



**Setra Systems, Inc.**  
 159 Swanson Road, Boxborough, MA 01719  
 800.257.3872 • www.setra.com

July 6, 2018

Dear Valued Customers and Partners,

Thank you for your continued business, partnership and valuable feedback over the past year. We hope your business has been strong in the first half of 2018 and the outlook is positive for the remainder of the year.

As many of you know, Setra takes a high degree of pride in closely managing costs to continue to provide customers with the best technology at a very competitive price. We have been closely following the trade negotiations between the US and other countries, most notably China, for the last couple of months. While we recognize the fluidic nature of this situation, as of today the tariffs imposed on China are in effect.

We will continue to drive to mitigate the effects internally, but do not foresee a way to fully absorb the unprecedented negative financial impact these tariffs will cause. As a result, with the tariffs now in effect, we will be implementing a surcharge equal to ~50% of increased cost as a separate line item on every order containing an affected product. Setra will be absorbing the remaining half of the imposed tariff. While less than ideal, we feel this solution minimizes the impact and system level changes for our customers, while providing visibility and transparency into the actual increase in costs. Lastly, this solution will enable the immediate suspension of the surcharges, in the event that the tariffs are lifted.

Enclosed below is the surcharge schedule that will be applied per unit for each product category:

Product Model	Tariff Surcharge (\$ per unit)	Product Model	Tariff Surcharge (\$ per unit)	Product Model	Tariff Surcharge (\$ per unit)
141	1.96	260	3.47	730	5.30
162	1.87	263	1.11	760	1.78
201	2.52	264	1.63	761	15.33
204	9.65	265	1.70	ASL	13.08
205	2.82	266	1.72	ASM	9.54
206	2.61	267	2.89	CS	0.64
207	2.47	269	8.90	CT	1.13
209	2.04	270	8.82	FLEX	22.50
209H	4.82	276	1.35	SRH	0.61
210	1.21	278	4.25	MCAL	55.97
217	2.05	280	4.43	MCPM	13.71
2204	11.68	290	4.32	MRC	3.47
223	2.89	299	0.63	MRG	3.47
224	2.50	330	1.94	MRMS	20.57
225	2.47	370	30.75	SRCM	22.86
227	2.76	404	29.71	SRMD	1.26
230	5.80	407	17.71	SRPM	8.98
231	7.73	408	17.02	SRIM	7.00
239	8.54	409	30.48	SRAN	2.40
256	4.30	470	12.06		

Please let us know if you have any questions.

Best Regards,

**Chris Brooks**  
 Vice President, General Manager

**Scott LeBrun**  
 Vice President, Sales & Marketing