10 + 2
New U.S. Customs Security
Program - Overview

Biggest Supply Chain Paradigm Shift in Over 30 Years

LORD
AskUsHow™

SAFE Port Act of 2006
Security and Accountability for Every…

- ◆ Signed by President on October 13, 2006
- ◆ Codified C-TPAT program (LORD is not a member)
- ◆ Title 2 – Security of the International Supply Chain
  - – §201-202: Strategic Plan / Trade Resumption
  - – §203: Automated Targeting System (10+2)
  - – §204-205: Container security standards and procedures / CSI
  - – §211-223: C-TPAT

What is 10+2? – Advanced and more/new data for better Automated Targeting of inbound freight

- ♦ New Security Filing (SF) that requires:
  - Importer Security Filing (ISF) = 10 additional data sets from importers (ISF), 24 hours prior to foreign lading
    - ♦ Plus the Bill of Lading number (1/2)
  - 2 data sets from ocean carriers – 48 hours after loading

- ♦ Initially, applies only to ocean shipments, although CBP plans to expand to other modes in the future

- ♦ Customs set to issue Final Rule end of Summer – First of September

What are the data sets?

½. Bill of Lading number
1. Manufacturer name and address
2. Seller name and address
3. Container stuffing location
4. Consolidator name and address
5. Buyer name and address
6. Ship to name and address
7. Importer of record number
8. Consignee number
9. Country of origin of the goods
10. 6-digit HTS number

Transmit 24 hours prior to loading of vessel (ISF) – Importer Security Filing

11. Vessel Stow Plan
12. Container Status Messages

Transmit no later than 48 hours after departure

SHIPPING TIMELINE FROM ASIA TO THE U.S. WEST COAST

"10+2" Process Penalties and Fines

♦ US Customs has severe penalty provisions for non-compliance with Importer Security Filing (ISF)

– **Liquidated Damages to equal value of shipment**

– Penalty to be assessed regardless of error type

♦ clerical, non-filing, late filing, missing data, etc.

♦ Importers hoping for phased-in enforcement period of 60-90 days

♦ ISF processing errors will:

– Cause " No Load Messages"

– Delay cargo processing

– Lead to Liquidated Damages

– Supply chain disruptions

– Impact supplier's value to the LORD supply chain

– Prevent entire load from shipping until errors are fixed

– Require contingency plans if part of shipment can load

– Increase inspections

LORD to Begin 10 + 2 – August 1st

♦ Require export documentation 10-14 days ex factory date

♦ Must have export documentation prior to load

♦ Export documentation must be accurate – or LORD can't submit the ISF and shipment won't load

♦ 10-14 days gives some time to work out documentation issues and ISF errors that may occur (but not much)

♦ Working on internal escalation plan when/if a supplier can't make the load

♦ Updated Commercial Invoice Template to add 10 +2 data elements

♦ Conducted China Supplier Education – July 23rd in Shanghai

♦ LORD to keep 10 + 2 and Import Discrepancy Log to track issues

♦ *Current pricing and document discrepancies would result in most ocean freight not loading under 10 + 2*

Main Import Documentation Issues

♦ Sale for Exportation – pricing and terms must be set prior to export

  – Without pricing set no sale for export - no shipment (no ISF)

  – No retro-active (post-import) price adjustments

♦ Incorrect pricing matching purchase order and commercial invoice (per agreement)

♦ Quantities not matching between purchase order and commercial invoice – no over shipments permitted

♦ Country of origin invalid i.e. use of acronyms (EU, CN,)

♦ Incomplete/incorrect Harmonized Tariff Codes (HTS)

♦ Handwritten invoices not legible (no longer acceptable)

♦ Invalid purchase order numbers, no PO line #

♦ No or incorrect INCOterms listed

♦ Undervaluation of goods

Commercial Invoice Required Data Elements (Supplied by Seller)

♦ Commercial Invoice submitted by supplier organization <u>must contain</u> the following information:

- LORD Item (part) Number
- LORD Item (part) Description
- LORD Purchase Order Number, Line Number
- Country Of Origin (of Manufacture) of Item
- Value Per Item and Extended Value (for total quantity per item) per currency unit on LORD Purchase Order
- Currency (unit or code) of each item; example USD
- HTSUS (harmonized tariff code) for each item from the LORD purchase order
- Correct Consignee (Buyer) Name and Address
- INCO Terms

Commercial invoice must not conflict with the LORD purchase order – otherwise – STOP – contact LORD Buyer <u>prior to exportation</u>

Data Elements which reside on LORD Purchase Order that MUST be same as those on Commercial Invoice

♦ Commercial Invoice submitted by supplier organization must 'match' LORD Purchase Order (*for direct/indirect materials and services*) for certain data elements…

- LORD Item (part) Number for LORD materials

    NOTE: Supplier Item (part) Number when there is no LORD material number

- LORD Item (part) Description

- LORD Purchase Order Number, Line Number

- Value Per Item and Extended Value (for total quantity per item) per currency unit on LORD Purchase Order

- Currency (unit or code) of each item; example USD

- HTSUS (harmonized tariff code) for each item from the LORD purchase order

- Correct Consignee (Buyer) Name and Address

- INCO Terms

    NOTE: *country of origin will not be on the LORD PO – this is supplier furnished information*

10

Commercial Invoice is the key document for US Customs Clearance

♦ Additional requirements for Commercial Invoices

–Must be typed – no handwritten documents permitted

–Must contain all required data elements

–Must be legible

–Must be in English

–No conflicts between the Commercial Invoices and LORD Purchase Order data

–Must have sale for exportation

♦ Terms and Conditions must be finalized prior to export

Packing List is another key document for LORD receiving process

♦ Packing List, minimum one copy, must be placed in a box on the (top layer of the) pallet and the box containing the packing list will be clearly marked as such "Packing List Enclosed" or similar wording

♦ In addition, minimum one copy, in a protective (plastic) envelope, to be placed on the outside of a box (container).

♦ LORD Receiving to receive fax or e-mail copy of the Packing List

–*For deliveries to LORD Cary, NC*

♦ Frank.Navy@lord.com

–*For deliveries to LORD Cambridge Springs, PA*

♦ Dean.Householder@lord.com and Dave.Spaid@lord.com

–*For deliveries to LORD Bowling Green, KY*

♦ Steve.Smith@lord.com

♦ LORD Logistics requires all packing lists and commercial invoices for international shipments, BEFORE the shipment is made, to be sent to:

LordRoutingCenter@lord.com and Katie.Becker@lord.com

Additional Commercial Invoice Data Elements under 10 + 2 (new as of August 1, 2008)

LORD requires this information at the time when the supplier contacts the LORD freight forwarder for an ocean booking. Add to the Commercial Invoice. Typically 14-10 days prior to ex-factory date.

♦ Manufacturer name and address (new data element for all line items)

These 2 data elements are required if supplier terms are FCA Shipper's Dock

♦ Container stuffing location (name and address of physical location of stuffing location)

♦ Consolidator (stuffer) name and address

LORD Price Change Policy (April 2008)

♦ ALL adjustments are 'forward looking' and will be implemented, when agreed/ authorized by LORD, with an effective date.

♦ Adjustments include currency or raw material adjustment clauses and price changes

♦ New pricing is implemented on Purchase Orders with a document date on or after the effective date of the price change. (NO amendments to open or pending purchase documents)

Example: New price is effective on August 1, 2008. Purchase Orders with a document date of August 1, 2008 or later will have new prices. Any Purchase Orders with a document date prior to August 1, 2008 will NOT have the new pricing implemented. does not include items that have not yet been _exported or in-transit to LORD._

♦ Suppliers should ensure they are processing orders in logical sequence (past due deliveries filled first, then requirements that have the nearest due dates).

♦ Suppliers should review the Delivery Snapshot and LORD Purchase Orders for pricing. Any discrepancies are to be communicated to the supplier's Release Analyst, Sourcing Agent or Sourcing Manager.

♦ Commercial Invoices that contain improper pricing will cause delays in processing and will not load under the new "10+2" policy

Commercial Invoice Template

COMMERCIAL INVOICE

** This sample commercial invoice is provided as an example of how the required data elements can be formatted. The Shipper/Export may use this form or create their own Commercial Invoice with the required data elements.

SELLER: (1)	SOLD TO: (2)	SHIP TO: (3)	MANUFACTURER: (32)	NOTIFY PARTY: (4)
Seller's Name & Address	Buyer's Name and Address (Importer of Record) EIN# 25-0626921-00	Delivery Name & Address	Name & Address	Name, address and telephone number of party (i.e. broker) to be notified of shipment arrival.

INVOICE NUMBER: (5)	DATE: (6)	P.O. NUMBER: (7a)

TOTALS: (8)
GR. WEIGHT: _____ KGS. _____ LBS.
NT. WEIGHT: _____ KGS. _____ LBS.
VOLUME: _____ CU.MT _____ CU.FT.
PACKAGES: _____

PORT OF EXPORT: _____(9)_____
DESTINATION COUNTRY: _____(10)_____
DESTINATION PORT/AIRPORT: ____(11)_____

SHIPPING MARKS: (12)
LORD Corporation
CITY, STATE, USA
P.O. #/Reference:
MADE IN _____

CARRIER NAME (13) _____
DELIVERY TERMS: (14) _____
PAYMENT TERMS: (15) _____
CURRENCY: (16) _____

PO #	PO Item #	PO Schedule Line	QTY of Packages	PACKAGE TYPE (BOX, PALLET, etc)	Item Part #	ENGLISH DESCRIPTION	HTS #	QTY	UM	Unit Value	TOTAL VALUE	COUNTRY OF ORIGIN
(7a)	(7b)	(7c)	(17)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
						(26)						
						(27)						
TOTAL			TOTAL	TOTAL				TOTAL				INVOICE TOTAL VALUE (24)

(28) RESPONSIBLE PARTY: _____ Date: _____
Signature and Date

(29) CONTAINER STUFFING LOCATION: (Name of Party):_____ Physical Address Of Stuffing: _____

(30) CONSOLIDATOR STUFFER: (Name of Party):_____ Address: _____

(31) CONSIGNEE: [Electronic Identification Number (EIN)]:_____