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MEMORANDUM

FROM: Miller & Company P.C.

SUBJECT: Export Compliance Plan

DATE: January 2008

Recent developments in U.S. export law and practice highlight a need for exporters to ensure their export compliance programs are up-to-date and sufficient to meet U.S. legal requirements. Of particular interest are developments regarding a new Census export audit program and the Automated Export System (AES).

Census recently announced that it is proceeding with enhanced compliance efforts in 2007, despite an ongoing dispute regarding its proposed Foreign Trade Regulations (FTR). As of January 2007, Census has implemented an "AES Compliance Review Program," with visits to exporters and reviews of export reporting activities. Census has stated that it will provide assistance and guidance to exporters. However, AES and the Compliance Review Program also create an opportunity for Census to identify compliance failures and begin enforcement activities against exporters who have breached regulatory requirements. Indeed, sources have indicated that noncompliant companies will be given a limited period to come into compliance or be referred to Customs, the Bureau of Industry and Security (BIS), the Directorate of Defense Trade Controls (DDTC), or other agencies for enforcement. Licensing issues may be referred directly to these agencies. Also, we anticipate—and prior statements by Census officials indicate—that Census will begin using the AES system as an audit and enforcement tool under its own regulations. Exporters must be sensitive to the potential risks involved.

Census, the Department of Homeland Security, and Customs continue to debate certain provisions of the FTR, which are intended to replace the current Foreign Trade Statistics Regulations (FTSR) at 15 C.F.R. Part 30. However, once finalized, the FTR will require all export reports to be filed electronically through AES. Also, the FTR will drop the term "Statistics" from the title to emphasize a stronger enforcement perspective, including significant new penalty provisions. AES provides various U.S. export compliance agencies—including BIS, DDTC, the Office of Foreign Assets Control (OFAC), Customs, and Census—the ability to

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monitor data provided by exporters, identify security risks and compliance issues, and hold export shipments. Increased enforcement activities by U.S. agencies, new civil and criminal penalties for export violations, and the potential for multiple penalties from various agencies for reporting and control violations, underscore the need for exporters to upgrade their export compliance practices and procedures to meet the resulting heightened demands and avoid enhanced penalties.

We believe that all exporters should develop a comprehensive export compliance program mirroring import management programs. The program should consist of a thorough review of existing export activity and should include:

1. Securing current Census export data and analyzing export data and trends to identify possible export compliance issues;
2. Completing and reviewing an Internal Export Audit Questionnaire;
3. Identifying the process for export document preparation, submission, and retention from the Questionnaire responses and implementing necessary enhancements;
4. Preparing or revising an Export Procedure Manual to cover all aspects of the export process;
5. Reviewing export classifications, valuation, origin marking and declarations, special trade program usage, document preparation, and audit reviews;
6. Enhancing existing Item Masters to include key export management data;
7. Creating an Export Log to monitor export transactions;
8. Identifying possible export control or export licensing issues;
9. Confirming or upgrading Restricted Party Screening tools and procedures; and
10. Obtaining legal advice on any potential issues identified;

We will gladly work with you and your Company in any way that we can to assist you in realizing your goals. After you have had the opportunity to review this memorandum, we would be pleased to discuss its contents.