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February 11th, 2021

To: Our Valued Partners and Customers

Re: Industry Lead Times and Supply-Side Constraints

The domestic Brass and Copper mills are now quoting lead times at 7 months. Since Q4 2020, domestic brass and copper producers have been quoting ever increasing lead times. In early-January, domestic mills were quoting April thru June, and now in the beginning of February we see lead times into October. Surging demand for bare and plated automotive brass, along with strong demand for high copper grades used in the electrical and industrial market segments have forced domestic producers to implement industry wide allocation of production capacity. As the environment of last year continues into CY2021 and mills limit the quantity and lead time by alloy, the flexibility to procure more volume or move in due dates for brass, copper and special electrical alloys has quickly faded.

Although ABC Metals has industry leading block-space allocation programs with the mills, we have now reached a point where the lead time is forcing ABC to purchase metal 6 to 9 months in advance based on past usage history and non-existent forecasting. Simply stated, we remain concerned that our VMI (Vendor Managed Inventory) and Kanban customers with supply agreements will not be adequately served in this poor supply environment. It is simply not practical to achieve adequate coverage of all future demand scenarios when ABC is ordering metal 6 months plus in advance without customer forecasting or blanket volume commitments (needed to adequately tie-in mill allocations).

Therefore, ABC Metals is asking our key customers and partners to commit to the following:

1. We are asking each customer to provide a 6-month blanket order with volume commitment by PN, with a 60-day firm release forecast, and an additional 120 day "flexible release forecast".
2. This flexible release forecast for months 3 through 6, may be in the form of a part-level demand release forecast, or an overall demand projection by alloy family, which would support ABC's block-space orders with the mills.
3. ABC will allow flexibility under the 6-month multi-release, blanket PO to adjust open order delivery dates, 60 days or more in advance, and frozen for qty and date within the 60 day period.
4. Current program VMI (Vendor Managed Inventory), Kanban and Purchase Agreement relationships will no longer have a 2-week frozen schedule. We are now moving toward a 30-day frozen schedule basis for our VMI/Kanban accounts.
5. Until further notice, ABC will no longer be able to offer the protection of buffer/safety stocks within our stocking/supply agreement programs. The current supply-side conditions make this impractical.
6. ABC will continue to work with our clients to offer metal firming within blankets.

We are all in this together, and we are grateful to you, our loyal customers for your tireless efforts to work with ABC Metals during these chaotic times.

I am available for any questions you may have, so feel free to contact me as needed.

Tom McClenahan

VP of Sales & Marketing

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