



May 28, 2019

To Our Valued Customers:

Effective May 10, 2019, the United States increased tariffs from 10% to 25% on \$200 billion worth of Chinese imports. The additional tariff affects many promotional products produced in China and sold in the United States. This includes BAG MAKERS' non-woven polypropylene, polyester, and PET non-woven bags, as well as a number of our paper and plastic bags. We want to keep you informed about product pricing so you can plan accordingly for customer projects.

As background, when the additional 10% tariff rate went into effect in late 2018, BAG MAKERS absorbed the higher costs on stock catalog bags throughout the fourth quarter. We waited until Jan. 1, 2019, to incorporate the additional 10% tariff costs into our prices. While our 2019 printed catalog pricing reflects the cost of the additional 25% tariff rate based on the trade directives in effect when the catalog went to print, our website has maintained our actual pricing based on the lower 10% tariff rate.

Going forward, BAG MAKERS will maintain the 10% tariff pricing until the end of June. Beginning July 1, 2019, we will incorporate the additional cost of the 25% tariff rate into relevant product pricing. Our printed catalog prices will go into effect and our website pricing will be adjusted accordingly. Please note that BAG MAKERS' goal is to remain cost neutral when taking into account higher product costs related to both the additional 10% and 25% tariff rates.

In addition, due to the longer-lead production times, all custom or large-quantity orders sourced from China through our Design Centre are now being quoted with the 25% tariff rate. However, if the tariff rate at the time of entry into the United States is less than the 25% rate, BAG MAKERS will adjust pricing to reflect the lower tariff rate.

We will continue to monitor the market and government trade declarations and will keep you informed if any future tariff changes will further impact pricing. Thank you for your support and trust in BAG MAKERS as we all navigate the economic uncertainty stemming from the current trade situation.

Sincerely,

Maribeth Sandford
Chief Executive Officer