

Date: June 7, 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,

It has been a week since President Trump's initial statement on the Mexico tariffs. There has yet to be an executive order nor has the Federal Register published the guidelines on how the tariff will be executed. Without either, the Custom and Border Patrol (CBP) cannot issue instructions on how this will be applied. You have probably seen the constant news coverage of US politicians and the Mexico delegation that arrived in Washington hoping to work on a solution to the immigration problem and delay or eliminate the threat of a tariff on "all goods from Mexico". Today, we are hearing that the documents that Trump will sign are being prepared for his signature. If this is done today, or over the weekend, the initial 5% tariff will go into effect on Monday or announced at that time with a delayed date implementation.

Based on discussions and readings 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.

Our focus for Monday is to ensure product timely flows into the US. We have had discussions with our brokers, carriers, and cross-dock to ensure we have in place proper information and resources to continue operations. Our goal is to minimize delays and not add to any chaos at the border. We want our customers to pick up shipments in the same manner and hopefully with no delays.

If you are shipping your product from Mexico into a free trade zone or outside of the US please reach out to your Project Manager. We will work proactively with you to establish documentation and paperwork that will ensure a compliant transit and not pay the tariff.

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