



Temporary Surcharge Update 8/16/21.

Effective Monday, 9/13/21, our temporary surcharge amount will increase by 1.5% per Tier level. We continue to face premium charges in the global supply chain. These temporary surcharges are necessary to offset these unusually high costs and ensure we continue having our high-quality products available. In our original surcharge notification on 6/8/21, we did foresee some additional fees coming and knew the surcharge would need to be increased. The good news is that we were able to offset a lot of these in different ways to hold the current surcharge through August. We do not currently see the need for a 1.5 - 2 times increase that we initially expected. We will always continue to look for ways to keep costs down and deliver the highest overall value possible to our customers.

Tier-1 – Individual Unit Pricing – Sept 13th Surcharge Amount = 5.5%

Tier-2 – Bulk Case Pricing – Sept 13th Surcharge Amount = 6.5%

Tier-3 – Wholesale Pallet Pricing – Sept 13th Surcharge Amount = 7.5%

Original Statement – 6/8/21

As the world continues to rebound from the pandemic, supply chains across the globe are experiencing tremendous pressure and essentially collapsing. Direct Mop Sales, Inc. has continually been a low-cost provider of cleaning products and historically only increased pricing once every two years, with our last price increase occurring in September of 2019. The current volatility in the costs to serve high-quality products to our customers makes it both necessary for us to increase pricing now and does not allow us to reprint a dependable price list. For this reason, we will be implementing a surcharge price increase over and above our current September 2019 published prices until supply chains around the world stabilize. At least three (3) weeks of notice will be provided before changing the surcharge amount and will be proportionate to the increases we face. These surcharges will be reflected on our websites when ordering and will vary in our 3-tier pricing system to equalize the net effect of the surcharge. We will also need to adjust our free shipping freight policy as of July 1st 2021. The minimum order for free shipping will increase to \$100 per order, and our charge for orders of less than \$100 will increase from our current processing and handling fee of \$11.00 per order to \$13.00 per order. These changes are necessary for the following reasons:

*Since 2019, the average outbound shipping costs have increased more than 30% due to companies like UPS and FedEx having more volume to process than their systems will handle.

*Since 2019, raw material costs have been somewhat stable. Still, current supply and demand issues, currency exchange rates, and labor shortages at the raw material production level have destabilized material costs, with significant increases in metals, plastics, and textiles.

*The most concerning and destabilizing cost is the inbound ocean freight container costs. There is a shortage of vessels and empty containers, railroads are running at full capacity and turning away business, and there is a massive backlog in U.S. and European ports. As a result, container lines are selling premium service fees just to have products make it onto a ship. These fees make it so the highest bidder gets their products loaded onto ships while those not willing to pay the ransom have their products put last in line and can wait several months to get anything moved. These charges increase the cost of importing products 3-4 times the ocean freight charges we usually pay. Our inability to adjust pricing is most directly related to this situation, and our planned monthly surcharges will continue until this situation stabilizes.

The Cleaning Industry as a whole has been faced with product shortages beginning in 2021. Up until this point, we have not experienced the same low inventory and product shortages that many other suppliers have faced. Our large inventory has allowed us to continue serving large volumes of products without delay. However, we are starting to feel the squeeze due to higher than usual demands combined with delays in container services. Therefore, we can only ask our customers to evaluate their needs and order as early as possible. We expect many product shortages to start occurring soon and last until the high demand for container services and congestion at the ports are resolved.

The surcharge to our September 2019 pricing that will be effective on July 1st, 2021, will be the following:

Tier-1 Individual Unit Prices: July surcharge 4%

Tier-2 Bulk Case Prices: July surcharge 5%

Tier-3 Wholesale Pricing: July surcharge 6%

The higher container premiums we are paying for containers being serviced now will affect August inventory costs, and as far as we can tell at this time, we expect those to require a higher surcharge of 1.5-2 times the July rate.

We anticipate these shortages and backlogs will not be resolved anytime this year. The typical peak season for cleaning industry suppliers is August through October, when schools start opening, consuming large quantities quickly. We do not believe the industry has the product availability to handle this upcoming surge, and product shortages will be widespread.

As always, we appreciate your continued business with us. We know that the cleaning industry holds some of the hardest working people in the world and we will continually strive to produce and deliver only the highest quality product solutions to serve your needs.

Sincerely

A handwritten signature in cursive script that reads "Michael Zulo".

President – Direct Mop Sales, Inc.