



FWD Seagrave



Why Seagrave needs to request a surcharge in your contract

- Your unit has been priced over one year ago.
 - Delivery time was in line with the level of orders and the backlog at the time
 - Since then the entire business landscape has changed dramatically
 - Lead times increased and costs soared.
- These are the major drives for the situation we now face
 - The already existing issues with labor have since increased instead of reducing as expected at the time
 - Even after increasing pay rates there is still a huge shortage of skilled and un-skilled personal.
 - The supply chain issues concentrated on some specific components and materials at the time got widespread and no longer even considered attached to individual events
 - The inflation that was very localized and comparatively small at the time is also widespread now and no longer considered a temporary supply and demand adjustment issue.
- Our strategy then was to “ride the storm” and operate on the basis that these disruptions and cost increases would be able to be absorbed by the business over time as they would be temporary for the most part.
- The current picture is quite different as I am sure you are well aware.
 - Shortages have escalated and continue to disrupt efficient production adding cost to every unit
 - We have to add un-necessary cost in the form of expediting freight and more expensive sources to make up for shortages of components.
 - Prices have soared across all commodities and markets and with some honorable exceptions are now the norm.
 - We now have to pay 20% surcharge to certain suppliers just so they keep promised delivery dates



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The last alternative left for Seagrave

- These cost increases already incurred and forecasted to continue to take effect in the next 12 to 18 months will cause the fulfillment of the contracts we have in the backlog to be commercially impracticable, compromising the ability of Seagrave to remain in business.
- We are requesting a surcharge of 15% on the agreed price to recover some of the costs we are already incurring.
- If a customer cannot accept this we are left with no alternative but to delay the build of the unit in the hope that these cost increases will revert in the future.
- We are open to discuss how this can be executed and we are flexible in the ways to do this that will better fit our customer's processes.
- This decision was the last resort to address an unsustainable situation and we did not get to this point without understanding the potential short and long term implications of such a request.
- This is not something that is possible for us to overcome on our own. This is what we have been doing since July of 2021.
- We intend to honor all contracts if the conditions to do so are commercially practical. If a good portion of the absurd price increases we are facing are reverted we can certainly do that.
- There is no way to predict the timing of such reversal or even if it will happen.
- As you can see in recent bids for new trucks the prices have soared and they are nothing else than bring us back to a projected profitability at the same level we had in previous times.



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Top increases in Fire Apparatus components

Material/Supplier	Price increase/Effective date
Hydraulic components (cylinders, pumps, valves, etc.)	10% to 50% - effective Q4 2021 to Q4 2022
Electrical Harnesses	26% average – effective Q1 2022
Frame Rails	75% - effective Q1 to Q2 2022
Aluminum Wheels	33% - effective Q2 2022
Radiators	65% - effective Q2 2022
Water pumps (Waterous, Hale)	10% to 15% - effective Q1 to Q3 2022
Fire emergency lights and other electronic modules (FRC, Whelen, etc)	25% to 66% - effective Q4 2021 to Q2 2022
Air tanks	300% - effective Q3 2021
Suspensions (New Holland, Ridewell, etc.)	5% to 11% - effective Q2 2022
Hardware (nuts, bolts, fasteners, etc.)	16% average – effective Q4 2021
Electronic Modules (Parker, Marlin, etc.)	20% to 300% - effective Q4 2021 to Q3 2022
Stainless Steel, Aluminum, Steel	30% to 100% - 20% to 35% - 20% to 50% - effective Q1 to Q3 2022



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Top increases in Fire Apparatus components

Material/Supplier	Price increase/Effective date
Heavy welded components	49% average- effective Q4 2021 to Q3 2022
Tires	21% average – effective Q3 2021 to Q2 2022
Fabricated pipes (water, exhaust, etc.)	66% average - effective Q2 to Q3 2022
Standard profiles (tubes, pipes, rod, bar, etc.)	50% average - effective Q4 2021 to Q1 2022
Hinges (cab, body and boxes)	56% average - effective Q2 2022
Water tanks	0% to 26% - effective Q4 2021 to Q3 2022
Waterways	13% to 70% - effective Q3 2021
Electrical components (poles, breakers, fuses, etc.)	20% average - effective Q3 2021
Reels (electric, hydraulic, air)	4% to 35% - effective Q3 2021 to Q2 2022
Seats	10% average – effective Q3 2021
Ladders (ground, roof, escape)	22% average - effective Q3 2021
Mirrors	7% to 37% - effective Q3 2021 to Q1 2022



SEAGRAVE FIRE APPARATUS, LLC



May 24, 2022

City of Manitowoc Fire/Rescue
Attn: Chief Todd Blaser
911 Franklin Street
Manitowoc, WI 54220

Re: Contract for Two (2) Custom Fire Apparatus Model TB50CA and Numbered
S.O. 78L46-47 (the "Apparatus")

Dear Chief Blaser:

This is confirming your notification that the manufacture and delivery of your Apparatus at the original quoted price has become commercially impracticable. We continue to experience severe shortages of materials and labor and severe increases in costs for materials, freight, and labor. These shortages, increases and related disruptions have occurred and persisted to a degree that could not have been reasonably anticipated at the time your Apparatus was priced. Certain suppliers of significant components for our custom fire apparatus have increased their costs over 100%, and as high as 600% in a few cases.

Seagrave greatly values your business and is committed to manufacturing custom fire apparatus of the highest quality. We want to work with you to achieve the best possible result under these unprecedented conditions. We ask that you accept a surcharge of 15% of the contract price, or \$190,221. If you are not able to accept this adjustment, we will adjust the production schedule for your Apparatus and use commercially reasonable efforts to manufacture your Apparatus at a time when market conditions permit.

The decision to request your acceptance of a surcharge has come only after much consideration and extensive efforts to manage through unprecedented disruptions in the supply chain and labor market.

Dennis Warren can be reached at 715-823-1855 to discuss this request and any questions or concerns you may have. We thank you in advance for your cooperation as we navigate through these unprecedented times.

Sincerely,

Seagrave Fire Apparatus, LLC

Ulisses Parmeziani
President & CEO

cc: Dennis Warren, Director - National Sales
Jamie De Groot, Sales Consultant

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