

Coppersmith Inc.
Global Logistics

Census Reminds Exporters of Importance of Filing Export Data in a Timely and Accurate Manner

The Census Bureau's Foreign Trade Division recently sent "Dear Filer" letters to a number of exporters advising them that they "failed to successfully report Electronic Export Information (EEI) through the Automated Export System (AES) in a timely manner". The letters, which are intended to remind exporters that Census monitors AES filings for "data quality, timeliness and accuracy" and that the Foreign Trade Statistics Regulations require complete export information to be submitted in a timely manner prior to vessel sailing. The letter also informed exporters that the late filing of export data results in shipments not being published in the proper statistical month.

The Census Bureau's "Dear Filer" letters serve as an important reminder that all exporters should ensure that they are filing their export data in an accurate and timely manner. The new regulation will require export declarations for ALL shipments to be filed electronically and will significantly increase the fines and penalties for late filings.

Once the new system takes effect, civil penalties will increase from **\$100 per day to \$1,100 per day** of delinquency, with a maximum of \$10,000 per violation. These penalty provisions will be enforced by the Bureau of Industry and Security's Office of Export Enforcement (OEE) and by U.S. Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) at the Department of Homeland Security.

WHAT DOES THIS MEAN TO YOU?

Bill of Lading instructions **MUST** be filed with the Carrier and Census **BEFORE** vessel sailing. That means you must send us your shipping information early enough to allow timely filing of your information **before** the vessel sails. **ALL FINES DUE TO LATE RECEIPT OF PAPERWORK AND LATE FILING PENALTIES IMPOSED WILL BE FOR THE ACCOUNT OF THE SHIPPER.** Coppersmith will not be responsible for late submission of information.

The final migration to mandatory AES for the filing of all export data presents a number of technical and practical issues for shippers. The increased penalties for the inaccurate or untimely filing of export information should be of even greater concern to exporters, forwarders and carriers alike.

**Our Houston Office is moving effective May 1, 2006
15904 International Plaza Drive, Houston, TX 77032
Their Telephone and Fax numbers remain the same.**

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"This newsletter is for Customers of Coppersmith Inc., and is for informational purposes only. Topics included herein are taken from numerous sources and edited to provide an overview of the subject and should not be relied upon solely for implementation or compliance purposes. Where possible we have provided sources for more detailed information."



Serving the International Trade Community since 1948



New Freight Opportunities for Coppersmith Customers

Coppersmith has added Global Logistics to our name and our list of customer services. In an effort to provide complete international services to our customers, Coppersmith developed a full service Logistics Department three years ago. Today, we are handling hundreds of containers per month from overseas suppliers to our customers' door. We have created strategic partnerships with reliable agents throughout the world who have competitive contracts with carriers of all service levels. You no longer have to negotiate freight rates with separate companies in order to obtain the best service and rates. Coppersmith can handle shipments from your supplier to your door efficiently and economically and bill you on one invoice. Our web based tracking system gives you real time shipment visibility from booking to delivery without having to call separate forwarders or carriers. Coppersmith's professional staff has proven for 58 years that we can handle your Customs needs. Now let us show you how we can eliminate your shipping concerns by handling your international freight routings too. Coppersmith is your Global Logistics Company!

CBP Back to Commercial Enforcement Not Just Security

Coppersmith has recently been advised that Customs Headquarters has issued instructions to ports to step up commercial enforcement. As you can see from other articles included in this newsletter this seems to be holding true.

In the past, unless there was evidence of wrong doing, Customs would notify the importer that additional duties were owed and initiate collection process. Usually this did not include increased duties retroactively. The effect of this new enforcement posture may expose importers to additional duties, interest, and penalties for a period of up to five years from the date of infraction.

In addition we have also learned that Customs has begun a new audit program, called Quick Response Audits (QRA's). This might be characterized as a "mini" audit with concentration in a single area, such as classification or valuation, anti-dumping, trade preference program or other areas identified by Customs as "high risk".

We have also learned that importers participating in the Importer Self Assessment program will not be exempt from the QRA if Customs identifies their

shipments as falling into the "high risk" category.

The burden of accuracy for declarations filed with Customs falls directly on the importer.

Coppersmith is your partner in this process. Our commitment is to take the necessary time to understand your import transactions. We encourage you to take the time to help us in this process.

You will experience more inquiries by our staff asking you to confirm or authorize the information being prepared for your entries. "Can you prove on paper what you declared to Customs?" Often our recommendations are advisory and we encourage you to obtain binding rulings or written confirmation from other government agencies regarding their rules and regulations to meet the reasonable care standard for your products. Coppersmith takes responsibility for properly entering your merchandise based on the information you, as Importer of Record, have provided to us.



Customs Changes Policy For Anti-Dumping Reimbursement Certificates

Importers of merchandise subject to Anti-Dumping duties are required to file a statement with Customs and Border Protection certifying, under penalty of CBP fraud statutes, that they have not entered into any agreement or understanding with the manufacturer, producer, seller, or exporter for payment, refund or reimbursement of all or any part of the anti-dumping duties assessed on the imported merchandise.

Guidelines are as follows:

Reimbursement Certificate or Statement must be provided prior to Liquidation.

Importer can provide an individual statement for each importation or file an annual blanket certificate with each port.

Effective Nov 18, 2005 Customs no longer requests that importers file certification before liquidation. It is the importers responsibility to insure the proper certificate is filed prior to liquidation.

If importer fails to file certificate prior to liquidation, the Department of Commerce will instruct Customs to assess double the anti-dumping duties; and

Customs Headquarters has instructed the ports to deny any protests contesting the double assessment of AD duties for failure to file the certificate prior to liquidation.

Contact your Coppersmith office for sample required language of either the individual or the blanket certifications.

Credit Terms in a Changing International Trade Environment

As Customs Brokers it is our job to process your goods through the government agencies that control the importation of those goods. The broker does that for a nominal fee as compared to all other expenses to successfully import those goods. Over the years the brokers role has changed to include routing freight, insuring and bonding goods and more importantly, and the reason for this article is, as an interest free lender.

Two of the largest cash outlays, which importers have come to expect their broker to advance, at no extra charge, are freight and duties. In today's trade environment, inventories are now "just in time" with larger, faster vessels moving larger quantities of freight in a shorter period of time. In addition, importers have found that by utilizing consolidation techniques and placing multiple containers on one bill of lading they can decrease the number of Customs entries filed on their behalf. However this has created increasingly larger collect freight bills payable to the steamship companies, airlines or their freight forwarders **before** release of the cargo. ***The fact is collect freight costs are the responsibility of the importer; it is your responsibility to pay.*** The same scenario holds true for duties and taxes. Advancing these monies has a cost, which is not reflected in the brokerage fees we charge to clear your goods for release and delivery.

We are asking our customers to consider the following before we come to you to work out mutually acceptable payment terms:

1. Become a Periodic Monthly Statement payer with US Customs, where the government is now giving an average of 30 days interest free credit for payment of duties and taxes.
2. Ocean Freight - Negotiate, as part of your contract, with the carrier or the freight forwarder acceptable payment terms for collect freight. Include the broker in those terms if you would still like to receive one invoice from us with all the charges related to your imported shipment, or arrange to pay the ocean freight directly.
3. Allow Coppersmith to quote your international freight where we can build in credit terms with the carriers under our own contracts.
4. Air Freight – Open an account with the airline and provide the account information and authorization to Coppersmith to have collect air freight charged to that account.
5. Understand that if we advance cash outlays on your behalf that we will charge a 3% advance fee with terms not to exceed 30 days and a negotiated high credit ceiling.

We are willing to work with any importer to keep the goods flowing; we want to keep our fees down and to do that we can no longer be an interest free lender.

We will be contacting you in the near future to negotiate your payment terms. Please take a moment to consider your options.

The Risks of Transit **WHY YOU NEED CARGO INSURANCE!**

The probability of sustaining a loss on goods in transit is greater than you may think. On average, a ship sinks every day. Long voyages, extensive moving and shifting of cargo, theft and bad weather all add substantially to the potential for loss or damage.

Many shippers are misled into relying on the carrier to pay for losses in transit. That can be a major mistake. Law or tariff restrictions limit the liability of most carriers. Also, most carriers are not responsible for losses, which are unforeseeable and beyond their control. The most recent example of this is hurricanes Katrina and Rita.

Carrier's Limits of Liability

| | |
|-----------------------------------|---|
| Ocean Carriers | \$500 per package |
| International Air Carriers | \$9.07/lb or \$20/kilo chargeable weight per Warsaw Convention |
| Domestic Air Carriers | Typically \$.50 cents per pound |

Ask for a quote today.

- ◆ Ocean and airfreight coverage
- ◆ Inland truck or rail coverage
- ◆ Comprehensive "all risk", warehouse-to-warehouse coverage



Got Cargo Insurance???

Customs Bonds

In 2005 Customs moved the bulk of their bond processing to the National Finance Center (NFC) away from the local ports. The reason for this was two fold. One, they would centralize all bonds and create uniformity in setting bond limits as well as in application of the Customs regulations for proper completion of the bond itself. Two, that a comprehensive review of all Continuous Bonds could be undertaken for bond sufficiency.

This move by Customs has led to some operational challenges as NFC was understaffed to handle the influx of applications given their own review and notices to the importers, the increased Anti-Dumping orders and the loss of a large surety who left the bond

market which required that all those bonds be replaced.

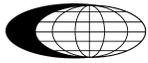
The brokerage community along with the remaining sureties has had regular meetings with Customs and the NFC to address these issues and improvements in processing times have been made in recent months.

However, it is extremely important that any notifications you receive from the NFC regarding your bond be dealt with immediately. NFC is giving 30-days in most cases to address issues they bring to your attention. It is also critical that all applications and information requested be comprehensive and complete. Rejected applications cause

long delays in the approval process. The result of not having the bond approved and in place is the requirement to file Single Transaction Bonds, which can be a costly proposition.

Finally, all Anti-Dumping and Countervailing Duty bonds require full collateral by all sureties. This is usually in the form of a Stand By Letter of Credit. Steps should be taken immediately to secure this L/C from your bank if this applies to your imports.

Please contact our offices as soon as the NFC has notified you, so we can assist you in this process and submit your bond replacement.



Toxic Substance Control Act (TSCA) Certification Requirements Procedures Change with EPA/ CBP Enforcement

There has been a recent change to the process used by CBP to verify TSCA Certifications. In August 2005 CBP's responsibility for verifying TSCA Certifications moved from the inspector at the time of cargo release to the Import Specialist during post entry review of the entry summary. This was done to enable more paperless cargo releases.

As a result of this change, and in accordance with CBP's reaffirmed responsibilities under Trade Enforcement and Facilitation, the Import Specialist will not, upon discovering a missing TSCA Certification, reject the entry so that form can be included with a re-submittal of the entry. Rather, in accordance with 15USC 2601 and 15 USC 2612, the Import Specialist will initiate appropriate enforcement action.

CBP rule 19CFR part 12.118 –12.127 requires all importers of chemical substances to certify that all the chemicals in their shipments either:

- ◆ comply with all the rules and orders under TSCA, or
- ◆ are not subject to TSCA.

IMPORTANT NOTE: Neither the Harmonized Tariff Schedule nor ABI flag HTS numbers with possible TSCA Certification requirements. To determine if the chemical you wish to manufacture or import is a new or existing chemical you must search EPA's TSCA Inventory, which is a list of 80,000 or more existing chemicals. For more information contact the TSCA Assistance Information Service Telephone: (202)-554-1404 FAX: (202)554-5603 or tsca-hotline@epa.gov.

Some categories of products which may be subject to TSCA can be Organic or Inorganic chemical substances; gums and resins; salts and sulfides; fuels, mineral oils and waxes; fertilizers, dyes, paints, varnishes and inks, mint oil, soaps, oils and waxes, gelatins and glues; photographic chemicals; primary forms of plastic polymers; rubber and synthetic rubber and articles containing these substances such as pens, cartridges, ribbons. (This list is not intended to be complete or comprehensive and Coppersmith Inc. is not responsible for the accuracy of the information).

As Importer of Record you are responsible to make sure all products you import meet all government rules and regulations and are declared properly.

Periodic Monthly Statement (PMS) Growing by Leaps and Bounds

- ◆ **Pay on a periodic monthly basis!**
 Move from a transaction-by-transaction payment process to an interest-free periodic monthly statement process. Pay for all shipments released during the previous calendar month by the 15th working day of the following month.
- ◆ **Create your own secure account!**
 Open a separate bank account for duty payments. Restrict user access to any and all information in your account.
- ◆ **Generate your own reports!**
 Have dynamic analytical tools at your fingertips. You will have access to more than 60 reports reflecting your company's compliance, transactional, and financial data.

Let us give you an example. In the month of March 2006, the 15th business day was the 21st. The duty paid in this scenario covers all shipments cleared in the month of February 2006. A shipment cleared on the 1st of February would have a float of 48 days in the example used, due to the fact that the funds for that entry would not be withdrawn until the 21st of March, which is the 15th business day. So, "in some cases", an importer could, in effect, import goods, clear and deliver them to a distribution center and have them shipped and on the retail shelf before any duty is paid to customs. That would create quite a boost in a company's cash flow.

Now, some might ask, "What's in it for Customs? Why would they give such a benefit to importers?" Well, simply put, the benefit to Customs has to do with the time it takes to process daily cash receipts. Administratively, they will spend much less time collecting money, since it is done once per month rather than on a daily basis.

We have many customers who have already taken advantage of this program and are reaping the cash flow benefit this has created.

An ACH application and Customs Form 5106 is all it takes. **DON'T WAIT!** Start to take advantage of this program NOW!

Customs has told us that eventually PMS will become the primary method of payment and that their long term goal is to either have "Live" duty payment or PMS. Right now they are just giving the trade community time to adjust.

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