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May 15, 2019

Dear Valued Customer:

The U.S. Department of Commerce and the U.S. Trade representative (USTR) have implemented additional tariffs on many goods, including lighting fixtures, lamps and lighting components.

Although these additional tariffs represent a significant increase in cost, on top of the original 10% tariffs we have been absorbing; we believe the most responsible action we can take at this time is to step back and gauge what is occurring economically between the U.S. and China. We will cautiously watch this volatile situation and react once the outcome looks as if it will be in place for a measurable amount of time.

Listed below outlines our views of this trade war and the position SATCO is taking at this time.

TARIFFS ARE REAL:

The tariffs levied by the US Government on products manufactured in China are a real and significant additional expense paid by companies like SATCO and are hitting US based businesses, distributors and consumers hard.

SATCO HAS ABSORBED THE INCREASED COSTS SO FAR:

The 10% tariff that went into effect in September '18 on the majority of the lighting products we sell has been absorbed by Satco, resulting in millions of dollars in costs, which we have not passed along to our customers.

IT'S A TRADE WAR – WE DO NOT WANT TO REACT TOO QUICKLY:

While Satco may be forced to implement a pricing policy to address the additional 15% tariff that became effective May 10, 2019, we have decided to take a deep breath and acknowledge that the US and China are in a trade war, and one tweet at any time could announce a resolution to this conflict.

WE ARE HOLDING PRICING AS LONG AS POSSIBLE:

While the timing of the tariff changes implemented by the USTR has been done at a head spinning pace this month and the immediate reaction is turning our industry upside down, we will maintain our current pricing structure for now.

OUR PLAN:

On June 3rd Satco will announce its new pricing policy only if the change in new tariffs is not rescinded by then. Should SATCO need to implement a new price schedule to offset the additional cost, it will not be effective for 30 days of that notice; going into effect at the beginning of July, giving our customers time to fulfill obligations and prepare accordingly.

OUR HOPE:

Please join us as we hope that a mutually beneficial trade agreement is reached, and our next communication is simply to wish all our valued partners a great summer!

We know this matter is challenging for all concerned and in the spirit of good partnership we will do our best to lessen the burden as much as possible.

With appreciation of your continued support,

Bill Gildin
President
SATCO Products, Inc.