



May 7th, 2013

Dear Valued Datatronics Customer,

As you may have read or heard, the Government of China has recently mandated an increase in the minimum wage. For more information about this recent mandate, I have provided a link to a news article that goes into some detail on the change. This wage increase became effective on May 1st. Based on the location of our manufacturing facility, the increase for Datatronics is 19.2%

<http://www.china-briefing.com/news/2013/03/06/guangdong-revises-minimum-wage-levels.html>

We want our customers to know that we are working diligently to minimize the impact this increase has on our cost and pricing. Over the past few years, we have been investing in new production equipment that has enabled a much higher level of automation in our manufacturing facility. We are depending heavily on the ability to put these new capabilities to use and maintain a competitive cost and pricing position. We will be looking at new business opportunities with forethought on using our new capabilities to the fullest extent.

We are reviewing existing products to seek out opportunities for putting these new capabilities into use for the purpose of stabilizing or potentially reducing our cost/pricing. New designs will be approached with the intent on optimizing the use of our new capabilities. This approach could mean opportunities for us to engage with your team and offer options for your consideration. We ask that you be open to these suggestions and support our efforts to contain costs.

Unfortunately there will probably be parts that are simply not automatable or have already been through the review process. In situations like this, Datatronic will work to phase in necessary increases in a mutually agreeable way.

We value your business and our relationships. We understand we must be competitive and uncompromising in our quality and service. Our objective is to maintain the caliber of quality and service that you have come to associate with Datatronics at pricing that is competitive in the marketplace.

Thank you for your understanding and for your business.

Sincerely,

Randy Eller
Datatronics Inc.
Vice President, Sales and Marketing