

DEMDACO®

lift the spirit

Dear Valued Partners,

The government has recommended and is implementing tariffs on over \$200 Billion worth of goods imported from China. Many of DEMDACO's products will be affected. Any product subject to tariffs will receive a 10 percent tariff if it is imported between 9/24/18 and 12/31/18. If that product is imported after 12/31/18, it will be subject to a 25 percent tariff.

What steps has DEMDACO taken to address the tariffs ?

- Two representatives from our company went to Washington to lobby against tariffs.
- By the end of 2018, we will request Washington make an exclusion be made on specific product items that are subject to tariffs.
- We have discussed the potential to move production from China to other countries. One of our major strategic initiatives the next few years will be to source alternative production facilities outside of China.
- We are proactively discussing with our factory partners how to exit certain product categories/material composition subject to tariffs. This strategy may be moot if the US escalates its tariff policy to cover all products imported from China.
- We are working with all Chinese factories to expedite the delivery of product to the US prior to 1/1/2019 minimizing the tariff impact.

While it is not our desire to increase prices, I am hopeful you can understand this type of increase in costs cannot be fully absorbed by us. With that in mind, we will proceed as follows:

- New and existing orders shipped before 12/31/18 will not be subject to any price increases despite the fact that tariffs imposed are already impacting our company.
- New and existing orders shipped on affected items (excluding Willow Tree skus) after 1/1/2019 will be subject to a 9.5% price increase.
- Orders shipped on affected Willow Tree items after 1/1/2019 will be subject to a price increase. The price increase shall be determined near the end of November and communicated at that time.

We are hopeful that the United States and China will come to a quick resolution of the differences that have led to this trade war. However, the current situation is fluid and it is not readily apparent that a quick end to this conflict is in sight. If further increases are necessary, we will communicate as appropriate.

Thanks for your support in the past, now and in the future.

Please contact your Territory Manager or our Customer Care team at 1-888-336-3226.



Lance Hart
President
DEMDACO

