

# ***Wilson Tool Enterprises, Inc.***

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## **Export Compliance Manual**

February 19, 2018

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## PREFACE

As a global company operating in the United States, Wilson Tool Enterprises, Inc. and its subsidiaries (collectively, “Wilson Tool” or the “Company”) are governed by the United States statutory and regulatory system for controlling and monitoring the international movement of U.S. products, technology and technical data. Among other things, the system is designed to minimize the risk of diversion of such items to locations where they may be used by individuals or groups in ways that can be detrimental to the interests or policies of the United States.

It is the policy of Wilson Tool to conduct business in compliance with all applicable export control laws and regulations. An Export Management and Compliance Program (“EMCP”), of which this Export Compliance Manual is a part, is designed to ensure compliance with U.S. export controls. More specifically, Wilson Tool is undertaking the development of an EMCP to achieve the following objectives:

- i. To optimize the correct **interpretation and application** of the U.S. export laws and regulations.
- ii. To provide export compliance **procedures** that are effectively incorporated into daily transactions.
- iii. To provide guidance that is **practical in implementation** and easily accessible for all Company personnel.
- iv. To maintain a **reliable audit trail** for review by internal and external auditors.

This Export Compliance Manual is designed to be a working guide and consistent framework of reference for all Company personnel regarding the broader EMCP.

Policies and procedures are subject to change, and as such, this Export Compliance Manual will be updated periodically. All employees whose duties include export matters are encouraged to participate in the process of providing ideas, suggestions, and constructive criticism to ensure that this Export Compliance Manual will indeed be the useful guide it is intended to be.

We intend to follow the law. We also intend to keep our products, technology and technical data from aiding those who would use them to harm others. While we believe that this Export Compliance Manual adequately addresses most situations to best help us accomplish these two goals, we need you to be engaged in learning and diligent in following the policies outlined in this Export Compliance Manual to ensure its effectiveness.

We realize that not everyone is an expert on the U.S. export control regulations. To help you with questions you may have concerning exports or comments on this Export Compliance Manual, please contact our Compliance Committee, which can be reached by email at [compliancecommittee@wilsontool.com](mailto:compliancecommittee@wilsontool.com) or by telephone at 651-286-6017.

## MEMORANDUM

DATE February 19, 2018

TO: Employees and Contractors

FROM: Brian Robinson, CEO

RE: Export Compliance Manual and Export Management and Compliance Program.

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It is the policy of Wilson Tool Enterprises, Inc. and its subsidiaries (collectively, “Wilson Tool” or the “Company”) to abide by all U.S. laws governing the export of products, technology and technical data. No transactions are to be conducted by or on behalf of Wilson Tool contrary to U.S. export regulations. The Company supports U.S. efforts to fight the battle against terrorism and prevent transactions involving entities engaged in prohibited missile, nuclear, chemical and biological warfare activities. Therefore, we have implemented export control procedures that you are required to follow, as outlined in the Company’s Export Compliance Manual published at [www.workforcenow.adp.com](http://www.workforcenow.adp.com). A hard copy is also available in Human Resources.

In 1966, Ken and Ruth Wilson founded Wilson Tool International, or Wilson Tool Company as it was originally known, in the basement of a building in the warehouse district of St. Paul, Minnesota, USA. Since then, we have dedicated ourselves to creating innovation, quality and service with the goal of helping our customers be the most successful fabricators in the world. Our simple tool and die shop has grown into a global leader in the tooling industry. We are the largest independent manufacturer of tooling systems, operate worldwide, and continue to expand into technologies that complement our core business. Over the years, we have expanded our footprint, and we now have offices in North America, South America, Europe and Asia, as well as sales representatives and distributor in locations worldwide. We export our products all around the globe. For this reason, it is vitally important that we are familiar with and comply with export regulations.

Export controls in the Export Administration Act and the Export Administration Regulations are used to regulate the export and re-export of dual-use materials - commodities that have both a civil and military application. These controls are in place to prevent the distribution of dual-use technology that can compromise national security and compliance with them is mandatory, not voluntary. A violation of export controls could subject Wilson Tool and responsible personnel to a variety of administrative or criminal penalties, including loss of our export privileges, which would have a significant adverse impact on our sales and ability to remain competitive. Accordingly, Wilson Tool will view the failure of any employee or contractor to comply with these regulations as a serious violation of Company policy and the employee or contractor will be subject to disciplinary action and/or termination. In addition, failure to comply with export regulations may result in the imposition of criminal and/or civil fines and penalties, including jail time and monetary penalties.

The Company Compliance Committee, composed of experienced company officials from the Executive, Sales Desk, Sales Desk Support, Engineering, & Shipping Groups, is the primary

decision making body at Wilson Tool for export control and compliance matters. The Compliance Committee is empowered with the authority to make final decisions on export compliance matters, including rejecting sales, if deemed appropriate. I will ensure that our Company has dedicated a sufficient level of resources to our Compliance Committee and our compliance activities.

Any questions concerning U.S. export control regulations, including concerns about the legitimacy of a transaction or a potential violation of U.S. export control regulations, should be addressed to the Compliance Committee at [compliancecommittee@wilsonstool.com](mailto:compliancecommittee@wilsonstool.com) or call 651-286-6017. If you are uncomfortable reporting a possible violation, you may also do so anonymously via the Company's anonymous Lighthouse Services hotline at 1-833-610-0010, or via the Lighthouse Services Wilson Tool reporting website at [www.lighthouse-services.com/wilsonstool](http://www.lighthouse-services.com/wilsonstool). Further information concerning the Lighthouse Services hotline is posted in your lunchroom or where employee notices are posted in your facility. We respect your privacy and your identity will remain confidential.

This Export Compliance Manual Statement will be issued on an annual basis or sooner if necessitated by personnel changes, changes in management, or regulatory changes. The Compliance Committee is responsible for disseminating this Statement throughout the organization through Wilson Tool Export Compliance Manual updates, incorporation into training and presentations, and posting at [www.workforce.adp.com](http://www.workforce.adp.com) website.

Commitment to this Export Compliance Manual and the Company EMCP is a daily exercise. I ask each of you to take this matter very seriously and to support me in this effort. Your cooperation will allow Wilson Tool to maintain its good corporate citizenship status and avoid inadvertent violations, costly errors, and the possible disruption of our business.

Sincerely,

Brian Robinson, Chief Executive Officer

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*Employees whose duties include export matters are required to read and sign the following verification statement on an annual basis and submit to the Human Resources office to be maintained in the Company's records. New employees or contractors joining the Wilson Tool team whose duties include export matters will be required to read and sign this acknowledgement as a condition of their employment during their first week of work.*

I, \_\_\_\_\_, hereby acknowledge that I have received Wilson Tool Enterprises, Inc.'s Export Compliance Manual dated February 19, 2018 signed by Chief Executive Officer Brian Robinson regarding the Company's commitment to export control compliance. I have read and will comply with Wilson Tool's Export Compliance Manual and its EMCP.

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Employee Signature, Title, Date

## **I. ACRONYMS AND DEFINITIONS**

To understand the policies and procedures contained in this Export Compliance Manual, it is helpful to be familiar with some common acronyms and key terms.

### **COMMON ACRONYMS:**

**AES** – Automated Export System – The electronic system, including AESDirect, which collects export trade data, which are used by the Census Bureau for statistical purposes.

**AWB/BOL** – Air Waybill/Bill of Lading – Prepared by a Freight Forwarder, Carrier, or Transportation Provider. Official document for the transportation of goods across borders; hence, a copy is required for record retention purposes. Required information mirrors the SLI and adds routing and transportation billing information.

**BIS** – Bureau of Industry and Security – Department of Commerce agency, which administers and enforces controls for export and reexport of dual-use commodities, technology and software ([www.bis.doc.gov](http://www.bis.doc.gov)).

**CBP** – U.S. Customs and Border Protection is the principal law enforcement agency charged with enforcement of U.S. international trade laws. CBP is the first line of defense in preventing illicit trafficking in strategic and controlled commodities and in enforcing international economic sanctions and embargos ([www.cbp.gov](http://www.cbp.gov)).

**CCL** – Commerce Control List – Published by BIS in Supplement No. 1 to Part 774 of Title 15. This listing of items (commodities, technology and software) subject to the authority of BIS is used for classification.

**DDTC** – Directorate of Defense Trade Controls ensures commercial exports of defense articles and defense services are consistent with U.S. national security and foreign policy objectives ([www.pmdtc.state.gov](http://www.pmdtc.state.gov)).

**DPL** – Denied Persons List – Individual and entities that are not eligible to receive U.S. in an export transaction.

**EAR** – Export Administration Regulations – A set of regulations promulgated by the Department of Commerce and administered by BIS. These regulations control the export, the sale for export, and re-export of all items (commodities, technology and software) that are subject to the regulations.

**ECCN** – Export Control Classification Number is contained in the CCL and describes the product, technology or software, as well as controls and related information.

**ITAR** – International Traffic in Arms Regulations controls the export and temporary import of defense articles, services and specially designed equipment for use with defense articles, services and specially designed equipment.

**OFAC** – Office of Foreign Asset Control administers economic sanctions promulgated by the U.S. government against hostile targets to further US foreign policy and national security objectives ([www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)).

**SED/AES** - Shipper's Export Declaration/Automated Export System. For statistical purposes and export clearance requirements, the U.S. Government requires the report of certain information to be filed upon export of shipments from the U.S. The SED is the paper form used to fulfill these requirements. AES is the automated system approved for filing SED information electronically. In either case, the basic format and data elements are the same. With power of attorney, the SED/AES can be prepared by Freight Forwarder on behalf of the shipper. Required information includes parties to the transaction, AWB/Pro number, date, reference numbers, ECCN, license no. or exception, HTS code(s) with assigned values for shipment, country of origin, method of shipment, signature/stamp.

**SDN** – Specially Designated National – OFAC list of restricted entities and individuals.

**SLI** – Shipper's Letter of Instruction. A form generated at the time of shipment to give specific shipping instructions to a Freight Forwarder from a shipper for an international shipment as well as relay information necessary to file AES/or AES filing record no. Required Information – includes parties to transaction HAWB/Pro no. if available, date, reference numbers, ECCN, Export License exception, Import license no., HTS code(s) with assigned values for shipment, COO, Pcs/Wt/Dims, method of shipment, any special handling instructions. Document direct to forwarder for handling the transaction and may authorize the forwarder to act on behalf of the shipper.

**USPPI** –The person/party in the U.S. that receives the primary benefit of the export transaction, monetary or otherwise.

## **DEFINITIONS:**

**Anti-boycott** - Laws discourage, and in some circumstances, prohibit U.S. companies from furthering or supporting the boycott of Israel sponsored by the Arab League, and certain Moslem countries, including complying with certain requests for information designed to verify compliance with the boycott. Compliance with such requests may be prohibited by the Export Administration Regulations (EAR) and may be reportable to BIS. The anti-boycott laws were adopted to encourage, and in specified cases, require U.S. firms to refuse to participate in foreign boycotts that the U.S. does not sanction. They have the effect of preventing U.S. firms from being used to implement foreign policies of other nations which run counter to U.S. policy

**Carnet** - An international customs document issued by 70 countries. It is presented when entering a Carnet county with merchandise or equipment that will be re-exported within 12 months. Upon presentation, the Carnet permits the equipment or merchandise to clear customs without the payment of duties and taxes. Payment is not necessary because the Carnet guarantees that the merchandise or equipment will be re-exported within a year.

**Certificate of Origin** - Prepared at the time of shipment to verify origin of goods. Required by some countries/customers for importing purposes. Required information includes parties to

transaction, list of items, pcs/wt, country of origin, signature. Note: some countries require this form to be notarized and/or Chamber stamped.

**Commercial Invoice** – Document (or reasonable representation thereof) physically accompanies shipment from shipping to end destination and must accurately reflect associated financial transaction. Required for export clearance (verify SED/AES filing accuracy) and destination import clearance (import licensing requirements, duty assessment). Required information includes parties to the transaction = Shipper, Customer, Ship to, Bill to, Intermediate Consignee, etc., (should include full addresses and contacts), any reference or control no. (S/O, Project no., PO), ship date, freight terms (INCOTERMS), product information = item no., P/N, description, qty, unit price, total price, HTS, ECCN and license exception/ no., total pcs/wt, total value/charge including shipping charges to customer, DCS (destination control statement), signature. Optional information includes payment terms, special instructions, other reference numbers, import license number. if applicable.

**Country of Origin** - The country where the item was grown, mined, manufactured or produced.

**Drop Shipment** – Sold to customer and directed by customer to ship goods to another entity.

**Dual Use** – Items that can be used in both military and civil/industrial applications.

**End User** – A consignee that uses U.S. items “as is” or incorporates them as integral parts, components or materials in the production of primarily foreign origin commodities.

**Export** – A i) physical shipment or transmission of items out of the United States; or ii) a release of a commodity, technical data or software out of the US or released to a foreign national in the United States or abroad ( so-called “deemed export”). Note that the definition of export covers any transmissions or transfers regardless of method (mail, e-mail, carrying overseas in personal luggage, or sending schematics via fax or telephone etc.) and any transmission or transfer of encryption source code and object code software outside of the U.S. or to foreign embassies or consulates within the United States. (Shipments to Canada or Mexico ARE exports. Shipments to Puerto Rico and other U.S. territories and possessions are also exports).

**Exporter** – The person or entity that, as the principal party in interest in the export transaction, has the power and responsibility for determining and controlling the sending of the items out of the United States.

**Foreign Policy Controls** – A control imposed under the EAR for any or all of the following: chemical and biological weapons, nuclear nonproliferation, missile technology, regional stability, crime control, and anti-terrorism and United Nations sanctions.

**Foreign National** - A person other than a U.S. citizen or permanent resident alien of the U.S. (Green Card holder)

**INCOTERMS** – International terms written by the International Chamber of Commerce (ICC) that defines the buyer and seller’s responsibilities for documentation preparation, who pays for certain costs such a packaging, loading, insurance, customs clearance and where the transfer of risk from seller to buyer takes place. INCOTERMS are updated from time to time.

**Item** – All commodities, technology and software.

**Letter of Credit** – International agreement for payment from a bank, for a specific transaction and under specific conditions. Primarily utilized in international transactions where the parties are unfamiliar with each other, financing is in question, or certain aspects of the transaction are desired to be controlled by one or more parties of the transaction. Typically contains very specific terms and conditions which need to be followed to ensure payment. Document must be presented along with commercial invoice and supporting documents to receiving party's bank to complete transaction.

**License** – Authority issued by the governmental agency with authority over the item (including but not limited to BIS, DDTC, and/or OFAC) authorizing an export, re-export or other regulated activity.

**License Exception** – An authorization that allows the export or re-export, under stated conditions, items subject to the EAR that otherwise would require a license. License exceptions are not applicable to exports under other agency jurisdiction. The availability of a license exception depends upon four factors:

- The proper classification of the item to be exported
- The end-use.
- The end-user.
- The country of destination

**Multilateral** - Controls established by more than one country.

**Certificate of Origin Under the U.S. Mexico Canada Free Trade Agreement (“USMCA”)** - To take advantage of the USMCA product must be qualified under the USMCA Rules of Origin and a Certificate of Origin must either accompany the shipment as a single transaction or a blanket Certificate of Origin must be on file with the importer and available to the importer's broker at the time of importation. Required information includes Supplier name/address/EIN, Customer name/address/identification no., date/blanket period, list of items by P/N, HTS, specific information regarding qualification criteria, signature, on a USMCA form.

**National Security** –Export controls are implemented to restrict the export and reexport of items that would make significant contribution to the military potential of any other country or combination of countries that would prove detrimental to the United States.

**Packing List** –Typically is fixed to the outside of the shipment carton/package. Can be used by customs for export clearance requirements as verification of invoiced items, exit inspections, etc. Is used by importing customs for same purposes. Is used by receiving customer to verify inventory and installation personnel to determine which goods are in which cartons for ease of installation. Includes enough header information to be able to tie it to the commercial invoice. Contains detailed descriptions and carton location/weight of each line item on the order. Should have more packaging/product detail than commercial invoice.

**Pro forma Invoice** – Non-billing document used to represent the same information on a commercial invoice. Can be generated at any point in the order cycle and is best utilized in the obtaining of import or export clearance requirements prior to shipment. Typically contains the

same information as a commercial invoice depending on what information is available at the time of creation. Typically misused as a shipping document for no charge shipments as it is a representation of goods tied to an order and will not trigger the billing cycle when created. By definition, Pro forma invoice is an 'estimate' of costs/values for a transaction. Many countries will not accept this document for import purposes and require submittal of a commercial invoice as verification.

**Software** – Any technical information or program which resides on any form of recorded media and is typically used in conjunction with a computer or a form of microprocessor.

**Technical Assistance** – Instruction, skills training, working knowledge or consulting services.

**Technical Data** - Blueprints, plans, diagrams, models, formulae, tables, engineering designs and specifications, manuals and instructions written or recorded on other media or devices such as disk, tape or read-only memories.

**Technology** – Specific information necessary for the development, production or use of a product. The information takes the form of “technical assistance” or “technical data”.

**Unilateral** – Controls established and enforced by the U.S. for national security and/or foreign policy reasons. Applied to the export of resale of U.S. origin items. May apply to non-U.S. origin products made using U.S. technology or software.

**Valuation** – According to US standards for valuation, the value of the export transactions must be the applicable transaction value.

#### **ADDITIONAL DEFINED TERMS:**

The EAR has its own listing of defined terms at 15 CFR § 772.1.

## II. IDENTIFICATION OF RESPONSIBLE POSITIONS AND KEY PERSONNEL

### IMPLEMENTATION

1. The Compliance Manager and the Compliance Committee, will maintain and distribute this Export Compliance Manual via hard copy and/or digital copy to all Wilson Tool employees whose duties include export matters. It will be reissued on an annual basis or as changes occur. A copy of the Export Compliance Manual will be available [www.workforce.adp.com](http://www.workforce.adp.com) and on the Company's website at [www.wilsontool.com](http://www.wilsontool.com) by clicking on the "About Us" drop down menu, then clicking on the "Compliance" option.
2. All employees whose duties include working on export matters will be provided with a copy of the Company Export Compliance Manual by Human Resources at the time of hire and will be required to sign and date the Export Compliance Manual. One copy of the signed Export Compliance Manual will be retained by the Company and another copy is to be provided to the employee at the employee's request, together with a certificate evidencing that the employee has received training on the Export Compliance Manual.

The Company's legal counsel will advise the Company on questions that require additional expertise.

### RESPONSIBLE POSITIONS

The responsibilities and authority of positions related to the Company's Export Management Compliance Program and this Export Compliance Manual are as follows:

➤ **CEO**

- Overall review and oversight of the EMCP.
- Final determination for questions on export transactions.
- Periodically review compliance procedures for Wilson Tool.

➤ **Compliance Manager**

- Develop and manage the daily operations of the EMCP.
- Coordinate the Company's orientation and EMCP training for all applicable employees and contractors whose duties include export matters.
- Periodically review compliance procedures for the Company.
- Revise and distribute the Export Compliance Manual (digitally and/or in hard copy) when changes in law or regulations necessitate.
- Maintain up-to-date export regulations, including access to U.S. federal agency websites and links to Wilson Tool employee websites.
- Confirm license requirements when there is any question or when the company's classification matrix does not clearly identify license requirements.

- Act as primary interface with U.S. Government Agencies including submission of license applications, when required, via SNAP-R.
- Review any transactions that are raised for additional scrutiny by staff due to proscribed party screening hits or any other concerns about involved parties.
- Confirm all government export control regulations are being followed.
- Maintain appropriate government contacts.
- Oversee the Company's selection of freight forwarders and monitor their compliance with respect to the Company's export control requirements.
- Oversee the Company's recordkeeping requirements related to export control requirements.
- Participate in the company's Compliance Committee.
- Revise and distribute the Export Control Distributor Letter. See Exhibit B attached to this Export Compliance Manual.

➤ **Engineers**

- Classify all Wilson Tool products and technology.
- Coordinate with Compliance Manager to maintain and update the Company's product classification matrix.
- Revise classifications for export control reasons whenever modifications are made to Company products. Classify new products prior to any marketing/sales.
- The Director of R&D & Technology to participate on Compliance Committee.
- Advise on any product/technology license determination issues.

➤ **Human Resources Department**

- Support in-house technical export expertise through education, recruitment, hiring and retention of trade professionals.
- Provide a copy of the Export Compliance Manual, any updates to the same, and a statement acknowledging receipt of the same to all new employees whose duties include working on export matters.
- Provide Export Compliance Manual and a statement acknowledging receipt of the same to all new subcontractors.
- Receive signed Export Compliance Manual acknowledgments from employees and subcontractors and maintain copies of the same in the Company's records.
- Conduct reviews of all foreign national employees and contractors against all export control proscribed lists and other export control requirements and coordinate with the Compliance Manager to obtain a Deemed Export license or other authorization if necessary prior to hiring.

➤ **Sales Staff**

- Work with customers to obtain customer project descriptions, technology and technical data used for export compliance review.
- Conduct reviews of all potential foreign national customers (including those receiving technology through samples, factory tours, or oral or electronic correspondence) against all export control proscribed lists and other export control requirements and coordinate with the Compliance Manager to obtain a Deemed Export license or other authorization if necessary prior to Wilson Tool technology transmission/access.

**KEY PERSONNEL**

<b>Name</b>	<b>Telephone</b>	<b>Email</b>
Brian Robinson	651-286-6003	brian.robinson@wilsonstool.com
Christopher Lawless	651-286-6090	christopher.lawless@wilsonstool.com
Marvin Dee	651-286-6007	marvin.dee@wilsonstool.com
<b>Compliance Committee Members</b>		
Brian Robinson	651-286-6003	brian.robinson@wilsonstool.com
Christopher Lawless	651-286-6090	christopher.lawless@wilsonstool.com
Marvin Dee	651-286-6007	<a href="mailto:marvin.dee@wilsonstool.com">marvin.dee@wilsonstool.com</a>
Ron Palick	651-286-6143	<a href="mailto:ron.palick@wilsonstool.com">ron.palick@wilsonstool.com</a>
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Jay Stutsman	651-286-6025	jay.stutsman@wilsonstool.com
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<b>ITAR Compliance</b>		
Jeremy Edson	651-286-6042	jeremy.edson@wilsonstool.com

### **III. PRE/POST EXPORT COMPLIANCE SECURITY & SCREENING**

Ultimately, it is the responsibility of the person or company exporting products or technology to determine whether the transaction requires an export license to the end destination or end user and to research the end use of the product or technology; in other words, to perform “due diligence” regarding the transaction. We need to work with customers to anticipate their needs as early as possible and obtain any required licenses as early in the process as possible to minimize the time that it takes for our employees to undertake a sale of our products or to work on customer projects involving protected technology or technical data. The following pre/post export compliance security and screening procedures are required in order for us to fulfill our due diligence obligations.

#### **JURISDICTION**

The export of products from the United States is regulated through several federal departments and agencies. The Compliance Manager, with the assistance of legal counsel as needed, is responsible for determining the commodity jurisdiction, meaning which regulations will govern the export. For our Company, the main U.S. Government Departments that may have jurisdiction over our items are:

<b>Department</b>	<b>Jurisdiction</b>	<b>Contact Information</b>
Department of Commerce, Bureau of Industry and Security	Dual Use-Items: Commodities, software, and technology that have a commercial and military nature	Phone: 202-482-4811 <a href="http://www.bis.doc.gov">www.bis.doc.gov</a> License System: SNAP-R
Department of State, Directorate of Defense Trade Controls	Munitions Items: Exports and imports of defense articles and services	Phone: 202-663-1282 <a href="http://www.pmdtcc.state.gov/">http://www.pmdtcc.state.gov/</a> License System: DTrade
Department of the Treasury, Office of Foreign Assets Control	Economic and trade sanctions	Phone: 202-622-2000 <a href="http://www.treas.gov/ofac">www.treas.gov/ofac</a>

Exports of most commercial items, including computer software, hardware or other technology, are regulated by the Export Administration Regulations (“EAR”). The EAR regulates the export of all items that have a predominantly civilian application, but which could also be used for military or strategic use (defined as “dual use”). However, the EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the International Traffic in Arms Regulations (“ITAR”) regulates the export of all defense-related items and services. The Bureau of Industry and Security (“BIS”) in the Department of Commerce is responsible for enforcing the EAR. The Directorate of Defense Trade Controls (“DDTC”) in the Department of State is responsible for enforcing the ITAR. In addition, the Office of Foreign Asset Control (“OFAC”) in the Department of Treasury administers and enforces economic sanctions programs. The EAR, ITAR and OFAC regulations are hereafter collectively referred to as “U.S. Export Control Regulations.”

Currently, commodity jurisdiction for Wilson Tool products rests with BIS in the Department of Commerce, subject to the sanctions programs administered by OFAC in the Department of Treasury.

## **PRODUCT CLASSIFICATION**

Every item subject to the EAR has an Export Control Classification Number (“ECCN”) or is designated EAR99. An ECCN is an alpha-numeric code derived from the United States Commerce Control List (“CCL”) that identifies the level of export control that is imposed on a certain item, technology and/or software that is exported from the United States. Reasons for control include anti-terrorism, chemical and biological weapons, crime control, missile technology, nuclear nonproliferation, national security, regional stability, etc. EAR99 refers to items that fall under the EAR but are not listed on the CCL.

Exporters such as Wilson Tool are allowed to self-determine an ECCN by review of the CCL, or they may request an official classification ruling from BIS. Either course requires in-depth technical knowledge of the products to be categorized.

Wilson Tool’s Compliance Manager is charged with the responsibility of initiating and administering the product classifications process. As the Company’s technical authorities, the complete cooperation of the engineers is paramount in classifying items for export, whether self-classified or classified through official ruling. Outside counsel will be engaged in the classification process as needed. Should Wilson Tool engineers be uncertain of a classification or should a product’s sophistication require an official ruling, the Compliance Manager submits, or will arrange through outside counsel the submission of, a formal classification ruling request to BIS.

A current listing of classifications for Wilson Tool products and technical data is maintained on the compliance drive in the EMS folder.

## **SCREENING**

As mentioned above, OFAC administers and enforces economic sanctions programs. Some programs are comprehensive in nature and block the government and/or specific geographic regions and include broad-based trade restrictions, while others may target individuals and entities. It is important to note that in non-comprehensive programs, there may be broad prohibitions on dealings with countries, and also against specific named individuals and entities. The names are incorporated into OFAC’s list of Specially Designated Nationals and Blocked Persons List, available at <https://sanctionssearch.ofac.treas.gov/>, which includes over 6,000 names of companies and individuals who are connected with the sanctions targets. Summaries of all of the OFAC sanctions programs are available at <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

In support of the OFAC sanctions, the EAR place a burden on exporters to know their customers and the end use of exported products, work product, software or technology. Exporters must verify that customers and end users are legitimate and that the exported products or technology will not be illegally diverted. An export license is almost always required for any export that will be used in defense, such as missiles, or chemical and biological weapons, or nuclear technology. Exporters must take into account and inquire about any abnormal circumstances in a transaction that may indicate that an export may be destined for an inappropriate end-use, end user, or destination.

To ensure that Wilson Tool is not shipping to an individual or entity specifically prohibited by the United States government from receiving exports or otherwise engaging in trade with U.S. parties, screening customer information is fundamental. All of our customer names and addresses, including distributors, will be screened as the initial order is placed and throughout the supply chain process. If there is a change in an existing customer's ownership or address, then the customer should be screened again. The Company will utilize screen software, third party software (such as "Shipping Solutions") and government websites to conduct these checks against all existing proscribed party lists.

All orders and final sales will also be examined for possible inappropriate end-uses of our exported products, any apparent red flags or other export related concerns, and anti-boycott compliance and general prohibitions (as described under License Determination & Requirements below). Anti-boycott refers to laws that discourage, and in some circumstances, prohibit U.S. companies from furthering or supporting the boycott of Israel sponsored by the Arab League, and certain Muslim countries, including complying with certain requests for information designed to verify compliance with the boycott. Compliance with such requests may be prohibited by the EAR and may be reportable to BIS. The anti-boycott laws were adopted to encourage, and in specified cases, require U.S. firms to refuse to participate in foreign boycotts that the U.S. does not sanction. They have the effect of preventing U.S. firms from being used to implement foreign policies of other nations which run counter to U.S. policy.

Below are just some red flag indicators to be aware of:

- The customer or its address is similar to one of the parties found on the Consolidated Screening List, available at <https://www.export.gov/csl-search>, or the Specially Designated Nationals and Blocked Persons List, available at <https://sanctionssearch.ofac.treas.gov/> (the "Screening Lists").
- The customer or purchasing agent is reluctant to offer information about the end-use of the item.
- The product's capabilities do not fit the buyer's line of business, such as an order for sophisticated computers for a small bakery.
- The item ordered is incompatible with the technical level of the country to which it is being shipped, such as semiconductor manufacturing equipment being shipped to a country that has no electronics industry.
- The customer is willing to pay cash for a very expensive item when the terms of sale would normally call for financing.
- The customer has little or no business background.
- The customer is unfamiliar with the product's performance characteristics but still wants the product.
- Routine installation, training, or maintenance services are declined by the customer.
- Delivery dates are vague, or deliveries are planned for out of the way destinations.
- A freight forwarding firm is listed as the product's final destination.
- The shipping route is abnormal for the product and destination.
- Packaging is inconsistent with the stated method of shipment or destination.
- When questioned, the buyer is evasive and especially unclear about whether the purchased product is for domestic use, for export, or for re-export.

Wilson Tool aims to conduct business with a well-established and stable customer base that has been cleared against the proscribed lists. Nevertheless, the growth of business depends of building new business with one-time customers and customers with sporadic orders. In these cases, Wilson Tool sufficiently screens customers to determine their legitimacy. Do not put on blinders that prevent the learning of relevant information. An affirmative policy of steps to avoid “bad” information would not insulate Wilson Tool from liability, and it would usually be considered an aggravating factor in an enforcement proceeding. The procedures above set the standard that all employees whose duties include export matters need to follow, however, the Company also encourages employees to use their instincts and to report and abandon any transactions that appear to be suspicious.

## **LICENSE DETERMINATION & REQUIREMENTS**

The need for an export license is based on the ECCN and the CCL cross referenced to the EAR’s Country Chart (found in Supplement 1 to § 738 of the EAR) and General Orders and General Prohibitions (§ 736 of the EAR). The following are brief descriptions of general prohibitions on exports from the United States, as contained in § 736.2 of the EAR:

1. U.S. and non-U.S. origin products or technology may not be exported from the United States or re-exported from a third country unless a license exception or export license covers the transaction. This prohibition does NOT apply to products or technology classified as EAR99.
2. Exports or re-exports of non-U.S. origin products with certain U.S. content may not be made unless a license exception or export license covers the transaction. This prohibition does NOT apply to products classified as EAR99.
3. Exports or re-exports of non-U.S. origin products based upon U.S. technology may not be made unless a license exception or export license applies. This prohibition does NOT apply to products classified as EAR99.
4. Transactions with companies or individuals on the Denied Persons List are prohibited if the company or individual will “benefit” from an export transaction.
5. Transactions may not be conducted with prohibited end users or when a prohibited end use is involved.
6. Exports or re-exports may not be made to embargo countries unless a license exception or export license covers the transaction.
7. Transactions that would support activities that involve the proliferation of weapons of mass destruction are prohibited.
8. Shipments may not transit through certain countries unless a license exception or license would authorize the direct export to the country or countries being transited.
9. Conditions of any license exception or export license issued under the EAR may not be violated. Similarly, any order issued under the EAR may not be violated.
10. Transactions may not be completed if it is known a violation has occurred or is about to occur.

The Compliance Manager is responsible for administering the licensing process. The need for export licenses will be assessed by the Compliance Manager with the support of the Logistics Coordinator and, as needed, outside counsel. If a license is required, the Compliance Manager or his or her designee on the Compliance Committee will file the license application through BIS’s

SNAP-R electronic application system. Any order flagged by the Compliance Committee as requiring a license will be blocked in the system with the notation “DO NOT SHIP — License Required First!” until the license is received and necessary information provided to the Transportation Department for export clearance purposes. Those sales identified as eligible for shipment under a license exception by the Compliance Committee during the initial order review will also have a notification in the order processing system stating “License Exception (LE) Eligible — Requires final clearance and information from the Export Compliance Committee prior to release.”

Because items for export and the EAR change over time, it is the responsibility of the Compliance Manager to constantly monitor CCL changes that may impact Wilson Tool products and exports.

## **THE DEEMED EXPORT RULE**

A deemed export is any export of the Company’s or a customer’s proprietary technology or technical data to a foreign national within the United States by means of visual inspection (such as reading technical specifications), oral communication, or by practice or application under the guidance of persons with knowledge of the technology. In other words, an export is “deemed” to take place when it is made available to a foreign national within the United States. The EAR definition of a “foreign national” is a person other than a U.S. citizen or permanent resident alien of the U.S. (Green Card holder).

In the course of business, Wilson Tool employees frequently engage with foreign nationals here in the United States, and Wilson Tool may seek to hire applicants who are foreign nationals. Under the Deemed Export Rule, Wilson Tool would need to apply for an export license if both of these conditions are met: 1) the Company transfers controlled technologies to foreign nationals in the United States AND 2) the transfer of the same technology to the foreign national’s home country would require an export license.

Employees must be conscious that any communication may involve a technology transfer. Technology transfers may take place during phone calls, sales meetings, plant visits, technical discussions and email communications. Wilson Tool requires registration of all visitors upon entering the facility. Prior to giving a facility tour to any visitor, verify that the visitor is not a foreign national.

Deemed Exports carry all the same requirements of tangible item exports. This will require analysis of the Wilson Tool product classification, reasons for control, and the country of the foreign national. Licensing and all record retention requirements must also be followed.

With respect to hiring foreign nationals, the following steps will be taken by HR:

- HR will conduct a background check of the candidate, including citizenship status.
- HR will screen the candidate against the Screening Lists. If any potential employee’s name is found on the Screening Lists, Human Resources will consult with legal counsel for the Company to determine if such listing prevents the Company from offering employment to such individual.

For any new employee of Wilson Tool who is a foreign national and for any current employee who is a foreign national and is assigned to a new project or customer, Wilson Tool will undertake the following process.

- Sales Staff will complete a questionnaire for each project where a Wilson Tool foreign national employee will be assigned. This information will include a complete project description and a list of technologies being used and technical data associated with such project (including any software or hardware to be used or worked on by such foreign national). The form of questionnaire is attached as Exhibit A to this Export Compliance Manual. If the person will be working onsite at a customer site, the corresponding Account Executive will work with the customer to complete all information requested on the questionnaire along with a corresponding ECCN Code (Export Control Classification Number) for the technology and technical data, if available. The completed questionnaire should be forwarded to the Compliance Manager.
- The Compliance Manager will check the ECCN number provided on the questionnaire against the Export Control List and determine (with the assistance of legal counsel for the Company, if needed) whether a license is required to disclose the technology and/or technical data relating to such ECCN number to the identified foreign national.
- If it is determined that an individual validated license is required, then the Compliance Manager will submit an individual license request to the Department of Commerce prior to the identified foreign national starting employment on such project and will instruct the Account Executive not to start such foreign national on such project until Wilson Tool receives a validated license for that person.

## **RE-EXPORTS**

Our due diligence efforts help us verify that our customers are legitimate based on their identity, location and their intended end use. To ensure that our customers are in fact the end users of our products and technology, it is important to prohibit our customers from re-exporting or transferring the exported item to a different or additional end-user in violation of export laws. We are not expected to trace every order to make sure it is not re-exported, but if we have reason to believe that an order is being re-exported in violation of the export laws, we do have an obligation to further investigate, and if we believe the product is being re-exported in violation of the export laws, we have an obligation not to sell the product to the customer, distributor or sales representative.

We have incorporated into our sales forms a provision that notifies our customers that they may not further export or transfer the item to others in violation of U.S. export laws and that the item will not be transferred to any other end-user without our prior written consent. Our sales team also ensures that a similar provision is included within any other customer agreement, whether domestic or international.

In addition, §758.6 of the EAR requires that we include a Destination Control Statement on any commercial invoice, air waybill, bill of lading, or export control documents that accompany the shipment of a controlled item (something for which a license is required to ship). When you physically ship a tangible item, including tangible forms of software and technology, you must

determine whether you are required to include a Destination Control Statement on the commercial invoice.

The exact language for a “Destination Control Statement” is set forth in 15 C.F.R. §758.6 . Unless an item is being shipped (i) using License Exception BAG or GFT (see part 740 of the EAR), or (ii) the item is designated as EAR99, this language must be included on the commercial invoice:

*“These items are controlled by the U.S. Government and authorized for export only to the country of ultimate destination for use by the ultimate consignee or end-user(s) herein identified. They may not be resold, transferred, or otherwise disposed of, to any other country or to any person other than the authorized ultimate consignee or end-user(s), either in their original form or after being incorporated into other items, without first obtaining approval from the U.S. government or as otherwise authorized by U.S. law and regulations”*

The following chart helps depict when you should include a Destination Control Statement on the commercial invoice:

Tangible item being exported is:	Destination Control Statement Not Required	Destination Control Statement Required
EAR99	X	
NOT EAR99, but being shipped under License Exception BAG or GFT	X	
NOT EAR99 & NOT being shipped under License Exception BAG or GFT		X

If any 9x515 or “600 series” items are being shipped in tangible form, include the ECCNs for any such items.

### CHECKLIST FOR EXPORT ANALYSIS

Following is a short checklist which can be used for generally assessing your export requirements or restrictions.

<b>1. Does the product have predominantly military/defense applications?</b>	<p>If no, it is subject to the jurisdiction of BIS, proceed with questions below.</p> <p>If yes, it may be subject to the ITAR. You should review the Munitions List and check if it falls under one of the classification categories.</p>
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<b>2. What is being exported?</b>	Is it subject to the EAR?
<b>3. What is the product's ECCN number?</b> Review the Commerce Control List to classify the product.	Consider whether you want to submit a classification request to confirm that the classification is correct. If it is not listed on the Commerce Control List, does it fall under EAR99?
<b>4. Where is the product going?</b>	If any of the end destinations are embargoed or specially controlled countries, exports may be completely restricted or a license will be required. Check OFAC and BIS websites for the most recent U.S. government sanctions.
<b>5. Who are the product's end users?</b>	Confirm that no end users are listed on the Consolidated Screening List or Specially Designated Nationals List. If on these lists, you must conduct additional diligence.
<b>6. Does end-user nationality prohibit export under 'deemed export rule?'</b>	If any end-users are from countries for which export from the U.S. would require a license (and do not have U.S. nationality, permanent resident status or other protected status), a license will be required to transfer the item to them.
<b>7. Will the product be re-exported?</b>	If yes, same analysis applies to re-export as to export. Otherwise, require recipient to certify that it will not re-export.
<b>8. Do the ECCN, destination and end-user indicate that a license is required?</b>	If yes – is there an eligible license exception? Must meet the requirements of the particular exception.  If not, apply for an export license from BIS.

## IV. SHIPPING AND FREIGHT FORWARDER MANAGEMENT

In addition to our due diligence responsibilities regarding screening and approving an export transaction, Wilson Tool selects only those freight forwarders whose quality level of service is consistently high to mitigate the risk of a violation of export law during shipping.

Wilson Tool manages its freight forwarders through strategic supplier agreements, carrier agreements, standard operating procedures, quality management reviews and audits. A Notification to Freight Forwarder will be sent to all Wilson Tool logistics vendors and freight forwarders (with the exception of UPS, Federal Express and DHL). The form of Notification is attached as Exhibit D to this Export Compliance Manual. Each logistics vendor or freight forwarder must return a signed acknowledgement within 15 days of receipt. If Wilson Tool has not received the acknowledgement within the stated period, a second reminder will be sent to the logistics vendor or freight forwarder, with a deadline for response of 10 days. Failure to comply with this request will result in Wilson Tool terminating the services of the logistics vendor or freight forwarder.

A signed Power of Attorney will be sent to freight forwarders as needed.

### FREIGHT FORWARDER DUTIES

When Wilson Tool uses a freight forwarder, Wilson Tool will generate the following documents:

- **Commercial Invoice:** Document (or reasonable representation thereof) that will physically accompany the shipment from shipping to end destination and that accurately reflects the associated financial transaction. This is required for export clearance (verify SED/AES filing accuracy) and destination import clearance (import licensing requirements, duty assessment). Required information includes parties to the transaction = Shipper, Customer, Ship to, Bill to, Intermediate Consignee, etc., (should include full addresses and contacts), any reference or control no. (S/O, Project no., PO), ship date, freight terms (INCOTERMS), product information = item no., P/N, description, qty, unit price, total price, HTS, ECCN and license exception/ no., total pcs/wt, total value/charge including shipping charges to customer, DCS (destination control statement), signature. Optional information includes payment terms, special instructions, other reference nos, import license no. if applicable.
- **Shipper's Letter of Instruction (SLI):** Document that gives the freight forwarder specific shipping instructions and information necessary to file AES filing record. Required information includes parties to transaction HAWB/Pro no. if available, date, reference numbers, ECCN, Export License exception, Import license no., HTS code(s) with assigned values for shipment, COO, Pcs/Wt/Dims, method of shipment, and any special handling instructions. The SLI may also authorize the forwarder to act on behalf of Wilson Tool.

From time to time, freight forwarders may be responsible for preparing an AWB/BOL, the official document for the transportation of goods across borders. Required information mirrors the SLI and adds routing and transportation billing information. Wilson Tool will obtain a copy for record retention purposes.

With a signed Power of Attorney, the freight forwarder may prepare the AES filing on behalf of Wilson Tool. Required information includes: parties to the transaction, AWB/Pro number, date, reference numbers, ECCN, license no. or exception, HTS code(s) with assigned values for shipment, country of origin, method of shipment, signature/stamp. Wilson Tool will obtain a copy for record retention purposes.

## **ROUTED TRANSACTIONS**

While conducting an export transaction, the foreign purchaser may request that their merchandise be delivered to another location within the U.S. for retrieval by a freight forwarder or other agent who has been contracted by the foreign purchaser to export the merchandise from the U.S. Since the foreign purchaser has contracted the services of a freight forwarder or other agent to facilitate the exportation of their merchandise, the transaction could be deemed a routed export transaction.

Federal regulations identify the seller of the merchandise as the U.S. Principal Party in Interest (USPPI) and the foreign purchaser of the merchandise as the foreign principal party in interest (FPPI). In the event that the freight forwarder or other agent will be completing and submitting a Shipper's Export Declaration via the Automated Export System on the behalf of the FPPI, the duly authorized freight forwarder or other agent *must* obtain a power of attorney or other written authorization from the FPPI.

The USPPI is not required to provide the authorized freight forwarder or other agent with a power of attorney or other written authorization in the case of a routed export transaction. However, the USPPI must provide the following data elements to the authorized freight forwarder or other agent:

- The name, as well as, the address of the USPPI;
- The employer identification number or other tax identification number of the USPPI;
- The point of origin for the merchandise awaiting exportation;
- The appropriate merchandise code, Domestic (D), Foreign (F) or Foreign Military Sale (M);
- The appropriate Schedule B number and description of commodities;
- The appropriate quantity and unit of measure;
- The appropriate value;
- The appropriate export control classification number (ECCN) or enough technical information to determine the ECCN.

The FPPI's freight forwarder or other agent needs these data elements to properly facilitate the exportation of merchandise as well as electronically file a complete and accurate Shipper's Export Declaration through the Automated Export System.

Upon written request by the USPPI, the authorized freight forwarder or other agent of the FPPI may provide a copy of the power of attorney or other written authorization that has been furnished by the FPPI. When Wilson Tool is the USPPI, Wilson Tool will retain this documentation as part of their permanent file for the FPPI.

Although the FPPI's freight forwarder or other agent is undertaking the responsibility of filing the appropriate export documentation, the USPPI still has other export compliance obligations such as checking the foreign purchaser's information against various governmental restricted party lists for potential prohibited end users, and looking for any red flags that may indicate prohibited end use of the merchandise undergoing exportation. Equally important the USPPI must determine whether or not an export license is required for the merchandise. When Wilson Tool is the USPPI, Wilson Tool will follow the diligence procedures outlined in Section III of this Export Compliance Manual.

## V. EDUCATION AND TRAINING

Wilson Tool recognizes the value of investing in its greatest asset: its personnel. In order to ensure that all who are involved with exports are fully aware of procedures, requirements, and policies involving exports, Wilson Tool has instituted a training and awareness program to build, update, and continually nurture, both formally and informally, the skills, teamwork, and corporate culture essential in keeping Wilson Tool compliant with federal export regulations, while also enhancing the effectiveness and efficiency of our export processes. Informed employees and affiliates minimize the likelihood that inadvertent violations of export laws and regulations will occur. **IGNORANCE OF THE LAW IS NO DEFENSE TO AN EXPORT CONTROL VIOLATION!**

### METHODS OF TRAINING

The Compliance Committee is responsible for identifying and determining the method, type and frequency of training required for individuals that are involved in exports, logistics, Sales and Marketing, Human Resources, IT, Finance, Engineering, and Shipping and Logistics including Wilson Tool's sales representatives and distributors. This will be determined based on changes to the export regulations and/or procedures within Wilson Tool.

Methods that will be utilized to train may be formal or informal. Formal training will consist of structured meetings with agendas and handouts. A copy of the handouts will be filed in the Internal Training File maintained by the Compliance Manager. The Compliance Manager will record attendance in the Training/Education Log. See Exhibit C attached to this Export Compliance Manual. Informal Training may consist of day to day verbal and written communication, including email messages or memorandum. A copy of written communication will be filed in the Internal Communication File maintained in the office of the Compliance Manager.

### TYPES OF TRAINING

Training, consisting of orientation, update sessions and seminars, will be provided to employees and may also be provided to Wilson Tool's distributors and sales representatives from time to time.

- Orientation: Formal orientation training to all new employees whose duties include export matters will include, but will not be limited to the following topics:
  - Summary of the organizational structure of export related personnel and their functions.
  - Company commitment to export compliance, this Export Control Manual & the Wilson Tool Export Management Compliance Program.
  - U.S. export regulations as it relates to the specific positions of the employees.
  
- Update Sessions: Formal and informal update sessions will be provided to meet specific needs of the individuals and/or operating departments. The purpose of the training will be to reinforce knowledge and to communicate updates and changes to the export regulations and Company procedures. The training will include but will not be limited to the following subjects:

- Overview of the scope of export controls.
  - Review license types and requirements.
  - Review system currently in place to ensure compliance.
  - Requirements of license exceptions.
  - Record keeping requirements.
  - Wilson Tool Export Control Manual and Export Management Compliance Program.
- **Seminars:** From time-to-time, employees may attend export seminars offered by the Department of Commerce or private organizations, and industry groups. These seminars are to present awareness of changes in the regulations and to keep the employees current on export related issues.

## **EXPORT COMPLIANCE AWARENESS**

In addition to employee training, periodic executive export compliance training may be presented to senior management to keep them abreast of relevant export issues.

Each year, the Compliance Manager will send to Wilson Tool's factory-trained specialists and distributors and any other third party subcontractors and contracting companies the Export Compliance Manual Distributor Letter. See Exhibit B attached to this Export Compliance Manual. The recipient will be required to return a signed acknowledgment within 3 days of receipt. Failure to comply with this request may result in Wilson Tool terminating the services of such third party.

## **KEEPING UP TO DATE**

The following resources will be used to keep abreast of the constantly changing export environment:

- E1 Country List
- Screening Lists
- Customer Questionnaire
- BIS website ([www.bis.doc.gov](http://www.bis.doc.gov))
- OFAC website (<https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>)

As export regulatory changes that impact Wilson Tool's EMCP occur, the Compliance Manager will alert all staff with a broadcast e-mail. Toward that end, the Compliance Committee will keep abreast of relevant changes to export laws and regulations and our products to keep all employees whose duties include export matters up to date.

## **DOCUMENTATION**

A training record for each training event for each employee is to be maintained, and that record is to include the date and place of training, the instructor(s) name, the subjects covered. Employees are to furnish training-completion certificates to the Human Resources Manager, who will ensure that the Company's records include updated records of all Export Compliance

Manual and EMCP training received. Signed acknowledgments to the Export Control Manual Distributor Letter will be kept in a file maintained by the Compliance Manager. All training records and acknowledgments are to be maintained for a minimum period of 5 years.

## **VI. RECORDKEEPING**

Export documents are maintained in an accurate and consistent manner and are available for inspection. All departments involved with international transactions maintain their export records according to the EAR. Wilson Tool's ability to maintain and demonstrate export control compliance relies on our ability to maintain accurate records. Failure to maintain adequate records can result in fines or the loss of export privileges.

The Compliance Manager is responsible for assuring that all departments involved with export related transactions maintain their export records according to the EAR. We have established and maintained significant measures for an efficient and effective record keeping system. Wilson Tool ensures that all export records are captured and correctly filed to allow for efficient search and retrieval by conducting periodic audits of the recordkeeping system. Wilson Tool's filing system is in both hard and electronic format and allows easy matching, for any particular transaction/documents.

As defined in part 762 EAR, the U.S. Government requires that companies keep export records for five years from the date (the latest date) of export from the U.S. Examples of relevant documents include:

- Export control documents
- Memoranda, notes and correspondence
- Contracts
- Invitations to bid
- Books of account
- Financial records
- Restrictive trade practice or boycott documents and reports
- Notifications from BIS of applications being returned, denied or of the results of a commodity classification or encryption review request
- Other records, such as records of transactions involving restrictive trade practices, exports of commodities, software or technology, exports to Canada that might be diverted to another foreign country, or all negotiations or transactions connected with end-users of proliferation concern.

The U.S. Government requires that certain identified export related documents be available for five (5) years after the deemed export of any technology to a foreign national. In addition, Wilson Tool has determined it is in the Company's best interest to maintain certain information and other documents relating to its employment screening for export reasons for five years after the termination of such individual's employment by the Company or determination not to offer employment to such individual.

The following outlines which export related documents are retained, the person responsible for maintenance, and location of documents:

<b>Documents</b>	<b>Responsible Person</b>	<b>Document Location</b>
Export Compliance Manual	Compliance Manager	Compliance Drive – Export Manual Folder

<b>Documents</b>	<b>Responsible Person</b>	<b>Document Location</b>
Export compliance system reviews	Compliance Manager	Compliance Drive – Export Manual Folder
Documentation related to determination of ECCN and need for license	Compliance Manager	Compliance Drive – Export Manual Folder
Documentation related to sales, license applications, and issued licenses	Compliance Manager	Compliance Drive – Export Manual Folder and SAP
Export compliance training materials	Compliance Manager	Compliance Drive – Export Manual Folder
Executed Freight Forwarder Notification and other shipping documents, including AWB/BOL, invoices, SLI, USMCA documents, AES	Compliance Manager	Compliance Drive – Export Manual Folder
Executed Export Compliance Manual Distributor Letter	Compliance Manager	Compliance Drive – Export Manual Folder
Export compliance screening of potential hires	Human Resources Manager	Employee Personnel File
Executed representation re: export compliance by employees	Human Resources Manager	Litmos or Employee Personnel File
ITAR Documentation	Jeremy Edson	ATK Drive

In addition to being responsible for maintaining a current copy of the Export Compliance Manual as noted above, the Export Compliance Manager is responsible for maintaining a distribution list identifying personnel who also require a current copy. The Export Compliance Manager is solely responsible for updating the Export Compliance Manual.

## **VII. COMPLIANCE MONITORING AND REVIEW**

To protect the integrity of the Company's EMCP by verifying that operational compliance procedures reflect the Company's written compliance procedures, and that Company procedures are consistent with government export regulations, there will be a quarterly internal compliance system review. This review will be in addition to the ongoing review of export transactions by the Compliance Manager. Additional reviews will occur subsequent to an organizational restructuring, a significant change in our product line, or a substantial change in our customer base. Reviews will be inclusive of our overseas subsidiaries, and, to the extent possible, our freight forwarders/logistics suppliers, and our customers, purchasers, and business partners.

Our review process will assess the effectiveness of all the elements of our Export Compliance Manual and our EMCP, including the review process itself. We will evaluate whether what should happen, does, and that what should not happen, does not, as part of day-to-day standard operating procedures. The review will encompass export transactions and procedures, with the focus of the reviews on compliance with this Export Compliance Manual.

The Compliance Manager will perform the scheduled compliance systems reviews. In performing the reviews, the Compliance Manager is to examine transactions and procedures with a view toward identifying gaps and inconsistencies, risks and vulnerabilities, and give Wilson Tool a fresh perspective in order to maintain a robust, efficient, and secure export program. In this regard, it is important to convey to entities/individuals being audited that it is in all of our interests to get our compliance policies and procedures right in an environment of change regarding our products, the threats, and the export regulations. The audit process is not a "gotcha" exercise, but is instead an opportunity for us to adjust our compliance procedures, learn from mistakes or inefficiencies, hold ourselves accountable, and keep Wilson Tool both compliant and highly competitive.

The guidelines and audit checklist published by BIS will be utilized in setting the scope, determining proper procedure and documenting the review. The backup for conducting the review will be performed by qualified external organizations (selected by the Compliance Committee if required to support in-house reviews).

A written report summarizing the results of the compliance system review is to be generated by the Compliance Manager no later than 30 days following the review, and distributed to the Chief Executive Officer of Wilson Tool Enterprises. The report should include descriptions of purpose, methodology, findings, and proposed recommendations, including proposed step-by-step procedures and time-frames.

The Compliance Manager will communicate any necessary corrective actions to the appropriate departments. Depending on the scope of the recommendations, the Compliance Manager will revisit affected business units daily or weekly to ensure full and proper implementation of any corrective actions. A follow-up report will be issued by the Compliance Manager within 30 days of the Compliance Manager's notice to implement any audit recommendations. The implementation of any audit recommendations or corrective actions is to be audited in the next annual audit.

Lessons learned from the auditing process not only will be used to revise and improve our EMCP but will also be included in our compliance training. By rolling lessons learned into training, we continue to build our corporate culture of compliance and integrate all the elements of our EMCP into a cohesive and dynamic whole.

## **VIII. HANDLING AND REPORTING EXPORT COMPLIANCE VIOLATIONS**

### **WHO TO CONTACT**

Any questions concerning U.S. export control regulations, including concerns about the legitimacy of a transaction or a potential violation of U.S. export control regulations, should be addressed to the Compliance Manager, a member of our Compliance Committee, who can be reached at [compliancecommittee@wilsonstool.com](mailto:compliancecommittee@wilsonstool.com) or by phone at 651-286-6017. You may also contact any member of the Compliance Committee directly. If you are uncomfortable reporting a possible violation, you may also do so anonymously via the Company's anonymous hotline managed by Lighthouse Services using the hotline number at [1-833-610-0010](tel:1-833-610-0010), or by sending an email to the Lighthouse Services Wilson Tool reporting website at [www.lighthouse-services.com/wilsonstool](http://www.lighthouse-services.com/wilsonstool). We respect your privacy and your identity will remain confidential.

The Compliance Manager will report all concerns to the Compliance Committee, which will conduct an initial review as quickly as possible. The Compliance Committee may provide a summary of the suspected violation to Wilson Tool outside counsel for assistance in confirming whether a violation has taken place using the format provided in Exhibit E attached to this Export Compliance Manual. Unless reported anonymously, the Compliance Committee will report back to the submitter of the report to let them know the status or final outcome.

The Compliance Committee will provide a bi-annual report in writing to the Chief Executive Officer concerning all reports submitted by employees and the determination and actions taken for each using the format provided in Exhibit F.

Wilson Tool has determined that only the Chief Executive Officer or the Compliance Manager will be authorized to sign externally released documents and correspondence related to possible export violations.

### **INTERNAL INVESTIGATIONS**

Once it is determined that an export violation is likely to have occurred, an investigation will commence immediately. The Compliance Committee will work with senior personnel (Department Head level or higher) and outside counsel as needed. The Compliance Manager or the Compliance Committee will lead the investigation team and is authorized to fully investigate all aspects, obtain all records and interview employees as needed to determine the cause of the violation. The investigative team will provide a written record of their findings, conclusions and recommendations to the Chief Executive Officer within 45 days of the start of the investigation.

If appropriate, the Compliance Committee will draft a preliminary voluntary self-disclosure ("VSD") to be sent to BIS's Office of Export Enforcement in Washington, DC. The final VSD will be signed and submitted by the Chief Executive Officer once the investigative team concludes its work and submits a final report with a drafted final VSD for his signature. This final VSD must be completed within 180 days from the initial VSD submitted to BIS.

## **TAKING CORRECTIVE ACTIONS**

Once an export violation has been confirmed, the Compliance Committee will develop a corrective action plan within 30 calendar days.

Once a directive has been issued that exporting (be it all exporting or a single export) is to be stopped, only the Compliance Committee and the CEO have the authority to release the shipment for export. Once the completed investigation has been submitted and corrective actions implemented, periodic spot checks and internal audits will be conducted within 60 days and again during our annual audits to ensure that the corrective actions have resolved the root cause of the violation(s).

Lessons learned from any violation or vulnerability uncovered will be incorporated into our Company's next internal export control training programs by the Compliance Committee to ensure all staff understand what happened, and why, to ensure it does not recur.

## **IX. SUMMARY STATEMENT**

Wilson Tool takes export compliance seriously and our policy is to abide by all U.S. laws governing the export of products, technology and technical data. The mechanisms herein set in place are to ensure compliance with these laws, and to ensure that our work products, technology and technical data are protected.

Should any Wilson Tool employee become aware of any signs of noncompliance to U.S. export laws or to the procedures outlined in this manual, they should immediately notify the Compliance Manager, by sending an email to [compliancecommittee@wilsontool.com](mailto:compliancecommittee@wilsontool.com) or by calling the at 651-286-6017. If the Compliance Manager is unavailable, another member of the Compliance Committee will review and respond to the notification of noncompliance.

**EXHIBIT A**

**QUESTIONNAIRE FOR CUSTOMER PROJECTS**

**Wilson Tool Enterprises, Inc.  
Customer Project Questionnaire  
(Use of Foreign National)**

**Customer Number:** \_\_\_\_\_

**Customer:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Customer's Website Address:** \_\_\_\_\_

**General Description of Project:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Please describe all non-public product and technical information that will be disclosed to person working on the project; please be as specific as possible:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**For the products and technology described above, please list the ECCN (Export Control Classification Number) for each listed product and technology, if known.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Were any of the products and/or technology listed above specifically designed or modified for military use? If yes, please provide ITAR classification number(s).**

\_\_\_\_\_

## **EXHIBIT B**

### **EXPORT COMPLIANCE MANUAL DISTRIBUTOR LETTER**

*[To be printed on Wilson Tool Enterprises, Inc. letterhead]*

Date:

To: All International and Domestic Sales Management and Channel Partners

Subject: Licensing Requirements for the Exports

The Department of Commerce's Bureau of Industry and Security (BIS), the U.S. agency that licenses exports from the United States and re-exports of U.S.-made products from other countries, is the authoritative body regarding most exports from the U.S. There are strict rules and regulations governing exports and in our attempt to follow up regularly with our distributors and partners, we remind you to keep the following information in mind.

The regulations governing many U.S. exports and re-exports of U.S. products can be found at the following website: [www.bis.doc.gov](http://www.bis.doc.gov)

Among the types of products controlled for export are certain Wilson Tool's ammunition products. These products require specific export licenses to be issued to the exporter before these products can be shipped from the U.S. to more than 200 controlled countries or shipped from another country for re-export to these countries. These restrictions apply to: (1) all direct exports of these controlled products from the U.S. by Wilson Tool, (2) international sales by U.S. distributors, and (3) re-exports by distributors located in countries outside the U.S. (under U.S. law re-exports are sales from one foreign country to another foreign country). Thus, sales to distribution through third party sales transactions may require export licenses. These licenses can take several months to obtain and can result in delays in shipping.

All orders destined for overseas delivery must be screened and approved by Wilson Tool. When placing export orders for the controlled products described above, please send the following information to your Sales Representative who will forward it to the Wilson Tool Compliance Manager. This will ensure prompt license applications and the fastest license processing time possible.

Export License Application Requirements:

- Complete name, street address, telephone number, and website (if available) of distributor selling.
- Complete name, street address, telephone number, and website (if available) of end-user.
- Complete name, street address & telephone number of freight forwarder in country where delivered (NOT U.S. freight forwarder).
- Any other parties to the transaction, their role, and their address information as above.
- Specific end use for all products being purchased:

- What end product will be produced?
- Include a business registration/certificate of the distributor and the end-user in their native language and an English translation of each document.
- Include the end user name to purchase orders before submitting to the factory.

Please feel free to contact the Compliance Manager by email at [compliancecommittee@wilsontool.com](mailto:compliancecommittee@wilsontool.com), or by phone at 651-286-6017 with any questions.

Please execute the enclosed copy of this letter and return it to the undersigned within three (3) business days.

Sincerely,

[Name, title]

Acknowledged and agreed on  
the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
*{name}*

By: \_\_\_\_\_  
*{signature}*

Its: \_\_\_\_\_  
*{print title of signatory}*



**EXHIBIT D**  
**FORM OF NOTIFICATION TO FREIGHT FORWARDER**

Re: “Freight Forwarder’s Responsibility for knowledge of and compliance with Wilson Tool’s Export Compliance Manual”

Dear Air/Ocean Export Manager:

Please be informed that (forwarders name) is responsible for ensuring that Wilson Tool’s Shippers Export Declaration ( SED) is properly completed, adheres to guidelines established by the U.S. Export Administration Regulations and the Bureau of Census, and is presented to the carrier within the time frame required for inspections by U.S. Customs.

Wilson Tool is kindly requesting that (name of freight forwarder) review the requirements stated below:

1. Any contradictions or inconsistencies regarding Wilson Tool export documentation instructions should be reported to the Logistics Coordinator at Wilson Tool at [exports@wilsonool.com](mailto:exports@wilsonool.com) or by phone at 651-286-6120 immediately. No changes to Wilson Tool export documents or substitutions of documentation will occur without Wilson Tool’s written permission.

PLACE SHIPMENT ON HOLD UNTIL THE PROBLEM IS RESOLVED:

2. A completed copy of the SED (ASE filing information) and AWB will be returned to the Wilson Tool Logistics Coordinator at Wilson Tool within 1 week’s time from the date of export. Email to [exports@wilsonool.com](mailto:exports@wilsonool.com), or fax to 651-286-6120

Wilson Tool has traditionally emphasized the importance of due diligence regarding compliance of the U.S, Export Laws, which are defined in the U.S. Export Administration Regulations. It is required that our freight forwarders adopt this same philosophy and will act in the best interest of Wilson Tool in complying with the export laws.

Please acknowledge receipt of this letter, (within 3 days of receipt), with your signature, keep a photocopy for your records and send the original to the Logistics Coordinator. If you have any questions regarding this memorandum, please call the Logistics Coordinator directly at 651-286-6120.

Best regards,

Acknowledged by

\_\_\_\_\_

Date: \_\_\_\_\_

( Name )

Logistics Coordinator  
Wilson Tool International Inc.  
12912 Farnham Ave  
White Bear Lake, MN 55110

## EXHIBIT E

### EXPORT COMPLIANCE ISSUE OR REPORT SUMMARY

1. Non-compliance issue reported:
  
2. Describe investigation performed:
  
3. Why did the issue occur?
  
4. What corrective action was taken to resolve the non-compliance and to prevent it from occurring again?
  - Has the non-compliance issue been successfully investigated?
  
  - Has the corrective action described above been implemented and all necessary reporting completed?
  
  - Is an update to the Export Compliance Manual or to Wilson Tool's EMCP required, and if so, has the update been completed?
  
  - Is additional export compliance training required?
  
  - Has the Compliance Manager and the Compliance Committee approved the action taken?

**EXHIBIT F**  
**EXPORT COMPLIANCE ANNUAL REVIEW**

**Prepared by:** \_\_\_\_\_

**Date:** \_\_\_\_\_

1. Summarize any issues identified or reported during the calendar year. (Gather from [compliancecommittee@wilsontool.com](mailto:compliancecommittee@wilsontool.com), Lighthouse and quarterly Compliance Committee meetings).
  
2. How were the issues identified in 1 above resolved? Are any of the issues still outstanding?
  
3. Was Wilson Tool found to be in violation of the export control regulations. If so, what were the violations and what penalties were assessed or other remedial action required?
  
4. What new compliance matters must be added to our Export Compliance Manual, our EMCP training and our export compliance procedures?

**Approved by Wilson Tool CEO:** \_\_\_\_\_

**Date:** \_\_\_\_\_