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July 20, 2018

TO: All Sterling Electric Customers

Subject: Section 301 Tariffs on Goods Imported from China

As most of us are aware, effective on or after July 6, 2018, US Customs has started applying a 25% trade tariff to Electric Motors and Components being imported from China. These tariffs apply to 25HP and Larger Electric Motors that will affect our larger Cast Iron and Stainless-Steel products in this size offering Only.

Many of our competitors have announced the application of the full 25% tariff to be applied to orders placed on or after July 23, 2018.

Since Sterling Electric Imports Electrical Motors and Re-manufactures those items in our Indianapolis, Indiana facility to meet our Quality Requirements we will be applying the Tariff as a percentage of the Net Selling price as opposed to a straight 25% increase on products purchased. This is a significantly lower amount and will be much more palatable than the application of 25% to your companies standard pricing.

In addition, Sterling Electric will apply the Tariff to only those items that come into the United States on or after the July 6, 2018 date. All products that are in our existing inventory will not have a Tariff charged to the selling price.

The application of the Tariff will be charged as a separate line item on your order acknowledgement and invoice effective August 1, 2018. This Tariff is for items where we are out of inventory and the New Tariff will apply, where inventory is received after the July 6<sup>th</sup> implementation date.

Our customer service representatives will be able to advise at the time of order if a Tariff will apply to your purchase.

Sterling Electric appreciates your business and understanding as we move forward with this New Trade Tariff.

Respectfully Yours,

Walter Mashburn  
President