



GUIDELINES FOR COMPLETING NAFTA CERTIFICATES FOR ORMCO CORPORATION

This document is for use as a general guideline only, and is not intended to replace the NAFTA rules of origin or any NAFTA legislation. When completing a NAFTA certificate of origin, please refer to the NAFTA rules of origin, Section 202 at www.cbp.gov.

- Field 1:** Please type your company name, address, and tax ID number. If your company is a U.S. company, your tax ID should be in the following format: XX-XXXXXXX.
- Field 2:** If possible, please issue a blanket certificate valid from 1/1/13 through 12/31/13 (instead of a one-time certificate).
- Field 3:** The term "producer" means a person who grows, mines, harvests, fishes, traps, hunts, manufactures, processes, or assembles a good. If you don't want to name the producer, you may state "Available to Customs Upon Request."
- Field 4:** Please complete as "Unknown."
- Field 5:** For each item, please provide as detailed a description as possible, including what the product is made of (please do not just list a trade name). **Please include the Ormco part number(s) if at all possible.**
- Field 6:** For each item, list the harmonized tariff classification to six digits. If you do not know the harmonized tariff classification, please provide a detailed product specification, or contact Jeannette Messina at (909) 394-4402.
- Field 7:** For each item, you will enter a preference criterion of A, B, C, D, E, or F (see below for more information).

Preference Criterion A (Wholly Obtained or Produced) refers to goods "Wholly obtained or produced entirely" in the U.S., Canada, and Mexico, namely natural resource items, such as: mineral goods, vegetable goods, live animals, and goods obtained from hunting, trapping or fishing. "A" also covers goods produced in the territory of one or more of the NAFTA parties exclusively from such natural resource type goods, at any stage of production. For example, if you mine gold from a NAFTA country and process it into a pure gold necklace in a NAFTA country, the gold necklace is "wholly obtained or produced entirely" in the NAFTA territory, and qualifies as an "A". However, if the gold was mined in a non-NAFTA country, then processed into a necklace in a NAFTA country, it does not qualify as an "A", since it was not wholly obtained from a NAFTA country (since the gold is not from a NAFTA country).

Preference Criterion B (Tariff Shifts and Regional Value Content) In order to determine whether your good is a "B", you must list all the non-NAFTA origin materials that make up the good. Then you must assign a harmonized tariff number to each individual non-NAFTA material and to the finished good, then refer to Annex 401 of the Agreement (see www.cbp.gov) to determine whether the individual materials have "changed enough" in processing in a NAFTA country to be considered eligible for NAFTA.



Preference Criterion B uses two tests designed to grant NAFTA originating status to goods that have undergone substantial processing in NAFTA territory. The first test is whether the materials used to produce the finished good undergo a qualifying shift in tariff classification. Annex 401 and General Note 12(t) to the Harmonized Tariff contain the shifts by tariff number.

For example, a calculator made in Mexico qualifies as originating if all the non-NAFTA materials used to produce the calculator changed from another tariff heading to the heading used for calculators.

If any of the non-NAFTA materials used to produce the calculator (e.g., plastic, computer chip, etc.) do not meet the required tariff shift, they may still qualify for NAFTA if the Regional Value Content (which is a measure of the NAFTA value added) is high enough.

There are two ways to determine the Regional Value Content: the transaction value method and the net cost method.

Under the transaction value method, the following formula is used: $RVC = (TV - VNM) / TV \times 100$, where

TV = the price paid or payable for the merchandise

VNM = the value of the non-originating materials used to produce the good (the sum of the purchase prices for materials that do not qualify as originating under the agreement)

Usually, if the transaction value RVC exceeds 60% and the non-originating materials make the required change in tariff classification, the article is considered to be originating.

Net Cost is another way to calculate the regional value content. This method uses the costs of materials, overhead, and general expenses as the basis for the calculation.

The formula is: $RVC = (NC - VNM) / NC \times 100$, where

NC = the sum of all product costs, period costs, and other costs associated with the production of the good less specified excluded costs.

VNM = the value of the non-originating materials used to produce the good

Usually, if the net cost RVC is 50% or more, and the non-originating materials make the required change in tariff classification, the article is considered to be originating.

Preference Criterion C (Goods Made Exclusively of Originating Material) refers to cases where all the materials used in the production of a good are originating materials. This differs from preference criterion A in that the originating materials may contain material that originated outside NAFTA territory. For example, a manufacturer may make bicycle frames from Japanese steel. When the steel is processed into parts, the parts may be originating under the applicable tariff shift and RVC rule. If the bicycle manufacturer uses those frames, and no non-originating materials, the bicycle will be originating under preference criterion C.

In other words, if you have a list of all the materials that make up the finished good, and none of these materials are made in a NAFTA country, yet they all meet the tariff shift requirement, declare "C".

Preference Criterion D (Unassembled or Disassembled Goods, Parts) Due to certain classification rules, some merchandise will never undergo a tariff shift from processing in



NAFTA territory. One example is where the tariff schedule classifies parts with the complete article. As a result, the imported parts have the same classification as the assembled article. Another example is where a complete but disassembled article is imported. Customs classifies such articles as if they were assembled. Thus, no tariff shift will take place because of the assembly process. In these cases, the NAFTA rules permit the producer or exporter to certify the good provided it has a RVC of 50% by the net cost method or 60% by the transaction value method.

Preference Criterion E Applies only to certain automatic data processing goods and their parts. Please call Jeannette Messina at (909) 394-4402 if this describes your goods.

Preference Criterion F Applies only to agricultural goods.

Field 8: Producer. For each good, please state “YES” if you are the producer of the good. If you are not the producer of the good, please state “NO” followed by:

- (1) If you know whether the good qualifies as a NAFTA originating good; or
- (2) You are relying on the producer’s written representation (other than a certificate of origin) that the good qualifies as a NAFTA originating good; or
- (3) A completed and signed certificate for the good, voluntarily provided by the producer

Field 9: Net Cost. For each good described in field 5 with a preference criterion other than “A”, if the good is subject to a regional value content (RVC) requirement, indicate “NC” if the RVC is calculated according to the net cost method. Otherwise, indicate “NO”. If the RVC is calculated over a period of time, further identify the beginning and ending dates of that period.

Field 10: Country of Origin. Declare “US” for United States, “CA” for Canada, or “MX” for Mexico. If the good was not manufactured in the U.S., Canada, or Mexico, it is not eligible for NAFTA, and should not be included on the NAFTA certificate. Please complete a generic certificate of origin for the item.



Frequently Asked Questions Regarding Certificates of Origin

What is a certificate of origin?

A certificate of origin is a document signed by a supplier or manufacturer indicating the country in which an item was manufactured.

Certificates of origin are often required in order for merchandise to qualify for duty free treatment when imported into a country. There are different free trade agreements between different countries, such as NAFTA, and the U.S.-Israel Free Trade Agreement, etc. There are different types of certificates of origin for different trade agreements. There are also certificates of origin that are not associated with any free trade agreements. These certificates are known as “General Use” certificates of origin.

What is NAFTA?

NAFTA is the North American Free Trade Agreement, which is an agreement between the U.S., Mexico, and Canada that promotes free trade among all three countries. Most merchandise made in these three countries can be imported into any of these three countries duty free, provided it is accompanied by a valid NAFTA certificate of origin.

What is a NAFTA certificate of origin?

A NAFTA certificate of origin (see attached) is a special certificate of origin issued for items that were made in the U.S., Mexico, or Canada.

What is a “General Use” certificate of origin?

A general use certificate of origin (see attached) is a certificate that is not associated with any free trade agreements. It does not necessarily provide any duty free benefits, like a NAFTA certificate. It just states the origin of the merchandise for Customs purposes, and is usually issued for articles manufactured outside of NAFTA countries.

When is a NAFTA certificate required vs. a “General Use” certificate?

When merchandise is made in the U.S., Mexico, or Canada, a NAFTA certificate is required. When merchandise is made in any other country, a general use certificate is required. Ormco will accept a general use certificate, as long as the country of origin on the certificate is NOT the U.S., Mexico, or Canada. In those cases, Ormco requires a NAFTA certificate.

What isn't a NAFTA certificate of origin?

NAFTA certificates are often confused with certificates of analysis, certificates of compliance, or material safety data sheets. A NAFTA certificate clearly states “North American Free Trade Agreement Certificate of Origin” or “NAFTA certificate.”



A general use certificate of origin is not a NAFTA certificate. A letter merely stating the country of origin (even as the U.S., Canada, or Mexico) is not a valid NAFTA certificate.

Why does Ormco need certificates of origin?

Ormco exports many purchased items to our maquiladoras for manufacture in Mexico. Ormco needs certificates of origin in order to prove the origin of the items we purchase to U.S. and Mexican Customs. There are two reasons Ormco must be able to prove the origin of purchased merchandise:

- Ormco must declare the country of origin on the export invoice when the merchandise is exported to Mexico.
- The Ormco Import-Export Department must issue a NAFTA certificate for all items exported to Mexico, or pay duty on the items into Mexico. Duty rates can be up to 30% of the value of the merchandise. In order for Ormco to issue a NAFTA certificate, we must have a supplier NAFTA certificate as proof of origin. Therefore, it is to Ormco's advantage to obtain as many certificates of origin as possible from our suppliers.

Whose responsibility is it to provide certificates of origin?

As the exporter of items to Mexico, Ormco must issue NAFTA certificates. These certificates are based on NAFTA certificates from our suppliers. Our suppliers may or may not manufacture the items they sell us. If they do not manufacture an item, they must obtain a certificate of origin from their supplier, and issue Ormco a certificate based on their supplier's certificate.

Ormco's suppliers should be able to provide certificates of origin for all items. If a supplier is unable to provide a certificate of origin, Ormco may wish to evaluate whether it is cost-effective to buy from that supplier. While the supplier may have a competitive price, if Ormco has to pay duty into Mexico, the cost of buying from that supplier may increase substantially.

How long are certificates valid?

There are two types of NAFTA certificates: blanket and single use. Blanket certificates are valid for a given period of time, and cover multiple shipments from a supplier. Blanket certificates indicate the dates they cover in the upper right hand corner. They are usually valid for one year. Single use certificates cover one shipment only, and do not have to/from dates. Blanket certificates save Ormco and the supplier time. Request blanket certificates whenever possible. Some suppliers may not be willing or able to issue blanket certificates, because their inventory may come from NAFTA countries one month, and non-NAFTA countries the next.



I am not the exporter, so why do I need to issue a NAFTA certificate?

It is true that the exporter is responsible for issuing a NAFTA certificate, and Ormco is the exporter. However, Ormco cannot issue a NAFTA certificate without a valid NAFTA certificate from our supplier as backup. Therefore, although the supplier is not actually exporting the item, the supplier is still responsible for issuing a certificate of origin. Issuing certificates of origin for domestically sold merchandise is a common practice among companies.

What if I don't want to sign any government forms? Can this get me in trouble?

If a supplier truthfully completes the certificate, there is nothing to fear. It may also help for you to know that Ormco does not submit certificates of origin to any government agencies. Ormco keeps our suppliers' certificates on file in the event of inquiries from the Bureau of Customs and Border Protection.

Aren't NAFTA certificates of origin issued by the chamber of commerce/a government agency?

A NAFTA certificate must be issued by the manufacturer or supplier of the merchandise. Other types of certificates of origin, such as Israel Free Trade certificates of origin, require validation from a chamber of commerce. However, NAFTA certificates do not.

What if I don't want Ormco to know where I purchase my product?

Ormco does not request NAFTA certificates to find out where its suppliers buy their product. Ormco does not use its NAFTA certificates to make purchasing decisions, other than the fact that suppliers who provide NAFTA certificates will likely have an advantage over those who do not, because NAFTA certificates save Ormco money. If a supplier is concerned about revealing the source of its merchandise, it is not necessary to list the producer's name. Instead, it is acceptable to indicate "Available to Customs Upon Request."

What if I need help completing a certificate?

If you need assistance completing the certificate, please contact Ormco's Import-Export Department:

Jeannette Messina

Phone: (909) 394-4402

Fax: (909) 394-4413

E-mail: Jeannette.Messina@sybrondental.com