SUPREME SOURCE & SUPPLY

As part of our strategic partnership, Supreme Source & Supply is committed to providing transparent, data-driven pricing strategies in response to recent tariff changes. This document outlines our tariff strategy and how it specifically applies to All Florida Paper.

Tariff Strategy Overview

To differentiate Supreme from competitors, we have developed a structured approach to tariff-related pricing changes. This strategy includes:

1. A detailed explanation of how we calculated the tariff-related increases.
2. A breakdown of affected products and the proposed pricing changes.
3. A summary of our proactive efforts to switch countries of origin to mitigate tariff impact.
4. An explanation of future pricing adjustments tied to potential tariff changes.

Customer-Specific Application: All Florida Paper

Plastic Tray from China

• **Situation:**

All plastic utensils used to be produced in China with a tariff of 3.5%. Due to new tariff regulations, we moved all production to Malaysia. FOB costs increased by 15%, and the additional tariff is now 10%. As the tariff is based on 70% of the final delivery cost (FOB), the impact is calculated as follows:
- Tariff increase: 70% * 10% = 7%
- FOB cost increase: 70% * 15% = 10.5%
- Total increase: 7% + 10.5% = 17.5%

• Proposal:

SSS will absorb half, resulting in a final increase of 9%.

• Long-Term Strategy:

Continue sourcing from Thailand and Vietnam, with Indonesia as a backup option.

• Escalator/Descalator Clause:

Future tariff changes (e.g., 20% increase) will be calculated as: 20% * 70% (FOB cost portion) * 50% (portion delivered to AFP).