

August 29, 2019

Dear Customer,

This letter is to inform you of updates on tariff actions and the plans Dixon/Pacon has for affected Educational/Traditional items. Separate communication on Fine Art items will be coming from our Fine Art team. We are sending this communication now to help customers who need time to plan 2020 catalog pricing. I also point out that the tariff situation has been very volatile over the last few weeks. Things can change rapidly as negotiations between China and the U.S. continue.

We have looked at our worldwide sourcing plans, inventory flow plans, and current currency valuations, and determined that we are taking actions as follows:

List 2 Total value of U.S. imports from China is \$16 billion. 25% tariff assigned Aug 23, 2018. Raised to 30% effective Oct 1, 2019.

Pacon/Dixon action-no price increase being passed on to customers.

List 3 Total value of U.S. imports from China is \$200 billion. 10% tariff assigned Sept 24, 2018. Raised to 25% May 2019. Raised to 30% effective Oct 1, 2019.

Pacon/Dixon action-we announced on July 17, 2019 that we were raising prices effective Oct 1, 2019 based on the 25% tariff. We are not going to raise prices further due to the 30% tariff.

List 4 Total value of U.S. imports from China \$300 billion. 10% tariff was to be effective Sept 1, 2019. August 13 split into 2 lists, 4A effective Sept 1, 4B effective Dec 15. August 23 announced that tariff being raised to 15%, effective dates remain the same.

Pacon/Dixon action-

List 4A Our Pricing to You Effective January 1, 2020

Graphite pencils (Ticonderoga/Dixon/Private Brand)	4% increase
Colored pencils (Prang)	3.5% increase
Crafts (beads, stems, wiggly eyes, etc.)	10% increase
Miscellaneous Pacon items (pocket charts, oil pastels, chalk, tempera sticks, etc.)	10% increase

2525 North Casaloma Drive, Appleton, WI 54913
P: 920 830 5050 / 800 333 2545
F: 800 332 5099

www.pacon.com

List 4B Our Pricing to You Effective March 1, 2020

Paint brushes	10% increase
Craft sticks/clothespins/toothpicks	10% increase
Clay/dough cutters, modeling tools	10% increase
Dry erase boards/paddles	10% increase
Wonderfoam products	10% increase
Miscellaneous Pacon items (scissors, masks, puppets, magnetic letters/numbers, puzzles, games, cards, table cloths, etc.)	10% increase

Detailed item listings will be provided showing the revised pricing/timing for Lists 4A and 4B.

We will also ask for 90 days after the effective date of any future Government announcement revising or eliminating the tariff to adjust pricing to accommodate inventory that was purchased with the tariff charge.

We appreciate your business, and appreciate you working with us during this time of change. Please contact your Pacon/Dixon Sales Representative with any questions.

Sincerely,

Steve Boyea

Steve Boyea

EVP-Sales and Marketing-Education