

To All Southco Suppliers:

RE: Southco Supplier Price Increase Policy

Southco relies upon your company to provide important products or services necessary for us to service our customers. In an increasingly competitive global market, Southco is able to extend attractive business propositions to our customers, based on the product cost, quality and delivery that you provide to us.

While we recognize the reality of higher costs for many of the goods and services that companies are incurring, we have taken steps to offset these increases by greatly increasing our operational efficiencies and we encourage you to do the same.

The purpose of this memo is to remind you of Southco's policy regarding supplier price increase requests. Our policy is as follows:

- Southco requires a 60 day notification period of all price increase requests.
- No requests will be considered unless they are forwarded in writing.
- The request should include item specific pricing, not a general statement that the overall pricing will be increased by "X"%.
- Supporting documentation specifically outlining the cost drivers must be provided.
- When all of the above information is provided, the 60 day period will commence.
- Should the increase be accepted, it will be applicable to only *new orders*, and not retroactively applied to outstanding Southco purchase orders.

We ask for your cooperation and ongoing efforts to contain costs to improve your profitability as well as your ability to service all Southco customers.

Thank you,

Supply Chain Management