

## Chapter 10 – Logistics & Transportation

### Overview

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### Introduction

This section describes the logistics & transportation requirements of Kahn Lucas, Inc.

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### In this Chapter

The topics described in this chapter are located as indicated below:

Topic	Page
Customs Compliance Requirements	<a href="#">10-2</a>
Import/Traffic Department Requirements	<a href="#">10-5</a>

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## Customs Compliance Requirements

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**Introduction** This section describes the Customs compliance requirements for Kahn Lucas.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	C-TPAT, ISF (10+2) and Security Practices	<a href="#">10-3</a>
2	International Transportation Guidelines	<a href="#">10-6</a>

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## C-TPAT, ISF (10+2) and Security Practices

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### C-TPAT

Kahn Lucas, Inc. has been a partner in the Customs-Trade Partnership Against Terrorism (C-TPAT) since October 31, 2003. We are committed to maintaining and enhancing our security standards in order to meet and exceed our obligations under the C-TPAT program. As such, we practice, encourage and support the “Supply Chain Security Best Practices”, guidelines specifically defined under C-TPAT Security Criteria. Kahn Lucas, Inc. is also very pleased to announce its validation approval status with Customs as of September 26, 2006.

As an extension of our ongoing commitment to the C-TPAT program, Kahn Lucas, Inc. is always working towards the improvement of its internal processes to identify and correct any deficiencies. Our security program is a work in progress and we work closely with our business partners throughout the supply chain to ensure that necessary security enhancements are made and Standard Operating Procedures (SOP) guidelines are strictly followed.

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### ISF/10+2

Effective Monday, January 26, 2009, the U.S. Department of Homeland Security confirmed new information requirements on maritime cargo destined for the United States. The Importer Security Filing and Additional Carrier Requirements interim final rule went into effect on January 26, 2009 requiring maritime cargo carrier and importers to submit additional data to U.S. Customs and Border Protection before vessels are permitted entry into the country.

#### **ISF / 10+2 data elements**

Below are the 10 data elements + 2 data files that need to be transmitted to the CBP.

#### **Importer Requirements:**

1. Manufacturer Name/Address
2. Seller Name/Address
3. Buyer Name/Address
4. Ship to Name/Address
5. Container Stuffing Location
6. Consolidator (Stuffer) Name/Address
7. Importer of Record Number
8. Consignee Number (IRS)
9. Country of Origin
10. Commodity HTSUS number (Required at the line level)

### **Carrier Requirements:**

1. Vessel Stow Plan
2. Container Status Message

### **Data Element Defined**

1. **Manufacturer (or supplier) name and address** – Name and address of the entity that last manufactures, assembles, produces or grows the commodity or name and address of the supplier of the finished goods in the country from which the goods are leaving
2. **Seller name and address** – Name and address of the last known entity by whom the goods are sold or agreed to be sold. If the goods are to be imported otherwise than in pursuance of a purchase, the name and address of the owner of the goods must be provided.
3. **Buyer name and address** – Name and address of the last known entity to whom the goods are sold or agreed to be sold. If the goods are to be imported otherwise than in pursuance of a purchase, the name and address of the owner of the goods must be approved.
4. **Ship to name and address** – Name and address of the first deliver-to party scheduled to physically receive the goods after the goods have been released from customs custody.
5. **Container stuffing location** – Name and address(es) of the physical location(s) where the goods were stuffed into the container.
6. **Consolidator (stuffer) name and address** – Name and address of the party who stuffed the container or arranged for the stuffing of the container.
7. **Importer of record number / FTZ applicant identification number** – Internal Revenue Service (IRS) number, Employer Identification Number (EIN), Social Security Number (SSN), or CBP assigned number of the entity liable for payment of all duties and responsible for meeting all statutory and regulatory requirements incurred as a result of importation.
8. **Consignee number(s)** – Internal Revenue Service (IRS) number, Employer Identification Number (EIN), Social Security Number (SSN), or CBP assigned number of the individual(s) or firm(s) in the United States on whose account the merchandise is shipped. This element is the same as the “consignee number” on CBP Form 3461.
9. **Country of origin** – Country of manufacture, production, or growth of the article, based upon the import laws, rules and regulations of the United States. This element is the same as the “country of origin” on CBP Form 3461.
10. **Commodity HTSUS number** – Duty/statistical reporting number under which the article is classified in the Harmonized Tariff Schedule of the United States (HTSUS). The HTSUS number is required to be provided to the 6-digit level. The HTSUS number may be provided up to the 10-digit level. This element is the same as the “H.S. number” on CBP Form 3461 and can be used for entry purposes, if it is provided at the 10 digit level or greater.

## Plus 2 (Ocean Carriers Transmission)

1. **Vessel Stow Plan** – Information about the physical location of cargo loaded aboard a vessel, which enhances the security of the maritime environment. Under the proposed regulations, DBP must receive the stow plan for vessels transporting containers and/or break bulk cargo no later than 48 hours after departure from the 1st foreign port. The vessel stow plan must include the following standard information:
  1. Vessel name (including international maritime organization (IMO) number)
  2. Vessel operator
  3. Voyage number
2. **Container status message (CSM)** – Detailed information on the movement and status changes of a container as it travels through certain parts of the supply chain.

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### Security Practices, Point of Origin:

Kahn Lucas, Inc. has made efforts to ensure that its business partners develop security processes and procedures consistent with the C-TPAT security criteria by implementing its own internal guidelines.

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### Business Partner Requirements:

Kahn Lucas, Inc. has procedures for the selection of its manufacturers, product suppliers and vendors. We maintain profiles of vendors/factories from all areas it conducts business. Factory inspections are conducted regularly and consistently, as a condition of its business partner relationships.

#### FACTORY/VENDOR PROFILE INSPECTION STEPS:

- We require that all new factories/vendors complete a factory profile form.
  - Factories/vendors also submit their own profile.
  - Factory/vendor must fill out KL questionnaire – contractor Screening and Reference check.
  - Factory visit scheduled to validate questionnaire.
  - Partner only with factories in compliance with guidelines.
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## International Transportation Guidelines

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**Mission Statement** In a continuing effort to assess our compliance with U.S. Customs and Border Protection regulations, rules and procedures, and in general, all importing and transportation processes are to be coordinated through the Import Traffic Department. The Import Traffic Department will be the “focal” point for all international transactions and related questions when pertaining to international shipping and Customs related procedures. It will be responsible for disseminating what course of action is best to take in the international shipping arena and will provide the information to all concerned on import shipping. This will include but not limited to carrier freight rates, service contracts, tariff classifications, rates of duty, quotas, visa requirements, binding rulings, Customs valuation, and shipping procedures. The Import Traffic Department shall formalize these procedures for international transactions by developing and implementing written, verifiable management procedures. These procedures will provide an efficient method for conveying important regulatory information to all parties directly or indirectly involved in import transactions. The documented systems will also provide a continuity of process within Kahn Lucas to ensure all required actions have been completed in respect to import transactions and to provide for a smooth transition when personnel changes occur.

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**Modernization Act:** The primary tenets of the Modernization Act are: Informed Compliance, Shared Responsibility and Reasonable Care. **Informed Compliance** requires that U.S. Customs and Border Protection must inform importers of their legal compliance, **Shared Responsibility and Reasonable Care** requirements so that importers may voluntarily comply with the law. Although Customs is obligated to communicate requirements so that importers may voluntarily comply with the law, importers also share responsibility for using reasonable care when providing entry information. **Reasonable Care** means taking well-documented steps toward presenting proper Customs entry. Importers are held to a stringent standard to ensure that merchandise is correctly classified and valued. This standard requires importers to become more familiar with the Harmonized Tariff Schedules of the United States Annotated (HTSUSA) and the Valuation Code.

If a company fails to use reasonable care, it risks becoming subject to many civil and criminal penalties. In addition, non-compliant importers may encounter detained or impounded shipments and an intrusive and strained relationship with the U.S. Customs and Border Protection. Therefore, Kahn Lucas, Inc. has assembled this manual as an internal part of its compliance program.

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## Import/Traffic Department Requirements

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**Introduction** This section describes the customs import/traffic requirements for Kahn Lucas.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	Overview	<a href="#">10-8</a>
2	Import and Shipping Instructions	<a href="#">10-14</a>
3	Non-Compliance Penalties	<a href="#">10-39</a>

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## Overview

### Introduction

This section contains information regarding the roles and responsibilities of the import/traffic department.

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### In this Section

The topics described in this section are located as indicated below:

No.	Topic	Page
1	Department Overview	<a href="#">10-9</a>
2	Departmental Responsibilities	<a href="#">10-10</a>
3	Kahn Lucas, Inc. Brands/Trademarks and Licensed Apparel Collections	<a href="#">10-11</a>
4	Third Party Providers	<a href="#">10-12</a>
5	Contacts	<a href="#">10-13</a>

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## Department Overview

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**Product Scope** Kahn Lucas, Inc. Import/Traffic Department is responsible for all international movement of finished garments, specifically; Infant/Newborn and Children's Apparel.

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**Geographical Scope:** Kahn Lucas, Inc. currently imports products from Asia.

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**Internal** The Import/Traffic Department interacts with other departments of the company in order to coordinate production schedules and customer delivery requirements, and to facilitate and expedite product flow efficiently.

Those departments include:

- Production
  - Sales
  - Overseas Offices
  - Distribution
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## Departmental Responsibilities

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### Process

Coordinate all of the traffic and transportation aspects of Kahn Lucas's import shipments into the United States.

In addition, the department is also responsible for:

- Customs Classification and tariff validation.
  - Coordination of ISF/10+2 data element filings with USC
  - Receiving, verifying integrity of and authorizing payment of all transport related invoices.
  - Coordinating or assistance with inbound sample shipments by courier.
  - Direct Shipment programs (Orient to Mexico, Canada, and other direct programs).
  - Customs valuation.
  - Updating and maintaining all international import procedures and to ensure company's fulfillment of U.S. Customs and Border Protection compliance with its regulations and laws.
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## Kahn Lucas, Inc. Trademarks and Licenses

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<b>Brands/Trademarks</b>
Sweet Heart Rose <sup>TM</sup>
Youngland <sup>TM</sup>
Thomas <sup>TM</sup>
Jenny and Me <sup>TM</sup>
Piccolo <sup>TM</sup>
Emily West <sup>TM</sup>

<b>Licensed Apparel Collections</b>	<b>Apparel Partner to</b>
Dora the Explorer <sup>TM</sup>	Nickelodeon <sup>TM</sup>
Disney Princess <sup>TM</sup>	Disney <sup>TM</sup>
Mickey Mouse Clubhouse <sup>TM</sup>	Disney <sup>TM</sup>
My Friends Tigger and Pooh <sup>TM</sup>	Disney <sup>TM</sup>
Sesame Street ®	Sesame Workshop <sup>TM</sup>

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## Third Party Providers

**Vessel Shipments** Kahn Lucas commits a certain amount of containers per year to the below referenced ocean carriers, under the Gemini Shippers Association umbrella, in order to enjoy competitive rates and to maintain customer service levels.

**Air Shipment Providers** Kahn Lucas does not commit to specific air service providers. Instead it maintains a database of air carriers and service providers and submits bid requirements with specific shipment details, in order to obtain the most competitive spot rates based on market and uplift conditions.

Some of our carriers are listed below, but this list is dynamic and subject to change season to season, depending on the service levels received.

The following table is a partial list of our current carriers:

Ocean Carriers	Air Carriers/Forwarders
APL, EVERGREEN, HANJIN,HAPAG, HYUNDAI, MAERSK, MATSON, MITSUI, NYK, OOCL, US LINES, WANHAI, YANG MING.	DESIGNATED ON SHIPMENT BY BASIS

The following table lists providers by type:

Shipment Type	Service Provider
Consolidated Ocean Shipments	Century Distribution Systems, Inc.
Customs House Broker	Barthco International, division of Ozburn-Hessey Logistics

## Contacts

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Please request the following extension after reaching the main number in either NYC (212-244-4500) or in PA (717-537-4140):

<b>EXT</b>	<b>Name</b>	<b>LOC</b>	<b>Department</b>
1280	Beverly Figueroa	NYC	Traffic Manager
1253	Linda Shafran	NYC	Import/Production Manager
1207	Yolande Ductan	NYC	Import Assistant
2226	Bert Herman	PA	Ticket Department
2207	Dave Keepports	PA	Controller
2245	Dave Keepports	PA	Distribution
2225	Lori Alfano	PA	Distribution Clerk
2277	Wanda Fischer	PA	Distribution Clerk

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## Import and Shipping Instructions

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**Introduction** This section contains information concerning import policies and shipping instructions.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	Vessel Shipments	<a href="#">10-15</a>
2	Air Shipments	<a href="#">10-31</a>

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## Vessel Shipments

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**Introduction** This section contains information concerning import policies and shipping instructions.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	Vessel Shipments Consignee and Final Destination	<a href="#">10-16</a>
2	Vessel Shipments Documentation	<a href="#">10-17</a>
3	Vessel Loading Guidelines	<a href="#">10-21</a>

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## Vessel Shipments Consignee and Final Destination

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### Introduction

The information contained in this section pertains to vessel shipments consignee and final destination. Currently, all shipments arrive in Long Beach / Los Angeles.

**Consignee:** Vessel freight for Kahn Lucas, Inc. is to be consigned as below: (except when negotiated under L/C terms, in which case, documents will be consigned to the negotiating bank).

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KAHN LUCAS, INC.  
112 W. 34TH ST. - SUITE 600  
NEW YORK, NY 10120  
ATT: BEVERLY FIGUEROA  
TEL 212-244-4500, EXT 1280  
FAX 212-643-1345

***Destination Warehouse upon Customs clearance:***

DIAMOND DISTRIBUTION  
1050 S. STATE COLLEGE BLVD.  
FULLERTON, CA 92831  
ATT: MARLON  
TEL. 714-870-5400  
FAX. 714-870-5302

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### Customs Broker

Broker responsible for processing of Kahn Lucas, Inc. shipment entries and clearances with U.S. Customs and Border Protection:

Barthco International, division of Ozburn-Hessey Logistics  
9323 Bellanca Avenue  
Los Angeles, CA 90045-4711  
Tel. 310-568-9200 Fax 310-568-1617  
Attn: Diana Betancourt

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## Vessel Shipments Documentation

**Purpose:** To identify the procedure for documentation and distribution of documents.

Distribution of commercial documents collected by Forwarder and/or factories must be distributed as follows:

Document	Customer (via air mail)	Broker (via air courier)
Document Cover Letter	1 Copy	1 Original
Late Document Notice (if applicable)	1 Copy	1 Copy
Seaway Bill	1 Original 2 Rated	1 Original 1 Copy
Signed Commercial Invoice	1 Original 1 Copy	1 Copy
**Original Bill of Lading	2/3 Originals: Vendor 1/3 Originals: Customer	2 Copies
Packing List and Weight Lists	1 Original 1 Copy	1 Copy
Certificate of Origin Form A (If Applicable)	1 Copy	1 Original 1 Copy
Visaed Export License (If Applicable)	1 Copy	1 Original 1 Copy
Forwarder FCR	1 Original 1 Copy	
Agent Inspection Certificate (If Applicable)	1 Copy	1 Copy
Container Manifest (CFS/CY only)	1 Copy	1 Copy
Quota Charge Statement	1 Original 1 Copy	1 Original 1 Copy

**Note:** Documents are to be collected and collated as per the above. For each document set (i.e. B/L, FCR, CI, PKG List, etc.) you should group together. Then collate the next set (B/L, FCR, CI, Pkg List, etc.) until entire documents are completed.

\*\*The Original Bill of Lading Instructions only apply to those specific vendors shipping under L/C terms

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## Vessel Shipments Documentation, Continued

Whether or not third parties are involved in the documentation handling process, the following procedures for distribution must be adhered to:

Document	Distribution
Original Set	<p>Original documents are to be sent via air courier within 5 days of vessel sailing to the following:</p> <p>Barthco International, division of Ozburn-Hessey Logistics 9323 Bellanca Avenue Los Angeles, CA 90045 Phone: 310-642-5078 Fax: 310-568-8651 Attention: Diana Betancourt</p>
Customer's Set	<p>Kahn Lucas, Inc. requires a second set of Original /Copy documents to be sent via air mail. Please send a copy set of documents to:</p> <p>Kahn Lucas, Inc. 112 W. 34th, Suite 600 New York, NY 10120 Attention: Beverly Figueroa</p>
Electronic Set	<p>Kahn Lucas, Inc. requires an electronic copy of each document set, including the Freight Forwarder/consolidator invoice (if applicable) sent to the below individuals within 5 days of vessel sailing:</p> <p>Beverly Figueroa    <a href="mailto:bfigueroa@kahnluccas.com">bfigueroa@kahnluccas.com</a> Cheryl Wallace      <a href="mailto:cwallace@kahnluccas.com">cwallace@kahnluccas.com</a> Yolande Ductan      <a href="mailto:yductan@kahnluccas.com">yductan@kahnluccas.com</a></p>

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## Vessel Shipments Documentation, Continued

**Special  
Consolidator  
Instructions:**

A full set of commercial documents must be collected from vendor in exchange for the original Consolidators' Forwarder's Cargo Receipt (unless advised otherwise by Kahn Lucas Inc.) for bank negotiation within five (5) days of vessel sailing. All shipments must be consigned to Kahn Lucas, Inc. Seaway (Express) bills of lading must be issued in lieu of original bills of lading.

If after 5 days the respective Consolidators' office does not have all the required documents covering a particular shipment, it will distribute those documents on hand along with a copy of the "Late Document Notice". Any and all late documents are to be sent, on the day received, via air courier at the expense of the offending vendor.

**Issuance of Seaway Bills:**

Shipper	Forwarder Inc. (a consolidator) On behalf of (vendor name and address)
Consignee	Kahn Lucas, Inc. 112 W. 34th Street, Suite 600 New York, NY 10120
Notify Party	Barthco International, division of Ozburn-Hessey Logistics 9323 Bellanca Avenue Los Angeles, CA 90045 Attention: Diana Betancourt Phone: 310-642-5078
Also Notify Party	Gemini Shipper Association 350 5 <sup>th</sup> Avenue, Suite 2030 New York, NY 10118
Also Notify Party for shipments effected via APL	AISA 662 Main Street New Rochelle, NY 10801 Tel 914-633-3770 Fax 914-633-4041
Final Destination	Port of Long Beach or Los Angeles

**Special  
Instructions:**

- Please be certain to list the appropriate Service Contract Number on all respective Seaway Bills of Lading.

- Seaway Bills of Lading are to be issued as Port of Long Beach or Los Angeles as final destination.
- The original, or Seaway Bill of Lading, must be included in the document package to Kahn Lucas, Inc.

**Issuance of Original Bills of Lading – Under L/C Terms:**

Shipper	Forwarder Inc. (a consolidator) On behalf of (vendor name and address)
Consignee	TO NEGOTIATING BANK
Notify Party	Kahn Lucas, Inc. 112 W. 34th Street, Suite 600 New York, NY 10120
Also Notify Party	Barthco International, division of Ozburn-Hessey Logistics 9323 Bellanca Avenue Los Angeles, CA 90045 Attention: Diana Betancourt Phone: 310-642-5078
Also Notify Party	Gemini Shipper Association 350 5 <sup>th</sup> Avenue, Suite 2030 New York, NY 10118
Final Destination	Port of Long Beach or Los Angeles

## Vessel Loading Guidelines

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**Introduction** This section contains the vessel loading guidelines and chargeback policy for under-utilized vendor load containers.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	Shipment Advice, Cargo Acceptance and Booking Procedures	<a href="#">10-22</a>
2	Container Stuffing, Security and Inspection	<a href="#">10-28</a>
3	Container Load Plan	<a href="#">10-29</a>
4	Chargeback Procedures for Under-Utilized Containers	<a href="#">10-30</a>

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## Shipment Advice, Cargo Acceptance and Booking Procedures

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**Shipment Advice** Please follow the following shipment advice procedure:

Pre-Advise:

- To be generated upon receipt of vendor booking. Pre-Advice is to include the Goods Ready Date.
- Merchandise must be broken down by PO #, Item #, and Description.
- Consolidator -USA will manage all pre-shipping advices and communicate directly with Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shafran, and Kahn Lucas HKG (George Liu and Kevin Wong) at **KLhk@netvigator.com** to gain shipment approval and confirm carrier selections.

Shipping Advice:

- To be generated within three (3) working days of vessel sailing.
- Merchandise must be broken down by PO #, Item #, and Description and must include CBM and weights by SKU.
- Consolidator-USA will manage all shipping advices and forward all SAs directly to Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shafran, Cheryl Wallace, and and Kahn Lucas HKG (George Liu and Kevin Wong) at **KLhk@netvigator.com**.

### **Cargo Acceptance And Booking:**

Please follow the following cargo acceptance and booking procedure:

1. **Cargo Acceptance**

a. Bookings

- Booking advice must always be presented to consolidator and a pre-shipping advice generated, without exception. Vendors will be required to contact the consolidators' origin office at least 7 days before the intended delivery date. Vendor will also be required to supply the PO number, Item number, carton dimensions for the booking, and all other required information as outlined in Consolidators' standard booking form or as required by KL.
- Consolidator-USA will manage all pre-shipping advices and communicate directly with Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shafran and cc to Kahn Lucas HKG, to gain shipment approval and confirm carrier selections.
- All Pre-Shipping Advices must contain at least 5 carrier options in the messaging feature of the Preshipping advice.
- Kahn Lucas will reply within 24-48 hours with the selected carrier and with an assigned reference number. This reference number substantiates shipment approval. If consolidator does not receive this reply, the shipment is not considered to be authorized.

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## Shipment Advice, Cargo Acceptance and Booking Procedures, Continued

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1. **Cargo Acceptance (continued)**

b. Consolidated CFS/CY shipments:

- Consolidated cargo is to be inspected upon receipt for damage and proper markings. If discrepancies are noted consolidator will advise Kahn Lucas. Kahn Lucas will advise instructions on how to proceed.
- If there are discrepancies between vendor booking and delivery, consolidator will advise Kahn Lucas for instructions on how to proceed.
- P.O's should not be split unless the P.O. exceeds one (1) container.

c. Factory Loaded CY/CY shipments:

- Kahn Lucas mandates to vendors that all cargo must be delivered to the Consolidator CFS. If factory makes a booking and request for a CY load, it must be approved by Kahn Lucas.
- Approval for CY/CY shipments is made by the Kahn Lucas Hong Kong office

**NOTE:** Factory Loaded - DIRECT BOOKINGS

- For those factory loaded shipments that are arranged and scheduled completely by the factory, factory must comply fully with shipment advice, cargo booking and acceptance procedures acting on behalf as a consolidator or booking agent would. SEPARATE PROCEDURES DETAILED BELOW

d. LCL Shipments:

- ALL LCL shipments must be approved by Kahn Lucas.

2. **Consolidation Period:**

Weekly shipments should be made. Depending on the urgency of the cargo, Kahn Lucas may require Century to hold cargo at origin; however, unless approved by Kahn Lucas, **no** cargo should be held more Kahn Lucas cargo is granted 14 Free Days at origin.

3. **Partial Shipments:** - ALLOWED – CASE BY CASE BASIS.

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## Shipment Advice, Cargo Acceptance and Booking Procedures, Continued

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4. **Nominated Carriers and Service Contracts**

Carrier Routing

Primary Carrier	Secondary Carriers
1. OOCL / NYK	1. Hanjin
2. MOL / Hyundai	2. Yang Ming
3. Maersk	3. CSCL
4. Wan Hai	4. Yang Ming
5. Matson	

**NOTE:** The carrier is nominated by Kahn Lucas through the PA Process outlined in Shipment Advice Procedures.

**NOTE:** Consolidator provides the LCL service for Kahn Lucas. Please ensure to give vessel schedules from Consolidator for LCL movements.

**NOTE:** Carriers that share space on vessels must appear on the same line on the Booking Advice.

(NYK and OOCL)

(MOL and Hyundai)

**NOTE:** Kahn Lucas has signed direct contracts with the carriers below under the Gemini Shipping Association umbrella. Please ensure to check with Secondary carriers if needed.

**Service Contract Numbers**

<b>Carrier</b>	<b>Contract #</b>	<b>End Date</b>
Cosco	ECS10175	6/30/2011
Evergreen	39037	5/31/2011
Hanjin	AEN100404	5/31/2011
Hapag	SONNE041	6/30/2011
Hyundai	10-2562	6/30/2011
Maersk	445004	7/31/2011
Matson	C0052	4/30/2011
MOL	0194159A10	6/30/2011
USLines	10-0368	5/31/2010
Wan Hai	NJS10-215B	5/31/2011
APL	EB10/0188	5/30/2011

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**Notify Party: AISA**

662 Main Street  
New Rochelle, NY 10801  
Tel 914-633-3770 Fax 914-633-4041

**NOTE:** The carrier is nominated by Kahn Lucas through the Prealert Process outlined in Shipment Advise Procedures

**NOTE:** Consolidator provides the LCL service for Kahn Lucas. Please ensure to give vessel schedules from Consolidator for LCL movements.

**NOTE:** Carriers that share space on vessels must appear on the same line on the Booking Advise. (NYK and OOCL) (MOL and Hyundai)

**NOTE:** Kahn Lucas has signed direct contracts with the carriers below under the Gemini Shipping Association umbrella. Please ensure to check with Secondary carriers if needed.

**NOTE:** In instances where carriers are sharing space on one particular vessel, we can list both carriers on one line as an option for shipping.

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**Factory Loaded CY/CY shipments / BOOKED DIRECTLY WITH CARRIERS**  
**SHIPMENT ADVISE PROCEDURES:**

**a. Pre-Advice: - ISSUED BY VENDOR/FACTORY**

- To be generated by vendor/factory . Pre-Advice is to include the Goods Ready Date.
- Merchandise must be broken down by PO #, Item #, and Description.
- Vendor/Factory will manage all pre-shipping advices and communicate directly with Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shafran, and Kahn Lucas HKG (George Liu and Kevin Wong) at **KLhk@netvigator.com** to gain shipment approval and confirm carrier selections.

**b. Shipping Advice – ISSUED BY VENDOR/FACTORY**

- To be generated within three (3) working days of vessel sailing.
- Merchandise must be broken down by PO #, Item #, and Description and must include CBM and weights by SKU.
- Vendor/Factory will manage all shipping advices and forward all SAs directly to Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shafran, Cheryl Wallace, and and Kahn Lucas HKG (George Liu and Kevin Wong) at **KLhk@netvigator.com**.

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## Shipment Advice, Cargo Acceptance and Booking Procedures, Continued

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### **CARGO ACCEPTANCE AND BOOKING – PROCESS DONE BY VENDOR/FACTORY**

#### 1. **Cargo Acceptance**

##### a. Bookings

- A pre-shipping advice must always be generated, without exception. Vendor/Factory will be required to contact the KL NYO office at least 7 days before the intended delivery date. Vendor/Factory will also be required to supply the PO number, Item number, carton dimensions for the booking, and all other required information as outlined in standard booking form or as required by KL.
- Vendor/Factory will manage all pre-shipping advices and communicate directly with Kahn Lucas via e-mail to Beverly Figueroa, with cc to Linda Shanfran and cc to Kahn Lucas HKG, to gain shipment approval and confirm carrier selections.
- All Pre-Shipping Advices must contain at least **5** carrier options in the messaging feature of the Preshipping advice.
- Kahn Lucas will reply within 24-48 hours with the selected carrier and with an assigned reference number. This reference number substantiates shipment approval. If consolidator does not receive this reply, the shipment is not considered to be authorized.

##### b. Coloaded Containers:

- Coloading of containers are allowed. Generally, the factory that has the most cbms per shipment will be the designated loading factory. The factory manager of the designated loading factory will be expected to strictly follow container loading guidelines as is required for regular shipments. Consolidated cargo is to be inspected upon receipt for damage and proper markings. If discrepancies are noted vendor/factory must advise Kahn Lucas. Kahn Lucas will advise instructions on how to proceed.
- P.O's should not be split unless the P.O. exceeds one (1) container. And then Vendor/Factory must follow the Container Load plan, as indicated separately.

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## Shipment Advice, Cargo Acceptance and Booking Procedures, Continued

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c. Factory Loaded CY/CY shipments:

- Kahn Lucas mandates to vendors that all cargo must be delivered to the Consolidator CFS. If factory makes a booking and request for a CY load, it must be approved by Kahn Lucas.

- Approval for CY/CY shipments is made by the Kahn Lucas Hong Kong office

Factory Loaded DIRECT BOOKINGS

- For those factory loaded shipments that are arranged and scheduled completely by the factory, factory must comply fully with shipment advice, cargo booking and acceptance procedures acting on Kahn Lucas's behalf as a consolidator or booking agent would.

d. LCL Shipments:

- ALL LCL shipments must be approved by Kahn Lucas.

2. **Partial Shipments:** - ALLOWED – CASE BY CASE BASIS. KL will advise if any problems at time of prealert review.
  3. **Nominated Carriers and Service Contracts** – follow same as consolidator booking requirements.
-

## Container Stuffing, Security and Inspection

### Minimums

Kahn Lucas wishes to maximize load ability of all equipment. Please refer to the target goals of container space utilization in the following table:

Container Size	Loadability	Max Weight
20'	25 CBM	36,000 lbs.
40'	55 CBM	40,000 lbs.
40' HC	65 CBM	42,000 lbs.
45'	75 CBM	43,000 lbs.

### Sample Cartons

One carton from each Purchase Order and Style is to be placed at door end of the container for Customs Inspection. This applies for multiple origin port consolidation as well as single origin consolidations.

### Loading Instructions:

- Origins must verify the physical integrity of container structure prior to loading of any freight. This check of physical container integrity includes that of checking the reliability of the locking mechanisms of the doors. Additionally, under C-TPAT guidelines, it is recommended that a seven-point inspection process take place for all containers:

(1) Front wall, (2) Left side, (3) Right side, (4) Floor, (5) Ceiling/Roof, (6) Inside/outside doors, (7) Outside/Undercarriage

- Generally, containers must be inspected at top and sides for any holes (potential water damage) and floor for any trash. If any holes are found the container must not be used until repaired. If container is not clean it must be cleaned prior to loading any freight.

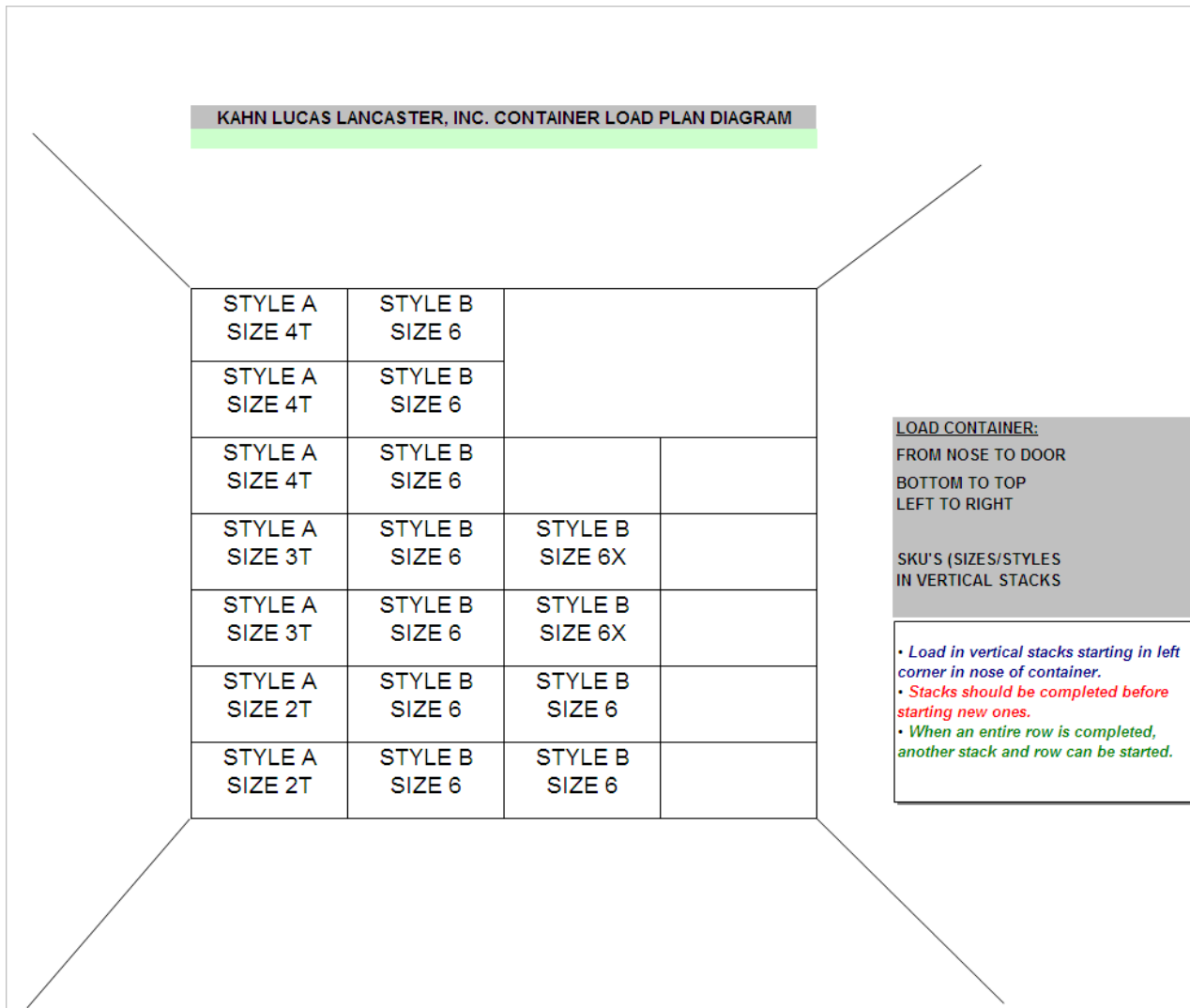
- Procedures must be in place to ensure container integrity, as is required under C-TPAT guidelines. Origin must protect against the introduction of unauthorized materials at point of container stuffing. High security seals affixed to containers must meet or exceed ISO 17712 standards.

## Container Load Plan

### Procedure

Container must be loaded from bottom to top, left to right, solid size. All SKUs (sizes/styles) must be arranged in vertical stacks. Please refer to the following table for details:

Container Load Details
Load in vertical stacks starting in left corner in nose of container.
Stacks should be completed before starting new ones.
When an entire row is completed, another stack and row can be started.



## Chargeback Procedures for Under-Utilized Containers

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### Procedure

Kahn Lucas Inc. Traffic Dept. may issue chargebacks for any of the following situations:

- 1) Quantity shipped is less than quantity booked, resulting in container underutilization; chargeback will be issued for the percentage of the freight relative to the unused space in the container. To be fair, we will base the minimum cbm requirements on the authorized cbms from initial approved prealert.
- 2) LCL shipments will be authorized with the understanding that maker must take responsibility for the difference in freight cost from LCL vs Full container load, unless otherwise waived by authorized parties.
- 3) Any shipments resulting in dead space that were either not previously authorized **or** not the fault of Kahn Lucas, Inc. will result in chargeback; \*not the fault of KL includes late shipments, early shipments and multiple shipments against one po. Some Examples: if a maker decides to ship early, without our prior approval, and it happens to be less than a container load, the maker will be assessed LCL undertultization penalties (difference between LCL and full container rate) or a percentage of the freight relative to the unused portion of the container, depending upon how freight was booked and based on minimum expected container capacity as follows:  
(20ft – 25 cbms; 40ft – 55 cbms; 40hc – 63 cbms; 45 ft – 73 cbms).
- 4) ISF/10+2 late, incorrect or amended filings; any and all 10+2 data filed after vessel departure for any reason will be assessed penalties to parties responsible for causing the discrepancy.

**NOTE:** Unauthorized shipments will be assessed a separate penalty as well, as may be deemed internally by authorized parties. Another example is if a style or styles have been shipped so late in the season that end result is LCL or less than full container capacity.

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## Air Shipments

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### Introduction

This section contains information related to air shipments and the accompanying documentation.

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### In this Section

The topics described in this section are located as indicated below:

No.	Topic	Page
1	Air Shipments Arriving in Los Angeles	<a href="#">10-32</a>
2	Air Shipping Documentation	<a href="#">10-33</a>
3	Air Standard Operating Procedure	<a href="#">10-37</a>

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## Air Shipments Arriving in Los Angeles

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### Introduction

The information contained in this section pertains to air shipments arriving in Los Angeles.

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**Consignee:** Air freight for Kahn Lucas, Inc. is to be consigned as below: (except for Bangladesh origin shipments, which are consigned to the beneficiary bank and presented to negotiating bank for payment settlement; air releases are expedited in those instances).

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KAHN LUCAS, INC.  
112 W. 34TH ST. - SUITE 600  
NEW YORK, NY 10120  
ATT: BEVERLY FIGUEROA  
TEL 212-244-4500, EXT 1280  
FAX 212-643-1345

*Destination Warehouse upon Customs clearance:*  
DIAMOND DISTRIBUTION  
1050 S. STATE COLLEGE BLVD.  
FULLERTON, CA 92831  
ATT: MARLON  
TEL. 714-870-5400  
FAX. 714-870-5302

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### Customs Broker

Broker responsible for processing of Kahn Lucas, Inc. shipment entries and clearances with U.S. Customs and Border Protection:

Barthco International, division of Ozburn-Hessey Logistics  
9323 Bellanca Avenue  
Los Angeles, CA 90045-4711  
Tel. 310-568-9200 Fax 310-568-1617  
Attn: Diana Betancourt

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## Air Shipping Documentation

### Introduction

The information contained in this section details air shipping documentation.

Distribution of commercial documents collected by Forwarder and/or factories must be distributed as follows:

Document	Travels With Shipment	Customer (via courier)
Document Cover Letter	1 Copy	1 Copy
Airway Bill	1 Original 1 Copy	2 Copies
Signed Commercial Invoice	1 Original 1 Copy	2 Copies
Packing List and Weight Lists	1 Original 1 Copy	2 Copies
Certificate of Origin Form A (If Applicable)	1 Original	2 Copies
Visaed Export License (If Applicable)	1 Original 1 Copy	2 Copies
Agent Inspection Certificate (If Applicable)	1 Copy	1 Copy
Container Manifest (CFS/CY only)	1 Copy	1 Copy
Quota Charge Statement	1 Original 1 Copy	2 Copies

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## Air Shipping Documentation, Continued

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### Procedures

The following procedures for distribution of documentation must be adhered to:

a. Original Set (Travels with shipment)

Original documents are to be arranged for pickup or delivery immediately upon shipment arrival to the following:

Barthco International, division of Ozburn-Hessey Logistics  
9323 Bellanca Avenue  
Los Angeles, CA 90045  
Phone: 310-642-5078  
Fax: 310-568-8651  
Attention: Diana Betancourt

b. Customer's Set

Kahn Lucas, Inc. requires a second set of Original /Copy documents to be sent via air mail. Please send a copy set of documents to:

Kahn Lucas, Inc.  
112 W. 34<sup>th</sup> Street, Suite 600  
New York, NY 10120  
Attention: Beverly Figueroa

c. Electronic Document Set

Kahn Lucas, Inc. requires an electronic copy of each document set, sent to the below individuals immediately upon shipment departure.

Beverly Figueroa      [bfigueroa@kahnluucas.com](mailto:bfigueroa@kahnluucas.com)  
Cheryl Wallace        [cwallace@kahnluucas.com](mailto:cwallace@kahnluucas.com)  
Yolande Ductan        [yductan@kahnluucas.com](mailto:yductan@kahnluucas.com)

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## Air Standard Operating Procedure

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**Introduction** This section contains the standard operating procedure and informational requirements for air shipments.

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**In this Section** The topics described in this section are located as indicated below:

No.	Topic	Page
1	Air Shipment Contacts	<a href="#">10-36</a>
2	Air Shipment Standard Operating Procedures	<a href="#">10-37</a>

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## Air Shipment Contacts

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### **Introduction**

This section contains the contact information for the Kahn Lucas, Inc. Import Traffic Department and destination contacts for air shipments.

### **KL Import Traffic Department**

Kahn Lucas, Inc.  
112 West 34th Street  
Suite 600  
New York, NY 10120  
Att: Beverly Figueroa  
Import Traffic Manager  
Phone: 212-244-4500, ext 1280  
Fax: 212-643-1345

### **Freight Forwarder at Destination**

As indicated in previous sections, Kahn Lucas, Inc. does not commit to specific air service providers. Freight forwarder contact information will be indicated on the shipment pre-alert, arrival notice and shipment documents.

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## Air Shipment Standard Operating Procedures

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**Introduction** This section contains the standard operating procedure pertaining to airfreight shipments.

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**Procedures** The following procedures are addressed within this SOP:

No.	Topic	Page
1	Destination Procedures	<a href="#">10-39</a>

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## Destination Procedures

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### Procedures

Please adhere to the following destination procedures:

#### **Air Pre-alert**

An air pre-alert with scheduled flight details must be sent by email to the Import Traffic Department prior to shipment departure. Pre-alert should include air forwarder contact information at destination, Master and House airway bill numbers, flight details, ETD, and ETA to airport.

#### **Arrival Notice**

An arrival notice must be sent by email to the Import Traffic Department and to Customs Broker.

#### **Authority to Make Entry**

Upon contacting Customs broker, air forwarder must arrange to send them "Authority to Make Entry".

#### **Delivery Procedures**

Currently all air shipments are destined to Los Angeles airport.

#### **Scheduling Procedures**

All shipments are rated Airport to Airport. Kahn Lucas, Inc. is responsible for delivery of merchandise to final destination

**Note:** Destination warehouse dispatches its own trucking team to pickup product from the airport upon Customs clearance. Trucker must schedule appointment prior to delivery of merchandise, usually 24 hours in advance.

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## Non-Compliance Penalties

**Procedures**      **All penalties will be assessed at the second offense and thereafter.**

No.	Offense	Penalty
1001	General	<b>\$150 per occurrence</b>
1002	Missing Visas	<b>\$50 per visa</b>
1003	Missing documents (other than visas – i.e. commercial invoices, packing lists)	<b>\$25 per document</b>
1004	Incorrect documentation format (i.e. description, categorization, typographical errors, critical missing information)	<b>\$25 per document</b>
1005	Incorrect valuation of merchandise	<b>\$50 per document</b>
1006	External chargebacks received (such as demurrage charges, storage charges from airline, chargeback from customers, broker fees and charges from third party sources for extra handling as a result of discrepancies, as well as chargebacks issued as a result of short shipments or issues causing container space under utilization.	<b>100% of chargeback amount</b>
1007	Late presentation of documents to bank. Documents must be presented no later than 7 days after vessel departure. After the 7 <sup>th</sup> day, penalty incurred.	<b>\$1,000.00</b>
1008	ISF/10+2 Filing/Amendment for late filing, no filings or discrepant filings	<b>\$50 per filing</b>
1009	ISF/10+2 USC penalties assessed to KLL for late filing, no filings or discrepant filings	<b>100% of penalty amount</b>

The above table of charges is subject to change based on offense occurrences. If documents are presented to the bank for payment, it will be expected that applicable penalties are deducted accordingly. At time of offense, KLL Traffic Department will generate a chargeback form in the amount of the total penalties assessed to date. The form will also be accompanied with the table of offenses for further reference. If certain penalties are not known at that time, a separate chargeback will be issued by Kahn Lucas Lancaster, Inc. upon receipt of such charges. In the interim, the vendor is expected to present LC documents to Kahn Lucas' bank less the currently assessed chargeback(s). In the event that separate chargebacks are issued, the vendor must settle those by wire transfer to KLL. If wire transfer is not possible, deduction from future bank presentations will be expected or some other form of settlement, as can be determined by authorized parties. Until chargebacks are settled, they will remain on file as open.