

December 20, 2019

Dear Customer,

Merry Christmas and Happy New Year from our team at Hermann Oak.

The year has gone by quickly and we hope this letter finds everyone doing well. Please review our enclosed 2020 price card. We are pleased to offer new options that provide you greater flexibility and value. Be on the lookout for several new products later in 2020.

Tanning costs continue to rise. Costs primarily come from the treatment of waste water, tanning extracts, hides, tanning chemicals and U.S. labor. We continue to invest in new equipment to improve quality and consistency. Lower hide prices have allowed us to maintain our current pricing.

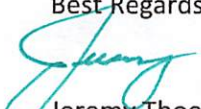
The price of hides continues to remain down. We don't know how long these prices will remain below average. The trend towards synthetics in the shoe, automotive, and upholstery industry has specifically impacted the lower grade hides that require more finishing in the leather market. The Heavy Native Steer hides we purchase continue to have more stable pricing, but still remain lower than the historical average.

We are able to share the lower hide cost and continue to offer our 3% hide discount on orders. We will continue to offer this discount as long as possible. Longer term, we expect that hide prices will return to their historical average.

The leather industry remains a target of well-funded climate change and animal rights organizations. These groups seek to limit and control the way animals are raised and processed. California is in the process of banning the sale of certain animal furs and exotic leathers. Our market is also under pressure from synthetic manufacturers that mislead consumers by inferring characteristics of genuine leather on man-made materials. We are active with our industry's trade organizations to preserve and promote genuine leather.

Hermann Oak continues to invest in people who fit our company and industry's culture. We look forward to seeing you soon, at next year's shows, in your place or at ours. We're here for you. Finally, Shep continues to be blessed with good health. Although he's not here every day, he keeps us on our toes and stays active in the industry, recently being elected co-chair of the newly merged Leather and Hide Council of America. Thank you for your business last year. We look forward to serving you in the year ahead.

Best Regards,

  
Jeremy Thoene  
Sales Manager

and

  
Tom Eberle  
General Manager

December 30, 2019

Dear Customer,

Wishy Christmas and Happy New Year from our team at Herman Oak.

The year has gone by quickly and we hope this letter finds everyone doing well. Please review our enclosed \$250 price card. We are pleased to offer new options that provide you greater flexibility and value. Be on the lookout for several new products later in 2020.

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Tom Ebbels  
General Manager  
and  
Tara M. Moore  
Sales Manager