

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 one week left in June, President Trump raised Mexico tariffs again when he tweeted “progress but no breakthrough” in high-stakes negotiations with Mexico to stem the flow of migrants across the US border. Talks did resume on Wednesday with President stating earlier in the week “if no agreement is reached, tariffs at the 5% level will begin on July 1st with monthly increases per schedule”. Today, Friday, there is no agreement nor heard rumor from the White House of an executive order to initiate the tariff.

Based on discussions, our belief has not changed that if enacted the tariff will impact the entire supply chain of products flowing from Mexico for use in the United States. All products with no exclusions on Maquiladora will have a 5% impact on the value of product purchased by US customer and declared for import into the US. As the importer of record, the 5% assessed to SMTC is required to be paid prior or upon entry across the border. This cost will be multiplied by each shipment and SMTC will carry this collective burden until we invoice our customer and the cost is recouped.

SMTC continues to focus on ensuring product timely flows into the US. The SMTC team and our partners (brokers, carriers and cross-docks) will have resources in place to address any backlogs and our pre-clearance and security status provides us fast lane access for crossing the borders.

For customers who are shipping their product from Mexico into a free trade zone or outside of the US, we have suggested routings. We will assist you with gathering the information and completing paper work requirements that will ensure a compliant transit and not pay the tariff. If you meet those requirements, contact your program management.

As we learn more and with the tariff implemented, we will reach back out with details on invoicing and costs. As always, we look forward to receiving your observations and comments. Should you have any questions or require additional information please contact us or go to our website to monitor progress:

- Supply Chain Update Pull Down (at bottom of the page)
- <https://www.smtc.com/services/global-supply-chain-management>

Warmest Regards,

Chuck