

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

The firm has developed a special program at a fixed price to assist clients in the implementation of their Customs - Trade Partnership Against Terrorism (C-TPAT) program. It has become clear that trade security concerns are permanent. C-TPAT was announced by Customs on November 27, 2001, and formally established on April 16, 2002. Importers carriers, forwarders, Customs brokers, marine terminal operators and certain foreign manufacturers are eligible to participate in the C-TPAT program. In 2006 Congress passed legislation establishing C-TPAT as law. U.S. Customs and Border Protection (hereinafter "Customs") has hired 2,000 more Inspectors in order to increase inspections. It is our view that participation in the C-TPAT program is an appropriate and responsible response for all importers. Companies that participate in C-TPAT will have 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. C-TPAT status will be particularly important to business resumption in the event of a port closure.

We believe that an organized proactive approach is necessary to address C-TPAT and supply chain security requirements. 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 make up an essential core process for implementing a C-TPAT program for any company. 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 forty (40) years at a wide range of U.S. and overseas manufacturing sites, distribution centers, seaports, and airports provide us with very good insight into what is possible and achievable without extraordinary efforts. It is important to understand that Customs is carefully analyzing C-TPAT submissions and validations. There are 9,617 Certified C-TPAT participants as of the end of 2009, an increase of 1,237 from 2008. 7,710 initial validations and 1,811 revalidations were completed through 2008. In 2009, 3,420 validations were completed with two-thirds (2,244) of these being normal revalidations. 297 Certified C-TPAT participants have been suspended or removed from the program.

Our frame of reference has been to structure documents and implement activities that do not require extraordinary efforts or cost. It is our view that, for most companies, ninety-five percent (95%) of the C-TPAT security criteria probably already exists in one manner or another in company policies and procedures. Therefore, much of what is required is to identify the issues, document them, and promptly implement a procedure by individual sites and service providers, both overseas and in the U.S., that can be readily verified. We believe these steps will significantly tighten the security arrangements for the import and export of merchandise and should comply with C-TPAT program requirements.

The documents that we have developed consist of the following:

1. **Action Plan.** A detailed instruction document and timeline for implementing the C-TPAT Program.
2. **Corporate Policy Statement.** For a company to implement an effective C-TPAT Program there must be a clear policy statement issued by the company in support of the program. We provide policy statement language for company use.
3. **Application Instructions – U.S. Customs and Border Protection (Customs).** Customs requires that companies apply for C-TPAT online via the Customs web site. We provide the Customs application instructions and explain the scope of the requested information.
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, or 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 which are understood and agreed to. A Memorandum of Understanding that is signed by these entities sets out the fundamental methodology and obligation.
5. **Memorandum of Understanding (MOU) – Business Partners/Company U.S./Foreign Sites.** A wide range of entities in the supply chain must be very specifically involved in the C-TPAT process to be successful. Beyond just asking questions or requiring certain activities, it is our view that a Memorandum of Understanding should be signed by each of the companies in the supply chain to memorialize the specific

responsibilities of both parties. Without a specific signed document, there is not a direct link that provides the necessary control and understanding, oversight, and verification mechanisms to satisfy C-TPAT requirements.

6. **Confidential Questionnaire.** All of the entities identified will be required to respond to a detailed Questionnaire within thirty (30) days of receipt and/or certify their own participation in C-TPAT. The Questionnaire exceeds the information in the documents that have been prepared by Customs and is based upon our practical knowledge and understanding of the import/export business. We have automated the Questionnaire and the Questionnaire review process to allow rapid and demonstrable assessment of supply chain security risks.
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 provide a basic document on this subject matter that is 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 deficiencies in the supply chain security structure will be identified. We provide a format C-TPAT improvement plan that identifies the 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 provide a very detailed list of the elements in the import/export supply chain logistics organization that must be a part of this process. It is important to not only identify those entities for the movement of material from an overseas source to a U.S. facility, but also to 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 specific C-TPAT training and procedures must be in place for both company employees and security guards of all parties involved in the C-TPAT process. We provide a list of topics and explanatory information.

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 provide a sample verification checklist.
12. **Updates/Enhancements.** 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. A methodology for documenting necessary updates and enhancements to the program should be established. We provide a necessary basic document for that purpose.

We recognize that the necessary actions required and documents identified may 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. Most importantly, we believe that the documents discussed above meet and exceed all the standards currently set out by Customs.

We can provide a company with a complete set of our C-TPAT program documents both electronically and in hard copy at a one-time cost of \$5,000. Beyond the initial basic documentation cost, charges will be based upon our normal hourly rates for individuals in our firm to assist the company in the revision of documents and the implementation and management of the process, plus any expenses incurred. Companies may use as much or as little of our expertise and assistance as they believe is necessary, thereby controlling costs. Many of our clients have taken this documentation and implemented their C-TPAT program without additional firm expense. Of course, companies 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 is the most efficient and cost effective approach for organizing and implementing a complete program.