



## The Specialist in Electronic Component Distribution

October 1, 2018

Dear Valued Suppliers,

In July, TTI informed you that we would delay passing through Section 301 tariffs to our customers. On August 6<sup>th</sup>, we reaffirmed that decision and continued the delay in order to give our customers more time to prepare and fully understand the details of this situation. Further, because of our substantial inventory position before tariffs were assessed, we saw delaying the pass through as a fair and reasonable decision. For the past 12 weeks TTI has been paying assessed tariffs due on products imported from China and, in doing so, has shielded our customers from incurring or paying tariffs on shipments. We now have a clearer understanding of our suppliers' positions and have evaluated the best way for us to now move forward.

Today October 1st, we informed our customers via the attached letter that TTI will begin billing Section 301 tariff charges to our U.S. customers starting with shipments made on November 1, 2018.

### **TTI WILL BEGIN BILLING SECTION 301 TARIFFS ON NOVEMBER 1, 2018**

Beginning with shipments made on November 1, TTI will bill Section 301 tariff charges at variable rates reflecting those of our suppliers. Our approach is one geared toward billing at a percentage that properly represents the decisions of our suppliers and equitably passing these charges along while respecting the fact that our profit margin is included in the customer's purchase price. Therefore, as a further concession to our customers, TTI has decided to discount supplier rates to an amount that is equal to 85% of the rate we are being charged (ex. supplier charges TTI 20%, we will charge 17%. When TTI is the importer of record, 25% tariff will be discounted to 21.25% billing to our customer). We believe this unprecedented and creative approach represents the fairest way to pass along tariff charges that are nearly identical to the amount TTI has paid. TTI is not using the Section 301 tariffs to enhance our gross margins.

Many customers have requested detailed information and TTI intends to share our supplier plans for billing the Section 301 tariffs including your chosen tariff rate or flat fee. We feel that sharing is the only option we have to ensure that our tariff invoices will be paid. We communicated this in August and again today as a business courtesy.



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### **NO SECTION 301 TARIFFS FOR CUSTOMERS IN MEXICO AND CANADA**

TTI was the industry leader in communicating our decision not to charge the tariff to our export customers, and we continue that commitment going forward, we will not charge tariffs on products delivered outside the United States. Tariff charges will only be assessed on products intended for domestic consumption. Product delivered to Mexico, Canada and other export destinations will either be submitted for duty drawback as allowed under Section 301 or processed as applicable through our Foreign Trade Zone in Fort Worth as a duty-exempt export. For parts that suppliers have chosen to increase the piece part price we will have no choice but to pass these increases along in the purchase price.

We trust that this email brings you up to speed on TTI's plan and position for handling of the Section 301 tariffs. You can find updates on the TTI website under Section 301 China Tariffs or paste this link in your browser: <https://www.tti.com/content/ttiinc/en/resources/section-301-tariff-updates.html>

Regards,

*Don Akery*

Don Akery  
President, TTI Americas