

# PRIME SOURCE<sup>®</sup>

BUILDING PRODUCTS, INC.

July 22, 2014

To Our Valued Customers:

As many of you already know, the nail industry is once again the target of dual investigations whereby the petitioner (Mid Continent Nail) has claimed nails from all over the world are being "unfairly traded" and as a result, the government should impose additional import duties.

This is the third time since 2007 that the Petitioner (Mid Continent Nail) has asked the government for relief from imported nails and believe it or not, it is incredibly the 13<sup>th</sup> time since 1977 that the domestic nail industry has asked for relief, targeting virtually every nation in the world. There is only one sure outcome of an injury determination in any of these cases – prices will go up.

The ink was not even dry on the preliminary ITC injury vote when the Petitioner (Mid Continent Nail) distributed a Price Increase letter dated July 14<sup>th</sup> announcing increases of 5% to 10%. Why did they raise prices immediately? Nothing has changed yet... No costs have gone up... They raised prices because that was the whole point... Force the market down... file a dumping case... get a positive determination... eliminate the competition... raise prices.

At this stage of the investigation, the importer is caught in a very difficult situation. There are 5 active cases covering the virtual global community of nail production – Taiwan, Korea, Oman, Viet Nam and Malaysia. If past history is a guide, the DOC will determine that dumping duties should be assessed. But how much? Which countries? When will it become effective? This is the uncertainty and risk that an importer now faces in continuing to buy from countries being targeted. Importers are the ones who will pay any Countervailing or Anti Dumping Duties – not the factories. And when duties are decided, they are implemented immediately so there is no time to react. No time to stop incoming shipments when orders take 30-45 days on the water to arrive.

Since there is only a fraction of the USA demand available from USA sources for all the types and quantities needed, imports are a critical part of the industry and they will continue to fill the market needs.

As both an importer and a domestic manufacturer, PrimeSource has the unique perspective of being on both sides of the case. We proudly manufacture nails in the USA and did not participate or support the trade case. We believe in fair competition and don't need to hide behind the DOC or ITC to fight our battles.

We are committed to continue to stock our warehouses to be able to supply our customers without interruption. In order to do this, we need to keep buying. Unlike Mid Continent Nail, we will not raise prices at this time. We will do our best to work with our vendor partners to get through these difficult times and more importantly, support our customers. We will raise prices when costs go up – material cost, freight costs, etc. and/or when additional duties are implemented which could be anywhere from 30 to 90 days from now.

*But in taking this position, we also need you to understand that if or when duties are imposed, prices will go up immediately – which is how they are imposed. We won't have the luxury of long notifications or be able to accommodate typical waiting periods. Please consider this as the fairest and longest notice we can give you.*

We are hopeful that our government will ultimately determine that nail imports in the USA have not been unfairly traded and the case will be thrown out. But until then we will continue our business as usual and as always, we appreciate your support.



Ken Fishbein  
Co-CEO



Mona Zinman  
Co-CEO

# **PRIME SOURCE**<sup>®</sup>

BUILDING PRODUCTS, INC.

1321 GREENWAY DRIVE, IRVING, TX 75038

To: All ProTwist & Grip-Rite Construction  
Screw Customers

March 31, 2014

Dear Customers

As you may be aware, there are numerous environmental issues that have become a major topic of news out of Taiwan. Notably, illegally discharged wastewater containing nickel and other potentially toxic elements that were identified in Kaohsiung City's waterways. Taiwan is the world's leading manufacturer of construction screws, many of which are nickel plated domestically in Taiwan. Due to this discovery in local rivers, the Taiwanese government has closed down many plating factories responsible for this problem and others have closed their doors to avoid inspection and potential prosecution.

These closures have greatly affected plating capacity and thus demand is outpacing supply at this time. While we do not yet know how long this current situation will last, we are starting to experience delays not only with plated products, but with all construction screws. Normal plating times have increased from 1 week to 3 weeks. These plating delays are causing logjams in many factories, attributing to the extended lead times of non-plated fasteners as well. Therefore, current lead times for all new screw orders are 120 to 150 days from order placement. As the building season progresses, we may experience lead times in the excess of 150 days from order placement, especially for orders that are predominantly zinc plated. We will be monitoring each order and updating our customers with regard to any delays outside the 120 to 150 day window.

In addition, the increased demand for zinc plating has resulted in the remaining mills increasing their plating charges exponentially. This in combination with rising scrap and wire rod costs over the past 60 days has left us no choice but to announce a **5% increase on all ProTwist and Grip-Rite brand screws effective immediately**. While this increase does not reflect the entire escalation in our cost of goods, it is necessary to ensure the quality of our products that you, our customers, have come to demand.

As stated, we are constantly monitoring this situation and encourage our customers to plan accordingly. As news develops, we will update you on any potential future delays and/or increases. We appreciate your business and your understanding.

Yours respectfully,

PrimeSource Management