

Section 301 Import Tariffs

Dear Customer:

With the Administration's passage of the Section 301 tariffs on products made in China, efforts continue to be made by industry associations and individual businesses like that of Sager Electronics, for removing component-level devices from the list due to the impact on American businesses. Additionally, please be aware that a second list of components identified by the Office of United States Trade Representative will undergo further public notice and comment.

What we know today is that all components produced in China and included in Section 301 were subject to the new tariffs effective July 6. For the purpose of clarification, components manufactured in Taiwan and Hong Kong are not considered within the scope of Section 301, therefore are not subject to the additional tariff.

As of this communication we are just beginning to receive formal notification from our suppliers as to how they intend to pass through the new tariffs. We do expect all suppliers to pass through the tariff to distributors (including Sager Electronics) and direct customers.

There are still many unanswered questions and missing critical details however. For this reason, Sager will NOT begin assessing and charging the tariffs on July 6. We have made the decision to delay the assessment and billing of the tariffs that went into effect July 6, 2018, to give our customers more time to prepare, and give all of us, including our suppliers, more time to fully understand the details. The date to start the assessment and billing will be determined in the coming weeks but the implementation date will not be before August 15, 2018. Sager will pay any assessed tariffs due on products imported from China during this period and, in doing so, will shield our customers from incurring or paying any tariffs on shipments until at least August 15, 2018.

The following are the key points related to the Section 301 Import Tariffs, as we know today:

1. The tariffs were imposed on July 6 on the importation of various electronic components made in China. Products manufactured in Taiwan and Hong Kong are not subject to the tariffs.
2. Sager will NOT implement the tariffs on July 6 but will delay to a future date. The delay will last until at least August 15, 2018. Between July 6, 2018 and the time in which we implement the tariff with our customers, Sager will pay all tariffs due on products during this period and will not pass those costs on to our customers.
3. We expect all suppliers to pass through the tariff to their distributors (including Sager) and direct customers.
4. After the stated delay, Sager's approach for billing customers will be to provide a separate charge for the tariff.
5. Since many suppliers produce components in multiple countries it is not known until time of receipt/shipment if the Country of Origin on the components being will be China or another country for which the tariff does not apply. For this reason, we will not always know the Country of Origin at time of order placement.
6. We are working diligently with our suppliers to compile a list of the affected products. As soon as that task is completed, we will make it available to our customers.

The situation is fluid and we will continue to communicate with you as circumstances warrant further updates.

Sincerely,
Bruce Kellar
Senior Vice President Sales
Sager Electronics

