

**U.S. CUSTOMS AND BORDER PROTECTION
CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)**

We have developed a special program at a fixed price to assist clients in the implementation of the Customs - Trade Partnership Against Terrorism (C-TPAT) Program. The C-TPAT Program was announced on November 27, 2001, and formally established on April 16, 2002. In 2006 Congress passed legislation establishing C-TPAT as law. It has become clear that Customs security concerns are permanent. U.S. Customs and Border Protection (hereinafter referred to as "Customs") has hired 2,000 more Inspectors and increased its inspections of imports. It is our view that participation in the C-TPAT program is appropriate and a responsible action for all importers. Importers that participate in C-TPAT will have substantially fewer of their imports inspected as a result of security concerns, and, hence, fewer supply chain delays; all other importers will face potential time delays that will force increased levels of inventory to be held in the U.S.; thus increasing business expense. Additionally, carriers, forwarders, Customs brokers, marine terminal operators and certain foreign manufacturers are eligible to participate in C-TPAT. We believe that a proactive approach is necessary to address Customs' security concerns and best minimize supply chain delays.

It is our view that a C-TPAT program can be implemented with a moderate amount of activity. Based upon our considerable experience in trade matters, we have formulated an Action Plan and drafted a range of documents that we believe make up an essential core process for implementing a C-TPAT program for any firm. The documents have been enhanced based upon our experience. Our frame of reference has been to structure documents and implement activities that will not require extraordinary efforts or cost. However, these steps, we believe, will significantly tighten the security arrangements for the import and export of merchandise and should comply with the C-TPAT program.

The draft documents that we have prepared are derived from public Customs documents and a wide range of other documents that relate to C-TPAT issues. They have recently been updated to reflect increased Customs requirements. In addition, our very significant experience over the last thirty-six (36) years at a wide range of U.S. and overseas manufacturing sites, distribution centers, seaports and airports provides us with a very good insight as to what is possible and achievable without extraordinary efforts. It is our view that, for most companies, ninety-five percent (95%) of the C-TPAT security criteria most probably already exists in one manner or another in existing company policies and procedures. Therefore, much

of what is required is to identify the issues, document them, and implement promptly a procedure by individual sites and service providers, both overseas and in the U.S., that can be readily verified.

As a result, we have structured a comprehensive Action Plan and a wide range of documents that we believe will support the effective implementation of the C-TPAT program. We propose to provide your Company with the Action Plan and a complete set of these documents electronically and in hard copy in draft format form. These documents would be provided to you at a one-time cost of \$5,000. Thereafter, legal assistants in our organization, managed through myself and other attorneys, would work with you on our normal hourly rate basis plus expenses to implement the Action Plan and customize these basic format documents for your organization. In addition, we would be available for any meetings that may need to occur with other entities. It is our view that, with the structure that we have organized, any company should be able to enhance existing policies and procedures to implement a C-TPAT program acceptable to Customs with moderate effort and expense. It is also our view that our Action Plan will effectively address company and government security concerns.

However, it is important to understand that Customs is carefully analyzing C-TPAT submissions. Customs has recently indicated that they have rejected 1729 C-TPAT plan submissions or approximately 20% of all submissions. Over 3,500 C-TPAT validations are underway with over 120 new C-TPAT Supply Chain Specialists. Not one of our clients has been rejected.

The documents that we have developed are the following:

1. **Action Plan.**

A detailed instruction document and timeline for implementing C-TPAT.

2. **Corporate Policy Statement.**

For a company to implement an effective C-TPAT program there must be a clear policy statement issued by the corporation in support of the program.

3. **Application Instructions – U.S. Customs and Border Protection (Customs).**

Customs requires that importers apply for C-TPAT online via Customs web site. We have provided Customs' application instructions.

4. **Memorandum of Understanding (MOU) – Corporate Internal Organization.**

It is our view that the Import/Export Department of any company cannot be the sole entity to implement, manage, and verify the C-TPAT program. Rather, a wide range of entities within a company must be directly involved. These internal entities include import/export, security, logistics/transportation, overseas factories and warehouses, U.S. factories and warehouses, personnel/human resources, information technology, and legal. All of these entities should have specific roles and responsibilities and agree to those undertakings. A Memorandum of Understanding that is signed by these entities will set out the fundamental structure and methodology.

5. **Memorandum of Understanding (MOU) – Business Partners/Company U.S./Foreign Sites**

A wide range of entities must be very specifically involved in the C-TPAT process. Beyond just asking questions or requiring certain activities, it is our view that a Memorandum of Understanding should be signed by each of the entities in the supply chain memorializing the specific responsibilities of both parties. Without a specific signed document, it is our view that there is not the direct link that provides the necessary control and understanding, oversight, and verification mechanisms to satisfy C-TPAT requirement.

6. **Confidential Questionnaire**

All of the entities identified would be required to respond within thirty (30) days of receipt to a detailed Questionnaire. The Questionnaire exceeds the information in the documents that have been prepared by Customs based upon our practical knowledge and understanding of the import/export business.

7. **Overseas and U.S. C-TPAT Site Procedures.**

In order to formalize the documentation to support and verify C-TPAT requirements, it is our view that a very specific Site Procedures document on the subject must be structured. We have prepared a basic document on this subject matter to be only four to six (4-6) pages long. It is not intended to “restate” or “reinvent the wheel” with respect to procedures. Existing Company procedures can be referenced and incorporated therein.

8. C-TPAT Improvement Plan Template.

As a result of the detailed written responses provided by questionnaires and the development of C-TPAT site procedures, it is likely that there will be deficiencies in the supply chain security structure identified. We have prepared a format C-TPAT improvement plan that would identify those necessary steps to be taken by all relevant parties in the supply chain and to be provided to Customs.

9. Supply Chain Import/Export Organization.

We have identified a very detailed list of the elements in the import/export supply chain logistics organization that must be a part of this process. In our view, it is important to not only identify those entities for the movement of material from an overseas source to a U.S. facility, but to also identify the entities that are involved in moving material from the U.S. factory or warehouse until it leaves the United States territory for export.

10. Special C-TPAT Employee and Security Guard Training Issues.

It is our view that special training and procedures must be in place for both Company employees and security guards of all parties involved in the process. We have prepared a list of those topics with explanatory data.

11. C-TPAT Verification Checklist.

While a company can document in writing the exact import and export process with necessary minimum standards and vendors and company affiliates can increase the level of security, it is nevertheless important that there be verification after agreement and implementation. We have prepared a sample checklist for these steps.

12. Updates/Enhancements.

It is necessary that the company understand that there will be updates and enhancements to the C-TPAT program and procedures as a result of Customs actions, third-party actions, and company changes. There should be in place a methodology for documenting necessary updates and enhancements to the program. We have prepared a necessary basic document for that purpose.

We recognize that the documents identified appear to require a significant amount of effort. It is not our intention to require an extraordinary amount of Company resources, but to provide fundamental documentation that can be utilized by a Company to implement the program. The documents provided can and should be changed as your company determines necessary. Most importantly, we believe that they meet all the standards currently set out by Customs.

As noted earlier, our charges will be based upon an initial \$5,000 charge for all of the basic documentation that we have identified. Thereafter, our charges will be only on our normal hourly rates for individuals in our organization to assist you in the revision of documents and the implementation and management of the process, plus expenses. You are welcome to use as much or as little of our individual expertise and assistance as you believe is necessary, thereby controlling your program costs. Of course, you are always welcome to only engage our services on individual C-TPAT security issues, but we believe that utilizing our comprehensive C-TPAT Action Plan will be the most cost effective approach for organizing and implementing a complete program. All of the documents are finalized. It is possible for us to forward a complete set of documents to you within a week of your acceptance of this proposal.

We trust that you will find this information useful. We would be happy to discuss this matter at your convenience.

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