

Date: June 28, 2019

From: Chuck Fries, Director Procurement and Logistics
CC: Phil Wehrli, Senior Vice President Global Supply Chain and Planning
Josh Chien, Senior Vice President of Sales, Marketing, and Customer Experience

Dear Valued Customer,

With yesterday's tweet from President Trump to impose 10% tariffs on the remaining \$300B China produced products shipping into the US, we have updated our available resources and are sharing our learnings relative to U.S. Trade Representative Section 301.

Lists 1, 2, and 3 below have been documented and implemented and cover \$250B in products tariffed at 25%. Since our May 15th update, there was one change; list 3's tariffs increased on June 1st from 10% to 25%.

List 4 comprises the remaining \$300B products. Although details are still in the works whether there will be exclusions, changes or a formal launch of the list as is, our research and import contacts suggest 10% will apply on September 1st to this list. We will provide additional details as this develops, but please ensure your teams are notified that for any of the list 4 products that are not currently in transit they will likely be impacted unless it lands in the US by August 31st.

List 1

- Went into effect on Friday, July 6th, 2018
- 25% tariff on all identified HTS codes
- List of affected HTS codes:
- <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%201.pdf>

List 2

- Went into effect August 23, 2018
- 25% tariff on all identified HTS codes
- List of affected HTS codes:
- <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf>

List 3

- Moved from 25% to 10% effective June 1, 2019 (primarily PCB's for our industry)
- List of affected HTS codes:
- https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf

List 4

- Suggested date: September 1, 2019
- 10% on all identified HTS codes
- Primarily impacts Consumer farm and agriculture Products
- President Trump left open what would happen after September 1st but did suggest they could be raised to 25%.
- Unofficial list of effected HTS codes submitted on May 17, 2019:
https://ustr.gov/sites/default/files/enforcement/301Investigations/84_FR_22564.pdf

With List 4 containing fewer items that impact our industry, along with continued positive developments with Mexico to replace NAFTA with the United States-Mexico-Canada Agreement (USMCA) announced

on October 1st, 2018 we see this as an opportunity to continue to leverage SMTC's Mexico footprint to benefit our customers.

We will continue to update you as information becomes available, and will be placing this and future updates on our website.

Warmest regards,

Chuck Fries
Global Director Logistics & Procurement