

July 10, 2018

To all Nortek Security & Control Customers,

Businesses routinely pause in the course of operations to evaluate pricing, but sometimes outside factors force acceleration of this process. Unfortunately, the tariff increases that went into effect July 6th, imposed by the US Government on certain categories of goods imported from the People's Republic of China, are directly impacting companies in our industry manufacturing and/or importing finished product and parts from China. These tariffs necessitate that we raise pricing across a subset of our product lines. While only a minority of our product categories are impacted, the ten-fold increase – from 2.5% to 25% on the impacted categories - is significant.

The US Trade Representative website – <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/june/ustr-issues-tariffs-chinese-products> – provides information on the rules that govern the tariffs, and links to the list of affected products. Primarily, the tariffs have impacted thermostats, garage door and gate operators, and transmitters associated with PERS products. Naturally, for product that we currently own in our distribution centers in the US the tariffs do not apply, so we are evaluating the cost impact on future imports and will likely need to blend the cost impact. Additionally, we are looking closely at a range of options to mitigate the impact of these tariffs, including shifting manufacturing to other locations, re-evaluating how we package our products to kit them in the US instead of at the factory location, etc. However, after these steps are taken, it is likely that the costs of selected products will be increased significantly and we therefore may need to adjust our pricing due to these tariffs.

Any price increases will be effective on August 22, 2018 and will be reflected on Nortek Security & Control price sheets on that date. We will communicate to you by Friday July 20th with specifics on the upcoming increases. Not all products are impacted, and even with these increases we are confident in the exceptional value represented in all NSC products.

We very much appreciate your business and look forward to serving you with the industry's best solutions for years to come.

Thanks,

A handwritten signature in black ink, appearing to read 'Mike O'Neal', is written over a thin horizontal line.

Mike O'Neal
President