



The Specialist in Electronic Component Distribution

October 1, 2018

Re: UPDATE: Section 301 Import Tariffs

Dear Valued Customer,

On July 6, as mandated by the U.S. Trade Representative under Section 301, a 25% tariff was imposed on a subset of electronic components manufactured in China and imported into the United States. TTI, Inc. made the decision to delay billing customers for these new tariffs until the details were complete and the impact could be better understood – since July 6, TTI has absorbed all Section 301-related tariffs incurred.

Suppliers have been working to establish a fair and equitable method to assess the tariffs without disclosing proprietary pricing formulas. Most suppliers have opted to mitigate the effect of the tariff by charging TTI using a separate line item on the invoice based on our current purchase price, not the supplier's import cost. Those charges have ranged from no current charge up to 25% on our purchase price.

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 your 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.

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.



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BILLING PROCESS

Beginning on November 1, any order of an impacted item(s) will have a tariff fee automatically added to it. There is no need for tariff fees to be included with your purchase orders. Each month you will receive a comprehensive invoice for all tariffs related to shipments in the preceding month (e.g. tariff-only invoice in December for applicable November shipments). The billing rate will vary by supplier and whether TTI is the "Importer of Record". Our tariff invoice design will allow you to match directly the tariff amount to the related line item on the original invoice.

Invoices will be processed in one of the following four manners:

1. **Paper Invoices:** If your organization is not currently on EDI and receives paper invoices, this will continue with the only modification being the addition of a separate invoice each month containing the preceding month's tariff charges.
2. **EDI Invoicing:** If your organization is currently receiving invoices via EDI and you elect to receive tariff fees in this manner as well, we will work with your EDI team to ensure the transition to the new invoicing template will work seamlessly.
3. **EDI Invoicing with Month-End Statements:** If your organization is currently receiving invoices via EDI, but if you elect to not handle tariff fees via EDI, we will send a separate paper invoice on a monthly basis which will include all applicable Section 301 tariff fees for shipments made the previous month.
4. **Electronic Invoice via Email:** if you are currently invoiced via ezBill, you will receive the tariff invoice in the same manner you are accustomed to.

Our primary objective is to minimize supply chain disruption and to support your requirements at the highest levels. We hope that our decision to delay billing of the Section 301 tariffs gave you more time to prepare for the impact, and that you will find our billing calculation reflects an equitable approach to this extraordinary situation.

Sincerely,

Don Akery

Don Akery
President, TTI Americas