

September 24, 2018

Dear Ty,

As a follow up to our initial communications regarding tariffs, the US Government announced this week that effective Monday September 24, 2018 items on list three will incur a 10% tariff starting on September 24, 2018 and then increasing to 25% on January 1, 2019. As we informed you earlier this year, several of our items are imported under Harmonization Tariff Codes that are included on "LIST 3".

In addition to this announcement, within the past 72 hours we are seeing significant increases in Ocean Freight, notifications from Ocean Liners seeing demand above capacities, as well as axle & box shortages. It is assumed that this is in reaction to importers working quickly to get goods into the country ahead of the January 1, 2019 25% tariff.

As we stated in our initial letter, our intent was to raise prices on affected items 7.5% should the tariff be 10% and 17% should the tariff be 25%. This increase was to take effect within a 30 – 45-day period.

After careful review, we have extended the date of our planned price increase on our affected items out to January 1, 2019. Although we have only 30 – 45 days of inventory on hand, we have implemented various productivity measures and are working to increase inventories to help bridge us closer to year end. (Please note that this assumes that the 10% tariff holds for the remainder of 2018 and is not increased prior to January 1, 2019 as communicated).

As such, Amax Incorporated will proceed as follows:

- On January 1, 2019 we will implement a 17% Price increase on all affected items
 - If the tariffs remain at 10%, the increase will be reduced to 7.5%
 - If the tariffs are repealed, we will not implement an increase
- We will continue to take orders through year end on affected items. In fairness to all customers, we will continue to review individual customer run rates versus order volumes with the intention of mitigating significant back orders.
- On January 1, 2019 we will cancel all backorders. This step is required to as we expect the increased demand that we are already seeing from customers, will deplete our inventory on affected items significantly, eliminating all buffer/safety stock. Replacement inventory arriving after January 1, will then be impacted by the higher 25% tariff.

It is important to note that Amax Incorporated is well positioned to better mitigate this financial impact to your business, as we own factories in both China & Taiwan. To that end, **within the effected Stapling category we manufacture less than 50% of our products in China.**

As part of our proactive approach to assist your during this tumultuous time, we will be taking the following steps:

- Providing recommendations based on current inventory of alternative color options in the event of stock-outs on certain color options.
- Providing a cross reference guide for our Taiwan produced staplers (Our Tariff Busters) to allow for easy substituting of Bostitch, PaperPro and other branded China produced staplers.
- Reducing the price on our Taiwan produced equivalents for the remainder of the year. (Effective November 15, 2018).
- Developing plans to move some production from China to Taiwan in the vent the tariffs endure. We will provide more details on this in the coming months.

We have also all heard rumblings that the potential exists for the Government to potentially implement tariffs on yet another tranche of goods from China. If this is announced, we will work with the same diligence and fairness as we have on these items.

We appreciate your continued input on this matter, as the situation continues to evolve. Today's dynamic environment is a clear indication business is certainly not "as usual", and to that point it is obvious that we cannot continue the course as usual in all aspects.

As we approach our 2019 buying agreements, it will be imperative that we work together to adopt language that allows for more dynamic adjustment of pricing adjust to this dynamic market and economic environment. We are therefore proposing the below addendum to all customer buyer agreements:

Notwithstanding anything herein to the contrary, Vendor shall be entitled to increase its price for [Products] upon 45 days' prior written notice to Independent Stationers in the event of a change or imposition of any laws, rules, regulations, treaties or orders of any government or national, municipal or other governmental agency, whether domestic or foreign, including without limitation, increased taxes, duties and tariffs, currency enacted after the date of this Agreement which the Vendor is required to pay or bear with respect to the [Products].

Thank you,

Chris Dutra
Executive Vice President