

U.S. TRADE RESTRICTIONS AND ECONOMIC SANCTION/EMBARGO REQUIREMENTS

Snap-on must comply with all applicable U.S. export controls, foreign boycotts, laws and regulations in order to protect U.S. interests at home and abroad.

Compliance not only involves controlled goods and technologies, it also involves restrictions on shipping to certain countries, companies, organizations and/or individuals. For example, it is against the law to cooperate in any boycotts between foreign countries if those boycotts are not sanctioned by U.S. law.

Violations of law can result in substantial fines, imprisonment and severe restrictions on the Company's ability to do business in the U.S. and abroad. Additional information about what the U.S. laws require and when they apply to Snap-on can be found in the Snap-on Incorporated Code of Business Conduct and Ethics Manual, as well as in the Antitrust Compliance Manual. The Company LERN automated on-line compliance training program also offers an Antitrust Module that covers this topic in greater detail.

This executive summary is intended to provide you with a brief review of the U.S. legal restrictions on trade with, and investment in designated countries and on transactions with designated foreign nationals.

EXECUTIVE SUMMARY

The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) maintains strict embargoes banning, and lesser sanctions limiting U.S. companies and their foreign subsidiaries from entering into commercial transactions with specified foreign countries, persons and business entities. Congress recently quintupled the maximum civil fines per violation of many of these sanctions from \$11,000 to \$50,000 (each unlawful shipment constitutes a violation), and doubled maximum potential criminal penalties assessed willful violations from 10 years to 20 years in prison. Moreover, enforcement is being given a *much* higher priority.

The laws applying to U.S. corporations, their foreign branches, and U.S. nationals . . .

○ U.S. law bans U.S. corporations, their **foreign branches** (*foreign branches are foreign entities that operate overseas but are nonetheless organized under the laws of the United States or of any U.S. jurisdiction*), U.S. nationals (*wherever they are located and for whomever they work*), and *foreign nationals present in the United States* from making any exports to, imports from, investments in, or engaging in commercial transactions of virtually any type with these **embargoed nations**:

Cuba (and Cuban nationals, wherever located);
Iran; and
Sudan (narrow exceptions for certain parts of Southern Sudan).

○ *Partial U.S. embargoes* apply to these countries:

Burma (a ban on U.S. imports from, and new investment in Burma);
North Korea (U.S. imports must be licensed; special export limits); and
Syria (a total ban on U.S. exports).

You may not be involved in any way with banned transactions with the above nations, even if they are permissible under U.S. law when conducted by a foreign entity or national.

○ U.S. sanctions also bar dealings with “Prohibited Parties” including Specially Designated Nationals of the targeted countries, Parties Denied Export Privileges, Narcotics Traffickers, Terrorists and Terrorist Organizations. Some foreign entities are specially targeted with individual export bans, such as Mayrow Trading of the U.A.E. and its affiliated entities whose components have ended up in Iraqi insurgent bombs.

○ No exports of products of whole- or part-U.S. origin may be made with the knowledge (or reason to know) that they will be reexported or transshipped from a third country to an embargoed or otherwise sanctioned destination.

U.S. embargo/export laws that apply to foreign subsidiaries . . .

○ U.S. law fully extends the embargo on Cuba banning all trade with, and investment in that nation (and with Cuban nationals) to foreign subsidiaries of U.S. corporations (unlike foreign “branches” of U.S. corporations which are organized under U.S. laws, **foreign subsidiaries** are generally considered to be those foreign businesses that are incorporated overseas but which are “owned or controlled” by an American corporation). The same civil and criminal penalties apply to foreign subsidiaries for

violations of the Cuban embargo. U.S. authorities have pursued several foreign subsidiaries on criminal and civil charges for unauthorized trade with Cuba, even when it involved foreign-origin products.

- Several foreign jurisdictions (the EU, Canada, Mexico) maintain “blocking laws” that may address the U.S. embargo and transactions with Cuba. Foreign subsidiaries may wish to consult with in-country attorneys to determine the potential applicability of these laws.

- U.S. law does not prohibit foreign-incorporated and headquartered subsidiaries from trading with Iran, Sudan, Burma, North Korea or Syria as long as such decisions are made independently by foreign nationals and no U.S.-origin goods, services or technology are involved. Under law, no U.S. national (citizen or permanent resident alien) may be involved in approving, facilitating, advising on, or structuring such transactions. U.S. law applies to and bans the reexport of goods to Iran, Sudan and Syria that are of whole- or part U.S. origin. No U.S. corporation or other business, nor their foreign branches or U.S. nationals may service or repair such goods if they have been sold to, shipped to, and/or returned from any of the sanctioned destinations or parties and no U.S.-origin warranty or guarantee will apply to them.

- While U.S. law does not prohibit foreign nationals from trading with sanctioned countries other than Cuba and under certain export limits covering North Korea; it does fully apply the laws governing U.S. embargoes and sanctions to their activities (including conversations) when they are physically in the United States for whatever purpose.

- The **full range** of these restrictions apply under U.S. law to U.S. persons (citizens and permanent resident aliens) wherever they are located and for whomever they work. The laws provide that no U.S. person employed by, or associated with a foreign subsidiary may in any way approve, facilitate, broker, enable, or be involved in any manner with transactions with an embargoed or sanctioned country or party (this includes changing corporate recusal policies for officers and directors so that such transactions might be authorized). No U.S. corporation may transfer any sales opportunity to a foreign subsidiary that the American company itself could not conduct with a sanctioned country or party.

If you have any questions concerning the scope or content of any of the above laws or are aware of any sensitive political issues with a country in which the Company is or is considering doing business, please seek advice from the Legal Department.