

FIRST SALE OVERVIEW

CORMAC ADVISORS

WHOLESALE | SOURCING | LOGISTICS | RETAIL | GLOBAL

What is First Sale?

First Sale Valuation is a duty reduction program designed to reduce the dutiable value of eligible products imported into the United States.

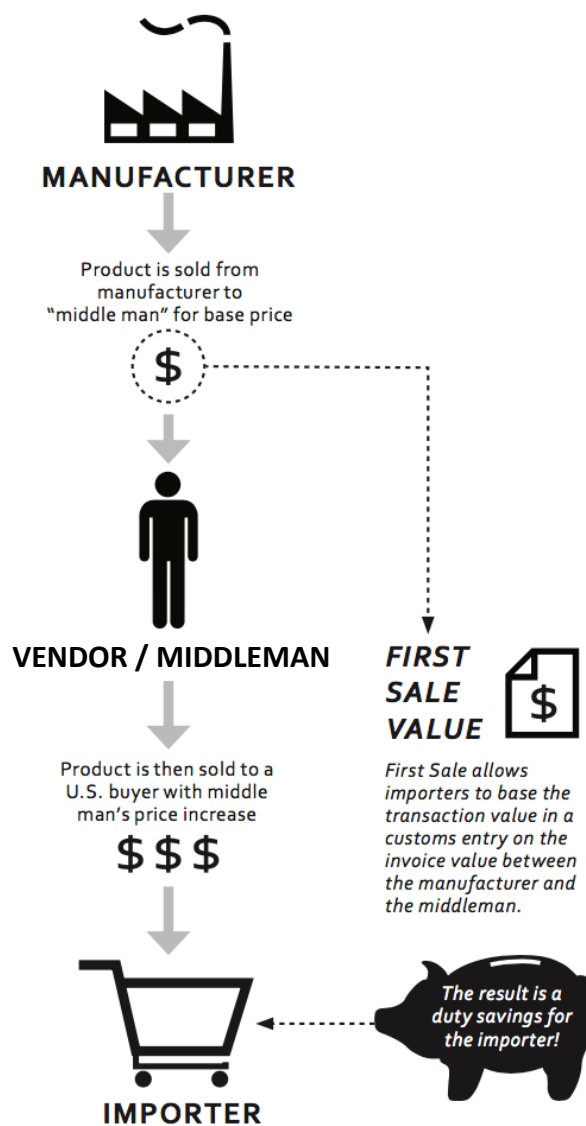
In a normal supply chain, an importer pays duty on the value of goods purchased from a vendor/middleman which includes the vendor's markup. This transaction is known as the 'second sale'. Using the First Sale principle, the importer can declare the goods to Customs using the 'first sale', which is the transaction between the manufacturer and the vendor/middleman, which excludes the middleman's markup, thereby lowering the customs value of the goods and the amount of duties payable. In other words, First Sale for Export establishes the dutiable value based on the transaction between the manufacturer (factory) and the vendor instead of between the vendor and the importer.

Who is a Candidate for First Sale?

Any importer of record (IOR) bringing goods into the U.S. using a 'multi-tiered' transaction model may be eligible for First Sale valuation. ('Multi-tiered' is just a way to describe a transaction with more than one party, in this case the Importer, the Middleman, and the Manufacturer.)

Ideal circumstances also include:

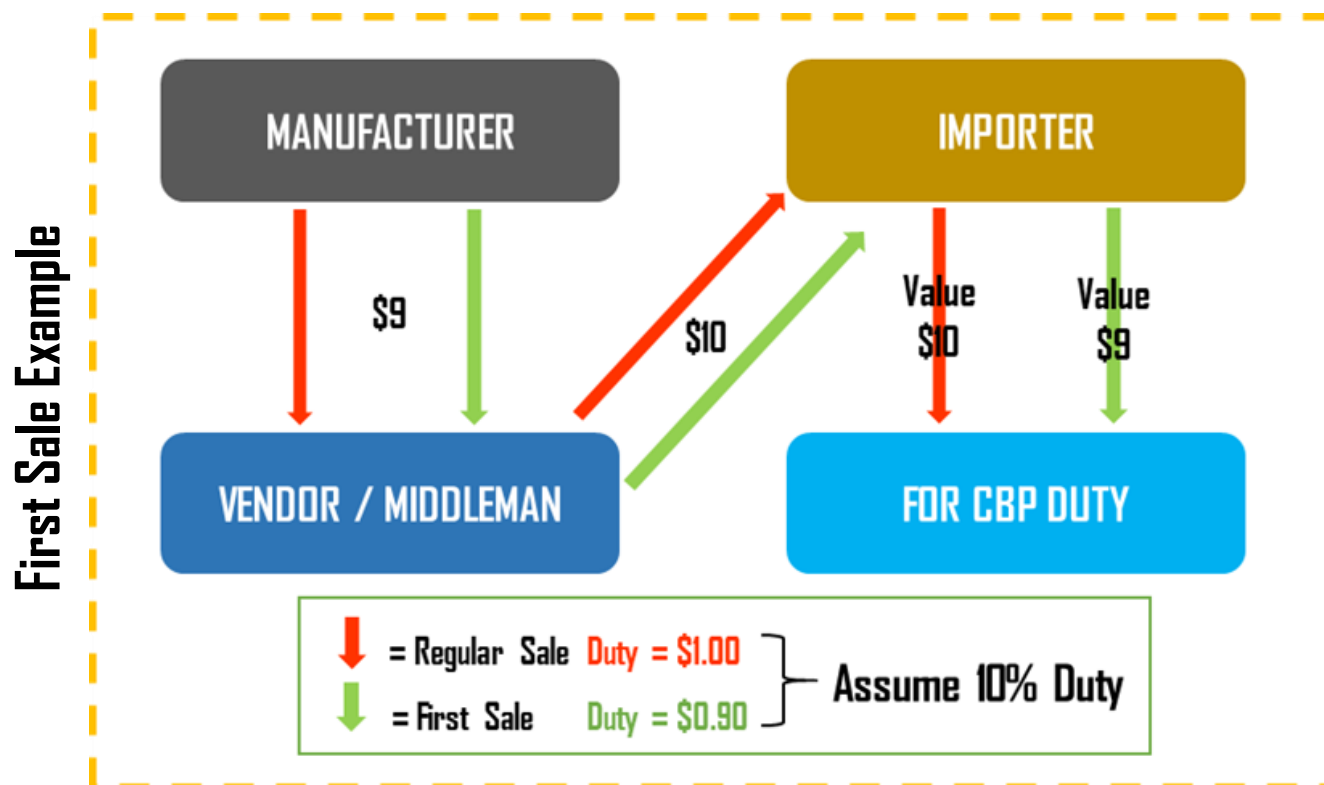
- Medium to High Duty Rates
- Medium to High Middleman Markup
- Medium-High FOB Volumes
- Cooperative Relationship between Middleman & Importer



What is First Sale?

Cormac's Approach

Cormac's valuation experts and partners leverage an integrated methodology designed to assure the proper application of this valuable duty reduction method. Having done this for other retailers, Cormac's experts have an understanding of the complexities of the process internally and externally. Our cross-functional expertise allows us to review import activity to identify First Sale opportunities.



First Sale Potential Savings

Based on example above, assuming an average of 10% rate of duty across product line and Brand has 10-50% markup (margin).

- Projected \$150,000,000 in annual exports to the U.S. (dutiable/ FOB value)
- Brand's potential Mark-up @ 25% = approximately \$37,500,000
- Annual Duty Savings = **\$3,750,000 per year** [less money paid to Gov't - nothing changes for Vendor]

Please visit www.cormacadvisors.com to learn more