



Dear Hercules/Merit Dealer:

As you are aware, the US International Trade Commission (ITC) has recommended to the President that he impose duties on Chinese passenger and light truck tires for the next three years. To the shock of most people, the ITC is proposing duties of 55% the first year, 45% for the second year, and 35% for the third year. Last week, the ITC sent their findings and proposed remedies to the President. President Obama has the sole authority to accept, revise, or reject the ITC's recommendations. He is required to announce his decision by September 17, and it can be implemented fifteen days after that. Although we believe the President's final decision will be different than the recommended duties, we are taking this matter very seriously.

In early May, we formed with six other suppliers the American Coalition for Free Trade in Tires. At a substantial expense, we retained the law firm Jochum Shore & Trossevin to represent our interests. We attended the ITC hearing and had the good fortune of Phil Berra, President of Community Tire, speaking to the commissioners on our behalf. Phil was supported by Lou Fontana, our Vice President of Purchasing, and Howard Romanow, who is one of our Board Members. Through this process, we have consistently conveyed our position that the growth in Chinese tire imports has been the result of the major US manufacturers pulling out of this market segment and not vice versa. We have also shared that **the inevitable result of any action would be market disruption, higher prices for consumers, and a net job loss for our industry.**

Much to our disappointment, the major manufacturers have remained silent on this issue even though it is clear that they will not reopen any of the plants they previously closed. It is reasonable to conclude that they are hopeful that a large duty will be imposed in order for them to increase their prices and market share.

Unfortunately, the facts do not seem to get as much weight as the politics. As a result we are taking our message to our politicians and to the media, and suggest you consider doing the same. Although it is not clear how successful we will be at this, doing nothing is not an option. All of us at Hercules Tire strongly believe that government intervention is unfair and will result in significant hardship for our independent tire dealer and wholesale distributor customers to provide low-cost, quality replacement tires to American consumers.

While we are putting significant time and resources into challenging the ITC recommendation, we are also working on our contingency plan. At Hercules, we have many relationships with suppliers and customers internationally, and we are currently leveraging those to identify our best options if, in fact,

these enormous duties are imposed. At this point, although we have alternatives for supply, it is clear that there will not be tires available at the current pricing and, as a result, it is our expectation that there will be a major repositioning in the market in terms of price and supply. We do not expect clarity on this matter until well after the President announces his decision. In the meantime we will aggressively pursue all our options and do our absolute best to ensure that Hercules Tire continues to provide you a quality and competitive product offering.

It is worth repeating that we believe you and your customers should get involved in fighting this recommendation. Letters, emails and telephone calls to the offices of your Congressman and Senators can help, as well as contacts with the local media regarding the negative impact on consumers and jobs. Attached is an email that gives specific instructions as to how you can contact your congressman. There is also an attachment of the letter we are asking Members of Congress to sign. Feel free to share these instructions with your customers if you feel they are willing to join this effort. If we can be of any assistance, please do not hesitate to contact us. Your business and support is greatly appreciated.

Very truly yours,

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