

## IMPORTANT INFORMATION ABOUT ZONE SCHEDULES

This zone schedule is being made available pursuant to 15 CFR 400.44(e), which states: “The Board shall make copies of zone schedules available on its Web site.”

Availability of this zone schedule on the FTZ Board’s website does not imply that the FTZ Board has approved any rate/charge, policy or other content of this zone schedule. In particular, while the FTZ Board staff intends to conduct spot checks over time, zone schedules are not reviewed for compliance with the public utility requirement (19 U.S.C. 81n, 15 CFR 400.42) prior to making the zone schedules available via the Board’s website.

Pursuant to 15 CFR 400.44(b)(4), a grantee may not assess any specific rate or charge for which the amount – or formula for calculating the amount – does not appear in the zone schedule that the grantee has submitted to the FTZ Board.

Complaints about a grantee’s compliance with statutory and regulatory requirements related to public utility and uniform treatment – including rate or charge amounts/formulas, a grantee assessing a rate or charge amount/formula that does not appear in its zone schedule, and a grantee not affording uniform treatment under like conditions – may be presented to the FTZ Board under 15 CFR 400.45 (which also allows for complaints to be made on a confidential basis, if necessary).

Questions or concerns may be addressed to the FTZ Board staff at (202) 482-2862 or [ftz@trade.gov](mailto:ftz@trade.gov).

**TITLE PAGE**

**Foreign-Trade Zone No. 265  
Operating under Granted Authority  
of the United States Foreign-Trade Zones Board  
to  
THE CITY OF CONROE, TEXAS**

**Administered and Managed  
by  
TRADE DEVELOPMENT COMPANY, L.L.C.**

**Zone Schedule No. 2  
Administrative Policy Rules, Rates, Charges and Fees  
for  
Foreign-Trade Zone No. 265**

**Submitted by the Zone's Grantee  
The City of Conroe**

**Prepared by  
Trade Development Company, L.L.C.**

**ADMINISTRATIVE PAGE**

**Foreign-Trade Zone No. 265**

**Zone Schedule No. 2**

**Original Page No. 2**

**Foreign-Trade Zone Operator/Administrator**

**Trade Development Company, L.L.C.**

**2424 Pennsylvania Avenue, N.W.**

**Suite 308**

**Washington, DC 20037**

**CONTACT**

Richard F. Ehmann, Jr.  
Phone: (202) 223-0501  
Fax: (202) 331-9300

Patricia A. Parker, Esq.  
Phone: (832) 309-9585

**Date Issued: February 28, 2014**

**Effective Date: February 28, 2014**

---

**CHECK SHEET FOR ZONE SCHEDULE CHANGES\***

---

This Schedule is issued in loose-leaf form, and all changes will be made by reprinting the entire page or by adding other pages. Revised pages will bear correction numbers at the top of the page. Therefore, upon receipt, the correction number should be checked, and if omissions are found, request should be made at once for the missing numbers.

| Correction No. | Page No. | Correction No. | Page No. | Correction No. | Page No. |
|----------------|----------|----------------|----------|----------------|----------|
|                |          |                |          |                |          |
|                |          |                |          |                |          |
|                |          |                |          |                |          |
|                |          |                |          |                |          |

---

**SYMBOLS USED TO INDICATE CHANGE IN ZONE SCHEDULE**

---

- a Addition
- r Reduction
- I Increase
- c Change in wording  
which results in  
neither increase nor  
reduction in charges

\*Note: This schedule is schedule number two. As such it is a total replacement for Schedule number one issued on January 31, 2007.

**TABLE OF CONTENTS**

| <b>Subject</b>                                     | <b>Page No.</b> |
|--|-----------------|
| Abbreviations                                      | 5               |
| Statement of Purpose                               | 6               |
| Definitions  | 8               |
| General Information                                | 18              |
| Zone Policy  | 19              |
| Foreign-Trade Zone No. 265's Public Utility Status | 23              |
| Operations In Zones                                | 24              |
| General Regulations                                | 28              |
| Regulations Pertaining to Merchandise              | 32              |
| Development of Zone Use                            | 35              |
| Types of Rates and Charges                         | 39              |
| Attachment "X" – Schedule of User Fees             | 42              |

## ABBREVIATIONS

|            |   |
|------------|---|
| \$         | Dollars (U.S.)                          |
| %          | Percent                                 |
| Bbl.       | Barrel                                  |
| B/L        | Bill of Lading                          |
| CF         | Customs Forms                           |
| CFR        | Code of Federal Regulations             |
| CR         | Customs Regulations                     |
| Dom.       | Domestic                                |
| Ea.        | Each                                    |
| e.g.       | For Example                             |
| Etc.       | Et Cetera                               |
| FTZ        | Foreign-Trade Zone                      |
| FTZB       | Foreign-Trade Zone Board                |
| H.T.S.U.S. | Harmonized Tariff Schedules of the U.S. |
| No.        | Number                                  |
| N.P.F.     | Non-Privileged Foreign                  |
| Par.       | Paragraph                               |
| P.F.       | Privileged Foreign                      |
| Pkg.       | Package                                 |
| Sec.       | Section                                 |
| U.S.       | United States                           |
| Z.R.       | Zone-Restricted                         |

### STATEMENT OF PURPOSE

The grant of authority establishing Foreign-Trade Zone No. 265 was awarded by the Foreign-Trade Zones Board to the City of Conroe, Texas on September 16, 2005. The City of Conroe secured this grant of authority in order to provide a trade development initiative that will assist the economic participants in the local economy in and around the City of Conroe in order to:

obtain the benefits from, and/or adjust to the economic opportunities and pressures generated by our nation's increasing levels of foreign trade activity.

The City of Conroe desires for it to be known that Foreign-Trade Zone No. 265 is a Zone Project. This Zone Project encompasses the general efforts and plans for extending the use of this grant of authority for its intended purpose to be a trade development service for all qualified economic participants (current and prospective) in the local economy in and around the City of Conroe. The Zone Project includes the General-Purpose Zone and Subzones sponsored by the City of Conroe as Grantee, and the Zone Project provides for the administration of Foreign-Trade Zone No. 265 by the Project Administrator for use by the zone participants, current and prospective.

The Zone Project and Zone Schedule are consistent with the Act and the Board's regulations, and in furtherance of the requirement that zone availability be provided according to public utility principles in order to affect the most efficient distribution of Zone usage. Foreign-Trade Subzones are likely to be the most efficient means for applying these principles to the circumstances of the local economic structure in and around the City of Conroe, while the General-Purpose Zone is available to serve other Zone needs.

In furtherance of the Zone's mission and consistent with public utility principles, the use of Zone No. 265 will be available to all potential Participants pursuant to qualifications established by the Act, other federal laws and regulations, and in compliance with the provisions of the Zone Schedule which is included as a part of a Zone Participant Agreement to be executed by and between each Participant and the Project Administrator. Zone availability is not the basis for, or equivalent to a claim, right or entitlement. The Zone's grant of authority is awarded to the City of Conroe. By regulation, the City of Conroe is required to retain control of the Zone Project. Consequently, Zone Participants have no right to claim any right of ownership, control or any other form of unconditional use of the Zone.

The City of Conroe has concluded a long-term, exclusive Agreement with Zone 265's Project Administrator to, among other matters, administer Zone No. 265's General-purpose

zone and subzones. The City secured the project administrator's services as a measure for accomplishing the purpose that motivated the City to obtain a Foreign-Trade Zone grant of authority. Zone 265's project administrator will perform various "staff-like" activities which support the availability of Zone 265's services for the economic participants in the local economy in and around the City of Conroe. These staff activities will be conducted exclusively by the Project Administrator pursuant to the rules established by this Zone Schedule, Zone Participant Agreements of which the Zone Schedule is a part, and the project administrator's agreement with the City.

The Zone Schedule is issued by the City of Conroe, Grantee of Zone No. 265 in accordance with the Foreign-Trade Zones Board's regulations and in accordance with the agreement between the city and the project administrator. The zone schedule's contents set forth the uniform basis on which Zone 265 will serve the local economic structure in and around the City of Conroe. As such, the zone schedule describes certain terms and conditions, requirements, and fees that are associated with the zone's use.



**DEFINITIONS**

THESE DEFINITIONS ARE FOR USE IN THE CONTEXT OF THIS ZONE SCHEDULE AND ARE NOT TO BE CONSTRUED OR INTERPRETED AS REPLACING, INTERPRETING OR RESTATING IN ANY WAY, ANY AND ALL STATUTES, REGULATIONS, RULINGS OR APPLICABLE LAW OF ANY KIND. THESE DEFINITIONS ARE INTENDED TO BE IN CONFORMITY AND HARMONIOUS WITH THE ENTIRE ZONE PARTICIPANT AGREEMENT INCLUDING THIS ZONE SCHEDULE. KNOWLEDGE OF AND COMPLIANCE WITH THESE DEFINITIONS AND ANY REQUIREMENTS THEREOF SHALL BE THE SOLE RESPONSIBILITY OF EACH ZONE PARTICIPANT HEREUNDER.

**ACT:**

The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 98-1003; 18 U.S.C. 81a-81u), as amended by Pub.L. 566, 81<sup>st</sup> Congress, approved June 17, 1950 (64 Stat. 246), and Pub.L. 791, 85<sup>th</sup> Congress, approved August 28, 1958 (72 Stat. 945), and as it may be amended from time to time.

**ACTIVATION:**

Process by which a user-operator obtains customs approval to commence their operations under zone status under the Foreign-Trade Zones Act including the admission and handling of Zone status merchandise.

**ADMISSION:**

Physical arrival of goods in the activated Foreign-Trade Zone with the approval of Customs. The word "admission" is to be used instead of "entry" of goods into a Zone to avoid confusion with Customs entry processes under parts 141-144 of the Customs regulations.

**ADMIT:**

To formally bring merchandise into a Zone's activated area.

**ALTERATIONS:**

A change in the boundaries of an activated Zone Site or Subzone.

**APPLICABLE LAW:**

Any and all statutes, regulations, rulings, codes, ordinances, directives, or other forms of law, including but not limited to amendments thereof, as may apply.

**AUDIT-INSPECTION INVENTORY CONTROL SYSTEM:**

The procedures used to maintain the records necessary for inventory control of merchandise that is under the supervision and control of Customs.

**BOARD:**

The Foreign-Trade Zone Board established by the Act. The Board consists of the Secretary of Commerce, and the Secretary of the Treasury. Each Board member designates an official of his/her Department, usually an Assistant Secretary, to serve as his/her alternate.

**BULK:**

The term used in describing fungibles, which can be poured, scooped, or shoveled which generally cannot be counted or identified piece by piece.

**CITY OF CONROE, TEXAS:**

The City of Conroe is the Grantee for U.S. Foreign-Trade Zone No. 265. The City, as part of its trade and economic development services, has engaged Trade Development Company L.L.C. on an exclusive basis, to administer the Zone project for the benefit of the public. The City of Conroe established U.S. Foreign-Trade Zone No. 265 under a grant of authority issued by the U.S. Foreign-Trade Zones Board pursuant to Board Order No. 1410, issued on September 16, 2005.

**CUSTOMS:**

Bureau of Customs and Border Protection.

**CUSTOMS TERRITORY:**

The territory of the United States in which the general customs and tariff law of the United States applies, but which is not included in any Foreign-Trade Zone.

**DEACTIVATION:**

Discontinuance of activated status of a Zone or Subzone Site by Customs. A partial deactivation is an "alteration."

**DOMESTIC MERCHANDISE:**

Generally speaking, merchandise of every description (except articles specifically and absolutely prohibited by statute) which has been:

- (1) grown, produced or manufactured in the United States and not exported therefrom, or
- (2) previously imported into Customs territory and properly released from Customs custody.

**EXAMINER:**

An employee, of one of the Board agencies designated under the regulations to conduct or participate in an investigation concerning the establishment or expansion of a Zone or Subzone or other matter requiring a fact-finding determination and recommendation for Board action.

**FOREIGN MERCHANDISE:**

Generally speaking, imported merchandise of every description (except articles specifically and absolutely prohibited by statute) which has not been properly released from Customs custody into Customs territory.

**FOREIGN-TRADE ZONE:**

Typically, a Foreign-Trade Zone is a restricted access site, in or adjacent to a Customs port of entry, operated under public utility principles under the sponsorship of a qualified corporation granted authority by the Foreign-Trade Zones Board. U.S. Foreign-Trade Zones are restricted areas, under supervision of the U.S. Bureau of Customs and Border Protection, in which, when activated under Zone procedures, merchandise is treated for customs and taxation purposes as if it is outside the customs territory of the United States. Foreign-Trade Zones are the U.S. version of what are generally known internationally as customs free trade zones; however, U.S. Foreign-Trade Zones are different in several important respects from other types of free trade zones. Located in or near U.S. Customs ports of entry, Zones are operated under public utility principles by qualified corporations. Authority for establishing these facilities is granted by the Foreign-Trade Zones under the Act and regulations. Typically, a Zone includes a general-purpose zone, which may consist of various non-contiguous sites, and also various subzones. The general-purpose zone is established to accommodate various Zone activities carried on by multiple users. Storage, distribution, testing, repair and repackaging are typical of activities carried on within a general-purpose zone. Manufacturing or processing activity within a general-purpose zone requires prior approval by the Foreign-Trade Zones Board. "Foreign-Trade Zone" might, as a general term, include special-purposes subzones. If the zone is designed to serve a special type of activity, the term "subzone" may be used. Like the General-Purpose Zone, Subzones are established under the sponsorship of a corporation granted authority by the Foreign-Trade Zones Board. (See "Grantee".) When a Zone consists of more than one site under the same Grantee, the sites shall be considered part of the same foreign-trade Zone. Foreign and domestic merchandise may be moved into zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacture or other processing. The usual formal customs entry procedures and payment of duties are not required on the foreign merchandise unless and until it enters customs territory for domestic consumption, in which case the importer generally has elected a choice of paying the duty rate which applies to either the original foreign material or to the finished product. Quota restrictions do not normally apply to foreign goods in Zones, except that special procedures may apply when manufacturing is involved. Domestic goods moved into a Zone for export may, at the request of the exporter, be considered exported upon admission to the Zone for purposes of excise tax rebates and drawback. For foreign and domestic merchandise to receive coverage of the Foreign-Trades Act, the merchandise must be admitted to a Zone, subzone, or a portion thereof, with approved activation status.

**GENERAL-PURPOSE ZONE:**

Zone environment established to accommodate various zone activities carried on by multiple User-Operators. The General Purpose Zone may include production and nonproduction zone users. It may consist of more than one site and may include operations, property and facilities not activated for zone status, i.e. the uses of the Foreign-Trade Zones Act do not apply.

**GENERAL-PURPOSE ZONE PUBLIC WAREHOUSE:**

A warehouse situated within a Zone, the commercial purpose for which is to offer warehousing and other logistical services to General-Purpose Zone Public Warehouse User-Operators, General-Purpose Zone Public Warehouse Tenant Users and General-Purpose Zone Public Warehouse Tenants.

**GENERAL-PURPOSE ZONE PUBLIC WAREHOUSE USER-OPERATOR:**

An entity that offers warehouse and logistics services to the general public under contractual arrangement(s) that include the services of activated Foreign-Trade Zone operations as defined by the Act (except production) by which the warehouse User-Operator may or may not provide the services of "Operator of record" on the behalf of the parties employing the warehousing services.

**GENERAL-PURPOSE ZONE PUBLIC WAREHOUSE TENANT USER-OPERATOR:**

An entity that contracts with a General-Purpose Warehouse User-Operator to lease space (to seek their own activation) within the warehouse Operated by a General-Purpose Zone Public Warehouse User-Operator. The General-Purpose Zone Public Warehouse Tenant User-Operator obtains its own activation from Customs and maintains its own Customs bond and is fully responsible for conducting zone Operator responsibilities as defined by Applicable Law, even though it is housed in the zone warehouse which is operated by the General-Purpose Zone Public Warehouse User-Operator.

**GENERAL-PURPOSE ZONE PUBLIC WAREHOUSE TENANT USER:**

An entity that contracts with the General-Purpose Zone Public Warehouse User-Operator to conduct all of the Zone Operator responsibilities required for the entity's merchandise to be covered by Zone status as provided for by the Act.

**GENERAL-PURPOSE ZONE PUBLIC WAREHOUSE TENANT (NOT USER OR USER-OPERATOR):**

A tenant leasing space with the General-Purpose Zone Public Warehouse without using any feature of the Foreign-Trade Zones program.

**GENERAL-PURPOSE ZONE STAND-ALONE USER-OPERATOR:**

An entity using the Zone, conducting economic/commercial activity only for its own account with its activated zone use covered by its own request to Customs for activation, its own Operator's bond and the provisions of Customs regulations and other applicable law that define an Operator's responsibility.

**GRANTEE:**

The City of Conroe to which the privilege of establishing, operating and maintaining Foreign-Trade Zone No. 265, including its General-Purpose Zone and its Subzones has been granted. Grantee has engaged Trade Development Company, L.L.C. to be the exclusive Project Administrator of Foreign-Trade Zone 265.

**IMPORTS:**

Generally means foreign merchandise of every description (except articles specifically and absolutely prohibited by statute) entered into Customs Territory to become a part of the domestic supply for the purpose of domestic commerce or consumption, and particularly that which is transferred into Customs Territory from the Zone and foreign merchandise which, under the laws and regulations of various other Federal agencies having jurisdiction within the Zone, is said to be "imported" into Foreign-Trade Zones, Customs bonded warehouse, or Customs custody. This latter merchandise in relation to operations of the Zone, is considered to be foreign merchandise until it is entered into the commerce of the United States.

**IN-TRANSIT MERCHANDISE:**

The term "in transit merchandise" typically includes all foreign merchandise transported into and out of the United States, whether in and out of the same port or across the country to another port, with or without transshipment, warehousing, breaking bulk, or change in mode of transportation, which originated in one foreign country and is destined at the same time of the original shipment to another foreign country. Its distinctive feature is that it is being transported from one foreign country through the United States to another foreign country, under a through bill of lading or other documentation or a completed journey. The term is particularly applied to foreign merchandise shipped in-transit through a Foreign-Trade Zone.

**MANIPULATION:**

Typically includes the breaking up, repacking, assembling, distributing, sorting or grading, cleaning mixing with foreign or domestic merchandise, or other processing which does not constitute a manufacture.

**MANUFACTURE:**

Any process that will change the tariff classification of foreign-merchandise.

**NON-PRIVILEGED FOREIGN MERCHANDISE:**

Typically includes

- (1) Foreign merchandise admitted to the Zone which does not have status of:
  - (A) privileged-foreign merchandise, or
  - (B) zone-restricted merchandise;
- (2) Waste recovered from any manipulation or manufacture of privilege foreign merchandise; or

Domestic Merchandise taken into a Zone whose identity has been lost.

**OPERATOR:**

For the purposes of this Zone Schedule and as this Zone Schedule is a part of the Zone Participant Agreement, and pursuant to Customs regulations, an Operator includes those entities requesting the "Activation" of some part of the Zone (or Subzone) for the uses enumerated by the Act under Zone status and thus, are referred to herein as User-Operators. Operator means the User-Operator and is that party which accepts Customs liability for activation by obtaining a bond and filing such bond with the U.S. Bureau of Customs and Border Protection.

**PERSON OF RECORD:**

The person, firm, or corporation in whose name the application to admit merchandise into the Zone (CF 214) is made, and who has the legal right to make the application. Evidence of this right of the applicant is the same as would be required to establish the right to apply for release of the merchandise from Customs custody at the end of its transit through Customs territory, and usually consists of an original bill of lading in the name of the applicant, an original bill of lading endorsed to him or a carrier's certificate.

**PORT DIRECTOR, BUREAU OF CUSTOMS AND BORDER PROTECTION:**

The Customs official so designated for Houston, Texas, Metropolitan area including the Foreign-Trade Zone No. 265. The Port Director is the Board's representative for Foreign-Trade Zone No. 265, including its General-Purpose Zone and any of its Subzones.

**PORT OF ENTRY:**

A place designated by the U.S. Government at which a Customs officer is assigned with authority to accept entries of merchandise, collect duties, and enforce the various provisions of the Customs laws.

**PRIVILEGED-FOREIGN MERCHANDISE:**

Foreign merchandise for which an application (CF 214) has been made for a determination of taxes and liquidation of duties in accordance with all Applicable Law, and which has been taken under supervision by the Port Director of Customs.

**PRODUCTION:**

Activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use, or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption; as such, activity that includes activity(s) commonly labeled manufacturing, or processing, or manipulation.

**PROJECT ADMINISTRATOR:**

The Zone is exclusively administered under a long-term, exclusive Agreement executed by and between the Grantee of Foreign-Trade Zone No. 265 and Trade Development Company, L.L.C. which serves as Project Administrator. Zone Participants will transact directly with Project Administrator on any and all matters concerning Foreign-Trade Zone No. 265.

**PROPERTY OWNER:**

A person, firm, individual, company, utility, corporation, business or non-business entity or otherwise, of any kind that owns or controls land in any state of development or facilities located within a general purpose foreign-trade zone that is not activated or is requesting to have an application made to have land or facilities included in the general-purpose foreign-trade zone.

**QUANTITY:**

The numerical count of the units composing a shipment of a commodity except bulk commodities which must be measured by weight, size, or volume.

**RE-EXPORTS OR RE-SHIPMENTS:**

Typically includes merchandise from one foreign country initially destined to the United States which, after being unladen, stored, and/or manufactured in this country, is transited under a new bill of lading or other new documentation to another foreign country. The term is particularly applied to re-exports or re-shipments through a Foreign-Trade Zone.

It includes privileged, non-privileged, or zone-restricted foreign merchandise which:

- (1) is in the same condition as when transported into the United States, or
- (2) has been manipulated without any change in its form or nature, or

- (3) has been manipulated or processed in such a manner as to change its form, whether or not mixed with domestic merchandise, provided the domestic merchandise is not a component part or substantial ingredient thereof.

Generally, it includes all merchandise of foreign origin, which has not been so manipulated or manufactured as to be deemed a product of the United States, and which has not been released from Customs custody into Customs territory.

**REVOCACTION:**

The process by which the Foreign-Trade Zones Board revokes in whole or a part of a grant of authority that has established a General -Purpose Zone or a Subzone.

**SECRETARY:**

The Secretary of Commerce.

**STORAGE:**

The keeping of merchandise in or upon the premises within the Foreign-Trade Zone. Covered storage means keeping within a covered and enclosed structure weather protection. The term "Storage," with or without designation, ordinarily implies covered storage.

**SUBZONE:**

A site (other than a general purpose zone) or group of sites granted zone authority for a specific use, (such grants of authority are granted to zone grantees).

**SUSPENSION:**

The process by which the activated status of a Zone, a Subzone, or the privilege to use Zone status is suspended by the Port Director and/or the Foreign-Trade Zones Board; this process may be limited to a part of a Zone, a Subzone, a User-Operator, i.e. not apply to a whole Zone.

**TENANT:**

An entity that contracts with a General-Purpose Zone Public Warehouse User-Operator for the purpose of obtaining warehouse and/or logistical services on a basis that entails no use of the Act.

**TERMINATION:**

A general term covering all procedures by which use of the Foreign-Trade Zones program is discontinued. Such procedures include but are not limited to Suspensions, Deactivations, Alterations and Revocations. Any one of these procedures may be initiated by a User-Operator, the Foreign-Trade Zones Board, the Customs Service, the Grantee or the Zone's Project Administrator.



**TRANSSHIPMENT MERCHANDISE:**

Typically means foreign merchandise which enters and leaves the United States through the same port, being transferred from one vessel to another directly or by way of a Foreign-Trade Zone or customs bonded warehouse. The term is particularly applied to such merchandise transferred through a Foreign-Trade Zone.

**UNIT OF QUANTITY:**

The customary groupings of a commodity as a unit to indicate the medium or method of measure.

**UNITED STATES:**

The several states, District of Columbia and Puerto Rico. The term "United States" includes all territories and possessions of the United States, except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef and the Island of Guam.

**USER:**

An entity that participates in Foreign-Trade Zone use within an activated part of the Zone but is not a User-Operator because it does not hold a Customs bond. Typically this is a tenant in a General-Purpose Warehouse and the warehouseman is the User-Operator and holds the Customs bond for the User.

**USER-OPERATOR:**

A person, firm, individual, company, utility, business or non-business entity of any kind intending to conduct activity (grant authorized though not yet activated) or conducting activities (activated) of any nature or in any other way using the Zone or a Subzone and/or its services and facilities. User-Operators include but are not limited to Property Owners, Subzone User-Operators, General-Purpose Zone Manufacturers, General-Purpose Zone Public Warehouse User-Operators, General-Purpose Zone Tenant User-Operators, General-Purpose Zone Stand Alone User-Operators, and other operators, among others. For Foreign-Trade Zone No. 265, and under the Zone Participant Agreement including this Zone Schedule, User-Operators will engage directly with the Project Administrator, Trade Development Company, L.L.C.

**WAREHOUSE:**

A covered and enclosed structure, affording weather protection, used primarily for short or long-term storage of merchandise, and often containing business offices, in a Foreign-Trade Zone; may also be used manipulation, manufacture, and exhibition of merchandise and other lawful purposes.

**ZONE:**

The term "Zone" refers to any and/or all Foreign-Trade Zone No. 265 including its General-Purpose Foreign-Trade Zone Site(s) and/or Foreign-Trade Subzone Site(s).

**ZONE PARTICIPANT:**

A current or prospective zone operator, user-operator, user or property owner.

**ZONE PARTICIPANT AGREEMENT:**

The entire Agreement by and between the Zone Participant and Project Administrator which means the Zone Participant Agreement including this Zone Schedule. This agreement must be in full force and effect for any party who intends to seek activation of any part of Foreign-Trade Zone No. 265 or for whose benefit Grantee is intending to make application or notification pertaining to a grant of authority or other required Board approval, whichever action happens first. Such grantee action includes applications and requests for amendment, modification or expansion of the Zone or for Subzones

**ZONE PROJECT:**

The entirety of the Foreign-Trade Zone No. 265 that encompasses all of the Zone's interaction with the economic development activity occurring within the local economy in and around the City of Conroe. The Zone Project includes all Zone General-Purpose and Subzone Sites and embraces any and all plans and efforts to expand the Zone's contribution to the local economy's trade-related growth.

**ZONE-RESTRICTED MERCHANDISE:**

Typically includes foreign or domestic merchandise taken into the Zone under the rules and regulations of the controlling Federal agency for the sole purpose of exportation or destruction (except destruction of distilled spirits, wine and fermented malt liquors) or storage pending exportation or destruction.

**GENERAL INFORMATION**

Foreign-Trade Zone No. 265 was established by Board Order No. 1410 on September 16, 2005. The Grantee is the City of Conroe, Texas.

The Zone Project is administered and managed by Trade Development Company, L.L.C. All Zone Participants of the Zone Project, which is Foreign-Trade Zone No. 265, have entered into a Zone Participant Agreement with the Project Administrator (Trade Development Company, L.L.C.). Zone Participants include Subzone User-Operators, General-Purpose Warehouse User-Operators, General-Purpose Stand-Alone User-Operators, General-Purpose Warehouse Tenant User-Operators and Users..

Note: that General-Purpose Zone Public Warehouse Tenants who do not participate in the Zone (use activated Zone space) do not enter into the Agreement with Project Administrator. General-Purpose Zone Public Warehouse Users are covered by the General-Purpose Zone Public Warehouse User-Operator's bond. While they do not enter into the User-Operator Agreement with Project-Administrator, they are subject to this Zone Schedule.

**ZONE POLICY**

**SCHEDULE OF AUTHORITY**

This Zone Schedule is published pursuant to a Grant issued by the Foreign-Trade Zone Board to the City of Conroe under provisions of Public Law No. 397, 73<sup>rd</sup> Congress, approved June 18, 1934, as amended. The Zone administrative policy, rules, rates, charges and fees of this schedule shall apply at Foreign-Trade Zone No. 265 including its General-Purpose Zone and Subzones unless otherwise provided for.

**ZONE OPERATED AS A PUBLIC UTILITY**

The rates, charges and fees for space, facilities and services within a Zone shall be fair and reasonable. The Project Administrator shall afford uniform treatment under like conditions to all Zone Participants. The Board shall determine whether the rates, charges and fees are fair and reasonable.

**BOARD REGULATIONS**

Foreign-Trade Zone No. 265 is regulated by the Foreign-Trade Zones Board, Washington, D.C. under U.S. Code of Federal Regulations; Title 15, Chapter IV, Part 400.

**U.S. CUSTOMS REGULATIONS**

Foreign-Trade Zone No. 265 is subject to special Customs regulations as defined in U.S. Code of Federal Regulations, Title 19, Chapter 1, U.S. Customs, Part 146 - Foreign-Trade Zones.

**INTERPRETATION OF SCHEDULE**

The Project Administrator shall interpret and determine the applicability of any rates, charges and fees, rules and services provided for in this Zone Schedule. However, any matter involving interpretation or action by U.S. Customs or another agency of the U.S. Government will be determined by the Port Director of Customs or his/her duly appointed representative or such other government official or designee, in accordance with law. Any and all provisions, terms, conditions, rules, regulations and other requirements contained in this Zone Schedule are in addition to the terms and conditions of any agreement or contract by and between the Grantee and/or the Project Administrator. This Zone Schedule is Attachment "1" and is incorporated by reference into all Foreign-Trade Zone No. 265 User-Operator Agreements executed by and between Project Administrator and each User-Operator of the Zone. The User-Operator Agreement which includes this Zone Schedule are intended to be and shall be construed as one agreement.

**REQUIREMENT FOR ZONE PARTICIPANT AGREEMENT**

The entire Agreement by and between the Zone Participant and Project Administrator which means the Zone Participant Agreement including this Zone Schedule. This Agreement must be in full force and effect for any party who intends to seek activation of any part of Foreign-Trade Zone No. 265 or for whose benefit Grantee is intending to make application or notifications pertaining to a grant of authority, whichever action happens first. This also includes requests and applications for amendments, modifications or expansions of the zone, or for subzones. The Agreement must be effective prior to such time as any preparations for such application for grant, grant modification, expansion, authorization or amendment of any kind or for Customs Activation are commenced, as is signified by the prospective Zone Participant's submission to Project Administrator of a request letter of concurrence from the Grantee.

**PRIVILEGES OF FOREIGN-TRADE ZONE**

Foreign-Trade Zone privileges are as stated in the statutes, regulations, rulings, directories and any and all other applicable law. Zone Participants of the Zone are obligated to be knowledgeable and informed about Foreign-Trade Zone privileges and the laws pertaining thereto.

**MODIFICATION AMENDMENT EXPANSION FOR THE ZONE INCLUDING SUBZONES**

Modification, amendment or expansion of Foreign-Trade Zone 265 may be requested for the public benefit.

**USE OF ZONE FACILITIES**

Activated zone Sites will be used for the sole purpose of receipt, storage, handling, exhibition, manipulation, manufacturing and related processing and shipment of foreign merchandise, and domestic merchandise as considered necessary for the conduct of a Zone Participant's normal business in conjunction with the foreign merchandise. Zone Participants shall not use or permit the Zone to be used for any other purpose without the proper written consent of the Project Administrator, the Foreign-Trade Zones Board and/or Customs, as appropriate. Zone Participants shall not do or permit anything to be done on or about the Zone which will in any way obstruct or interfere with the rights of other Zone Participants or occupants of the Zone or injure or annoy them and/or to be in violation of Applicable Law.

**INSPECTION OF ZONE AREAS**

The Grantee or Project Administrator may inspect any area at any and all reasonable times.

**PRODUCTION AUTHORITY**

Production activity conducted under zone status requires an explicit authorization from the Foreign-Trade Zone Board. Any and all changes to approved production activity including different production activity, different sources of supply, or an increase in the volume of

approved activity requires pre-approval from the Board (or by regulations the Board's Executive Secretary). The Application process for approval to conduct, or change approved production activity will be undertaken exclusively by the Zone Grantee through its Project Administrator as described in the Zone Participant Agreement including this Zone Schedule.

#### **ZONE USE PRIVILEGE**

The Zone's grant of authority was awarded to the City. Any additions to or modifications to the grant awarded on September 16, 2005 including any Subzone grants of authority are awards to the City in its grantee capacity. Zone Participants or any other parties associated with the Zone have no right to claim any right to ownership, control or any form of unconditional use of the Zone or the Zone's grant of authority.

In general, the Foreign-Trade Zones Board's regulations provide, "Zones shall be operated by or under the contractual oversight of zone grantees, subject to the requirements of the Act and this part..." Further the regulations require zone grantees "... ensure that the reasonable Zone needs of the business community are served." To fulfill its responsibilities the Zone's grantee may at its initiative in consultation with the Zone's Project Administrator seek to modify or otherwise change any feature of the Zone in order to respond to changing "... zone needs of the business community..." that the Zone has been organized to served.

#### **TERMINATION OF ZONE USE**

Federal agencies not limited to the Foreign-Trade Zones Board and the Custom Service may modify and/or terminate any or all use of the Zone. The Zone's Grantee, to provide general management of the Zone, may initiate an action on the part of a federal agency that results in the modification or termination of a Zone use. The initiation of such an action may be taken to eliminate some Zone use that is detrimental to the public interest or it may be undertaken in order to facilitate measures to maintain the Zone's service to the business community's Zone needs. The removal or termination of any Zone status may be initiated for reasons that include but not limited to a failure to comply with all federal, state and local laws and regulations, failure to comply with the User-Operator Agreement including this Zone Schedule.

#### **DELIVERY OF ZONE SERVICES**

The character of the business community the Zone serves (as set forth in the Zone's application) makes it likely that the most economically efficient basis for serving the community's zone needs will be the use of Foreign-Trade Subzones. Modification of the Zone's General-Purpose Zone will be undertaken to supplement the business community's Zone service needs. All modifications to the Zone's General Purpose Zone (including

additional non-contiguous locations) will be pursued as Zone expansions as provided by the Board's regulations.\*

**TRANSFER OF PROPERTY COVERED BY ZONE STATUS**

Zone grants of authority are awarded to Zone Grantees. Any party owning land included in a General-Purpose Foreign-Trade Zone or Subzone has no right to ownership or, or claim on the grant of authority. Conditions for extending Zone 265's grant of authority to any specific property includes:

- An explicit statement of acknowledgement recognizing the absence of ownership, or rights of claim on the Grant.
- A commitment to notify Zone 265's Administrator ninety days prior to the conclusion of any sale or transfer of property covered by the sale.
- The documents associated with the sale or transfer must acknowledge that the sale or transfer of the property will terminate the property's zone status ninety days after the date of sale or transfer, unless re-approval is decided and any new and appropriate required Agreement is concluded.

**COMPLIANCE ENFORCEMENT INDEMNIFICATION**

In the event it becomes known that a Zone Participant's operations are not in compliance with Applicable Law, including but not limited to the requirements of Customs, the Board or other federal agencies governing the Zone Participant's zone activity, the Zone Participant shall be responsible for all corrective actions as required by Applicable Law, including but not limited to correcting the operation out of compliance and/or preparing a written plan to do so; and notifying all appropriate agencies as required by Applicable Law and regulations about the existence of the non-compliant operations, the measures taken to correct the non-compliant operations and/or the plan for doing so. Project Administrator shall be immediately advised by the Zone Participant in writing of any non-compliance and on the implementation of any and all activities undertaken by User-Operator under Applicable Law to achieve compliance. Project Administrator shall comply with Applicable Law including but not limited to the requirements of Customs, the Board and other federal agencies governing Zone use, and Zone Participant will have no claim or right of action against Project Administrator.

---

\* Property and/or facilities within Conroe Park North which were not included within the Zone's grant of authority, may be added to the Zone's grant of authority by application under the Board's minor boundary modification procedures or such other procedures as may be required by the Board; however if such addition to the zone will entail manufacturing activity, a full manufacturing approval/request will be required.

### PUBLIC UTILITY PROVISIONS

Foreign-Trade Zone No. 265's grant of authority was awarded to the City of Conroe, Texas. This grant of authority was approved pursuant to the Foreign-Trade Zones Act of 1934 as amended, (19 U.S.C. 81a-81u). As such, Foreign-Trade Zone No. 265 is to be operated as a public utility.

Pursuant to the Foreign-Trade Zone Board's regulations (as they may be amended from time to time), Foreign-Trade Zone No. 265's operations include two principals:

- "... [A]ll rates and charges for all service or privileges within the Zone shall be fair and reasonable."
- All economic entities "...who may apply to make use of or participate in [Zone No. 265 will be afforded] uniform treatment under like conditions."

The City of Conroe has entered into an agreement with the Project Administrator. The Project Administrator's engagement to manage and administer the Zone is restricted to the provision of "staff-like" services to support the City being a Zone grantee, and includes the receipt of fees stipulated in Attachment X. As such the Project Administrator has NO Authority to approve or disapprove any use of Foreign-Trade Zone No. 265's grant of authority or requests and applications for any zone status including proposals for activation.

Trade Development Company, L.L.C., which serves as Zone Project Administrator may also serve as an independent consultant that offers zone related services to third parties that desire to use Foreign-Trade Zone No. 265. In general these services relate to the drafting of applications associated with Board approvals. The provision or engagement of these services by TDC IS NOT a condition for zone use.

Any entity that believes that Foreign-Trade Zone No. 265's grant of authority is not being operated on a basis consistent with being a public utility may file a complaint with the:

City Administrator

City of Conroe

300 W. Davis

Conroe, Texas 77305

or complaints may be filed with the Foreign-Trade Zones Board directly with the:

Executive Secretary

Foreign-Trade Zones Board

U.S. Department of Commerce

1401 Constitution Avenue, NW

Washington, DC 20230

Complaints filed directly with the Board maybe submitted in confidential form.



## OPERATIONS IN ZONES

### OPERATIONS AND ACTIVITIES IN ZONES INCLUDING GENERAL-PURPOSE ZONE SITE(S) AND SUBZONES

Merchandise permitted in Zones, the disposition of merchandise in a Zone, the manipulation, manufacture and exhibition of merchandise, the status of merchandise, the use of the Zone by carriers, subsequent importation of Zone merchandise and any and all other operations and activities conducted in the Zone or pertaining to the Zone by General-Purpose Zone and Subzone User-Operators shall be in compliance with all Applicable Law.

### PUBLIC INTEREST PROVISION

Pursuant to 15(c) of the Act or as it may otherwise be amended, the Board has authority to restrict or prohibit any Zone operation "that in its judgment is detrimental to the public interest, health or safety."

- a) Adversely affected parties may submit complaints to the Board under this section, requesting the prohibition or restriction of a Zone activity; or, the Board may conduct investigations on its own initiative. A complaint must contain information as to how the Zone activity in question is or would be detrimental to the public interest, health or safety. When good cause is found by the Board or the Executive Secretary, the matter shall be investigated pursuant to these regulations. In deciding whether good cause exists special consideration shall be given to conducting investigations when the Zone activity in question involves "import sensitive" industry. In determining whether an industry is import sensitive, the Board and the Executive Secretary shall be guided by references to such industries in trade laws and regulations, and decisions of federal courts and agencies.
- b) In investigations under this section, either self-initiated or in response to complaints, the factors considered by the Board may include but are not limited to:
  1. Whether the adverse effect is significant in relation to actual and potential public benefits.
  2. Whether additional exports from the U.S. will be created.
  3. Whether Zone procedures will encourage activity related to import displacement or substitution.
  4. Whether employment and investment will be generated or sustained in the U.S.

5. Whether Zone activity will undermine a remedial action or program in effect because an unfair trade practice, or materially or substantially harm an existing domestic industry.
- c) Zone activity may be approved for limited periods, subject to extension after a review as to whether the anticipated public benefits have materialized.
- d) Zone activity which is exclusively for export shall be presumed to be in the public interest.
- e) Interested parties shall have an opportunity to submit comments or participate in any public hearings or proceedings held on such investigations.

#### **RETAIL TRADE ZONE WITHIN A ZONE**

Except and unless otherwise amended or permitted by law, no retail trade shall be conducted within activated Zone space except under permits issued by the Grantee and approved by the Board. Only domestic, duty-paid, and duty-free goods may be sold in such cases. In considering whether to approve requests under this section the Board shall consider the economic impact on the retail trade outside the Zone in the port of entry area. No approval is required for sales involving domestic, or duty-paid food products sold within the Zone or Subzone to be consumed on the premises by persons working therein. Grantees shall revoke permits when there is a violation of this restriction. The Executive Secretary shall determine which sales are to be classified as retail sales under this section, subject to review by the Board when a question arises. Reviews of the Executive Secretary's determinations by the Board may be requested by grantees; such requests shall be in letter form, 15 C.F.R. 400.47. Retail sales within non-activated but approved Zones areas, may be prohibited if found by the Board, the Executive Secretary, or the Port Director, to be incompatible with Zone operations.

#### **RESIDENCE WITHIN A ZONE**

No person shall be allowed to reside within a Zone except Federal, State or Municipal officers or agents whose residents presence is deemed necessary by the Board or the Bureau of Customs and Border Protection.

#### **CONTROLLED ACCESS TO ZONES**

Plans for the controlled access of persons and vehicles to activated Zone areas shall be subject to the approval of the Port Director as part of his/her review for operation approval. All persons and vehicles entering such areas shall be subject to the requirements of Customs and any and all other applicable laws and as required by the User-Operator Agreement including this Zone Schedule.

#### **HOURS OF BUSINESS AND SERVICE**

Hours of business and service, for Customs purposes, shall be the same as those prescribed in Customs regulations. Specific hours for other business and service shall be in accordance with this Zone Schedule.

#### **SUBJECT TO CUSTOMS SUPERVISION**

Zone operations are subject to the control of Customs, exercised mainly through the Port Director who shall be in charge of the Zones within the Port for purposes of enforcement of the requirements of the Act and regulations, the Board, and the Bureau of Customs and Border Protection. Requirements for such matters as Zone forms, inventory control systems, cargo security standards, and physical security shall be determined by the U.S. Customs 19, regulation CFR Part 146.

#### **PRODUCTION ACTIVITY**

The only production activity conducted under zone status within the General-Purpose Zone or in Subzones will be that which has been explicitly authorized by the Foreign-Trade Zones Board and/or the Board's Executive Secretary.

#### **TERMINATION OF ZONE USE**

Use of Zone status is a privilege, not a right. Approved zone use may be terminated voluntarily. Involuntary termination of zone use may be imposed by an action taken by Custom Service and/or the Foreign-Trade Zones Board.

Voluntary or involuntary termination of zone use may be effected by suspension, alteration, deactivation or revocation procedures provided by regulations issued by the Custom Service, and the Board. Either agency may, at their own initiative, commence any one of these termination procedures. Such actions may be requested by the Grantee at the request of, or in consultation with, the Zone's Project Administrator.

In general, the Grantee will seek such actions by these federal agencies to fulfill its zone grantee responsibilities. Specifically, but not limited to, these responsibilities may require a change or changes to the zone project that correspond to changes in the business community and its need for zone services. The Zone Grantee is responsible for providing general management of Foreign-Trade Zone No. 265 to ensure the reasonable needs of the economic interests in the local economy in and around the City of Conroe are served. To fulfill its responsibility to ensure that the Zone is properly governed, the Grantee may request an appropriate action by the Board and/or the Customs Service to terminate any situation that places the Grantee's, or the Zones good standing in jeopardy, or otherwise jeopardizes the Zone's ability to serve the local business community's Zone needs.

**Foreign-Trade Zone No. 265**

**Zone Schedule No. 2**

**Original Page No. 27**

(Intentionally Blank)

**Date Issued: February 28, 2014**

**Effective Date: February 28, 2014**

## **GENERAL REGULATIONS**

### **APPLICATION OF LAW**

All persons and merchandise of every description entering or leaving activated Zone areas for any purpose whatsoever, shall be bound by all Applicable Law.

### **CONFIDENTIAL RELATIONSHIPS**

The Project Administrator will take precaution to avoid the divulging of information regarding merchandise and services thereon performed in the Zone.

### **REPORTS TO GOVERNMENTAL AGENCIES**

The Grantee is required to submit periodic reports to the Foreign-Trade Zones Board and the Customs or may be required to perform other acts as the Grantee of the Zone in compliance with governmental regulations. User-Operators are required to and shall cooperate with the Grantee and the Project Administrator in the creation and maintenance of procedures, systems, regulations or programs, and provide information and statistics which the Grantee or the Project Administrator consider necessary to ensure compliance with governmental requirements. In preparation and submission of any such reports by User-Operator to Project Administrator or other party, prompt timelines will be of the essence. User-Operators will work directly with Project Administrator regarding any and all reports.

### **GOVERNMENT LICENSES**

User-Operators are responsible to obtain, maintain and keep current any and all licenses, permits, certificates, or other authorizations required by any Federal, State, or Local governments that are or may be necessary in the conduct of business in and from the Zone.

### **ZONE PARTICIPANTS AGREEMENTS**

The Grantee and the Project Administrator require that a Foreign-Trade Zone No. 265 Zone Participants Agreement be executed between and among the Zone Participants and the Project Administrator prior to any person or firm seeking to conduct and/or conducting Zone business in Foreign-Trade Zone No. 265 and/or any of its Zone or Subzones Sites, actual or proposed.

### **PUBLIC INTEREST, HEALTH AND SAFETY**

No merchandise, operation or process of treatment will be permitted in the Zone that is detrimental to the public interest, health, and safety.

### **PUBLIC WAREHOUSE OPERATIONS**

Public warehousing services may be performed in the Zone by private firms under a Zone Participants Agreement with the Project Administrator. In addition to itself, the warehouse User-Operator shall be wholly liable for its Users and shall indemnify and hold harmless Project Administrator and Grantee from and against any and all acts of Users in accordance

with any and all such indemnification terms and conditions contained in the Zone Participants Agreement including this Zone Schedule.

#### **INDEMNITY BOND**

Zone Participants shall be required immediately upon notice by the Project Administrator to post an indemnity bond executed on a form and by a U.S. Surety acceptable to the Project Administrator, or other security payable as determined by Project Administrator to the order of the Project Administrator as a guarantee of payment of Customs duty or taxes or administrative fees, costs, penalties, expenses or any other liabilities or obligations of or the Project Administrator and Grantee under the following circumstances:

- a) Zone Participant does not have a sufficient beneficial interest in inventoried merchandise to pay the estimated duty/taxes.
- b) Zone Participant accepts delivery of a shipment of unusually high duty-tax liability.
- c) Value of Zone Participant inventory is insufficient to compensate the Customs for possible duty/tax obligations payable on merchandise inventory shortages and/or financial obligations to the Project Administrator.
- d) A significant increase in duty/tax liability due to changes in Customs regulations, foreign currency valuations, etc.
- e) Other situations which require appropriate security to protect past, present or future obligations or liabilities of the Grantee and Project Administrator.

#### **INSURANCE**

Insurance is carried by the Grantee and Project Administrator on their own property only. Zone Participants shall not do or permit anything to be done in or about the Zone nor bring or keep anything in the Zone which will in any way increase the existing rate of or effect any fire or other insurance upon the building or any of its contents, or cause cancellation of any insurance policy covering any Zone building or any part thereof or any of its contents. Insurance on commodities or other property stored on the leased premises, if desired, must be carried by and at the expense of the Zone Participant, owner, or other of the commodities or other properties. Merchandise within the Zone is not insured by the Grantee and/or the Project Administrator. The Zone Schedule rates do not include the cost of insurance on merchandise. Insurance requirements are as specified in the Zone Participant Agreement including this Zone Schedule.

#### **INDEMNIFICATION**

In addition to and in harmonization with any and all indemnifications, hold harmless clauses, releases and/or other terms and conditions contained elsewhere including the Zone

Participant Agreement, each Zone Participant shall indemnify and hold harmless the Grantee and the Project Administrator from and against any and all loss, cost (including attorneys' fees, costs of court and mediation), damages, expense and liability (including statutory liability and liability under Worker's Compensation Laws) in connection with claims for damages as a result of injury or death of any person or persons or property damages to any property sustained by User-Operator and /or all other persons which arise from or in any manner grow out of any act or neglect on or about the Zone by Zone Participant, Zone Participant's partners, agents, employees, customers, invitees, contractor or subcontractors. Additionally, the Zone Participant shall be responsible for and pay any fines, (including Customs fines, penalties and liquidated damages), penalties, claims, legal fees, suits, or other costs, arising out of any action or omission, accident, or any other occurrence at its Zone site and shall hold harmless the Grantee and the Project Administrator from any and all liabilities and costs arising out of any fines (including Customs fines, penalties, and liquidated damages), penalties, claims, attorneys' fees, suits or other costs arising out of any action or omission, accident, or any other occurrence at the Zone Participant's Zone site or elsewhere as caused by or resulting from the actions or omissions of User-Operator, its employees, servants or agents. This Section on indemnification is in addition to and in harmonization with any other indemnification provisions in the Zone Participant Agreement including this Zone Schedule and/or otherwise with Grantee and/or Project Administrator.

**RELEASE OF GRANTEE AND PROJECT ADMINISTRATOR FROM LIABILITY**

In consideration of permission granted Zone Participant to enter the Zone and participate in its activities, Zone Participant, for itself, its heirs, legal representatives, agents, partners, employees, customers, invitees and assignees, releases, premises and discharges the Grantee and Project Administrator and their Directors, officers, servants, agents and employees of and from all damages, claims, demands, actions, and causes of action of any sort of loss, damage or destruction to buildings or contents, or to property or merchandise of any kind located or stored in the Zone by the Zone Participant or by any other person with the consent or knowledge of the Zone Participant and without regard to whether such loss or damage be the result of any negligence or misconduct of any person in the employ of the Grantee or Project Administrator. This release is in addition to and is intended to be harmonious with any other releases, waivers indemnifications, hold harmless clauses, or other terms and conditions contained elsewhere in the Zone Participant Agreement including this Zone Schedule.

**PERSONS ENTERING AND LEAVING ZONE**

Employees and other persons entering and leaving activated Zone area shall pass through the designated entrances to the activated Zone area. Employees and other persons shall be subject to such examination upon entering and leaving the Zone area as required by applicable law.

**MODIFICATIONS, AMENDMENTS AND EXPANSIONS FOR THE ZONE INCLUDING SUBZONES**

Modifications, amendments, or expansions may be requested by a party. Such request will require an application by Grantee to the Foreign-Trade Zones Board. All such applications will be processed by the Board in accordance with the Board's regulations and guidelines and any other Applicable Law. Such application will require a formal favorable resolution by Grantee. This section also pertains to changes of activity from non-manufacturing to manufacturing. The preparation of all materials necessary to complete an application will be the responsibility of the requesting party. Applications will be delivered to the Project Administrator for submission to Grantee. The decision to submit an Application to the Board will be decided by Grantee. A Board approval constitutes an award of such amendment or expansion grant to the Grantee.

**REGULATIONS APPLICABLE AT SUBZONES**

"Subzones" are Zone sites granted by the Board to Foreign-Trade Zone grantees, for operations by individual firms. They are considered noncontiguous extensions of Zones for single Zone Participants, usually at their own facilities, and in this case, are private rather than public Zone facilities. Separate Zone Sites within an industrial or commercial complex subject to common management and covenants may be considered a part of the General-Purpose Zone, rather than as Subzones.

All persons and entities doing business within a Subzone must comply with the provisions of the Foreign-Trade Zones Act; with the rules, regulations and procedures of the Foreign-Trade Zones Board with all Applicable Laws and with such of the provisions of this Zone Schedule as may be applicable to the operations conducted in the Subzone.



## REGULATIONS PERTAINING TO MERCHANDISE

USER-OPERATOR SHALL ASSURE THAT ALL ACTIVITIES PERTAINING TO MERCHANDISE SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAW. THIS SECTION OF THE ZONE SCHEDULE IS IN NO WAY INTENDED TO STATE THE LAW OR BE COMPLETE IN DESCRIBING WHAT LAWS APPLY.

### CUSTOMS PERMIT

Merchandise will not be delivered to or through Customs territory unless a delivery order is accompanied by the requisite Customs permit.

### TRANSPORTATION

Transfer of foreign merchandise between Customs territory and the Zone, or through Customs territory, must be made by Customs bonded trucks or other carriers and in accordance with Customs regulations and other Applicable Laws.

### TENDER FOR ACCEPTANCE

All merchandise for Zone movement shall be delivered at designated points properly marked and packed and accompanied or preceded by necessary documents for preserving the identity of such merchandise.

### CUSTOMS INSPECTION OF MERCHANDISE

The consignee, the User-Operator, or its agent, shall at all times be immediately available to make merchandise available and ready for inspection as may be required by Customs, and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following inspection. In the event that the consignee or his agent is not immediately available for inspections, Zone Administrator is authorized to open such packages for Customs as directed by Customs and shall not be liable for any loss or damage to the goods for any reason.

### INVENTORY PROCEDURES

User-Operators are responsible for establishing and maintaining an Audit Inspection Inventory Control system acceptable to Customs for all merchandise in their care, custody, and control. Inventory actions may be conducted by the User-Operator or through an agent authorized to maintain inventory records and to represent the User-Operator in inventory matters.

### REMOVAL OF MERCHANDISE, DEACTIVATION OR SUSPENSION

The involuntary removal of foreign-status merchandise, deactivation or suspension of the zone grant are subject to actions of the Board, Customs and other agencies, Applicable Law and the User-Operator Agreement including this Zone Schedule.

**PERMIT TO MANIPULATE, MANUFACTURE, PROCESS AND EXHIBIT**

Before merchandise may be manufactured, processed, manipulated, and exhibited within the Zone, application must be presented to the Port Director of Customs for approval. Requests for manufacturing or processing authority must be submitted to the Foreign-Trade Zones Board for approval prior to approval by the Port Director of Customs. On approval by appropriate agencies, the contemplated operation will be permitted as allowed by Applicable Law.

**TRANSITING MERCHANDISE**

Merchandise transiting the Zone under the provisions of CR 146.14 must leave the Zone within five (5) working days after arrival. Working days do not include Saturday, Sunday, or Holidays. Items remaining in the Zone beyond five (5) working days will lose the "transiting" status and will be admitted into the Zone as merchandise under supervision of the Customs unless an extension is authorized by the Port Director of Customs.

**MARKING**

All merchandise handled in the Zone, before entry to Customs territory, must be truly marked in accordance with Customs regulations as to the country of origin and in accordance with all other Applicable Law and government regulations, and no merchandise will be permitted to leave the Zone for any purpose that carries any false or misleading label or mark.

**PROHIBITED MERCHANDISE**

Prohibited merchandise includes merchandise specifically prohibited from admission to the Zone as articulated by Applicable Law.

**PUBLIC WAREHOUSE OPERATING REQUIREMENTS**

Private firms may enter into a Zone Participant Agreement with the Project Administrator to offer public warehousing facilities and services within the Zone under Zone status.

**ZONING REGULATIONS**

All uses and development of the lands of the Zone shall be in compliance with all applicable Zoning Ordinances of the appropriate local government, which has zoning jurisdiction.

**ANY AND ALL APPLICABLE LAW**

Regulations pertaining to merchandise and to Zone use, operation and administration include the above and any and all other Applicable Law and in the event of conflict, omission or changes to law pertaining to Zones, such law shall prevail over the terms of this Zone Participant Agreement including this Zone Schedule.

**RESPONSIBILITY FOR ADMISSION**

All User-Operators will admit only Foreign-Status merchandise for which they are authorized to enter into Custom Territory, or transfer to another Zone. In the case of User-Operators providing Zone services to unaffiliated parties, these User-Operators must obtain such authorization by virtue of their contracts or agreements with the parties for whom they provide Zone services.

### DEVELOPMENT OF ZONE USE

The organizational structure embodied by the Zone to develop zone use in order to fulfill the Zone's mission will include two regulatory criteria:

The Zone will be organized to "... ensure that reasonable zone needs of the business community [current and prospective] are served..."

The Zone will be organized "... as a public utility..." i.e. use of the Zone will be provided on the basis of uniform treatment under like conditions and circumstances.

The characteristics of the local economic structure (a k a local business community to be served) that provided the justification of the Zone's application creates a likelihood that Subzones will be emphasized to provide the most economically efficient means for ensuring the reasonable satisfaction of the business community's zone needs are served. The current and prospective character of the local economy is and is likely to remain one in which Zone needs are generated by manufacturing and manufacturing-associated establishments currently in place. On a standard based on "reasonableness," it will not be reasonable to require these establishments to relocate to some unique location in order to obtain the use of Zone status to maintain their trade-related competitiveness (i.e. the Zone's mission).

The use of subzones will contribute to the zone's ability to provide Zone use on the basis of public utility principles. Subzones provide Zone use on a "site-neutral" basis. This basis will allow current establishments in the local economy and prospective entrants to the local economic structure to locate or maintain their operations on a "like condition" basis. A Subzone's Site neutrality provides uniform treatment for User-Operator establishments including but not limited to all landowners or developers that seek to serve current and prospective Users-Operators and Users of the Zone.

The Zone's General-Purpose Zone may be expanded. The expansion of the Zone's General-Purpose Zone may include additional Sites. Decisions on expansions will be guided by the demonstrated need and the public utility principles under which a Zone is required to conduct its operations.

**PROCEDURE FOR DEVELOPING THE ZONE – SUBZONES**

The Zone's procedures for employing the use of Subzones to contribute to the local economic structure's trade competitiveness will include among other measures:

- The preparation of materials required to complete an application for a grant of authority to establish a Subzone will be the responsibility of the establishment and/or the party to be served by the application's approval, such materials will include evidence that local inventory taxing authorities have been notified about the proposed Subzone's application.
- Applications will be delivered to the Zone Administrator for review of sufficiency and presentation to the Grantee, pursuant to the execution of a Zone Participants Agreement between the Administrator and the party/establishment to be served by the Subzone grant of authority.
- The decision to submit an application to the Foreign-Trade Zones Board will be decided by the Grantee.
- All applications will be a request of, and be submitted by the Zone Grantee.
- All approved Subzone grants of authority will be awarded to the Zone's Grantee.

**PROCEDURE FOR DEVELOPING THE ZONE – GENERAL-PURPOSE ZONE EXPANSION**

Expansion of the Zone's General-Purpose Zone will be based on the local economic structure's need for additional General-Purpose Zone- related services to contribute to its trade-related competitiveness. The calibration of this standard of measure of need for an expanded General- Purpose Zone will include but are not limited to the use to which Zone services will contribute to the established economic development program(s) being conducted by municipal and civic agencies operating within the economic structure that Zone 265 is organized to serve. The criteria and procedures for expanding the Zone's General-Purpose Zone will include among other measures:

- The property and facilities to be included in the expansion will be owned and/or controlled by a municipal or quasi-municipal (civic) entity.
- The community or political entity proposing the expansion will be responsible for preparing all of the materials required for an expansion application and all its costs for submission to the Foreign-Trade Zones Board.
- These materials will include a resolution or statement by the sponsoring political/civic entity endorsing the expansion, a description to explain how the property, etc. to be

included was selected, and evidence that local inventory taxing authorities have been notified about the proposed expansion application.

- Application will be delivered to the Project Administrator for review of sufficiency and presentation to the Grantee, pursuant to the execution of a Zone Participants Agreement between the Zone Administrator and the entity that owns or controls the property and facilities to be included in the proposed expansion.
- The decision to submit an application to the Foreign-Trade Zone's Board will be decided by the grantee.
- All applications will be a request of, and be submitted by the Grantee.
- All approved grants of authority expanding the Zone's General-Purpose zone will be awarded to the Zone's Grantee.

**PROCEDURE FOR DEVELOPING THE ZONE – PRODUCTION ACTIVITY**

Production activity conducted under subzone grants of authority or at a general purpose zone requires prior approval by the Board. The process for securing production authority will be conducted by the Grantee for the benefit of the entity proposing to conduct the production activity. The process by which production activity will be secured will include these measures:

- The preparation of the materials required for a “notification” or an “application” (400.22 / 400.23) to conduct production activity will be the responsibility of the entity proposing to conduct the production activity.
- Prepared materials, notifications or applications will be delivered to the Zone Administrator for review of sufficiency and presentation to the grantee, pursuant to the execution of a Zone Participant's agreement between the administrator and the entity on whose behalf the process for obtaining production activity approval is to be undertaken.
- The decision to submit a notification or application for proposed production activity to the Foreign-Trade Zone's Board will be decided by the grantee.
- All notification or applications will be a request of, and submitted by the Zone grantee.
- All grants of authority to conduct production activity will be awarded to the Zone's grantee on the behalf of a zone user.

## TYPES OF RATES AND CHARGES

### GENERAL STATEMENT OF RESPONSIBILITY FOR PAYMENT OF DUTIES, TAXES, COSTS AND FEES

User-Operators and Users, as appropriate are responsible and liable for the timely payment of any and all duties, taxes, fees, fines, penalties, forfeitures, liquidated damages, interest or payments due of any kind due to federal, state or local governments, and/or the Grantee, the Project Administrator, their agents, designees and assigns as arise from any activities relating to the Zone and/or use of the Zone. In the event the Grantee and/or Project Administrator is required to pay any duty or tax to Customs, then the User-Operator or other person responsible for payment of the duty or tax will immediately make reimbursement for such payments. Additionally, under the User-Operator Agreement including this Zone Schedule, User-Operator shall be responsible for and any and all of the above stated taxes, costs and fees including reasonable attorneys' fees and any interest on the same, which may be incurred or sustained by the Grantee and/or Project Administrator by reason of collection of same. Additionally, any sums due to the Grantee and/or Project Administrator under the User-Operator Agreement including this Zone Schedule shall immediately constitute a lien against any and all of the interests of the User-Operator in the Zone and any and/or its property situated in the Zone to the same extent and on the same conditions as delinquent rent would constitute a lien on such premises and property. Any amounts due for any reason under the User-Operator Agreement including this Zone Schedule shall be deemed payable when due. User-Operator may be required to post an indemnity bond in conformity with the terms and conditions of the User-Operator Agreement including this Zone Schedule. Failure to timely pay shall constitute a default by the delinquent User-Operator and shall be deemed to be a breach.

### CUSTOMS FEES

The User-Operator and Users, as appropriate shall immediately reimburse the Project Administrator and/or Grantee, for any Customs fees and any and all other charges connected with User-Operator's conducting business within the Zone. Such Customs fees may include but are not limited to activation and deactivation fees, alteration fees, transaction fees, and annual fees. Any fees for services charged by Customs such as for overtime or for special services shall be paid by the User-Operator for whom Customs performed the services. Whenever the Project Administrator pays fees to Customs which concern the entire General-Purpose Zone or the entire Zone Project including the General-Purpose Zone and/or any Subzones, reimbursement by User-Operators to the Project Administrator will be by special assessment by apportionment and are immediately due and payable. Interest will accrue on unpaid amounts and reasonable attorneys' fees and mediation and court costs incurred in collection or otherwise will be for the account of the delinquent/defaulting User-Operator. This is in addition to any and all other rights and remedies Project Administrator might have under law. Under no circumstances will the Grantee or Project Administrator be liable or responsible for any such Customs fees or charges.

**MERCHANDISE PROCESSING FEE AND HARBOR MAINTENANCE FEE AND OTHER NON-TARIFF FEES**

User-Operators and Users, as appropriate will be responsible for the timely payment of all non-tariff charges and fees imposed on foreign merchandise arriving at the United States including but not limited to the Merchandise Processing Fee and the Harbor Maintenance Fee.

**CUSTOMS BOND FEES**

User-Operator provides a Foreign-Trade Zone Operator's Bond to Customs which is applicable to its merchandise in the Zone that is under Customs supervision. The amount of the bond required for a specific facility is established by Customs, and will be procured and paid for directly by the User-Operator. Each Subzone will maintain its own bond directly with U.S. Customs.

**REVIEW OF FTZ BOARD APPLICATION FEE (Per Event)**

Project Administrator must review for sufficiency all submissions, including but not limited to applications, requests or other grant-related activities, modifications, amendments and expansions which cover boundaries, scopes of activities, production authorizations, Subzones and other Zone-related matters. After such review the submission will be presented to the Grantee and to the Foreign-Trade Zones Board. Such review will incorporate the Project Administrator's suggestions and requirements for revisions, corrections and other changes of the draft submission to its presentation to the Grantee and to the Foreign-Trade Zones Board. Such review in no way signifies or effectuates the correctness, lawfulness or acceptability of the proposed application by the Board, Customs, or any other authority. This fee as set forth in Attachment "X" hereto, is due and payable to the Project Administrator when the Application is submitted to the Project Administrator for review for sponsorship by the Grantee.

**REVIEW OF ACTIVATION REQUEST FEE (Per Event)**

Prior to a Zone Participant's submission to Customs of a request for activation or alteration, Project Administrator must review for sufficiency the request including but not limited to all plans and preparations, the inventory control and record keeping systems, the procedures manual and activation application/impact by alteration. Such review in no way signifies or effectuates the correctness, lawfulness or acceptability of the activation application. The fee as set forth in Attachment "X" hereto, for this review is due and payable to the Project Administrator when the request is submitted to Project Administrator for review. Any fees or other costs required by Customs are to be paid directly by the Zone Participant.



**MONTHLY USER-OPERATOR FEE (Non-Production Use) (On-Going)**

Each User-Operator must pay to Project Administrator monthly User-Operator fees as set forth on Attachment "X" hereto, for routine Foreign-Trade Zone activities review. Such review shall in no way signify or effectuate the correctness, lawfulness or acceptability of User-Operator's performance of the activities.

**ANNUAL USER-OPERATOR FEE (Production Activity) (On-Going)**

Each User-Operator will pay to the Project Administrator a fee as stated in Attachment "X" hereto. This fee includes the cost of the Project Administrator's review of the User-Operator's annual report to the Foreign-Trade Zones Board.

**REVIEW OF DEACTIVATION (OR ALTERATION) REQUEST FEE (Per Event)**

Each User-Operator must submit to Project Administrator for review, the User-Operator's request to deactivate a Zone site or activity. This fee, as set forth in Attachment "X" hereto, is due and payable to Project Administrator upon submission of deactivation plan/request to Project Administrator for review. Such review shall in no way signify or effectuate the correctness, lawfulness or acceptability of the request for deactivation.

**SPECIAL SERVICES (As Needed)**

Any Zone Participant requiring special or additional services may request additional or special services from the Project Administrator who shall determine the possibility of furnishing such services and consider the cost thereof. Such services and the costs therefore, shall be rendered on a case-by-case basis. Special services are available during regular business hours. Payment for special services is due and payable at the time the special services are rendered.

**NON-ACTIVATION FEE:**

An annual monitoring fee per Attachment "X" will be paid by these Zone Participants:

- Entities that benefit from subzone grants of authority that have not activated,
- Owners of private land for which general purpose zone authority has been approved and no "zone activated" activity has commenced.
- Entities located within a general purpose zone that have received production authority but have not activated.

**CHARGES BY OTHER GOVERNMENT AGENCIES (As Required)**

Charges made by government agencies and any other third parties that are not included in this Zone Schedule must be arranged for and paid directly by the User-Operator. For any liabilities, obligations or other activities arising from the failure of a User-Operator to pay these or any other charges which then results in or creates a Zone problem or issue with costs, such costs will be a reimbursable by the User-Operator to the Project Administrator including lawful interest, court/mediation costs and reasonable attorneys' fees.

**WHEN CHARGES ARE PAYABLE**

Zone charges are due and payable as they accrue or as is otherwise specified herein. All fees and charges are non-refundable. At no time does review by Project Administrator mean or otherwise signify or effectuate correctness, lawfulness or acceptability or the approval of any application or submission of any kind to Customs or the Foreign-Trade Zones Board or other third parties.

**ENFORCEMENT OF CHARGES**

For purposes of enforcing the payment of charges provided for in this Zone Schedule, any and all amounts required to be paid by User-Operator to the Project Administrator, or which are to be paid with interest or which the Project Administrator pays as and advance or otherwise in anticipation of reimbursement on behalf of any User-Operator, which are not paid when due shall bear interest at the following rate: prime plus 3% or the highest lawful rate in Texas, whichever is higher. The interest rate shall be per annum from the due date until paid, unless otherwise specifically provided. The rate shall be modified from time to time as the legal rate or prime rate changes. Failure to pay fees and charges in a timely fashion may also result in enforcement of any and all other remedies provided for under the User-Operator Agreement, also including but not limited to cancellation of the User-Operator Agreement, deactivation of the Zone site, eviction or other remedies deemed appropriate by the Project Administrator, including but not limited to taking possession of the merchandise, removing and storing the merchandise at charge, risk and expense of the owner or consignee of the merchandise, sales of the merchandise by public auction and any and all other remedies, under the User-Operator Agreement including this Zone Schedule or otherwise or as may be provided by applicable law. All costs incurred including court/mediation costs and reasonable attorney's fees incurred in the collection of any fees, costs, charges or the like or the enforcement of any or all terms and conditions hereunder or elsewhere in this Zone Schedule and as it is a part of the entire User-Operator Agreement, shall be for the account of the User-Operator, be it General-Purpose Zone or Subzone.

**ATTACHMENT "X"**  
**SCHEDULE OF USER FEES\***

**REVIEW OF SUBZONE GRANT APPLICATION FEE (Per Each Application)**

\$5,000

**REVIEW OF PRODUCTION ACTIVITY REQUESTS**

- Activity subject to Notification procedures - \$5,000
- Activity subject to Application procedures - \$10,000

**REVIEW OF CUSTOMS ACTIVATION REQUEST FEE (Per Each Activation Request)**

\$3,500

**REVIEW OF AMENDMENT OR EXPANSION FEE (Per Each Application)**

\$5,000

**REVIEW OF MODIFICATION FEE (Per Each Request)**

\$3,000

**ANNUAL NON-ACTIVATION FEE (On-going)**

\$1,000

**REVIEW OF DEACTIVATION (or ALTERATION) REQUEST FEE (Per Each Request)**

\$2,500

**SPECIAL SERVICES (Per Agreement)**

Special Services will be provided as requested under terms and conditions agreed upon at the time the request is made.

\* Fees are subject to review and modifications as of December 31, 2016.

**MONTHLY USER FEE (On-Going)  
For Non-Production User-Operator**

Option A: \$35.00 per transaction; or

Option B: \$833.33 per month, which includes 40 transactions per month. An additional fee shall be charged for each transaction over 40 transactions as follows:

Transaction 41 through 60 \$20.00 each

Transaction 61 through 100 \$15.00 each

Transactions 101 and over \$10.00 each

Option C: \$2,000.00 per month, which includes an unlimited number of transactions.

Payable: Fixed monthly User-Operator fee is due and payable in advance on the first Day of each month. Transaction fees are due and payable thirty (30) days From the date of invoice. User-Operator fees commence upon activation by the Customs.

Note: The term "transaction" means the movement or manipulation of any merchandise requiring a CF 214, CF 216, CF 7512, local transfer document, local control or authorization number, or customs entry. Multiple shipments made by individual User-Operators operating under Option "B" or utilizing a single customs or transfer document, and made on the same day, are considered a single transaction.

For the purpose of this section, fees are assessed on all the transactions which occur under each User-Operator's Customs Foreign-Trade Zone bond. For the General-Purpose Warehouse User-Operator any and all transactions covered by the General-Purpose Warehouse User-Operator bond would be those transactions on which the fee would be assessed and be due and payable by General-Purpose Warehouse User-Operator to the Project Administrator.

**ANNUAL USER FEE (On-Going)  
For Production User-Operators**

The schedule of fees is based upon the parameters listed below. The Annual Fee shall be due on December 31 of each year commencing with the year of a foreign-trade subzone grant approval or manufacturing authorization is approved and is not prorated. The Annual Fee shall be based upon the single parameter that produces the highest Annual Fee. For example: A Zone User-Operator that has 500 annual transactions and handles \$9,000,000 in Zone merchandise for a given year would base its following year's fee on "Annual Transaction" and pay a fee of \$20,000. Conversely, if the Zone User-Operator handles \$9,000,000 in Zone merchandise and has less than 300 annual transactions, either "Annual Transactions" or "Annual Value of Merchandise" could be used to determine that its Annual Fee for the following year would be \$15,000.

For the purposes of this section, fees are assessed on all the transactions which occur under each User-Operator Customs Foreign-Trade Zone bond. For the General-Purpose Warehouse User-Operator, any and all transactions covered by the General-Purpose Warehouse User-Operator bond would be those transactions on which the fee would be assessed and be done and payable by General-Purpose Warehouse User-Operator to Project Administrator.

| <b>Number of<br/>Annual Transactions</b> | <b>Annual Value of<br/>Merchandise</b> | <b>Annual Fee</b> |
|--|--|-------------------|
| 0 to 50                                  | Less than \$1 million                  | \$3,000.00        |
| 51 to 150                                | Less than \$ 5 million                 | \$10,000.00       |
| 151 to 300                               | Less than \$10 million                 | \$15,000.00       |
| 301 to 3,000                             | \$10 million to \$25 million           | \$20,000.00       |
| Over 3,000                               | Over \$25 million                      | \$25,000.00       |