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Export Compliance Manual

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1.0 Document History and Approval

REV	Description	APPROVAL	Date
A	Initial Release of Export Compliance Program Manual	J. Greer	10-27-2018
B	Periodic updates.	J. Greer	05-18-2023
C	Periodic updates.	J. Greer	05-06-2024

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2.0 Export Compliance Policy Statement

DATE: 05/06/2024

TO: All Employees

FROM: Jeff Greer, Chief Executive Officer

SUBJECT: Export Compliance Manual

As a leading supplier of commercial and defense aerospace products and professional services for the defense, aerospace and other industries, SON-AERO is committed to the establishment and enforcement of an Export Compliance Manual that meets or exceeds the requirements of the U.S. Government. This document consists of SON-AERO's *Export Compliance Manual*.

SON-AERO is fully committed to the establishment of an Export Compliance Policy that rigorously supports U.S. government policy. SON-AERO's Export Compliance Manual ("ECM") has been developed to provide procedures and guidelines for SON-AERO and its employees. It is the responsibility of all employees to review and comply with the ECM.

The United States controls exports and imports primarily for foreign policy and national security purposes. Importing and exporting from or to certain countries, certain parties, companies, and individuals, can be prohibited. Many of SON-AERO's exports and imports require approval from the following various U.S. Government agencies:

- The U.S. Department of State (State Department) under the authority of the Arms Export Control Act (AECA), controls the export and temporary import of military items. The State Department's Directorate of Defense Trade Controls ("DDTC") implements this authority through the International Traffic in Arms Regulations ("ITAR") (22 CFR Parts 120-130).
- The U.S. Department of Commerce's ("Commerce Department") Bureau of Industry and Security ("BIS"), under the primary authority of the Export Administration Act, controls "dual-use" items (i.e. commercial items that can be used in either civilian or military applications, and defense articles that, due to Export Control Reform, have been removed from the U.S. Munitions List under the direction of the State Department, and placed on the Commodity Control List under the direction of the Commerce Department). The U.S. Department of Commerce implements its authority through the Export Administration Regulations (EAR) (15 CFR Parts 730-774).
- The U.S. Department of Treasury (Treasury Department), Office of Foreign Assets Control (OFAC) enforces U.S. economic and trade sanctions or "embargoes" against certain countries which have been implemented by individual Presidential Executive Orders and the implementation regulations (31 CFR Parts 500-598).
- The U.S. Department of Justice (Justice Department), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Imports Branch controls the permanent import of military items that are defined on the U.S. Munitions Import List within 27 CFR 47, Importation of Arms, Ammunition, and Implements of War.

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Export compliance is a daily commitment by all SON-AERO employees. Noncompliance is *very* costly. All SON-AERO employees, consultants, and third-parties doing business with or on SON-AERO's behalf, are required to comply with the policies and procedures outlined in this Export Compliance Manual. Any employee, consultant, or third-party doing business with or on SON-AERO's behalf who has knowledge of facts or incidents, which may violate U.S. export regulations or this ECM, whether intentional or accidental, is required to report the matter promptly to: (i) SON-AERO's Chief Executive Officer, Jeff Greer, (ii) SON-AERO's Ethics & Compliance Officer, Marty Bell (martybell@ymail.com), (714) 318-8850, (iii) your manager, or (iv) the SON-AERO Hotline.

Violations of U.S. export laws can subject SON-AERO and its employees and consultants to severe penalties, including fines, denial of export privileges, and criminal prosecution in aggravated cases. Any employee or third-party who violates such laws or this ECM, or who knowingly permits a subordinate to violate such laws or this ECM will be subject to appropriate disciplinary action, *up to and including termination*, and may be liable for damages suffered by SON-AERO.

All questions regarding export compliance and how it impacts your job, as well as any question concerning the legitimacy of any transaction, violation, or potential violation should be immediately referred to SON-AERO's Ethics & Compliance Officer, your manager, or to the Chief Executive Officer. ***A failure to report a known or suspected violation of this ECM will in itself be deemed a violation of this ECM, which may result in disciplinary action up to and including, termination of employment.***

I ask each of you to take this matter very seriously and support me and your co-workers in this compliance effort.


 Jeffrey P. Greer
 Chief Executive Officer

05/06/2024
 Date

Note:
 This Export Compliance Policy Statement will be reviewed annually and updated as necessitated by personnel or company policy changes, changes in management, or regulatory changes. This statement will be disseminated throughout the organization, incorporated into appropriate training and presentations, and posted on the company's intranet and/or website. In addition, this statement will be communicated to all contractors, consultants, freight forwarders, distributors, sales representatives, joint venture partners or any other entities or persons doing business on the company's behalf, as a condition of doing business with Son-Aero.

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3.0 Program Organization, Personnel and Responsibilities

Export and Import control laws are extremely complex and if violated, can result in severe penalties and fines to include debarment from government contracting privileges and importing/exporting activities. The Export Compliance Office will handle questions regarding licensing and licensing submissions. It is every employee's responsibility to contact the Export Compliance Office before attempting to import or export hardware or technology. For contact information, please refer to Section 3.2.2.

Son-Aero is required to provide the State Department a list of "empowered officials (EOs)" authorized to review and sign export license applications, certifications, statements and other official correspondence concerning exports. A Son-Aero EO is required to be a U.S. person who:

- Is directly employed by Son-Aero, and in a position having the authority for policy and/or management;
- Is legally empowered in writing by Son-Aero to sign license applications or other requests for approval on behalf of Son-Aero;
- Understands the provisions and requirements of the various export control statutes and regulations and the criminal liability, civil liability, and administrative penalties for violating the AECA and the ITAR; and
- Has the independent authority to:
 - Inquire into any aspect of a proposed export or temporary import transaction;
 - Verify the legality of the transaction and the accuracy of the information to be submitted; and
 - Refuse to sign any license application or other request for approval, without prejudice or other adverse recourse.

Son-Aero has employees who have been designated as Empowered Officials in writing. These individuals meet the requirements defined above and manage the Export Compliance Office, refer to Section 3.2.2 for contact information.

3.1 Export Compliance Office Personnel and Responsibilities

3.1.1 Empowered Officials:

Jeff Greer President and Chief Executive Officer
Marty Bell, Ethics & Compliance Officer

3.1.2 Export Compliance Officer (ECO):

SON-AERO's Export Compliance Officer (ECO) is Marty Bell, who can be reached at: (714) 318-8850, or martybell@ymail.com.

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3.1.3 Duties and Responsibilities of the Empowered Official and/or Export Compliance Officer

The duties and responsibilities of the Empowered Official and/or Export Compliance Officer will include:

- Developing, documenting, and maintaining the ECM.
- Employee training and periodic re-training.
- Training and orientation of non-employees subject to this program.
- Resolution of issues and problems.
- Determining the classification of items.
- Evaluating criteria and applying for export licenses.
- Reviewing and implementing all terms, provisos and conditions of any export licenses issued by a U.S. governmental authority.
- Customer and supplier screening.
- Maintaining registration with the U.S. Department of State.
- Maintaining company records concerning export compliance (to include any paperwork or correspondence referencing export compliance).
- Investigating any export compliance issues and determining whether or not a voluntary self-disclosure to the U.S. Government is required.
 - Determining whether or not disclosure to SON-AERO’s Governance Committee, or its Board of Directors, is required.
- Developing and submitting voluntary self-disclosures, requesting commodity jurisdictions, commodity classifications, or advisory opinions from the appropriate U.S. governmental authority.
- Periodically reviewing changes to the regulations, updating the ECM and communicating changes to employees evaluating the effectiveness of the ECM.
- Serving as the point of contact for all questions or inquiries from customers or U.S. governmental agencies as they relate to export compliance.
- Coordinating with the Ethics & Compliance Officer on an as-needed basis to resolve questions of law, fact, or training, applicable to this ECM and its implementation.

These duties may be shared between the Empowered Official and the Export Compliance Officer (if they are separate individuals). These duties may also be delegated to other employees as designated by the Empowered Official and/or the Export Compliance Officer.

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3.1.4 Export Compliance Administrators (“ECA”)

One or more Export Compliance Administrators (“ECA”) will assist the ECO in the interpretation and implementation of the ECM. The ECAs will coordinate with the ECO for direction and decisions on all matters relating to export compliance. The ECO will make final determinations on all questions or matters relating to ECM, specifically, and export compliance, in general.

The Empowered Official, ECO and ECAs have the ability and organizational freedom to perform their duties for the best interest of the company, including temporarily stopping exports or imports, without any undue outside influence, without repercussion, and without conflicting business interests of company profit and compliance.

A current list of Export Compliance Administrators, as well as a basic outline of SON-AERO organizational structure for export compliance, can be found in Section 3.2.2 of this program. This information is also available on SON-AERO’s website.

3.2 Employees and Third-Parties

SON-AERO is a defense contractor and as such is bound by U.S. law, specifically by 22 U.S.C. 2778 of the Arms Export Control Act (“AECA”), and Executive Order 13637, as implemented by the International Traffic in Arms Regulations (“ITAR”), 22 CFR parts 120-130. As a defense contractor, SON-AERO is involved with defense articles, defense services, and related technical data (“Restricted Items”). The ITAR mandates that only “U.S. Persons” (22 CFR 120.62) may have access to ITAR controlled defense articles and related technical data. U.S. Person is defined by ITAR as follows:

- (i) citizens or nationals of the U.S.,
- (ii) an alien who is lawfully admitted for permanent residence (Green Card holder),
- (iii) an alien who is admitted as a seasonable agricultural worker under Title 8, Section 1160(a),
- (iv) an alien who unlawfully entered the U.S. before January 1, 1982, and has continuously resided in the U.S. in an unlawful status, and is seeking adjustment under Title 8 Section 1255a(a)(1),
- (v) an alien admitted as a refugee under Title 8, Section 1157, or
- (vi) an alien who has been granted asylum under Title 8, Section 1158.

In accordance with U.S. law, SON-AERO does not employ a “Foreign Person” as that term is defined by the ITAR (22 CFR 120.63), unless procedures are in place approved by the ECO to avoid disclosure or export of ITAR controlled defense articles and related technical data. Neither DACA status nor H-1B status satisfies the definition of U.S. Person (22 CFR 120.62).

For the purposes of this ECM, “employees” refers to all full and part-time personnel directly employed by SON-AERO, as well as temporary workers, consultants and contractors who may have access to Restricted Items (as defined in Section 6.1).

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“Third-Parties” refers to all third-parties, such as consultants, contractors, sales representatives, distributors, brokers, and so on, who do business with SON-AERO, or on SON-AERO’s behalf, who may have access to Restricted Items.

SON-AERO will verify the status of all employees, utilizing USCIS Form I-9, and E-Verify at a minimum, (<https://www.e-verify.gov/employers>), to determine whether each employee’s eligibility to work in the U.S. SON-AERO will also validate an employee’s status as a U.S. Person, as defined in 22 CFR 120.62. A Foreign Person (as defined in 22 CFR 120.63) is *not* a U.S. Person for purposes of ITAR compliance. **DACA status or H Visa status, does not qualify as U.S. Persons for purposes of ITAR compliance.** SON-AERO will verify third-party status as a U.S. Person, who may have access to Restricted Items, for purposes of ITAR compliance.

The acceptable documents to be used in verifying the status of employees as U.S. Persons are:

- A valid U.S. passport
- A U.S. birth certificate issued by the appropriate state authority
- A U.S. naturalization certificate
- A Permanent Resident Card (also known as a “green card” (USCIS Form I-551)

3.2.1 Third-Parties

The status of sales representatives, distributors, brokers, consultants or contractors will be determined by SON-AERO if these individuals will have access to Restricted Items.

Acceptable evidence to be used in verifying the status of Third-Parties as U.S. Persons shall be established by visitors when signing in with The Receptionist in the lobby. All questions concerning status as a U.S. Person shall be resolved by the ECO.

As necessary, Human Resources will interview employees, candidates for employment, temporary workers, and Third-Parties, to confirm immigration status and ITAR compliance. Documentation shall be maintained by the Human Resources Department verifying the status of all employees.

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3.2.2 Export Compliance Office Contacts

The following table describes the organizational role/responsibility of all personnel in Son-Aero's Export Compliance Office.

Title	Compliance Organizational Role	Contact Information
Chief Executive Officer	Empowered Official	Jeff Greer 714-630-7280 jgreer@son-aero.com
Ethics & Compliance Officer, Export Controls Officer	Export Compliance Officer, Empowered Official, and Export Compliance Administrator	Marty Bell 714-318-8850 martybell@ymail.com

For questions, or reporting any potential export compliance issues or concerns, please reference Section 18.5.2.

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4.0 Summary of Export Laws and Regulations - Jurisdiction of Exports

4.1 International Traffic In Arms Regulations (ITAR)

The ITAR consists of regulations administered by the [State Department's Directorate of Defense Trade Controls \("DDTC"\)](#), which is charged with enforcing the [Arms Export Control Act of 1976 \("AECA"\)](#), the statutory authority for the ITAR. They are published in the Code of Federal Regulations, at 22 CFR 120-130.

The ITAR are directed at preventing the transfer or sale of arms and arms-related products, technical data and services to countries and entities for which such a transfer would run counter to U.S. foreign policy or national security interests. Some of the equipment and technology that Son-Aero deals with constitutes "controlled" products, technical data or services, and therefore precautions must be taken to avoid unauthorized access to this information.

The ITAR contains the United State Munitions List ("USML"), which includes defense articles, defense services, and related technical data that are controlled for export purposes. In addition to the defense article or related technical data, constituent parts and components of the defense article are controlled under the ITAR. If a commodity contains a part or component that is controlled under the ITAR then that commodity is also controlled under the ITAR, regardless of whether or not that commodity has an inherently military purpose.

The USML defines twenty-one classes of defense articles. The USML is found at 22 CFR § 121. SON-AERO's current aerospace products are classified in Category VIII (h)(1) (Aircraft and Related Articles). SON-AERO's non-aerospace products will be classified elsewhere on the USML.

Most exports of defense articles, services or technical data will require an export license issued by the U.S. Department of State's Directorate of Defense Trade Controls ("DDTC").

4.2 Export Administration Regulations (EAR)

The EAR are regulations administered by the [Department of Commerce's Bureau of Industry and Security \("BIS"\)](#), which is charged with enforcing the [Export Administration Act \("EAA"\)](#). The regulations affect the control of certain exports, re-exports, and activities, as well as the anti-boycott provisions of the Export Administration Act (discussed below).

The regulations affecting certain exports, re-exports and activities are generally aimed at preventing what is called "dual-use" technology from being exported to groups (and more rarely countries) in a manner contrary to U.S. foreign policy or national security interests.

The U.S. Department of Commerce implements its authority through the Export Administration Regulations ("EAR") (15 CFR Parts 730-774). The EAR also controls the export of certain low-technology consumer goods which are not specifically noted on the CCL. These goods are classified as "EAR99" on the CCL and have very few export restrictions (EAR99 goods may require a license for export to an embargoed country). The CCL is found at 15 CFR § 774. SON-AERO's commercial or dual-use aerospace products can be located in category 0 (Nuclear Materials

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Facilities & Equipment [and Miscellaneous Items]), category 3 (Electronics Design Development and Production), category 9 (Aerospace and Propulsion), and potentially other categories of the CCL.

4.2.1 Anti-Boycott Compliance

The anti-boycott provisions of the EAR were designed and implemented to address foreign governments' boycott of countries friendly to the U.S. Exceptions to these prohibitions are limited, and some prohibited activities that U.S. Persons are asked to engage in are reportable to government. The anti-boycott provisions are found in 15 C.F.R. § 760. The anti-boycott provisions specifically prohibit the following activities:

- Agreement to refuse or actual refusal to do business with a boycotted country or with blacklisted person
- Agreement to discriminate or actual discrimination against other persons based on race, religion, sex, national origin, or nationality (for example, agreeing to refuse to hire Israeli nationals)
- Providing information about race, religion, sex, or national origin of another person
- Furnishing information about business relationships with boycotted countries or blacklisted persons (for example, providing information about current or previous business in Israel)
- Furnishing information about membership concerning associations with charitable and fraternal organizations
- Paying or otherwise implementing letters of credit containing prohibited conditions or requirements.

4.2.2 CCL Restrictions and Controls.

Various restrictions or controls are contained in the EAR relative to an export – the most common controls include anti-terrorism and national security. The complete list of controls is located in 15 CFR § 742. The control list can be matched to the country chart to determine whether or not a license is required and if an applicable licensing exemption is available.

4.2.3 CCL Licensing Exceptions.

Although the CCL is much more extensive than the USML, many fewer licenses are required for goods controlled by the EAR than under the ITAR, due to the many licensing exemptions that may be available for EAR controlled exports. A complete list of licensing exceptions may be found in 15 CFR § 740. All licensing exceptions should be confirmed by the ECA/ECO, given the significant risks associated with making an incorrect determination.

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4.3 Bureau of Alcohol, Tobacco, Firearms & Explosives

4.3.1 Understanding Permanent Imports and the USML Screening Imports

The U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms and Explosives (“ATF”) has jurisdiction over all *permanent* imports of U. S. Munitions List items, as enumerated in 27 CFR Part 47. Any imports that require a license will utilize the ATF Permit Form 6. <https://www.atf.gov/firearms/docs/form/form-6-part-1-application-and-permit-importation-firearms-ammunition-and>. If the permanent import is in support of a DOD contract, there is an exemption (27 CFR 447.53) that can be utilized. Contact the Export Compliance Office for all issues regarding permanent imports of USML items.

4.4 Office of Foreign Asset Controls

The Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments. The OFAC sanctions broadly prohibit most transactions between a U.S. person and persons or entities in an embargoed country or who have been declared specially designated nationals (SDNs) (now incorporated into the Consolidated Screening List). The prohibition generally includes importation and exportation of goods and services as well as related financial transactions, and engaging in business activities. The current sanctions lists can be found at <https://ofac.treasury.gov/sanctions-programs-and-country-information>.

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5.0 The Export Process

5.1 Registration with the U.S. Department of State

As a precondition to the issuance of any license or other approval for the export and temporary import of defense articles, technical data and/or defense services, Son-Aero and SON-AERO Electronic Warfare are registered with the State Department:

- Son-Aero Registrant Code: M-39846

It is the responsibility of SON-AERO to maintain the annual registration and ensure that it is kept current in accordance with the ITAR requirements. SON-AERO is required to notify DDTC of any material changes to its registration as required in Part 122.4 of the ITAR. Revisions to the company's list of Empowered Officials do not require notice to DDTC; but the company must maintain in its written records evidence of any such changes. Registration and/or renewals are handled via the Defense Export Control and Compliance System ("DECCS").

Registration, Licensing, Advisory Opinions and Commodity Jurisdictions applications are also handled through the DECCS portal, https://www.pmdtdc.state.gov/ddtc_public.

5.1.1 System for Award Management (SAM)

Requirements for registration with the U.S. government's System for Award Management (SAM), as well as the issuance of CAGE Codes by the U.S. Department of Defense, are separate and unique requirements that have no bearing on the issue of U.S. Department of State registration requirements, as defined in Parts 122 and 129 of the ITAR. However, all purchasers of SON-AERO's products and new-hire employees, should be screened through SAM and the *Consolidated Screening List*, to ensure that they are not suspended or debarred from participation in U.S. Government Contracts or Subcontracts. Consult with SON-AERO's ECO on the proper use of SAM, <https://sam.gov/content/home>, and the *Consolidated Screening List*, <https://legacy.export.gov/csl-search>.

5.1.2 Mergers, Acquisition, and Divestitures

Son-Aero is required to inform DDTC within specific timeframes as defined in the ITAR, if they will be involved in a merger, acquisition or divestiture that changes information supplied by Son-Aero in its registration as an exporter. For example, if Son-Aero decides to purchase a company that manufactures and/or exports products under the jurisdiction of the ITAR, both companies must inform DDTC of the potential sale, updates to the registration, and begin the process of amending all the existing DDTC approvals of the name change (if any). (see 22 CFR 122.4, Note 2)

Prior to any such acquisition or merger, or as soon thereafter as is reasonable, Son-Aero management will conduct an internal audit of the target company being purchased in an

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effort to review the strengths and weaknesses of the export compliance program of the company being purchased and determine if they have potential export violations. The notifications to DDTC and applicable audits and investigations will be conducted by the Export Compliance Officer. The Export Compliance Officer may use the assistance of external auditors, as appropriate.

5.2 Commodity Jurisdiction & Classification

Son-Aero recognizes the importance of correctly classifying items in its possession relative to the ITAR or the EAR. No items will be exported or imported by the company until they are properly classified according to Section 6.0 of this ECM, and until any necessary license, permit, approval, exemption or exception is confirmed.

In order to determine what type of export authorization is appropriate, a determination of the product or technology's jurisdiction and classification must be made.

5.2.1 Determination Criteria

Determining the proper jurisdiction and classification of a product is dependent on the following factors:

- Origins of the product/technology.
- Country of ultimate destination.
- Whether the product was *Specially Designed* for a military use.
- Who is the end-user?
- Is the relevant person a U.S. Person?
- Product's intended end-use.
- Is the relevant information in the public domain?
- Is the technology disclosed in a published patent application or issued patent?
- Is the research considered fundamental research that will be published?
- Is the product on the USML or CCL?
- Does the proposed transaction involve a sanctioned country or individual?
- Does a license exclusion or exemption apply?
- Is there an applicable defense cooperation treaty involved?

5.2.2 Commodity Jurisdiction Process

The test to determine which agency has jurisdiction over an export is best answered by first determining if the item is on the USML. If it is, then the State Department controls the item. If it is not, then the Commerce Department would normally have jurisdiction.

While the State Department encourages exporters to make their own determinations, a formal Commodity Jurisdiction ("CJ") request can be made when Son-Aero is unsure if an

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item is covered by the USML. Unilaterally determining that an item is no longer on the USML, where licensing history suggests otherwise, should be corroborated in writing by the ECO, given the risks associated with inaccurate or improper Self-Classification determinations. The State Department response to a CJ request identifies the proper licensing authority for an item or service.

Son-Aero will submit CJ Requests electronically using the DS-4076 Commodity Jurisdiction Request Form available through DECCS if:

- Son-Aero is not certain whether an item is under State or Commerce Department licensing control;
- An item is under State Department control, but Son-Aero wants to ask for it to be placed under the Commerce Department’s jurisdiction;
- Son-Aero is not certain of the USML category of an item; or
- Customs has detained or seized an item, due to uncertainty over licensing authority.

In preparing a CJ request, Son-Aero will consider the following data about the item in question, and will include this data in the CJ request:

1. Whether or not the item has a predominantly civil application.
2. Whether or not the item has a performance equivalent, defined by “form, fit and function” in ITAR 120.4(d), to those of an article or service used for civil applications.
3. Whether or not the item will be sold first for military application, and/or whether or not the item was developed or produced through funding by the U.S. government.
4. Whether or not the item will be sold first for military application, and/or whether or not the item was developed or produced through funding by the U.S. government.

5.3 License Determination

An export license is required for the export of controlled defense articles, technical data and defense services. For defense articles (i.e., items included on the USML), an export license will be obtained from DDTC prior to shipment, *unless a licensing exemption applies*. SON-AERO’s ECO will determine if a licensing exemption applies.

If the item is commercial and/or dual-use, it is a commodity subject to the EAR and may require a license, a valid license exception, or verification that certain prohibitions as listed in Part 736 of the EAR do not apply. Alternatively, under the EAR, the item may be Self-Classified by the company as EAR99 (no license required), if no other Export Control Classification Number (ECCN) applies. All determinations by SON-AERO to self-classify a product as EAR99 should be reviewed by the ECO, given the risks associated with inaccurate or improper Self-Classification determinations. The analysis underlying such determinations should be preserved in writing.

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Son-Aero employees are required to work with the Export Compliance Officer in obtaining a license determination, or Self-Classification.

5.3.1 ITAR/EAR Export Authorizations

There are several different types of license and agreements that are required by either the State Department or the Commerce Department prior to exporting any hardware, technical data, technology, or defense services. For example, licenses or other approvals are required from the State Department for the permanent export of technical data and hardware, for the temporary export of hardware, for the exports of classified technical data and hardware, for the temporary import of hardware and for providing any form of a defense service. In addition, the Commerce Department requires licenses or other approvals for the exports of hardware and technology.

The various ITAR authorizations include:

- License – A document issued by the DDTC, which permits the export or temporary import of a specific defense article or defense service controlled by the USML.
- Technical Assistance Agreement (TAA) – An agreement for the performance of a defense service(s) or the disclosure of technical data.
- Manufacturing License Agreement (MLA) – An agreement granting manufacturing rights of a defense article to a Foreign Person. An MLA includes the transfer of technical assistance and technical data.
- Exemption – Authorization granted under the ITAR for the export of certain defense articles without additional approval from DDTC (ITAR 123.16).

5.3.2 Commonly Used ITAR Exemptions

An exemption serves as the “export authorization” for certain controlled exports and precludes the need to obtain a license. All exemptions have conditions and requirements that must be rigorously met. Some of the most commonly used exemptions relate to the temporary import of defense article, permanent export of technical data, shipments to Canada, use of models or mock-ups for marketing, and shipments in furtherance of the Foreign Military Sale program. Son-Aero Export Compliance Officer should be consulted prior to utilizing any ITAR exemption. Common ITAR exemptions are described in Appendix C, attached here.

5.3.3 Commonly Used EAR Exceptions

Like an exemption, an exception serves as the “export authorization” for certain controlled exports and precludes the need to obtain a license under the EAR. Some of the most commonly used exceptions relate to exports of limited value, exports of items for personal use, temporary exports and exports for civilian end-use. Like exemptions, exceptions have conditions and reporting requirements that must be addressed,

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therefore the Son-Aero Export Compliance Officer should be consulted prior to utilizing any EAR exception.

5.3.4 Limitations and Provisos

Limitations and provisos to license approvals are commonly issued by all export licensing agencies. Once license approvals have been obtained, Son-Aero must ensure that these approvals are used within the parameters provided by the government agency issuing the authorization.

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6.0 Classification and Control of Restricted Items

6.1 Restricted Items

As used in this ECM, the term “restricted item” or “export controlled” will mean:

Any item (including without limitation, products spare parts, components, technical data, designs, specifications, manufacturing, maintenance or repair “know-how,” research and development, quality control and testing data, services, software, technology or other information) which is controlled by U.S. export regulations, including without limitation the Export Administration Regulations (EAR), the International Traffic in Arms Regulations (ITAR), or any other U.S. laws and regulations concerning export control.

Some examples of the restrictions which may be placed on “Restricted Items” include: restriction from shipment to a certain destination country, a named individual or company may be prohibited from receiving the item, or Son-Aero may be restricted from disclosing or sharing such item with a Foreign Person within the United States.

6.2 Access to Restricted Items

It is Son-Aero’s policy that only U.S. Persons (as defined in 22 CFR Part 120, and various parts of the EAR) are permitted to have access to Restricted Items. Foreign Persons (whether employees, contractors, suppliers, customers or visitors) shall only be provided access to Restricted Items when an authorized license, agreement, exemption or exception under applicable U.S. export regulations has first been obtained.

6.3 Classification of Restricted Items

The following procedure describes SON-AERO’s methodology for the classification of Restricted Items designed or developed “in-house.” This procedure assumes that Son-Aero is the originator of the restricted item, and possesses all relevant and associated information about such item.

6.3.1 ITAR Determination

SON-AERO will utilize all relevant information to determine if the item meets the definition of a “defense article” or “defense service” (as defined in Parts 120.6 and 120.9 of the ITAR). SON-AERO will also use the information to locate the appropriate category and sub-category for the item found on the United States Munitions List (located in Part 121 of the ITAR).

If questions arise about the item’s original design intent, or the military/intelligence capabilities of the item, or if the item cannot be located on the United States Munitions List, the ECA or ECO may seek guidance from the U.S. Department of State in the form of a Commodity Jurisdiction Request. See Section 5.2.

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If the item is not subject to the ITAR, proceed to Section 6.3.2 to determine if the item is subject to the EAR. Classification related questions or concerns should be referred to the Ethics & Compliance Officer.

6.3.2 EAR Determination

SON-AERO will utilize all relevant information to determine if the item is described by any Export Control Classification Number (ECCN) on the Commerce Control List (CCL) or items that are classified as "EAR99" (i.e., no ECCN describes them).

Using these criteria for evaluation, Son-Aero will determine if the item is subject to the EAR. If the item in question cannot be located on the CCL, proceed to Section 6.3.3.

6.3.3 No ITAR or EAR Classification

If no classification can be reasonably made *and* if the item is intended for export to a foreign country, or will be disclosed to or accessed by a Foreign Person within the United States, the company will seek guidance from the ECO.

Under no circumstances will Son-Aero permit items that have not been definitively classified under the ITAR or EAR to be exported to foreign countries, or disclosed to or accessed by Foreign Persons within the United States, without the written concurrence of the ECO. *All related documents must be maintained by SON-AERO for auditing and compliance purposes.*

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7.0 Business Development, Marketing and Sales

7.1 Marketing of Services/Hardware/Software

An export license may be required to export and/or enter into technical marketing discussions with Foreign Persons. All marketing materials must be screened prior to exporting to ensure it does not require an export license or that it has been approved for Public Release.

Employees should consult with the Export Compliance Officer prior to exporting any documents with technical information or any hardware for demonstrations. For contact information, please refer to Section 3.2.2.

7.2 Participating in Conferences, Trade Shows and Providing Demonstrations

The use of hardware and related materials for public exhibits, conferences, trade shows and demos may require an export license. Prior to participating in any of these events employees should contact the Export Compliance Officer. For contact information, please refer to Section 3.2.2.

Below are some basic guidelines to following prior to participating in any of these events:

- Trade Shows/Exhibits – All materials brought to an exhibit must be reviewed prior to release unless they do not contain any technical data as defined by the ITAR or technology as defined by the EAR. If the materials do contain technical data or technology, they are not allowed to be displayed at exhibits without the proper USG approval. For unclassified defense articles, this would typically involve obtaining a temporary export license (DSP-73) from DDTC.
- Conferences – All technical papers presented at conferences must be reviewed prior to release and cannot contain any technical data as defined by the ITAR or technology as

7.3 Licensing Requirements for Proposals/Contract Negotiations

The preparation and release of a response to a Request for Proposal (RFP) for ITAR controlled products and technology may require either a DSP-5 Export License or a Technical Assistance Agreement. Furthermore, certain proposals to Foreign Persons for the sale or manufacture abroad of Significant Military Equipment (SME) as defined by the ITAR (22 CFR 120.7) requires State Department before submitting any proposal to a foreign party.

All employees contemplating the submittal of a proposal to a foreign party, regardless if it's considered SME or not, is encouraged to consult with the Export Compliance Officer prior to the release of any information. For contact information, please refer to Section 3.2.2.

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7.4 Agents and Representatives – Fees, Commissions

Both U.S. and foreign agents and representatives must be screened against the brokering requirements as defined in Section 7.5 below, as well as the SAM exclusions, and the Consolidated Screening List (CSL), *prior* to executing any agreement for their services.

All Fees and Commissions paid to any agent or representative of Son-Aero must be closely monitored. Anytime Son-Aero submits a license application for the export of defense articles or services valued at \$500,000 or more, being sold commercially to or for the use of the armed forces of a foreign country or international organization, it must disclose, at the time of submission of its license application, whether it, or its suppliers or vendors have paid, or agreed to pay, fees, contributions, or commissions. If the information required cannot be submitted as part of the license application, a detailed explanation must accompany the license application, including the specific date when the information will be supplied.

<https://sam.gov/content/exclusions>

<https://www.trade.gov/data-visualization/csl-search>

7.5 Broker Requirements

Any U.S. person, wherever located, and any Foreign Person located in the United States or otherwise subject to the jurisdiction of the United States (notwithstanding 22 CFR [120.1\(c\)](#)), who engages in the business of brokering activities with respect to the manufacture, export, import, or transfer of any defense article or defense service or any “foreign defense article or defense service” (as defined in 22 CFR [129.2](#)) is required to register with DDTTC.

There are certain cases when registration is not required:

- (1) Employees of the United States Government acting in official capacity.
- (2) Employees of foreign governments or international organizations acting in official capacity.
- (3) Persons exclusively in the business of financing, transporting, or freight forwarding, whose business activities do not also include brokering defense articles or defense services.

Brokering activities or proposals with certain countries is prohibited. All employees are required to contact the Export Compliance Officer if they suspect that Son-Aero could enter into an agreement, which would require Son-Aero to act as a Broker.

7.6 Customer Screening

SON-AERO is responsible for ensuring that the person(s) or entity(s) receiving any “Restricted Items” have been properly screened. See Section 13 for screening requirements. The Customer Service Department will red-flag person(s) or entity(s) in Son-Aero’s ERP and CRM systems, and contact the Export Compliance Officer for further assistance and determination, where adverse or questionable screening or red-flag issues may arise.

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7.7 Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et seq. ("FCPA"), was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti-bribery provisions of the FCPA prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person.

Since 1977, the anti-bribery provisions of the FCPA have applied to all U.S. persons and certain foreign issuers of securities. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States.

The FCPA also requires companies whose securities are listed in the United States to meet its accounting provisions. These accounting provisions, which were designed to operate in tandem with the anti-bribery provisions of the FCPA, require corporations covered by the provisions to (a) make and keep books and records that accurately and fairly reflect the transactions of the corporation and (b) devise and maintain an adequate system of internal accounting controls. The FCPA's accounting provisions do not apply to Son-Aero, as its shares are not publicly traded.

Son-Aero is committed to full compliance with the FCPA.

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8.0 Purchasing

8.1 Foreign Suppliers – Authorizations Required

Procuring hardware from foreign parties could require several different types of USG approvals. Following are just a few scenarios:

- Technical specifications and requirements that need to be sent by Son-Aero could require a permanent export license from the State Department or the Commerce Department.
- If Son-Aero needs to provide any type of assistance or service, for example, in the design, assembly, or manufacturing processes, this could require either a Technical Assistance Agreement or Manufacturing License Agreement from the State Department.
- If the type of technology being procured would be controlled by the Commerce Department and you need to export test equipment associated with that item, you may need to obtain an export approval from the Commerce Department to ship your hardware to the foreign supplier.
- Destination Control Statements are placed on all technical documentation provided to the foreign supplier, refer to Section 10.5 for the appropriate statement.
- The importation of the hardware could require either a temporary import license from the State Department or if the import is *permanent* into the U.S., it could require an ATF Form 6 Import Permit from the ATF.

As a standard policy, Son-Aero prefers to procure items from U.S. suppliers only. If a foreign supplier is the required source for procurement, the Procurement Department will contact the Export Compliance Officer during the initial planning phase and discussions to ensure there is enough time to get the proper USG approvals in place. For contact information, please refer to Section 3.2.2.

8.2 U.S. Suppliers – Their Responsibilities

Procuring hardware from U.S. parties requires that Son-Aero:

- Notifies the supplier the jurisdiction of the end-use of the product or service that is being procured.
- Destination Control Statements are placed on all technical documentation provided to the U.S. supplier, refer to Section 10.5 for the appropriate statement.

In accordance with Son-Aero ISO procedures and Export Compliance Program, the Procurement Department will conduct screenings of all U.S. persons and parties involved in transactions with Son-Aero to ensure they are in compliance with the various U.S. export control laws, refer to Section 14.0 for instructions. The screening and certification will be conducted on every new U.S. Supplier, and renewed every two years for all suppliers in order to ensure U.S. suppliers of hardware subject to the ITAR are compliant with ITAR requirements.

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9.0 Engineering

9.1 Reviewing and Approving Technical Data for Release to U.S. or Foreign Persons

Son-Aero's Engineering Department is responsible for reviewing and approving "restricted" items for release.

9.1.1 Technical Data Release to U.S. Persons

Technical data will only be released to U.S. person(s) that have met the screening requirements per Section 7.6.

9.1.2 Technical Data Release to Foreign Persons

Technical data will only be released to Foreign Persons with the appropriate license, agreement, proviso, or exemption and have met the screening requirements per Section 7.6 and Section 14.0.

9.2 Marking Data ITAR or EAR

All "restricted" technical data or technology must contain statements to designate the technical document, drawing, blueprint, etc. as an ITAR or EAR product. It is the responsibility of all Son-Aero employees to ensure no technical document, drawing, bill of material, etc.... is released without the appropriate ITAR or EAR marking by submitting an Engineering Change Request ("ECR") request through Document Control (as required). For instructions on processing an ECR please reference SharePoint.

9.2.1 Hardware or Software Manual Technical Data Control Statement:

All Son-Aero technical data subject to export controls will be marked with one of the following (or comparable) statements:

"WARNING - This document contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C., Sec 2751, et seq.) or the Export Administration Act of 1979 (Title 50, U.S.C., App. 2401 et seq.), as amended. Violations of these export laws are subject to severe criminal penalties. Disseminate in accordance with provisions of DoD Directive 5230.25."

For hardware and software manuals use the following:

"U.S. STATE DEPARTMENT EXPORT LICENSE REQUIRED FOR DISTRIBUTION TO FOREIGN DESTINATIONS OR FOREIGN PERSONS, WHEREVER LOCATED."

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This document contains Technical Data controlled under the U.S. International Traffic In Arms Regulations ("ITAR") 22 CFR 120-130, and may not be exported or transferred to any Foreign Person, Foreign Country or Foreign Entity, by any means, without prior written approval from the U.S. Department of State, Directorate of Defense Trade Controls ("DDTC") and Son-Aero."

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10.0 Shipping and Receiving

10.1 Summary of Responsibilities

All exports of hard copy technical data and hardware will be handled through the Son-Aero Shipping and Customer Service Department. The Shipping and Customer Service Department will ensure all required shipping documentation is completed correctly and provided to the approved Freight Forwarder for onward shipment to the foreign party.

Any concerns or “red flags” will be promptly reported using to the Export Compliance Officer prior to such item being shipped.

10.2 Selecting Freight Forwarders/Custom Brokers

All Freight Forwarders and Custom Brokers for exporting Restricted Items must be approved by the Export Compliance Officer who will determine if they understand the various export and import laws and regulations. DHL (all entities) is not currently approved for export of ITAR-controlled defense articles or technical data. FedEx is currently approved for export of ITAR-controlled defense articles and technical data. Proposed changes to the Freight Forwarder or Customs Broker should be referred to the Export Compliance Officer for review and concurrence.

10.3 Export Shipping Approval Process

If the item(s) are classified as “restricted”, it is the responsibility of the Customer Service Department to ensure the appropriate license and/or agreement has been acquired or an exemption (if applicable) is used prior to shipping. No Restricted Items will be exported without an export license or an applicable exemption or exception, applies.

10.4 Shipping of Unclassified Item(s) to U.S. Locations Only

If Son-Aero is unable to classify an item according to the policies in Section 6.3 the following procedure can be used for shipments of unclassified items to U.S. locations only. This procedure may only be used if all of the following conditions are met:

- The item is being shipped or transferred to an entity or destination within the United States, and
- The item is not being sent to a P.O. Box or freight forwarder, and
- The item will be accessed only by U.S. Persons, and
- There are no “red flags” or any reason to suspect the item will be re-exported, re-transferred or transshipped to a foreign country, or accessed by a Foreign Person within the United States, and

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- Son-Aero has made reasonable attempts to classify the item by seeking guidance from its customer/originator, has been unsuccessful after such efforts, and has documented the responses to these requests, and
- Son-Aero has obtained a signed Export Control Acknowledgement and/or End-Use/End-User Statement from the entity within the United States where the item will be sent.

If all of the above conditions apply, Son-Aero will ship the item(s) accompanied by the appropriate destination control statement, as described in Section 10.5.

Son-Aero understands that it may be illegal, and a violation of this program, to send unclassified items to foreign countries, or to allow Foreign Persons to access such items within the United States.

Under no circumstances will Son-Aero proceed with a transaction in violation of U.S. export regulations.

10.5 Destination Control Statements

Shipments of hardware, hard copy technical data or other equipment controlled under the EAR or ITAR must include the following statement 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.

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10.6 Mandatory Automated Export System Filing Requirements

The Foreign Trade Regulations require that the Bureau of Census, U.S. Department of Commerce, collect statistics from exporters through the Automated Export System (AES). Customs uses this information to monitor Son-Aero activities. It is extremely critical that exports are reported in the AES in accordance with the timelines defined in the Federal Trade Regulations and in accordance with the various export regulations.

The Export Compliance Office will provide the Customer Service and Shipping Department with instructions and training to ensure the required AES filings are completed in accordance with the various regulations. Copies of the AES filings must be maintained according to Section 15.0.

10.7 Schedule B and the Harmonized Tariff Schedule

It is the responsibility of the employee requesting the export to meet with both the Shipping Department and the Export Compliance Office to determine the applicable Schedule B or HTS number for all imports and exports. For contact information, please refer to Section 3.2.2.

10.8 Packing Requirements

Exports require specific handling and labeling, which must be in accordance with applicable U.S. export control regulations. At a minimum, the term "ITAR Restricted" or "EAR Restricted" will be included with any transmission, which contains Restricted Items leaving the company's possession. In addition, the packaging or transmission of Restricted Items will display the appropriate destination control statement, as described in Section 10.5.

10.9 Returning Hardware for Repair/Rework/Replacement

If hardware purchased from or exported to a foreign party needs to be returned for repair or rework, the regulations must be reviewed to determine if an export license is required or if there are any exemptions or exceptions that can be used to import the hardware and ship the hardware back after repairs have been completed.

Under the ITAR, in most circumstances, a DSP-73 Temporary Export license is required to return hardware for repair or rework if it's hardware that has been procured abroad. In addition, if Son-Aero hardware is sold and the hardware needs to be temporarily imported for repair, there is an ITAR exemption available (see 22 CFR 123.4(a)(1)). Consult with the Export Compliance Office prior to receiving any hardware for repair or rework of hardware to ensure that the shipments are handled in accordance with the correct licensing or exemption/exception requirements. For contact information, please refer to Section 3.2.

Under the EAR, there is a licensing exception "Servicing and Replacement of Parts and Equipment" that must be reviewed. If applicable, a license would not be required to either export or import

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of hardware for servicing and repair. Again, with exemptions and exceptions, there are specific circumstances when one can use them.

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11.0 Re-Exports and Re-Transfers

Son-Aero will not facilitate, engage, or otherwise be party to, the re-export or re-transfer of Restricted Items to destinations or individuals which have not been authorized by a license or agreement from the appropriate U.S. governmental authority.

A “re-export” occurs when an item (which was previously exported from the United States to a foreign country) is exported to another country not previously authorized by the U.S. government.

A “re-transfer” occurs when an item (which was previously exported from the United States to a foreign country) is transferred to another end user or end use not previously authorized by the U.S. government, within the same foreign country that received the initial export.

11.1 Re-Exports and Re-Transfers Policy Notification

In order to notify customers, suppliers or other recipients about its policy for re-exports and re-transfers, Son-Aero will include a destination control statement on every item which leaves its possession. This statement will be attached to such item and made clearly visible to its recipient. Refer to Section 10.5 of this ECM for policies on which destination control statement to use for each shipment.

11.2 Reviewing Restricted Items for Potential Re-export or Re-transfer

For each transaction involving a “restricted” item, Son-Aero will evaluate the authorized destination(s), end user(s) and end use(s) found on the license or agreement, and will only send items to these destinations.

Each export of Restricted Items will be evaluated for “red flags.” If a red flag occurs, Son-Aero will not proceed with the transaction until the red flag is proven false, or until sufficient reassurance is obtained to negate the red flag. (This includes obtaining a signed End-Use/End-User Statement from the receiver of the item.)

11.3 Re-exporting or Re-transferring of Restricted Items

In most cases, in order to legally engage in the re-export or re-transfer of a restricted item, Son-Aero will be required to seek authorization from the appropriate U.S. governmental agency prior to the re-export or re-transfer occurring. This authorization may come in the form of a new export license or other authorization from the U.S. Government. Son-Aero will not engage in the re-export or re-transfer of Restricted Items until such necessary authorizations have been obtained.

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12.0 Internal Controls

12.1 Foreign National Employees – Controls, Restrictions and Licensing

Son-Aero may hire foreign nationals if the reporting manager understands and accepts his/her responsibility to monitor and control the activities of the employee to ensure there are no inadvertent exports in violation of the regulations. Only a U.S. Person, as defined by 22 CFR 120.62, may be permitted access to defense articles, defense services, or defense related technical data, in the absence of an export license.

12.2 Technology Control Plan

In the event that Son-Aero desires to employ a Non-U.S. Person, Son-Aero will implement a Technology Control Plan (TCP), approved by DDTC, that establishes guidelines to ensure that transfers of technical data to Foreign Persons employed by Son-Aero are conducted in accordance with the appropriate government regulations and export authorization. A TCP is required for all foreign national employees.

With the assistance of the Export Compliance Office, the foreign national employee's manager or supervisor will ensure the TCP clearly identifies the following:

1. What data the individual is allowed access to (verbal, visual and hardcopy)?
2. Where the individual is allowed access to, are there any escort requirements?
3. What are the recordkeeping requirements?

All foreign national employees will be required to sign the TCP NDA and TCP Briefing Acknowledgement certifying the employees understanding of the restrictions imposed.

It is the responsibility of the foreign national employee's manager or supervisor to monitor the foreign national employee's compliance with the TCP and ensure that all coworkers are aware of the contents of the TCP.

All SON-AERO's employees who interface with foreign national employee(s) shall receive a copy of the TCP, and a training brief on the limitations as delineated in the document.

12.3 Visitor Requests & Meetings

All Son-Aero visitors are required to log into The Receptionist (iPad sign-in in lobby), and show a valid picture ID to the receptionist at the front desk, upon request. All visitors will be met by a Son-Aero employee at the visitor entrance, and receive a badge identifying them as visitors to the company. Every visitor will be required via The Receptionist to declare whether he or she is a U.S. Person or Foreign Person. No cameras are allowed in Sonfarrel facilities. The host of the visitor (e.g., Engineering, Customer Support, Purchasing, etc.) will confirm that the visitor is properly badged prior to the visitor leaving the visitor entrance/lobby area. A U.S. Person may be badged as Unescorted; all non-U.S. Persons must be badged as Escorted. Foreign Persons shall be

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permitted access to conference rooms that have been cleansed of defense articles, or related technical data.

12.3.1 Foreign Visitors

The Sonfarrel escort of all foreign visitors are encouraged to submit a “Request for Authorization to Visit” for approval for a standard visit (non-restricted areas), and at least 6 weeks in advance if the visit requires access to Restricted Items. In addition to the requirements outline in 11.3, all foreign visitors are required to present their passport for photocopy, which will be maintained according to Section 15.0 – Recordkeeping and Reports. Foreign visitors who are Foreign Persons (per 22 CFR 120.63) will be badged as Escorted.

12.3.2 Disclosure of Restricted Items

Foreign visitors will not be shown any Restricted Items during their visit, or in connection with any other communication or interaction with company employees. This includes physical access to Restricted Items, as well as access to areas where controlled data, information, and equipment are located. This also includes access to areas where technologies or manufacturing “know-how” of Restricted Items is stored or disclosed.

If there is a need to show foreign visitors Restricted Items, or otherwise grant foreign visitors access to Restricted Items, the Export Compliance Officer will review the implications of such disclosure prior to the visit or access taking place. The Export Compliance Officer (or his or her designate) will take appropriate precautions to ensure that no violations of U.S. export control regulations occur in connection with any visit by a Foreign Person, which will entail coordinating approval in advance with DDTC.

12.3.3 Meetings

During any face-to-face meeting, teleconference, online meeting, webinar, or remote-hosted work session, of any kind, all Son-Aero employees involved will take appropriate steps to ensure that no Restricted Items are used by, or in any way disclosed to, Foreign Persons, without first obtaining the required license or agreement from DDTC.

12.3.4 Facility Tours

Tours of our facilities by Foreign Persons are only authorized if the appropriate license or agreement has been obtained, and the host has been briefed by the Export Compliance Office. *Confining foreign visitors to the Lobby and conference rooms (which have been cleansed of any Restricted Items or data) is generally the most efficient way to avoid compliance violations.*

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12.4 International Travel

All employees traveling internationally are encouraged to consult with the ECO concerning compliance related travel requirements prior to departure, for a quick debrief on compliance related protocols.

12.4.1 Hand-Carry of Electronic Devices and/or Data

If an employee desires to travel with electronic devices such as a PDA, USB drive and/or a laptop, the employee is encouraged to consult with the ECO concerning compliance related travel requirements, for a quick debrief on compliance related protocols.

12.4.2 Hand-Carry of Company Products for Demonstrations

Hand-carry of company products for demonstrations is not recommended due to the level of complexity ensuring the required paperwork, AES filing, and clearance of the hardware is completed properly. In addition, many Son-Aero products require export licenses. For all demonstrations to include those of Restricted Items to potential customers or for demonstrations or display at trade shows, the requesting employee must contact the Export Compliance Officer well in advance of the visit to ensure the required export authorization is obtained. If an employee desires to hand-carry hardware, the ECA or ECO must be contacted well in advance so that the required arrangements and coordination can be made prior to the departure date. *Carrying non-functioning models or mock-ups to trade shows does not normally require an export license. Carrying a functional defense article to a trade show would require a temporary export license (DSP-73). For planning purposes, plan on six (6) weeks to obtain an export license.*

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13.0 Information Technology

13.1 Policy on All Electronic Devices

Son-Aero secures its network servers and company computers to prevent unauthorized access of Restricted Items by Foreign Persons. At a minimum, this security includes Network User Names and Network Passwords for any employee who requires access to items on company servers. Any employee who is a Foreign Person will only have access to network files and folders which do not contain Restricted Items, unless the Foreign Person employee has been authorized by a license or agreement from the appropriate U.S. governmental agency, or unless such access is authorized by a valid exemption or exception under the regulations. Son-Aero will utilize the appropriate level of data encryption for Restricted Items on its network servers, to prevent unauthorized access from occurring. Son-Aero will take appropriate steps to ensure that Restricted Items are not stored, or routed through, network servers, which reside in a foreign country.

13.2 Storing and Controlling Technical Data/Technology

All technical data must be stored and controlled within the firewalls of Son-Aero computer systems and networks. To ensure no unauthorized access is granted, the responsibility of managing these controls is done collectively between the IT Department, and Quality Management.

13.3 E-mail, Fax or other Electronic Communication

Son-Aero employees will always evaluate the status of any items being sent via e-mail, fax, text, or transmitted via any other means, prior to sending such items, to determine if the item is restricted or otherwise requires a license or agreement for export.

If the item being sent is “restricted,” and if it will be transmitted to a Foreign Person within the United States, or to any location outside of the United States, all necessary licenses or agreements will be secured from the appropriate U.S. governmental agency prior to such transmission.

All e-mail or other electronic transmissions which contain Restricted Items will include the following disclaimer:

“This e-mail and any attachments are solely for the use of the addressee and may contain Son-Aero proprietary information that may also be defined as U.S. Government export controlled technical data. If you are an unintended recipient of this e-mail, use, disclosure or distribution of its content is prohibited. Please notify the sender by return e-mail and immediately delete this message. Son-Aero reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from Son-Aero employee e-mail addresses without informing the sender or recipient of the message.”

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13.4 Management of Product Information Posted on Internet

Only the IT Department is authorized to post product information to the Sonfarrel website. All employees who desire to post product information must obtain Export Compliance Office approval to ensure the data is reviewed and does not contain any data that is defined as ITAR technical data or EAR technology.

13.5 Our company Intranet

The Son-Aero website will provide employees with not only this Export Compliance Manual, but also all applicable forms, templates, training and logs that need to be utilized to carry out the procedures defined in this manual. It is the responsibility of the Export Compliance Officer to keep the information related to this Export Compliance Program current and up-to-date with any government recommended licensing procedures.

13.6 Foreign Person Access

If Foreign Persons need access to Son-Aero computer systems for the purpose of accessing or sharing technical data, coordination to arrange access and restrictions will be done with the support of the IT Department and the Export Compliance Officer. *Foreign Person access to Restricted Items is prohibited under all circumstances, in the absence of an export license or other approval provided by DDTC.*

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14.0 Restricted/Prohibited Activities and Screening Requirements

Son-Aero will not enter into contracts, conduct business, exchange information, or otherwise participate, directly or indirectly, in any activities with any entity or person found on what are known as Denied Parties' lists, during such time that said entity or person is included on one of those lists. The designated lists covered by this policy are those maintained by the U.S. Department of State, Directorate of Defense Trade Controls; the U.S. Department of Commerce, Bureau of Industry and Security; and the U.S. Department of the Treasury, Office of Foreign Assets Control.

14.1 Screening of Denied Persons and Restricted Parties

Numerous departments of the U.S. government maintain screening lists. All parties to a transaction with Son-Aero must be screened to ensure that they are not on any of these lists. Son-Aero is required to screen all foreign and US parties to the transaction. This includes not only the end-user of our technology or hardware, but also vendors, suppliers, consignees, freight forwarders, or any other parties involved in the transaction. A review of the current list may have divisions of well-known reputable companies listed as denied parties. As a result, continued screening is essential as a means to ensure compliance.

14.1.1 Consolidated Screening List

The Consolidated Screening List (CSL) is a consolidation of multiple export screening lists of the Departments of Commerce, State and Treasury, and is a list of parties (persons or entities) for which the United States Government maintains restrictions on certain exports, re-exports or transfers of items. The CSL link may be found at: <http://apps.export.gov/csl-search>.

The CSL is an aid in conducting electronic screens of potential parties or entities to regulated transactions. In the event that a company, entity or person on the list appears to match a party potentially involved in your export transaction, additional due diligence should be conducted and the ECO should be consulted to ensure full compliance with all of the terms and conditions of the restrictions placed on the parties on this list. The CSL pulls daily updates of the lists detailed below from each of the sourcing federal agencies.

The CSL pulls data from the following export screening lists:

Department of Commerce – Bureau of Industry and Security

[Denied Persons List](#) - Individuals and entities that have been denied export privileges. Any dealings with a party on this list that would violate the terms of its denial order are prohibited.

[Unverified List](#) - End-users who BIS has been unable to verify in prior transactions. The presence of a party on this list in a transaction is a "Red Flag" that should be resolved before proceeding with the transaction.

[Entity List](#) - Parties whose presence in a transaction can trigger a license requirement supplemental to those elsewhere in the Export Administration Regulations (EAR). The list specifies the license requirements and policy that apply to each listed party.

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Department of State – Bureau of International Security and Non-proliferation

[Nonproliferation Sanctions](#) - Parties that have been sanctioned under various statutes. The linked webpage is updated as appropriate, but the Federal Register is the only official and complete listing of nonproliferation sanctions determinations.

Department of State – Directorate of Defense Trade Controls

[AECA Debarred List](#) – Entities and individuals prohibited from participating directly or indirectly in the export of defense articles, including technical data and defense services. Pursuant to the Arms Export Control Act (AECA) and the International Traffic in Arms Regulations (ITAR), the AECA Debarred List includes persons convicted in court of violating or conspiring to violate the AECA and subject to “statutory debarment” or persons established to have violated the AECA in an administrative proceeding and subject to “administrative debarment.”

Department of the Treasury – Office of Foreign Assets Control (OFAC)

[Specially Designated Nationals List](#): Parties who may be prohibited from export transactions based on OFAC’s regulations. The EAR requires a license for exports or reexports to any party in any entry on this list that contains any of the suffixes "SDGT", "SDT", "FTO", "IRAQ2" or "NPWMD".”

[Foreign Sanctions Evaders List](#): Foreign individuals and entities determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran, as well as Foreign Persons who have facilitated deceptive transactions for or on behalf of persons subject to U.S. Sanctions. Transactions by U.S. persons or within the United States involving Foreign Sanctions Evaders (FSEs) are prohibited.

[Sectoral Sanctions Identifications \(SSI\) List](#): Individuals operating in sectors of the Russian economy with whom U.S. persons are prohibited from transacting in, providing financing for, or dealing in debt with a maturity of longer than 90 days.

[Palestinian Legislative Council \(PLC\) List](#): Individuals of the PLC who were elected on the party slate of Hamas, or any other Foreign Terrorist Organization (FTO), Specially Designated Terrorist (SDT), or Specially Designated Global Terrorist (SDGT).

[The List of Foreign Financial Institutions Subject to Part 561 \(the Part 561 List\)](#): The Part 561 List includes the names of foreign financial institutions that are subject to sanctions, certain prohibitions, or strict conditions before a U.S. company may do business with them.

[Non-SDN Iranian Sanctions Act List \(NS-ISA\)](#): The ISA List includes persons determined to have made certain investments in Iran’s energy sector or to have engaged in certain activities relating to Iran’s refined petroleum sector. Their names do not appear on the Specially Designated Nationals or Blocked Persons (SDN) List, and their property and/or interests in property are not blocked, pursuant to this action.

Generally the following guidelines for proscribed destinations apply:

- No exports of defense articles, technical data or defense services

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- No proposals or brokering activities
- No shipments on vessel, aircraft or other means of conveyance which is owned, operated or leased from a proscribed country or areas
- Cannot use ITAR exemptions without prior approval from DDTC
- Exercise Due Diligence; see “Red Flags” below.

Screening activities must also include reviewing the “exclusions” listed on the System for Award Management (“SAM”) site. “Exclusion” means *ineligibility*. The CSL *does not* include ineligible persons or entities listed on SAM. <https://sam.gov/content/exclusions>, making it necessary to also access the SAM site as an additional screening tool.

14.2 Red Flags

The U.S. Department of Commerce, BIS, posts “Red Flag Indicators” on their website. These red flags provide you with an example of activities that should alert Son-Aero if the transaction or the party involved should be investigated further before continuing to conduct any business. The red flags include, but are not limited to:

- The customer or its address is similar to one of the parties found on the Commerce Department's [BIS's] list of denied persons.
- 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.
- The customer declines routine installation, training, or maintenance services.
- 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.
- Adverse or questionable results from the CSL or SAM sites.
- A “gut reaction” or suspicion that something with the transaction is questionable.

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15.0 Recordkeeping Requirements

Son-Aero will store all significant records of transactions regarding its export control activities in a location separate from manufacturing and quality records for the subject item. These records will be safeguarded from unauthorized access, and will be available to be produced, as requested, by U.S. governmental authorities. Records include printed and hard copy documents, as well as electronic records (including e-mail, e-mail attachments and other electronic files).

15.1 Records

The following list represents documents identified by the Export Compliance Officer for retention under this program:

- Registration Documentation
- Designations of Empowered Officials Letters
- Request for Quotes
- Purchase Orders
- End Use Statements
- Sales Orders
- License Applications and government submittal documents
- US Government Approvals with Provisos
- Commercial Invoices
- Air Waybills and Bills of Lading
- Shippers Export Declarations (SEDs)
- Return Material Authorizations (RMA's)
- Training Records
- TAAs/MLAs and Attachments
- International Correspondence, outgoing and incoming
- Commodity Jurisdictions
- Copies of all technical data exported under a valid export approval
- Export Declarations
- Exemption claims
- Technology Control Plans (TCPs)
- Visitor Requests and all submittal documents
- International Travel Requests
- Voluntary Disclosures

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15.2 Retention Periods

15.2.1 ITAR Related Records

ITAR related records will be maintained for a period of 10 years from the expiration of the license or other approval, to include exports using an exemption, or from the date of the transaction (e.g., expired licenses or other approvals relevant to the export transaction using an exemption).

15.2.2 EAR (commercial) Related Records

EAR related records will be maintained for 10 years.

15.3 Export Compliance Logs

15.3.1 Licenses and Agreements

Son-Aero will maintain electronic records of all license applications, approvals, provisos and agreements in a secured file location. The Customer Service Department is responsible for maintaining export license records, as well as for decrementing export licenses and returning expired licenses, as needed.

15.3.2 Exemptions Log

Son-Aero Customer Service Department will maintain a record of all exemptions used for the export of unclassified technical data. This record will include: a description of the unclassified technical data, the name of the recipient end user, the date of the export, and the method of transmission (per 22 CFR 123.26).

16.0 Training

16.1 Training for Employees

All employees whose responsibilities touch upon, directly or indirectly, this ECM Manual, will receive periodic Export Compliance Training provided by the Export Compliance Officer or his designee. This training will consist of an overview of the various export and import regulations and current trends and best practices in industry compliance programs.

16.2 Training for Empowered Officials

All Empowered Officials are required to attend periodic training. This training can be obtained by attending a conference outside of Son-Aero, utilizing the services of the ECO, or hiring an outside consulting firm to provide compliance training.

16.3 Training Curriculum

The ECO will develop and maintain an Export/Import Compliance Training Curriculum. It will include training for all employees, new employees, specialized training for specific departments, and training for those employees with specific export and import compliance responsibilities. The training curriculum will be updated as required to ensure it meets the requirements of the current laws and regulations. Records of conducted training shall be maintained by Human Resources for a minimum period of five (5) years from the training date.

17.0 Audit Program

Son-Aero recognizes the need to ensure this Export Compliance Program is properly implemented, effective and that all company personnel are in compliance. This information will be reviewed periodically, and a complete program audit will be conducted on a periodic basis.

To accomplish this, Son-Aero may use a combination of internal audits, external audits, and reviews of data on non-compliances and violations to determine the effectiveness of the Export Compliance Program.

17.1 Periodic Audit

A periodic audit will encompass the full range of export compliance for Son-Aero, including:

- Review adherence to license conditions, terms and provisos.
- Review of departmental operating procedures, highlighting any areas of compliance that need to be addressed and possibly adopted into this program.
- Review recordkeeping to ensure proper practices and procedures are being followed, and make any changes or updates as required.
- Review instances of ITAR/EAR violations, disclosures made or to be made, and corrective actions implemented to prevent occurrences of future violations.
- Review instances of lessons learned, revised regulations, or process improvements.

The emphasis will be on the validation of full export compliance, including adherence to license and other approval conditions. Results of any such audit shall be communicated to the CEO, ECO (if conducted by someone other than the ECO), and the Board of Directors.

18.0 Export Violations and Penalties

18.1 Activities Treated as Violations

The export laws and regulations specify what constitutes a violation.

18.1.1 Examples of ITAR violations:

- Export or attempt to export without a license or written approval.
- Import or attempt to import without a license or written approval.
- Conspire or cause to be exported, imported, re-exported without a license or written approval.
- Violate any terms or conditions of licenses or approvals.
- Willfully cause, aid, abet, counsel, demand, induce, procure, or permit the commission of any act prohibited by these regulations, license, approval or order.
- Apply for, obtain, or use any export control document for a debarred, suspended or ineligible person.
- Order, buy, receive, use, sell, deliver, store, dispose of, forward, transport, finance, or otherwise service or participate in any transaction where such debarred, suspend, or ineligible person may obtain any benefit there from or have any direct or indirect interest therein.
- Incorrect Self-Classifications of Restricted Items.
- Employment of non-U.S. Persons who have access to Restricted Items, without an export license granted by DDTC. **Individuals with DACA or H-1B status are not U.S. Persons as defined by 22 CFR 120.62.**
- Plant tours by non-U.S. Persons, where such individuals may be exposed to ITAR controlled defense articles or technical data (Restricted Items).

18.1.2 Examples of EAR violations:

- Causing, aiding or abetting a violation.
- Acting with knowledge of an undisclosed violation.
- Possession with intent to export illegally.
- Misrepresentation and concealment of facts.
- Evasion.
- Failure to comply with reporting or record keeping requirements.
- License alteration.
- Acting contrary to the terms of a denial order.

If a violation is about to occur or has occurred, it is every employee's obligation to contact the Export Compliance Officer for assistance.

18.2 Penalties under the ITAR

- Civil penalties in an amount not to exceed that authorized by 22 UC 2778, 2779a, and 2780 for each violation of 22 USC 2778, 2779a, and 2780, or any regulation, order, license, or written approval issued thereunder.
- Criminal penalties up to \$1,000,000 and/or up to 20 years imprisonment per violation, per 22 USC 2778 (c).
- Debarment and denial of export privileges, per 22 CFR 127.7.
- Seizure of goods, per 22 CFR 127.6.
- Interim Suspension, per 22 CFR 127.8.

18.3 Penalties under the EAR

- Civil penalties may be the greater of \$368,136 or twice the value of the transaction.
- Criminal penalties up to \$1,000,000 and/or up to 20 years imprisonment per violation.
- Debarment and denial of export privileges.

18.4 Internal Investigations

The ECO will conduct all investigations relating to violations or suspected violations of the export and import regulations. All employees shall provide their full cooperation to the ECO. Results of any such investigation shall be communicated to the CEO, CFO, and the Board of Directors.

18.5 Reporting Violations and the Voluntary Disclosure Process

Son-Aero has an Export Compliance Program that promotes awareness and transparency. Son-Aero will identify and document all compliance problems or issues that occur in conjunction with this program.

All violations of ITAR or EAR shall be voluntarily disclosed to the applicable government agency by the ECO. The ECO, with the support of outside counsel and/or export consultants, if needed, will prepare and submit the necessary Voluntary Disclosures to the government. Voluntary disclosures are treated as mitigating factors under the ITAR (22 CFR 127.12), EAR (15 CFR 764.5), and federal sentencing guidelines.

The Export Compliance Officer shall keep the CEO and the Board of Directors informed of any voluntary disclosure(s).

18.5.1 Employee Responsibility to Report Violations

Any employee, temporary worker, consultant or contractor who has knowledge of facts or incidents, which he or she believes may violate U.S. export regulations or this program, whether intentional or accidental, **is required to report** the matter promptly to the Export Compliance Officer, any Empowered Official, or his/her immediate supervisor or manager.

18.5.2 Reporting Tool

All known or suspected compliance problems or issues may be reported to through company's Hotline, your supervisor, any Empowered Official, or the Export Control Officer.

18.5.3 Request for Information Relating to Export Controls

In order to ensure complete and accurate responses to any inquiry, employees, consultants and contractors are strictly prohibited from acting on their own, without the involvement of the Export Compliance Officer (or his or her designate), to provide, disclose, or share export control information, grant access, describe export control policies and procedures, or interpret the export control regulations on their own, in response to any request from customers or U.S. governmental authorities regarding export controls.

All requestors will be instructed to contact the Export Compliance Officer (or his or her designate) as a matter of Son-Aero's ECM to ensure a proper response. Refer to Section 3.2.2 of this ECM for contact information for the Export Compliance Officer.

19.0 Appendix A – Terms and Definitions

The terms used to describe exports and export regulations are complicated and can be difficult to understand. Below are some commonly defined terms referenced throughout this Export Compliance Program. Underlined information is generally a link to further data available on the Internet.

19.1 The Arms Export Control Act (AECA) of 1976

This act gives the President of the United States the authority to control the import and export of defense articles and defense services. The International Traffic in Arms Regulations (ITAR) implements the provisions of the AECA. The AECA provides the legal authority to administer and enforce the ITAR.

19.2 Antiboycott Laws and Regulations

During the mid-1970’s, the United States adopted two laws that seek to counteract the participation of U.S. citizens in other nation’s economic boycotts or embargoes. These “antiboycott” laws and regulations are the 1977 amendments to the Export Administration Act (EAA) and the Ribicoff Amendment to the 1976 Tax Reform Act (TRA). While these laws share a common purpose, there are unique [distinctions](#) in their administration. For more information about antiboycott provisions, [click here](#).

19.3 Automated Export System (AES)

The Automated Export System (AES) is an electronic export information gathering and processing system. The AES collects export information electronically from participants approved to use the system. This information was also previously captured from the Shipper’s Export Declaration (SED), also known as Form 7525-V.

19.4 Basic Marketing Information

Information that relates to the general function, purpose, or generic system descriptions of items, as well as information that is widely available to the general public.

19.5 Broker

A broker is any person who acts as an agent for others in negotiating or arranging contracts, purchases, sales or transfers of defense articles or defense services in return for a fee, commission, or other consideration. Brokers must follow specific registration, licensing and reporting requirements as defined in Part 129 of the ITAR.

19.6 Bureau of Industry and Security (BIS)

The U.S. Department of Commerce agency responsible for administration and enforcement of the Export Administration Regulations (EAR).

19.7 Commerce Control List (CCL)

A list of items and technologies subject to Export Administration Regulations (EAR) export license requirements based on their identity. The CCL is located in Part 774 of the EAR. <https://www.bis.doc.gov/index.php/regulations/export-administration-regulations-ear>.

19.8 Commodity Jurisdiction (CJ)

A commodity jurisdiction request is used to determine whether an item or service is subject to the export licensing authority of the U.S. Department of State or the U.S. Department of Commerce. Detailed information on the article or service must be submitted with the CJ, including the background of the item, its design, technical characteristics and its use. A CJ can also be used to clarify the intent of the regulations in complicated cases.

19.9 DECCS

DECCS (Defense Export Control & Compliance) is a portal available through the DDTC website for registered users, and is utilized to process export license applications, agreements, Commodity Jurisdiction requests, advisory opinions, and more. https://www.pmddtc.state.gov/ddtc_public

19.10 Defense Article

A defense article is any item or associated technical data, which is found on the United States Munitions List (USML). The term includes technical data recorded or stored in any physical form, models, mockups, or other items that reveal technical data directly relating to items designated on the USML. Basic marketing information describing functions or purpose or general systems descriptions is not considered defense articles.

19.11 Defense Service

A defense service means the furnishing of assistance (including training) to Foreign Persons (companies), whether in the United States or abroad, in the design, development, engineering, manufacture, production, assembly, testing, repair, maintenance, modification, operation, demilitarization, destruction, processing or use of defense articles. A defense service also means the furnishing to Foreign Persons of any technical data found on the United States Munitions List, whether in the United States or abroad. A defense service also means military training of foreign units and forces, regular and irregular, including formal or informal instruction of Foreign Persons in the United States or abroad or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice. This term is defined in Section 120.9 of the ITAR.

19.12 Directorate of Defense Trade Controls (DDTC)

The U.S. Department of State agency responsible for administration and enforcement of the International Traffic in Arms Regulations (ITAR). https://www.pmddtc.state.gov/ddtc_public

19.13 D-Trade

D-Trade was the electronic export licensing system employed by the Directorate of Defense Trade Controls (DDTC) for the purposes of issuing licenses under the International Traffic in Arms Regulations (ITAR). D-Trade has been superseded by DECCS.

19.14 DTSA

DTSA (Defense Technology Security Administration) is an internal Department of Defense group that assesses defense technologies and develops measures, in partnership with government and industry, to prevent proliferation or diversion of technology and information that could prove detrimental to U.S. national security. DTSA reviews export license applications, agreements, Commodity Jurisdiction requests, and other matters, in collaboration with DDTC. www.dtsa.mil

19.15 EAR99

A generic code used to classify items or technologies subject to the Export Administration Regulations (EAR), and which do not meet the description of any Export Control Classification Number (ECCN) found on the Commerce Control List (CCL).

19.16 ELISA

ELISA is a database maintained by DTSA and is utilized to provide status on pending applications and cases. https://elisa.dtsa.mil/Elisa_Results.aspx

19.17 Empowered Official

An individual meeting the requirements of 22 CFR 120.25, who is authorized by a company to process and sign license applications on its behalf. Empowered Officials have authority within the company to oversee any aspect of export control, in order to ensure the accuracy and legality of the company's transactions. Empowered Officials also have the authority to refuse any export activities, based on legality, without fear of retribution from the company.

19.18 Export Administration Regulations (EAR)

Regulations set forth in parts 730-744, of Title 15 of the Code of Federal Regulations, which govern the export of commercial and dual-use items under the U.S. Department of Commerce.

19.19 Exception

A condition which may apply to a proposed export, and which relieves the exporter from the requirements to secure a license for that export. License exceptions are found in Part 740 of the Export Administration Regulations (EAR).

19.20 Exemption

A condition which may apply to a proposed export, and which relieves the exporter from the requirements to secure a license or agreement for that export. Various exemptions are found throughout the International Traffic in Arms Regulations (ITAR).

19.21 Export

An export refers to the sending or taking of any item outside of the United States, in any manner, including transferring possession of that item to a Foreign Person, whether in the United States or abroad, by any means. An export also refers to the disclosure of technical data, or providing access of defense articles to a Foreign Person, whether in the U.S., or abroad.

19.22 Export Compliance Officer (ECO)

For the purposes of this program, the Export Compliance Officer is the individual who is authorized by a company to administer and enforce policies and procedures in order to help the company comply with U.S. export control regulations. The ECO may also be the Empowered Official for the company, or the two roles may be shared by separate individuals.

19.23 Export Control Classification Number (ECCN)

A unique number (consisting of a number and a letter followed by three more numbers) which is used to describe and classify items found on the Commerce Control List (CCL).

19.24 Foreign Person

Foreign person means any natural person who is not a lawful permanent resident as defined by 8 U.S.C. 1101(a)(20) or who is not a protected individual as defined by 8 U.S.C. 1324b(a)(3). It also means any foreign corporation, business association, partnership, trust, society or any other entity or group that is not incorporated or organized to do business in the United States, as well as international organizations, foreign governments and any agency or subdivision of foreign governments (e.g., diplomatic missions). See 22 CFR 120.63.

19.25 International Traffic in Arms Regulations (ITAR)

Regulations set forth in 22 CFR Parts 120-130, which govern the export of defense articles, technical data, and defense services under the U.S. Department of State.

19.26 Item

An item is any product or hardware, spare part, component, technical data, manufacturing “know-how,” research and development, quality control and testing data, services, software, or technology associated with any U.S. export control regulations. The term “item” does not refer to the physical product alone, but can also be used to describe data or technologies associated with that product. Some examples of

items include: materials, finished products, sub-assemblies, components, parts, blueprints, design plans, specifications, software code, encryption technology, composite technology, test data, and information.

19.27 License

A license is an official document, authorized by a governmental agency, which allows the export of a specific item from the United States to a specific location abroad, or to a Foreign Person.

19.28 Manufacturing License Agreement (MLA)

An agreement (or contract), approved by the Directorate of Defense Trade Controls (DDTC), whereby a U.S. person grants a Foreign Person an authorization to manufacture defense articles abroad, and which contemplates (a) the export of technical data or defense articles or the performance of a defense service, or (b) the use by the Foreign Person of technical data or defense articles previously exported by the U.S. person.

19.29 Missile Technology Control Regime (MTCR)

The United States and other nations in this multilateral control regime have agreed to guidelines for restricting the export of dual-use items that may contribute to the development of missiles.

19.30 No License Required (NLR)

A term which describes an Export Control Classification Number (ECCN) for which “no Bureau of Industry and Security (BIS) export license is required.”

19.31 Non-Disclosure Agreement (NDA)

A Non-Disclosure Agreement (NDA) refers to an agreement (or contract) between two parties, which prohibits the illegal transfer of Restricted Items or confidential information.

19.32 Office of Foreign Assets Control (OFAC)

The U.S. Department of the Treasury agency responsible for enforcement and administration of trade sanctions and embargoes against targeted foreign countries.

19.33 Public Domain

Public domain means information which is published and which is generally accessible or available to the public.

19.34 Re-Export

The export of an item (which was previously exported from the United States to a foreign country) to

another foreign country not previously authorized by the U.S.

19.35 Restricted Item

For the purposes of this section, as well as the entire Export Management and Compliance Program, the term “restricted item” will mean any item (including without limit product or hardware, spare parts, components, technical data, designs, specifications, manufacturing, maintenance or repair “know-how,” research and development, quality control and testing data, services, software, technology or other information) which is controlled by U.S. export regulations, including without limitation the Export Administration Regulations (EAR), the International Traffic in Arms Regulations (ITAR), or any other U.S. laws and regulations concerning export control.

19.36 Re-Transfer

The transfer of an item (which was previously exported from the United States) to another location within the same country not previously authorized by the U.S.

19.37 Red Flags

A term used by the Bureau of Industry and Security (BIS) to indicate situations or conditions where a party to a transaction may be intending to violate one or more U.S. export control regulations. Refer to Section 14.2 for some examples of possible “red flags.”

19.38 Self-Classification

Self-Classification refers to the internal process related to SON-AERO employees classifying a product under the EAR in the absence of a clear classification provided by the EAR. *Given the high risks associated with improperly classifying a product, the Export Compliance Officer’s concurrence should be obtained for all self-classification determinations.*

19.39 Shipper’s Export Declaration (SED)

A shipping document used by the U.S. Bureau of Census for compiling trade statistics, and by the U.S. Bureau of Industry and Security (BIS) for administering and enforcing the Export Administration Regulations (EAR).

19.40 Significant Military Equipment (SME)

Items for which special export controls are warranted because of their capacity for substantial military use or capability.

19.41 Technical Assistance Agreement (TAA)

An agreement (or contract), approved by the Directorate of Defense Trade Controls (DDTC), for the

performance of defense services or the disclosure of technical data to Foreign Persons.

19.42 Technical Data (ITAR)

Generally, technical data is any information of any kind that can be used, or adapted for the design, production, manufacture, quality control, assembly, utilization, or modification of items being exported. The data may take a tangible form, such as a model, prototype, (models and prototypes are controlled both as technical data and as commodities), blueprint, or an operating manual (the tangible form may be stored on recording media); or the data may take an intangible form, such as a technical service. All software is considered technical data. As defined in 22 CFR 120.10.

19.43 Technology (EAR)

Specific information necessary for the “development”, “production”, or “use” of a product. The information takes the form of “technical data” or “technical assistance”. Technical assistance--May take forms such as instruction, skills training, working knowledge, consulting services. Note: “Technical assistance” may involve transfer of “technical data”. As defined in EAR 772.1.

19.44 Temporary Import

Temporary import means bringing into the United States from a foreign country any item that is to be returned to the country from which it was shipped or taken, or any item that is in transit to another foreign destination. Temporary import includes withdrawal of an item from a customs bonded warehouse or foreign trade zone for the purpose of returning it to the country of origin or country from which it was shipped or for shipment to another foreign destination.

19.45 Third Parties

Third Parties means any contractor, consultant, freight forwarder, distributor, sales representative, joint venture partner or any other entity or person doing business with SON-AERO or on SON-AERO’s behalf.

19.46 United States Munitions List (USML)

The list of defense articles, services and related technical data under the jurisdiction of the Directorate of Defense Trade Controls (DDTC). The USML is located in Part 121 of the International Traffic in Arms Regulations (ITAR). The Electronic Code of Federal Regulations version is located at: <http://www.ecfr.gov/cgi-bin/text-idx?node=pt22.1.121>.

19.47 U.S. Person

U.S. Person means a person who is a lawful permanent resident of the United States, as defined by 8 U.S.C. 1101(a)(20), or who is a protected individual, as defined by 8 U.S.C. 1324b(a)(3). It also means any corporation, business association, partnership, society, trust, or any other entity, organization or group that is incorporated to do business in the United States. It also includes any governmental (federal, state or local) entity (see 22 CFR 120.62). It does not include any Foreign Person (22 CFR 120.63).

20.0 Appendix B - List of Acronyms

Acronym	Definition
AECA	Arms Export Control Act
BATF	Bureau of Alcohol Tobacco and Firearms
BIS	Bureau of Industry and Security
CCL	Commerce Control List
CFR	Code of Federal Regulations
DCS	Destination Control Statement
DDTC	Directorate of Defense Trade Controls
DECCS	Defense Export Control & Compliance System
DOD	Department of Defense
DSS	Defense Security Service
DTSA	Defense Technology Security Administration
EAA	Export Administration Act
EAR	Export Administration Regulations
ECA	Export Compliance Administrator
ECCN	Export Control Classification Number
ECO	Export Control Officer
ECR	Engineering Change Request
FCPA	Foreign Corrupt Practices Act
ITAR	International Traffic in Arms Regulations
MDE	Major Defense Equipment
MLA	Manufacturing License Agreement
NLR	No License Requirement
OFAC	Office of Foreign Asset Controls
RFP	Request for Proposal
SEC	Securities and Exchange Commission
SME	Significant Military Equipment
TAA	Technical Assistance Agreement
TCP	Technology Control Plan
TRA	Tax Reform Act
TTCP	Technology Transfer Control Plan
USG	United States Government
USML	United States Munitions List

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21.0 Appendix C – ITAR Exemptions Quick Reference, Export Compliance Manual, and Visitor Control Policy, are located at the following link on Son-Aero’s web site:

<https://son-aero.com/ethics-program/>

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