location bosses” on one side of the part.

Any other method of metal forming this component would be costly unless it’s net shape could be achieved without extensive secondary operations.

Next quarterly newsletter will come out December 31, 2009. Until then, questions or inquiries can be made at www.comtecmfg.com