

Dear Valued Customer,

Due to unprecedented market conditions, we felt it necessary to provide you this notice about the current state of the global supply chain for generators and other related items.

As you know, part of our mission to be a true “partner” to our customers and not simply a “vendor”, we are sharing these updates with you in the hopes that they will assist you in making important decisions and managing your specific projects. Drastic and rapid changes in our industry are taking place that have the potential to impact your business and that of your customers. Because of this, we are advising customers to review their timetables and project scheduling and communicating lead times. We will continue to share information as the situation evolves.

Like many manufacturers and distributors, we are experiencing a global supply chain crisis in our industry that we have never seen in the nearly 40-year history of the company. The two main effects of this disruption are price increases and extended lead times. While Paramount Power does work closely with our vendor-partners to optimize our inventory, negotiate pricing, and manage logistics to the best of our ability, changes and increases are happening so rapidly, and without notice that we are unable to control these issues to the extent that we have in the past.

Causes of Current Supply Crisis:

- *Strong global demand* – The economic recovery has been much stronger than many expected, and many manufacturers made long term planning decisions months ago regarding inventory and staffing levels based on a more pessimistic outlook which did not come to pass
- *Government and corporate response to COVID-19 crisis* – Government stimulus has contributed to strong demand with trillions committed globally. Corporations had laid off personnel and even shut down some facilities due to the ongoing COVID-19 crisis and many have struggled to return to pre-COVID levels due to loss of key talent and hiring challenges
- *Transportation costs and distributions* – Ports are struggling with backlogs, crude oil prices have increased, container prices have increased, and delays and pricing are increasing rapidly for LTL, ocean freight, and small package services.
- *Labor shortages and challenges* – The COVID crisis has caused many labor challenges that are ongoing as manufacturers are short-staffed, struggling with higher-than-normal absenteeism, and utilizing a newer, less experienced workforce

Almost daily we are receiving letters notifying us of price increases, force majeure declarations, and extended lead time notifications. The price increases we are receiving are often between 15-30%. Lead times are being extended to 10-14 weeks on many products and in some cases more. Our contacts are telling us that supply levels may not stabilize for months and that the best guess is the 4th quarter of 2022 until things begin to ease. We will provide letters from specific

suppliers upon request, and we will post them on our website. I have no doubt we will continue to receive such notifications from other suppliers in the coming weeks.

Currently, we are doing our best to absorb price increases where possible. However, in the future this may change. We will certainly communicate any pricing issues in future communications, and as of today, the biggest headwind for us is the supply chain.

Please be assured that we are doing everything we can to obtain the necessary inventory to keep our customers operational. Specifically, we are doing what we can to increase inventory levels on core items and negotiating with existing and new suppliers. Please contact us if you have any information about your project schedule or if there are any other impending changes forthcoming. We appreciate your patience and collaboration as we work through these challenges together. If you have any specific questions or concerns, please do not hesitate to contact any of our senior team.

Sincerely,

Paul Moccia | Vice President – Sales

Paul Lattavo | President

David Wasserman | General Manager