

Philip Correia

From: Jeff Ignatuk [jeffi@safety-zone.com]
Sent: Wednesday, May 21, 2008 12:46 PM
To: Richard Gonter; Gregg Kashmanian; Philip Correia; John MacDonald
Subject: Safety Zone price increase for AmSan New England
Attachments: AMSAN NEW ENGLAND 6-15-08.xls

Dear All,

Per my conversation with Rich yesterday, The Safety Zone is going to have to implement a price increase for AmSan New England. We are requesting that you will put this into effect beginning Monday, June 16, 2008.

This is our first increase to AmSan New England since last autumn and as a consequence, some of the increases will be significant. (Our general customer base has received interim increases in December, April and May). The reasons for the increases are several.

As you are most likely aware, the price of oil has doubled over the last year. Vinyl, nitrile and poly gloves, as well as polypropylene spunbond apparel, are all petroleum-based products, so our raw material costs have skyrocketed. Of course, the high price of oil has also resulted in much higher freight rates, both from the factories overseas to our U.S. warehouses, and from our warehouses to our customers' facilities.

Raw latex costs are also way up. This is due to consecutive poor harvests on the rubber plantations, plus the fact that glove manufacturers are now competing with auto tire manufacturers for the limited supply of latex, since many tire makers have gone back to natural latex because the cost of synthetic latex (petroleum-based) is so high.

Other materials that we use in our product line are also higher in cost. There has been a shortage of leather hides due to a disease which affected Asian cattle, and for now most of the leather gloves made in China are being made with much more expensive hides that the Chinese import from South America.

Additionally, in the past 12 months, the value of the U.S. Dollar has fallen by more than 7% against the Chinese currency and more than 8% against the Thai and Malaysian currencies. All of our vinyl, plus most of our nitrile and poly are made in China, and our latex is made in Thailand or Malaysia. On top of this, the Chinese government has eliminated the 5-10% rebate they used to pay factories making gloves for export, which translated into another price increase for Safety Zone and our competitors.

New labor contracts are now being negotiated in China to provide factory workers with socio-economic programs similar to our Social Security. If these programs are put into effect, all U.S. companies manufacturing and/or importing from China will be faced with more increases.

I appreciate your understanding in this matter. Please feel free to call me if you would like to discuss the increases or if you have any questions. Our business with AmSan New England is greatly appreciated.

Best regards,

Jeff Ignatuk
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