



May 5, 2021

Dear Customer,

We find ourselves in unprecedented times that is impacting the entire metals supply chain and our ability to service you, our customer, in the manner which you have come to expect.

Both the copper based alloy and stainless steel strip market that Eagle Metals serves is experiencing demand levels that have far exceeded supply. We have been running our operation seven days a week since Thanksgiving, in an effort to keep up with the demand. We have recently brought on-line new slitting and annealing equipment, with additional rolling capacity slated to be completed by year end. These capital investments turned out to be timely, however, hiring more personnel for our off-shifts has proven to be more challenging presently than in the past.

Currently, the casting mills, both red and white metals, have closed their order books for the year and are not taking any new orders. When metal users started placing "phantom orders", in an attempt to hold space in a given month, so not to be shut out of their needed supply of material, some mill lead-times moved out two months in a span of a few days. In an effort to curb the panic buying they were seeing, the casting mills placed all their customers on allocation, based upon each customers prior year purchases. The primary reason we have struggled of late to maintain our on-time delivery performance, has been the late deliveries we have been experiencing from each of our mill suppliers. Ocean freight, ship and container availability, coupled with capacity constraints in the trucking industry, has compounded the mills performance to us.

Eagle Metals leadtime today is in late November, however, even though we have some open capacity this year, our ability to obtain material for any significant volume, is limited to a few specific alloys that we are still able to procure.

Concerning pricing, the brass mill suppliers are not accepting any orders for 2022 at this time, as they are assessing what their price levels will be for the new year. We have been hit with large increases for a couple of non-standard, low volume alloys, however, the majority of the pricing for our copper based alloy portfolio has not changed significantly at this point. That may be subject to change. Prices for inputs from lumber for skids, cardboard for cores and paper for packaging have more than doubled recently, which I am sure everyone receiving this letter is aware of.

The pricing for the stainless mills though is fluid and requires some detailed explanation.

Our quoted delivery dates reflect how many orders we have to produce and how long it takes us to complete them. Eagle leadtimes are usually in the 4-8 week time frame and we maintain an extensive level of inventory to be able to support our customers need for relatively short turnaround times. Mill leadtimes had averaged anywhere from 2-4 months, depending upon how busy they were and where the material originated from. Obviously, we could not offer 4-8 week leadtimes if we waited to receive an order from a customer, before we placed an order with a mill for reroll to process. In today's reality, with customers placing orders with us all the way out into November, we do not have that metal in house and are exposed to any price increases or production delays the stainless mills might impose upon us and the market. Worse then pricing uncertainty, each of the stainless mills had closed their order books sometime in early March.

That development forced us, along with other metal processors, to reach out to depots for stainless reroll, in a market that is over heated and what little amount of material is still available goes for an elevated price. This situation makes it untenable for us to maintain pricing on program business where we had established pricing. It is not our intention to take advantage of this imbalance in the marketplace. Any material that is in our inventory, or is on order with our standard sources that approximates our established pricing, will remain constant. Our first responsibility is to maintain supply to those customers who have supported us over the years and provide them with options. Should it be necessary for us to amend a price or purchase order requirement, we will contact you as soon as that information becomes available to us, for your consent, prior to making any changes to your order.

Eagle Metals is committed to supporting our customers. We will continue to do everything possible to complete your orders as quickly as possible with the quality you have come to expect from us. We appreciate your support and understanding during this period, as we navigate the challenges we are all faced with daily.

Best Regards,

A handwritten signature in blue ink, appearing to read "Charles J. Bernard". The signature is fluid and cursive, with a large loop at the end.

Charles J. Bernard  
President