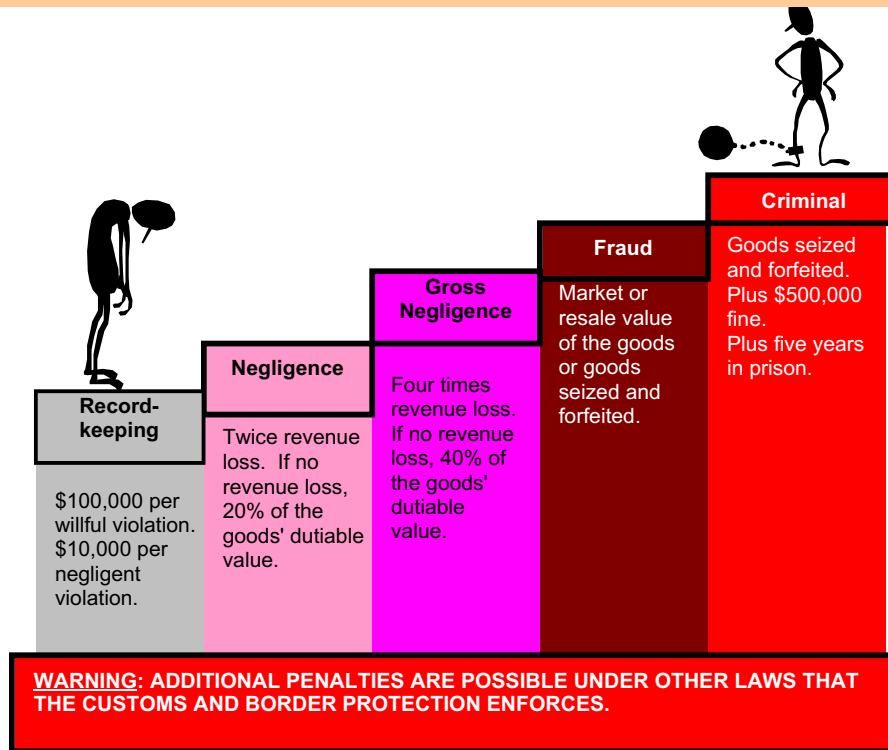


CUSTOMS ENFORCEMENT AND PENALTIES



US Customs and Border Protection (CPB) can fine violators (in amounts as high as the goods' entire resale value), impose liquidated damages, seize and keep goods, and restrict future shipments. CBP may also formally investigate an importer. The following are the most common, but not the only, penalties that CBP enforces.

CRIMINAL -- For criminal fraud, which requires the government to prove beyond a reasonable doubt that a person made a false statement or omission to the government, the maximum penalties include forfeiture of the goods, fines of up to \$500,000, and up to five years imprisonment.

CIVIL -- The burden of proof in civil penalty cases is lower than for criminal penalty cases. Civil penalties only require that the government make its case by a preponderance of the evidence. A "preponderance of the evidence" means that the government merely needs to prove that it is "more likely than not" that the person committed fraud. Civil enforcement measures include seizure, forfeiture, and penalties, depending on the reason for the violation. For violations caused by civil fraud, a violator can expect to forfeit the shipment or be fined up to the domestic (resale) value of the shipment.

NEGLIGENCE -- Gross negligence can result in penalties of up to four times the loss of revenue to CBP. If the violation did not result in a loss of revenue, the maximum penalty is 40% of the dutiable value of the goods. Simple negligence can result in penalties of up to two times the loss of revenue to Customs. If the violation did not result in a loss of revenue, the maximum penalty is 20% of the dutiable value of the goods.

RECORD KEEPING -- CBP may also assess penalties for failure to maintain records and produce those records upon request. For willful violations of this requirement, CBP may assess penalties of up to \$100,000 per violation. For negligence, the maximum penalty is \$10,000 per transaction. U.S. import laws risk a host of penalties. CBP can penalize companies, but may also hold individual employees and officers personally liable. More than one type of penalty can be assessed for the same violation. CBP can collect any duties, taxes, or fees lost. CBP can also penalize an importer even if there was no loss of duty. Violators can be penalized both criminally and civilly.

The importer remains ultimately liable for compliance with the import laws. If the importer does not carry out this burden, either because of negligence or intentional conduct, the importer can be penalized even if a broker or other agent assisted with or directed the shipment.

CBP develops and maintains a profile for all of importers into the U.S. The profile helps determine the level and intensity of CBP's scrutiny of an importer's shipments.

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