

Customer Communication – Tariff's

As you are likely aware, the federal government has imposed a 10% Tariff, effective September 24th, on a wide variety of imports from China including select Power Sonic batteries and chargers. The parts affected are those that originated in China and cross US Custom borders, as of this date, until a resolution is reached between the US and Chinese governments.

Although Power Sonic manufacturers in alternative geographies, there are likely to be part numbers that we cannot source elsewhere due to technological or capacity reasons. We are working diligently to increase capacity in Vietnam and Malaysia to avoid these tariffs. Most of our top running parts are already qualified and dual sourced in alternative geographies and in addition, we have significant inventory that will buy us time before the tariff becomes a pass-through event and cost.

Power Sonic will be focused on the following activities in the next month;

1. Identification of all parts exclusively sourced from China and aggressively pursue alternative sourcing strategies.
2. Develop a specific 'impact' report to share with you independently. This will be based on your historical mix. The report will be updated as we progress with our alternative sourcing strategy.
3. Invoice system programming to ensure that the Tariff is only applied to those parts affected. This will be presented as a separate line item on your invoice.

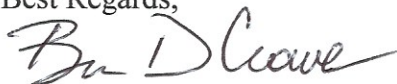
It is important to note that the China Tariff is specific to our portfolio of Sealed Lead Acid, NiCad, NiMH batteries and associated chargers. Lithium Iron Phosphate technologies are not impacted at this time.

It is our estimate that Power Sonic will be forced to pass through the tariff on or about December 1st, 2018. However, unique parts may be sooner if inventories deplete. We plan to remove or adjust the tariff when the product is sourced alternatively and/or if the governments strike an agreement eliminating or reducing the Tariff.

Lastly, it is important that we all understand that there is an additional movement by the US government to raise this Tariff from 10% to 25% on or about January 1st, 2019. We will keep you appraised of the potential with future communications and follow the same protocol if that were to occur.

Please feel free to reach out to any employee of Power Sonic for more information regarding this Tariff and the ensuing procedure for implementation.

Best Regards,



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