

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.

ZONE SCHEDULE

FOREIGN-TRADE ZONE #106



CHARGES, RATES, RULES, AND REGULATIONS

APPLICABLE AT

FOREIGN-TRADE ZONE # 106

**Operating Under Grant of Authority
from the
United States Foreign-Trade Zones Board
to the
Port Authority of the Greater Oklahoma City Area**

Changes in and additions to this Zone Schedule will be made by reprinting the page on which the change or addition is made, and such pages will be designated as a revised page and will carry a "Correction" number in the lower left-hand corner.

Upon receipt of a revised or new page, place a check opposite the "Correction" number (shown below) corresponding to the number shown in the lower left hand corner of the new or revised page.

If "Correction" numbers are properly checked on receipt of new or revised pages, they will appear checked off in consecutive order with no omissions. If the check marks indicate that a Correction has not been received, a request should be made at once to the Zone Administrator for a copy of the missing page(s).

| Correction No. | Page No. | Date Issued | Date Implemented |
|----------------|----------|-------------|------------------|
|----------------|----------|-------------|------------------|

TABLE OF CONTENTS

| Section | Subject | Page |
|-------------|---|------|
| I | Foreign-Trade Zone No.106 Administration Directory | 1-1 |
| II | Overview of Foreign-Trade Zone No.106 and this Zone Schedule | 2-1 |
| III | Principal Benefits Provided by Foreign-Trade Zone No.106 | 3-1 |
| IV | Site Descriptions for Foreign-Trade Zone No.106 | 4-1 |
| V | Definition of Foreign-Trade Zone Terms and U.S. Customs Forms | 5-1 |
| VI | Principal Governing Regulations and Agreements | 6-1 |
| VII | General Rules and Regulations | 7-1 |
| VIII | Applications to the Foreign-Trade Zones Board | 8-1 |
| IX | Activation, Deactivation, and Alteration of Zone Sites with Customs | 9-1 |
| X | Activity Permitted in Zone | 10-1 |
| XI | Reporting Theft, Overages, and Shortages of Merchandise | 11-1 |
| XII | Annual Audit and Reporting Requirements | 12-1 |
| XIII | Fee Schedule and Site Management Plan | 13-1 |
| Appendix A: | Procedures for Sponsorship of Applications to the Foreign-Trade Zones Board | A-1 |
| Appendix B: | Procedures for Application of Zone Sites | B-1 |
| Appendix C: | Procedures for Activation: Commencement of Operations | C-1 |
| Appendix D: | Annual Report | D-1 |
| Appendix E: | U.S. Customs Border Protection Forms | E-1 |
| Appendix F: | Automated Commercial Environment (ACE) | F-1 |
| Appendix G: | Customs-Trade Partnership Against Terrorism (C-PAT) | G-1 |

SECTION I -- FOREIGN-TRADE ZONE NO. 106 ADMINISTRATION DIRECTORY

ZONE GRANTEE: Port Authority of the Greater Oklahoma City Area

ZONE ADMINISTRATOR: Cathy O'Connor
President
Alliance for Economic Development of Oklahoma City
105 N. Hudson
Oklahoma City, OK 73102
Phone: 405/235-3771
Fax: 405/232-8317

ZONE OPERATORS:

Subzones/Usage-Driven Sites

106A General Motors Corporation – deactivated, Okc, OK
106B Ted Davis Manufacturing, Inc.- lapsed, Okc, OK
106C Imation – deactivated, Weatherford, OK
106D Xerox – deactivated, Yukon, OK
106E ConocoPhillips Company – deactivated, Ponca City, OK

Magnet Sites

Site 1& 8 (1061 & 30 acres) Will Rogers World Airport

Owned by: The City of Oklahoma City
Contact: Mark Krannenberg
Director of Airports
Will Rogers World Airport
7100 Terminal Drive, Unit 937
Oklahoma City, OK 73159-0937
Phone: 405-680-3260
Fax: 405-680-3311
mark.krannenberg@okc.gov

Site 2 (6 acres)

Biagi Bros. Warehouse
Patty Limke
5002 SW 36th Street
Oklahoma City, OK 73179
Phone: 405-682-1113
Fax: 405-682-5020
plimke@BiagiBros.com

Site 5 (292 acres) South River Industrial Park, Okc - lapsed

Site 6 (10 acres) Continental Distribution, SW 29th and Council, OKC - lapsed

Site 7 (110 acres) Western Heights Properties LLC, 7112 SW 29th, OKC

Owned by: Robert Gilson
1930 SW 29th Street
Oklahoma City OK 73129
Phone: 405-672-2222
Fax: 405-456-2272
bobgilson@aim-okc.com

Managed by: Jim Lagree
4301 NW 63rd Street, Suite 207
Oklahoma City, OK 73116
Phone: 405-879-1172
Fax: 405.879.1174
jim@lagree.biz

Site 9 (26 acres,) Kelley Point, Edmond - lapsed

Site 10 (43 acres) Kelley Avenue International Trade Center, Edmond - lapsed

Site 11 (21 acres) Tower Industrial Park - lapsed

Site 12 (26 acres) ICON Center, Ada, OK

Operator: Chickasaw Nation
David Taylor
300 Arlington
Ada, OK 74820

Site 13 (308 acres) Guthrie/Edmond Regional Airport

Contact: Matthew Mueller
City Manager
101 North 2nd Street
P.O. Box 908
Guthrie, OK 73044-0908
Phone: 405-282-0496
Fax: 405-282-0192
mmueller@cityofguthrie.com

Airport Manager: Gary Ivie
Phone: 405-282-2312
givie@cityofguthrie.com

Port Director
7100 Terminal Drive, Box 406
Oklahoma City, OK 73159
Phone: 405-231-4347
Fax: 405-942-3277
Marjorie.Clark@dhs.gov

U.S. FOREIGN-TRADE ZONES BOARD

Andrew McGilvray
Executive Secretary
U.S. Foreign-Trade Zones Board
U.S. Department of Commerce
1401 Constitutional Ave., NW, Room 21013
Washington, D.C. 20230
Phone: 202-482-2862
Fax: 202-482-0002
Andrew.McGilvray@trade.gov

SECTION II -- OVERVIEW OF FOREIGN-TRADE ZONE NO. 106 AND ZONE SCHEDULE

Purpose of Foreign-Trade Zone No. 106 and This Zone Schedule

Foreign-Trade Zone No. 106 was granted by the Foreign-Trade Zones Board to the Port Authority of the Greater Oklahoma City Area (Zone Grantee) which was established by Oklahoma City ordinance #9960 enacted by Oklahoma City pursuant to 82 Oklahoma Statutes section 1101 et. seq. This Zone Schedule was initially issued by the South Oklahoma City Chamber of Commerce (Zone Administrator at that time) on June 23, 1997 in compliance with the U.S. Foreign-Trade Zones Board regulations. This Zone Schedule sets forth the operational structure of Foreign-Trade Zone No. 106 and the regulations and charges associated with active Zone operations.

The goal of the Zone Grantee and Zone Administrator is to promote economic development throughout the Greater Oklahoma City Area through the promotion and utilization of Foreign-Trade Zone No. 106. Foreign-Trade Zone No. 106 assists in the economic development of the region by providing a Customs duty management tool to importers and exporters. The principal benefits that the Zone provides are listed in Section III of this Zone Schedule.

Taking Advantage of the Benefits of Foreign-Trade Zone No. 106

Currently approved Zone sites are listed in Section IV of this Zone Schedule. The Zone can be expanded or modified to other locations to accommodate interested Zone Site Zone Operators, importers and exporters located throughout the region, as explained in Section VIII. The actual procedure involved in expanding or modifying the Zone is included as an appendix to this Zone Schedule.

There are two ways to take advantage of Foreign-Trade Zone No. 106. A company can have its products handled by a Zone Operator, who can store and/or manipulate the products duty-free in the Zone, or a company can itself become a Zone Operator at one of the existing Zone Sites or another suitable site in the region if none of the existing Zone Sites is suitable.

The Zone Administrator charges Zone Operators, Subzone Operators, and Usage-Driven sites for the privilege of operating a Zone Site. Uniform charges are set forth in Section XIII. Other charges and costs associated with the operation of a Zone Site are also the responsibility of the Zone Operator for that Zone Site.

Additional Information Concerning Foreign-Trade Zone No. 106

Additional general information concerning the operation of Zone Sites and general recordkeeping requirements is contained in the other sections of this Zone Schedule. Obligations and responsibilities of Zone Operators, Subzone Operators, Usage-Driven operators are also specifically outlined in the Operations Agreement which must be executed by every Zone Operator prior to activating a Zone Site with Customs.

The Zone Grantee has contracted with the President of the Alliance for Economic Development of Oklahoma City to be the Zone Administrator. The Zone Administrator is responsible for both the promotion of the Zone and the supervision of all Zone Operators and active Zone operations. The Zone Administrator is available on-site at its offices as listed in Section I for further information concerning Foreign-Trade Zone No. 106. Key persons related to Foreign-Trade Zone No. 106, including the Zone Administrator, are identified with their corresponding addresses and phone numbers in Section I. The Zone Administrator is authorized by the Board of Directors to contract with an outside party to provide marketing and development services for Foreign-Trade Zone No. 106.

SECTION III -- PRINCIPAL BENEFITS PROVIDED BY FOREIGN-TRADE ZONE NO. 106

Re-exports: Under existing U.S. Customs regulations, merchandise which is brought into the U.S. for admission into Foreign-Trade Zone No. 106 and later re-exported from the Zone is not assessed any Customs duties.

Reject, Scrap, Waste, and "Consumed" Merchandise: Under existing U.S. Customs regulations, imported merchandise which is admitted into a Zone and then rejected, scrapped, consumed, or considered waste in the Zone is not assessed any Customs duties. Duties are reduced significantly for all merchandise which is scrapped through a manufacturing operation in a Foreign-Trade Zone and then sold from the Zone as commercial scrap material.

Zone-to-Zone Transfers: Imported merchandise which is admitted into the Zone and then shipped to another U.S. Foreign-Trade Zone can be shipped duty-free to the receiving Zone with the receiving Zone's concurrence. As duty-free transfers, Zone-to-Zone shipments allow both the shipping Zone and the receiving Zone to reduce duty exposure. Under existing U.S. Customs regulations, duties are eliminated on imported components which are transshipped through several Zones and eventually re-exported.

Duty Deferral: While duties are eventually assessed on imported merchandise shipped to U.S. locations from the Zone, these duties are deferred while the merchandise remains in the Zone. The time that duty is paid is moved from the date of admission to the date of shipment from the Zone. The cost-of-money savings on duty deferral can be significant for large-volume distributors or operations with long inventory turnover periods.

Inverted Tariffs: When components are imported and admitted into Foreign-Trade Zone No. 106, they can be manufactured into a new product for re-export or sale in the U.S. In these cases, the importer may be able to elect to apply the finished product duty rate or the component duty rate, whichever is lower. When the finished product rate is lower than the imported component rate, the importer can save the difference between the two rates.

These are just the principal benefits of U.S. Foreign-Trade Zones. There are many other additional benefits provided by Foreign-Trade Zone No. 106 which are usually evaluated on a case-by-case basis. To discuss how your operation could benefit from Foreign-Trade Zone No. 106, call the Zone Administrator.

SECTION IV -- SITE DESCRIPTIONS FOR FOREIGN-TRADE ZONE NO. 106

Foreign-Trade Zone No. 106 is sponsored by the Port Authority of the Greater Oklahoma City Area, as Zone Grantee, pursuant to a grant issued by the U.S. Foreign-Trade Zones Board on September 13, 1984 (Board order #271). The Zone is located at the following sites designated in the records of the Foreign-Trade Zones Board:

Magnet Sites

Sites 1 & 8 Will Rogers World Airport

There are a total of 1091 acres located in several different sites, within the 6,700-acre Will Rogers World Airport complex at Portland Avenue and S.W. 59th Street in Oklahoma City, Oklahoma. The property is owned by the City of Oklahoma City and managed for development by the Greater Oklahoma City Chamber. It is zoned I-2 and is restricted to aviation related industries.

Site 2 Biagi Bros.

This privately owned site belonging to Biagi Bros. It consists of a warehouse and 6 acres of land at 5001 SW 36th Street in Lakeside Business Park, Oklahoma City, Oklahoma.

Site 12 ICON Center

This privately owned facility sits on 26 acres and has 357,101 square feet under roof, and 8 silos with a total of 5,000 ton capacity. It is located 300 Arlington in Ada OK. It is zoned I-2 for moderate industrial usage.

Site 13 Guthrie/Edmond Regional Airport

This publicly owned 308 acres is located in Guthrie OK. It is zoned I-2 for moderate manufacturing. There are several buildings on site to accommodate new operations.

Site 15 Enid Woodring Regional Airport/Cimarron Industrial Park

This publicly owned 68 acres is located in Enid OK. It is zoned I-2 for light industrial and moderate manufacturing. There are several buildings on site to accommodate new operations.

Site 16 Shawnee Regional Airport/Industrial Park

This publicly owned industrial park, located in Shawnee, OK, has 80 acres available for development. It is zoned I-2 for light industrial

APPLICATION OF RATES, RULES AND REGULATIONS

The rates, rules, and regulations published in this Zone Schedule will apply to all Zone Operators of Zone Sites, Subzones, or Usage-Driven sites under the jurisdiction of Foreign-Trade Zone No. 106. Except as otherwise provided in this schedule, all general rates, rules, and regulations will apply as published.

SECTION V -- DEFINITION OF FOREIGN-TRADE ZONE TERMS AND U.S. CUSTOMS BORDER PROTECTION FORM

ACE: Automated Customs Entry system that is required for submission of all Customs and Border Protection forms pertaining to entry and removal of goods from foreign-trade zones.

Activation: Approval by the Zone Grantee and Customs Port Director for operations and for the admission and handling of merchandise in Zone status. Activation cannot occur without an executed Zone Operator Agreement.

Admission: Physical arrival of goods into the Foreign-Trade Zone with the approval of the Zone Grantee and Customs. The word "admission" is to be used instead of "entry" of goods in a Zone to avoid confusion with Customs entry processes under Parts 141-144 of the Customs Regulations.

Admit: To bring merchandise into a Zone with Zone status.

Alteration: A change in the boundaries of an activated Zone or Subzone; activation of a separate site of an already-activated Zone or Subzone with the same Zone Operator at the same port; or the relocation of an already-activated site with the same Zone Operator.

Audit-Inspection Procedures: These procedures provide the framework for Customs to reduce on-site supervision of Zones and for Zone Operators to increase Zone operating flexibility through the audit-inspection method of supervising Zones. These procedures require use of the Zone Lot Number system or a Unique Identifier Number system. The systems may be manual, computerized, or a combination of both.

Applicant: A corporation, partnership, or person applying for the right to operate a Foreign-Trade Zone Site or Subzone under the jurisdiction of FTZ No. 106.

Bulk: A product or mass (of a product) which is not packaged, bundled, bottled, or otherwise packed, so that it is designated as bulk or bulk merchandise.

Constructive Transfer: A legal fiction which permits acceptance of a Customs entry for merchandise in a Zone before its physical transfer to the Customs territory. Constructive transfer is deemed to have occurred when Customs receives an entry in proper form. If the entry is not accepted, the merchandise will be deemed constructively transferred back to the Zone in its previous Zone status.

Control Number: The number used on all Zone admission and exit forms to identify all merchandise and commodities. The control number will, in all cases, be the same as the tariff number for that same merchandise described in the Harmonized Tariff Schedules of the United States Annotated.

Customs Territory: The territory of the U.S. in which the general tariff laws of the U.S. apply. "Customs territory of the United States" includes only the States, the District of Columbia, and Puerto Rico, minus any areas within the boundaries of Foreign-Trade Zones.

CTPAT: Customs-Trade Partnership Against Terrorism. Customs and Border Protection certification process to develop, enhance and maintain effective security processes throughout the global supply chain.

Deactivation: Voluntary discontinuation of the activation of an entire Zone or Subzone by the Zone Grantee or Zone Operator. Discontinuance of the activated status of only a part of a Zone Site is an alteration.

Default: An act or omission that will result in a claim for duties, taxes, charges, or liquidated damages under the FTZ Operator's Bond.

Domestic Status: Domestic status is for (a) the growth, product, or manufacture of the United States on which all internal revenue taxes, if applicable, have been paid, and (b) previously imported merchandise on which all applicable duties and internal revenue taxes have been paid. Domestic merchandise may be returned to the Customs territory free of duty and taxes.

Exhibition: The showing of merchandise within a Zone, usually to prospective buyers. This may require Customs supervision whenever it involves packing, unpacking, repacking, assembly, or reconditioning of the goods for showing.

First In-First Out (FIFO): Under the FIFO method, any fungible merchandise withdrawn from stock is assumed, in accordance with good business practice, to be withdrawn from the oldest stock first. In applying FIFO procedures, it is important to note that each Zone admission is considered a layer and the Zone Operator is responsible for identifying the appropriate sequence of transfers from the Zone to assure the proper layer was used and transferred from the Zone. Fungible merchandise, is, by definition, commercially interchangeable in all situations. Identification shall be maintained in the inventory control system records, generally by description and part or stock number.

Foreign-Trade Zone (FTZ): A restricted-access site, in or adjacent to a Customs Port of Entry, operated pursuant to public utility principles under the sponsorship of a public entity granted authority by the Board and under supervision of the Customs Service. Any foreign and domestic merchandise, except such as is prohibited by law or such as the Board may order to be excluded as detrimental to the public interest, health, or safety may be brought into a Zone without being subject to the Customs laws of the United States governing the entry of goods or the payment of duty thereon; and such merchandise permitted in a Zone may be stored, exhibited, manufactured, mixed, or manipulated in any manner, except as provided in the Act and other applicable law or regulations, the merchandise may be exported, destroyed, or sent into Customs territory from the Zone, in the original package or otherwise. It is subject to Customs duties if sent to Customs territory but not if reshipped to foreign points.

Foreign-Trade Zones Act (the Act): The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 998-1003; 19 U.S.C. 81a-81u), as amended.

Foreign-Trade Zones Board: The Board is established to carry out the provisions of the Foreign-Trade Zones Act. The Board consists of the Secretary of Commerce (Chairman) and the Secretary of the Treasury, or their designated alternates.

Zone Grantee: Public agency authorized by statute and effectuated by ordinance which has the privilege of establishing, operating, and maintaining a Foreign-Trade Zone by grant of authority from the Foreign-Trade Zones Board. The Zone Grantee for Foreign-Trade Zone No. 106 is the Port Authority of the Greater Oklahoma City Area. When used in relation to Zone Operator interface, applications, activations, enforcement, monitoring activity, reports, etc., the term Zone Grantee may include the Zone Administrator (see "Zone Administrator" definition).

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

Manipulation: Processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted, graded, or otherwise changed in condition, but not manufactured. The definition is taken from Section 562 of the Tariff Act. The precise distinction between manipulation and manufacture is subject to interpretation and enjoys a long history of case law.

Manufacture: Generally, the production of articles for use from raw or prepared materials by substantially transforming such materials into new forms, or with new qualities, properties, or combinations, whether by hand labor or machine. The U.S. Customs Service determines what constitutes manufacture on a case-by-case basis and distinguishes manufacture from other operations such as manipulation, processing, production, and blending. The Foreign-Trade Zones Board has defined manufacture as any process which results in a change in Customs classification of the merchandise, and, therefore, requires prior clearance from the Board before manufacture can occur within the Zone.

Merchandise: Merchandise includes goods, wares, and chattels of every description except prohibited merchandise, building materials, production equipment, and supplies for use in operation of a Zone.

Merchandise, Conditionally Admissible: Merchandise which may be imported into the U.S. under certain conditions. Merchandise which is subject to permits or licenses or which must be reconditioned to bring it into compliance with the laws administered by various Federal agencies.

Merchandise, Domestic: Merchandise which has been produced in the United States and not exported therefrom, or previously imported into the Customs territory of the United States and properly released from Customs custody with payment of all applicable duties and taxes.

Merchandise, Foreign: Imported merchandise which has not been properly released from Customs custody into the Customs territory of the United States.

Merchandise, Fungible: Merchandise which for commercial purposes is identical and interchangeable in all situations. Originally applied to liquids or free-flowing substances which arrived in bulk, unpacked condition, the concept is now applied in Zones for inventory control purposes to shipments of goods which arrive packed but are unpacked and placed together in storage or manufacturing locations so that identification with the shipment as admitted to the Zone is lost. The concept is subject to wide use in manufacturing environments where it is infeasible to store goods in their original lots awaiting manufacture.

Merchandise, Mixed Status: Foreign merchandise which has been combined with domestic merchandise in the Zone is sometimes referred to as mixed status merchandise.

Merchandise/Operations, Prohibited: Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise which is excluded from a Zone by order of the Foreign-Trade Zones Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of prohibited merchandise. Also, certain operations involving the following merchandise are prohibited in a Zone: tobacco, distilled spirits, alcohol, wine, and beer (26 U.S.C. 5001-5008, 5010); sugar (26 U.S.C. 4501-4503); watch movements (19 U.S.C. 1367-1368); bicycle parts (19 U.S.C. 81c); and retail sales (19 U.S.C. 81o & CR 146.14).

Merchandise/Operations, Restricted: Merchandise which may not be authorized for delivery from Customs custody without a special permit, or a waiver thereof, by an agency of the U.S. Government. Also, the Foreign-Trade Zones Board and U.S. Customs Service have restricted certain operations involving the following products: steel, textiles, television tubes, and sugar. Operations involving orange juice may be restricted. The restrictions vary on a case-by-case basis.

Nonprivileged Foreign Status (NPF): Nonprivileged foreign status is a category for merchandise which does not have privileged or Zone Restricted status. Articles composed of nonprivileged merchandise are classified and appraised in their condition at the time of transfer to the Customs territory for consumption.

Open or Yard Storage: The keeping of merchandise in open space within the fenced-in area of the Zone where merchandise not requiring weather protection may be stored.

Zone Operator: A corporation, partnership, or person that operates a Zone or Subzone under the terms of an agreement with the Zone Grantee and/or Zone Administrator. A Zone Grantee may act as its own Zone Operator.

Zone Operator Agreement: An agreement between the Zone Operator of a Zone Site or a portion thereof (or a Subzone) and the Zone Grantee and/or Zone Administrator.

Zone Operator's Bond: All Zone Operators must submit to Customs a bond to assure compliance with Customs regulations. The bond is submitted on Customs Form (CBP) 301. The bond provisions are set forth at 19 C.F.R. 113.73, Customs Regulations. A failure to comply with the regulations may be deemed a "default" by Customs and result in the assessment of liquidated damages under the bond.

Port Director: The local U.S. Customs official in charge of the Oklahoma City Customs Port of Entry #5504.

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 Status (PF): In normal operations or prior to any manipulation or manufacture which would change its tariff classification, an importer may apply to the District Director to have imported merchandise in the Zone given privileged foreign status. The merchandise is classified and appraised and duties and taxes are determined as of the date the application is filed. Taxes and duties are payable, however, only when such merchandise or articles are transferred to the Customs territory. The determined duty rate and taxes are not subject to future fluctuation. Once established, privileged foreign status cannot be changed.

Reactivation: A resumption of the activated status of an entire area that was previously deactivated without any change in the Zone Operator or the area boundaries. If the boundaries are different, the action is an alteration. If the Zone Operator is different, it is an activation.

Retail Sale: The sale of goods to ultimate consumers, usually in small quantities.

Subzone/Usage-Driven Site: A special-purpose Zone established as part of a Zone project for a limited purpose that cannot be accommodated within an existing Zone. The term "Zone" also applies to a Subzone/Usage-Driven Site, unless specified otherwise.

Temporary Interim Manufacturing Authority (TIM): Two year temporary manufacturing authority granted to small and medium sized businesses that are located in general purpose zones. This authority carries restrictions for 5 final products, 20 components, and 10 inverted tariffs. The approval process is streamlined to 75 days.

Transfer: To take merchandise with Zone status from a Zone for consumption, transportation, exportation, warehousing, cartage or ligherage, vessel supplies and equipment, admission to another Zone, and like purposes.

Unique Identifier Number (UIN): This inventory method controls merchandise in a Zone by cumulative identification, i.e., by unique numbers and/or letters that identify merchandise admitted to a Zone (SKU, part number, bar code, etc.). Inventory levels are adjusted on a First-In-First-Out (FIFO) or Foreign First (FOFI) basis pursuant to generally accepted accounting principles.

Vessel/Aircraft Supply: The supply of goods or equipment free of duties and taxes under Section 309 of the Tariff Act, to eligible vessels or aircraft for use while actually engaged in foreign trade, or in transit to Alaska, Hawaii, Puerto Rico, or any U.S. possession. Sometimes confused with exportation, which involves removal from the geographic territory of the United States and entry into a foreign country.

Zone Site: A site or portion thereof which has been approved by the U.S. Foreign-Trade Zones Board as a part of the Zone plan of FTZ #209. Currently approved Zone Sites are listed in Section IV. "Zone Site" may also refer to a Subzone.

Zone Lot Number (ZLN): A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a Zone by lot and lot number.

U.S. Customs Border Protection Forms - See Appendix E for examples of the following forms:

- 214 Application for FTZ Admission and/or Status Designation: Application and permit to approve status and admit merchandise into the Foreign-Trade Zone and report of merchandise received at Zone Site.
- 214A The CBP 214A Statistical Copy: The CBP 214A must be printed on salmon or pink colored stock and identified as "Statistical Copy." It shall include the data required in items 1, 2, 3, 4, 5, 7, 8, 14, 15, 16, 17, 18, 19, 20, 21, and 23 of the form. The responsibility for obtaining and providing the information rests with the Zone Operator for admissions to the Zone. Customs is responsible for making sure the information is provided, then transmitting to Census, unless direct transmit to U.S. Census has been authorized.
- 216 Application for FTZ Activity Permit: Application and permit for the manipulation, manufacture, exhibition, or destruction of Foreign-Trade Zone merchandise.
- 301 Customs Bond: All Customs bonds utilize this form. The Foreign-Trade Zone Operator's bond provisions are set forth at 19 CFR 113.73.
- 3461 Immediate Delivery Application: Used for entry of foreign or mixed status merchandise into U.S. Customs territory. Duties and taxes are payable on filing of the CBP 7501 within ten (10) working days of release of merchandise. An estimated CBP 3461 may be used if the Zone Operator operates under Estimated Production Procedures for Consumption (CR 146.63c).
- 5119-A Informal Entry: Entry for goods valued under \$1,250. Informal entry does not require a bond. Informal entry is generally not permitted for textiles and textile products (Customs Directive 3500-07).
- 7501 Consumption Entry: Entry for foreign or mixed status merchandise into the Customs territory of the United States. Duties and taxes must be paid at the time of filing this form. Consumption entries must be supported by an entry bond.
- 7512 Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit: This form is used to establish the responsibility of bond for the transfer of foreign or mixed status merchandise from the port of unloading to the Zone (unless the Zone is located in the port of unloading which requires the use of a CBP 214, CBP 3171, or CBP 6043); from the Zone to the Port of exportation; from one Zone to another Zone; from a Zone to a bonded warehouse; and for other transfer purposes.
- 349/350 Harbor Maintenance Fee Quarterly Summary Report and Amended Quarterly Summary Report: The Harbor Maintenance Fee is remitted quarterly for merchandise admitted to Foreign-Trade Zones and Subzones. CBP 349 is used to report and remit the quarterly fees. CBP 350 is used to amend prior reports, to request refunds, or to make supplemental payments.

SECTION VI -- PRINCIPAL GOVERNING REGULATIONS AND AGREEMENTS

Foreign-Trade Zones Act: Foreign-Trade Zone No.106 is governed by the Foreign-Trade Zones Act, 19 United States Code 81a-81u as amended. Copies of the Act are maintained at the office of Foreign-Trade Zone No. 106.

Foreign-Trade Zones Board Regulations: Foreign-Trade Zone No. 106 is regulated by the Foreign-Trade Zones Board, Washington, D.C. under U.S. Code of Federal Regulations, Title 15, Part 400, as amended. Copies of these regulations are maintained at the office of Foreign-Trade Zone No. 106 for reference.

U.S. Customs and Border Protection Service Regulations: Foreign-Trade Zone No. 106 is subject to the regulations of the U.S. Customs Service under U.S. Code of Federal Regulations, Title 19, part 146, as amended. Copies of these regulations are maintained at the office of Foreign-Trade Zone No. 106 for reference.

U.S. Customs and Border Protection Service Automation Requirements: Regulations governing the submission of documents pertaining to movements of goods into and out of foreign-trade zones. Copies of this regulation are maintained at the office of Foreign-Trade Zone No. 106 for reference and can be found online at www.cbp.gov.

Port Authority Rules and Regulations: Foreign-Trade Zone No.106 includes sites which are subject to applicable regulations promulgated by the Port Authority of the Greater Oklahoma City Area.

Foreign-Trade Zone No.106 Schedule: All corporations, partnerships, and persons operating within an activated Zone Site are subject to this Zone Schedule. The Foreign-Trade Zone Grantee will be the sole judge to interpret and determine the applicability of any of the rates, rules, regulations, or services provided for in this Zone Schedule. However, any matter involving interpretation of action by U.S. Customs or other agency of the U.S. Government will be determined by the Customs Port Director as the resident representative of the Foreign-Trade Zones Board. One (1) copy of this Schedule will be provided to each Zone Operator. Updates will be provided as revisions occur. Additional copies of this Zone Schedule are maintained at the office of Foreign-Trade Zone No.106 for reference.

Foreign-Trade Zone Operator Agreement: Every corporation, partnership and person seeking to operate a Zone Site (including a Subzone) within Foreign-Trade Zone No. 106 must enter into an Zone Operator Agreement with the Zone Administrator of FTZ #106. Copies of the Standard Operating Agreement are maintained at the office of Foreign-Trade Zone No. 106 for reference. If any conflict with this Zone Schedule and any Operating Agreement occurs, the Operating Agreement will prevail.

C-TPAT: Customs-Trade Partnership Against Terrorism. Customs and Border Protection strongly urges companies participating in foreign-trade zones to obtain this certification. It is designed to provide enhanced security processes throughout the global supply chain. Today it is optional; however, CBP has indicated that in the near future it will be mandatory. See Appendix G for more information. For complete information go to www.cbp.gov.

SECTION VII -- GENERAL RULES AND REGULATIONS

Availability of Zone: All rates and charges for all services and privileges within the Zone shall be fair and reasonable, and the Zone Grantee shall afford to all who may apply for the use of the Zone and its facilities uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments.

All Zone services and facilities shall be administered fairly and reasonably. In addition, the availability of all said services and facilities is subject to the physical limitations of Foreign-Trade Zone No. 106, with said services and facilities available on a "first-come, first-served" basis.

Merchandise Permitted in Zone: Foreign and domestic merchandise of every description, except such as is specifically prohibited by law, may, without being subject to the Customs laws of the United States except as otherwise provided in the Act and the regulations made thereunder, be brought into a Zone.

Merchandise which is specifically prohibited by law shall not be admitted into a Zone. Any merchandise so prohibited by law which is found within a Zone shall be disposed of in the manner provided for in laws and regulations applicable to such merchandise.

Activities Permitted in Zone: Merchandise lawfully brought into a Zone may, in accordance with these and other regulations made under the provisions of the Act, be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated or be manufactured into new articles of commerce. Only manufacturing and/or processing activity approved by the FTZ Board may be performed in the Zone or Subzone(s). See Section X "Activities Permitted in Zone."

Security and Safety Requirements in the Zone: All Foreign-Trade Zone Sites and Subzones, in order to be approved for their initial activation by Customs, must meet certain security and safety requirements. These requirements may include, but are not limited to, locking warehouse doors, adequate fencing (if necessary), personnel screening, proper lighting in warehouses, absence of debris or other safety hazards, etc. Each Zone Site will be considered separately to determine what Customs may require to protect the revenue of the United States, based on the specific conditions of each Zone Site, e.g., value of goods, size, chances of theft occurring, etc.

After a Zone Site has been activated, all security and safety measures required to achieve the initial activation must be maintained at all times. Spot checks may be conducted by Customs and the Zone Administrator and liquidated damages or notices may be assessed to the Zone Operator if these requirements are found to be insufficiently met in any way. The Zone Administrator or designee is required to make yearly visual inspections of the security of each Zone site. Operators will supply an updated blueprint indicating the location of all security monitoring instruments at the time of the visit.

No operation or process of treatment will be permitted in the Zone that, in the judgment of the Foreign-Trade Zones Board, Customs, or the Zone Grantee, is detrimental to the public interest, health, and safety.

Inventory Control and Recordkeeping Systems: All inventory control and recordkeeping systems employed by Zone Operators within the Zone must meet the requirements of the U.S. Customs Service Regulations. Under the Regulations, each Zone Operator maintains the inventory records. The U.S. Customs Service is relieved of the duty of actually keeping the records but maintains assurance of the systems' accuracy by selective examinations of merchandise and spot checks and audits of Zone sites and facilities. Each system must be capable of producing the following required results:

- Accurate and timely reports and documents as required by the Customs Regulations.
- Accounting for all merchandise in their care, custody, and control.
- Identifying shortages and overages of merchandise in the Zone in sufficient detail to determine the quantity, description, tariff classification, Zone status, and value of the missing or excess merchandise.
- Providing an audit trail to Customs forms from admission through manipulation, manufacture, destruction, or transfer of merchandise from the Zone by a Customs authorized inventory method.
- Providing all information necessary to make entry for merchandise being transferred to the Customs territory.

Hours of Business and Services: The Zone will be available for business activities on a 24-hour basis. Regular business hours will be between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, except on holidays.

Holidays: The term "holiday" includes the following named days:

| | |
|-------------------------------|-------------------------------------|
| New Year's Day | Labor Day |
| Martin Luther King's Birthday | Columbus Day |
| President's Day | Veteran's Day |
| Memorial Day | Thanksgiving Day |
| Independence Day | Day after Thanksgiving Day |
| | Christmas Day & day before or after |

Also, every day proclaimed by the President of the U.S. to be a legal holiday.

Use of Zone Facilities: Zone facilities will be used for the purposes of receipt, storage, handling, exhibition, manipulation, manufacturing, and related processing and shipment of foreign and domestic merchandise as considered necessary to the conduct of Zone Operator's normal business. Zone Operators will not use or permit the Zone to be used for any other purpose without the prior written consent of the Zone Grantee. Zone Operators will neither do nor permit anything to be done in or about the Zone which will in any way obstruct or interfere with the rights of other Zone Operators of the Zone.

Proprietary Information: Proprietary information contained on Customs forms or in the inventory control and recordkeeping systems of Zone Operators will not be disclosed to unauthorized persons. The Customs Regulations provide for liquidated damages for unauthorized disclosure of proprietary information.

Residence within Zone: No person will be allowed to reside within a Zone or Subzone except

federal, state or municipal officers or agents whose resident presence is deemed necessary by the Foreign-Trade Zones Board.

Insurance: Insurance is carried by the Zone Operator on its own property and merchandise at the expense of said Zone Operator. Merchandise stored, manipulated, or transferred within the Zone is not insured by the Zone Grantee, and the Zone tariff rates do not include insurance on merchandise.

Liability of Zone Grantee: Zone Grantee and Zone Administrator will not be liable and cannot assume any responsibility for any loss or damage to freight, cargo, or merchandise or other property within the Zone, or for any loss or damage arising from acts of commission or omission of Zone Operators.

Record Retention: The Zone Operator is required to retain records for five (5) years after merchandise is removed from the Zone. Records must be readily available for Customs review at the Zone Site(s).

Customs Inspection of Zone Merchandise: The Zone Operator will make merchandise subject to Customs inspection immediately available to Customs at the Zone Site or a location designated by Customs and will have the sole responsibility of opening crates and packages, handling merchandise, and securing crates and packages following inspection.

SECTION VIII -- APPLICATIONS TO THE FOREIGN-TRADE ZONES BOARD

New Zone Sites

If a company is interested in taking advantage of the benefits of Foreign-Trade Zone No.106 at a location other than the currently approved sites as listed in Section IV, the company may request that an application be filed by the Port Authority of the Greater Oklahoma City Area for another location. The process for applying for sponsorship by the Zone Grantee of FTZ No.106 is included as Appendix A.

Manufacturing Permits

Any activity involving foreign merchandise which causes the merchandise to undergo a substantial transformation or change Customs tariff classification while in the Zone must be approved in advance by the Foreign-Trade Zones Board before the activity may commence. If a company is interested in conducting manufacturing, processing, or assembly operations in the Zone, the company may request that an application be filed by the Zone Grantee to the Foreign-Trade Zones Board for approval of the contemplated operation.

The Zone Administrator will work with the company interested in conducting the activity to determine if the activity is consistent with the criteria established by the Foreign-Trade Zones Board for approval.

Types of Applications to the Foreign-Trade Zones Board

There are several types of applications for new Zone Sites:

- Subzone.
- Usage-Driven.
- Expansion.
- Minor Boundary Modification.

Requests to the Foreign-Trade Zones Board (FTZ Board) for manufacturing authority can generally be made as part of an application for a new Zone Site or can be filed separately with the FTZ Board for a manufacturing permit at an existing Zone Site. Separate manufacturing requests to the FTZ Board consist of:

- Fast-Track Manufacturing Request: Temporary Interim Manufacturing Authority.
- Manufacturing Application.

Procedures for Filing Applications to the Foreign-Trade Zones Board

The Zone Grantee and its Zone Administrator will determine which type (or types) of application(s) is appropriate to accommodate an interested Zone user.

The specific procedures and estimated time frames for requesting the sponsorship of the Zone Grantee for an application to the FTZ Board and the filing, processing, and approval of the various types of applications to the FTZ Board are provided in Appendix B of this Zone Schedule.

SECTION IX -- ACTIVATION, DEACTIVATION, AND ALTERATION OF ZONE SITES WITH CUSTOMS

Activation

The Zone Administrator will assist the Zone Operator toward activation of the Zone Site with Customs for commencement of Zone operations. When a Zone Operator desires to activate a Zone Site, the Zone Operator will, with the assistance of the Zone Administrator, complete the following as part of the full activation procedures outlined in Appendix C:

- 1) Procedures manual establishing how the Zone Site will be operated in conformance with the procedures manual standard maintained by the Zone Administrator.
- 2) Statement of personal history in order to permit the Customs Service to perform a background check. This form must be completed on principal officers and key employees who will be involved in the Zone operations.
- 3) Request and obtain a letter of concurrence from the Zone Grantee.
- 4) If activity is for manufacturing or processing, a description of the proposed manufacturing or processing activity and a copy of the Foreign-Trade Zones Board approval of this activity.
- 5) Operations Agreement, duly executed, between the Zone Operator and the Zone Grantee, covering the Zone Site for which activation is sought.
- 6) A security inspection of the Zone Site to insure security systems are in place and functional as listed in the procedures manual will be conducted by Customs and Zone Administrator or designee.
- 7) FTZ Operator's Bond to U.S. Customs as specified by Customs prior to activation.
- 8) Each Zone Operator will be required to provide an additional bond in the name of the Zone Grantee and the Zone Administrator against any loss or other Customs obligations, duties, penalties, or costs attributable to operations in the Zone.

Deactivation

A Zone Operator may deactivate all or a portion of a Zone Site by notifying the Zone Grantee and Customs pursuant to the terms of the Operating Agreement between the Zone Operator and the Zone Grantee.

A Zone Operator may decrease the amount of activated space within an authorized Zone Site or Subzone by giving five (5) working days advance written notice to the Zone Grantee and to Customs.

A Zone Operator may increase the amount of activated space within an authorized Zone Site or Subzone by submitting the required expansion application to the Foreign Trade Zone Board and paying the associated filing fee. This request must go through the Zone Administrator.

Procedures

Specific procedures and estimated time frames for the activation of a Zone Site or Sites by a Zone Operator are contained in Appendix C to this Zone Schedule.

SECTION X -- ACTIVITY PERMITTED IN ZONE

Storage of Merchandise: Merchandise may be stored for an unlimited period of time in the Zone. Merchandise controlled under a Zone lot system must be physically segregated and marked by lot and lot number. Merchandise controlled under a UIN system does not need to be segregated or marked.

Quota Controlled Merchandise: Foreign merchandise subject to U.S. Government import quota controls may be re-exported to a foreign destination or may be placed in the Zone pending approval for transfer to Customs territory.

Manipulation of Merchandise: Before foreign merchandise may be manipulated within the Zone, the Zone Operator will make application on a CBP 216 to Customs for approval. On approval, the contemplated manipulation may occur. A yearly, blanket CBP 216 may be allowed by Customs.

Manufacturing or Processing in the Zone: Manufacturing or Processing in the Zone will have been approved in writing by the FTZ Board prior to the commencement of any manufacturing activity. A CBP 216 will also be required to be filed with U.S. Customs after FTZ Board approval and prior to manufacturing. A yearly, blanket CBP 216 may be allowed by Customs.

Exhibition of Merchandise: Any merchandise admitted to the Zone may be exhibited. The Zone Operator must obtain permission from Customs to exhibit merchandise through submission of a CBP 216.

Retail Trade Within Zone: No retail trade will be conducted within a Zone except under permits issued by the Zone Grantee and approved by the Board. Such permittee will sell no goods except such domestic or duty-paid or duty-free goods as are brought into the Zone from Customs territory. Permits which are sent to the FTZ Board for approval will be accompanied by a sworn statement, subscribed to by the applicant before a duly authorized officer to administer oaths setting forth in detail the nature of the retail trade to be conducted and containing an agreement that such applicants will sell no goods except of the kinds specifically authorized by the Act which are brought into the Zone from Customs territory.

No goods will be offered for sale or sold in a Zone which are not of the same kind and quality permitted to be offered for sale or sold in the political jurisdiction in which the Zone is located. If the permittee violates any provisions of the regulations in this Section, the permit will be revoked by the Zone Grantee, who will immediately report such action to the FTZ Board.

Change in Zone Status: The Zone status of merchandise may be changed in the Zone. Merchandise in NPF status may be changed to PF status if done prior to manipulation or manufacture effecting a change in tariff classification of the merchandise. PF status may not be changed to NPF status. Merchandise in PF or NPF status may be changed to Zone Restricted status. The Zone Operator will submit a CBP 214 to Customs for approval of a Zone status change.

Destruction of Merchandise: Whenever Zone status merchandise is discovered damaged or merchandise is considered waste or scrap, it will be physically segregated, marked, and otherwise secured to preserve its identity. Such merchandise may be held for return to the vendor or for destruction or Customs entry. All merchandise destroyed will be recorded in the Zone Operator's inventory control and recordkeeping systems.

Temporary Removal from Zone: Merchandise may be removed temporarily from the Zone for repair, restoration, or incidental operations on application by the Zone Operator to Customs.

AUTOMATED REPORTING OF ACTIVITY

Beginning January 2006, Customs and Border Protection was to begin phase one implementation of the Automated Commercial Environment (ACE). Initially, CBP Form 214 will be the primary form to be submitted online. Eventually, all required forms related to foreign-trade zone activity will be submitted through ACE. See Appendix F for information regarding ACE and a printout of the "Request to Participate" form which will be accepted only through online filing.

SECTION XI -- REPORTING THEFT, OVERAGES, AND SHORTAGES OF MERCHANDISE

Theft of Merchandise

Theft or suspected theft of any merchandise will be reported in writing to the Zone Grantee and the District Director of Customs upon discovery. Every effort will be made by the Zone Grantee and Zone Operators to determine the facts and assist Customs and other federal or local agencies in any investigation and prosecution for theft.

Overages and Shortages of Zone Merchandise

The Zone Operator will record all inventory overages and shortages of merchandise and report same as follows:

Overages -- Excess foreign status merchandise, not properly admitted to the Zone, will be admitted to the Zone on a CBP 214 or Customs entry will be made. The CBP 214 or Customs entry will be filed with Customs along with a written report to Customs within five (5) days after identification of the overage.

Shortages -- Shortages of one percent (1%) or more of the quantity of foreign status merchandise in a Zone lot or UIN, if the missing merchandise would be subject to duties and taxes of \$100 or more upon entry to the Customs territory, will be reported in writing to Customs upon identification of the shortages.

SECTION XII -- ANNUAL AUDIT AND REPORTING REQUIREMENTS

Physical Inventory: The Zone Operator will conduct an annual physical inventory of all merchandise in the Zone (unless cycle counts are taken as part of an ongoing inventory control program). Customs and Zone Grantee will be given prior notification of the date(s) when the annual physical inventory will be performed so that Customs may participate if deemed necessary.

Annual Reconciliation Report: Within ninety (90) days of the end of the Zone Operator(s)' year, the Zone Operator will prepare an annual reconciliation and submit via on-line to the Foreign-Trade Zone Board's website. An extension of the 90-day period may be requested from the Zone Grantee and Customs for reasonable cause. The annual reconciliation will contain the following:

1. Description of merchandise for each ZLN or UIN.
2. Zone status.
3. Quantity on hand at the beginning of the year.
4. Cumulative receipts (admissions) by unit.
5. Cumulative transfers by unit.
6. Quantity on hand at the end of the year.
7. Cumulative positive and negative adjustments by unit to inventory with explanation.

A copy of the annual reconciliation will be reviewed, on-line at the Foreign-Trade Zone Board's website, by the Zone Grantee, but a copy need not be furnished to Customs unless requested by the Zone Grantee or Customs. However, the Zone Operator will submit to Customs and the Zone Grantee within ten (10) working days after completion of the annual reconciliation a letter declaring that the annual reconciliation has been prepared and submitted on-line, is available for Customs review, and is accurate. The letter will also contain any required reporting of shortages and overages of merchandise, verification that an annual internal review of the inventory and recordkeeping systems has been performed, the name and street address of the Zone Operator where the required records are available for Customs review, and the name, title, and telephone number of the people having custody of the records.

Annual Internal Systems Review: The Zone Operator will also perform an annual internal review of the inventory control and record keeping systems under its supervision and will report to the Zone Grantee and the District Director of Customs any deficiency discovered and corrective action taken to ensure that the systems meet the requirement of the Customs Regulations.

Foreign-Trade Zones Board Annual Report: The Zone Grantee is responsible for preparing and filing with the Foreign-Trade Zones Board an annual report summarizing all Zone activity as of December 31 of each year. The report will be filed by March 31 of each year pursuant to current requirements of the Foreign-Trade Zones Board.

In order for the Zone Grantee to meet its responsibility in this regard, each Zone Operator will submit via on-line to the Foreign-Trades Zone's Board website, their reports. The Zone Operator will complete the form and notify the Zone Grantee of its submission by March 1 of each year.

SECTION XIII -- FEE SCHEDULE

Application Fees

Application fees will be charged to a Zone Operator. The fees cover Federal Charges, and Foreign-Trade Zone #106 Administrator expenses for obtaining the necessary approvals and resolutions, letters, and support services. The fees are based on the following Schedule:

Federal Charges

- (1) Additional General Purpose Zones (Sec. 400.21; Sec. 400.11(a)(2))..... \$3,200
- (2) Special-purpose Subzones (Sec. 400.25):
 - (i) Non-manufacturing/processing, or less than three products* 4,000
 - (ii) Manufacturing/processing - three or more products6,500
- (3) Expansions (Includes: New Magnet Sites) (Sec. 400.24(b))... .. 1,600

*Items in the same Customs classification are considered to be the same product.

FTZ # 106 Charges

| | |
|----------|--|
| \$5,000 | to establish a special-purpose <u>Subzone, or Usage-Driven Site</u> , for activities that cannot be accommodated under the original Zone configuration for companies that employs more than 500 people. |
| \$4,000 | to establish a special-purpose <u>Subzone, or Usage-Driven Site</u> , for non-manufacturing/processing (or less than three products) activities that cannot be accommodated under the original Zone configuration for companies that employs less than 500 people and meet the guidelines for Temporary Interim Manufacturing Authority. |
| \$2000 | to establish a <u>Magnet Site, or warehouse</u> , either by a public or private entity. |
| Variable | to apply for expansion sites apart from original sites which would require additional Board action. This is determined on a case-by-case basis by the FTZ Board. The amount would be the same as if the company were applying for the first time. |
| \$900 | to submit a <u>Minor Boundary Modification request, that is not to be a Usage-Driven Site</u> , which would alter the Zone's size by no more than 10%. |

FTZ # 106 Annual Fees

| | |
|----------|---|
| \$12,000 | Active Subzones, or Usage-Driven Sites, that have more than 500 employees companywide |
| \$ 8,000 | Active Subzones, or Usage-Driven Sites, that have less than 500 employees companywide, manufacturing results in a change in Customs classification of imported materials. |
| \$ 6,000 | Active Subzones, or Usage-Driven Sites, that have less than 500 employees companywide, manufacturing does not result in a change in Customs classification. |
| \$ 6,000 | Privately owned Magnet Site with manufacturing activated users |

| | |
|----------|---|
| \$ 4,000 | Publicly owned Magnet Site with manufacturing activated users |
| \$ 4,000 | Publicly/privately owned Magnet Site with warehouse/structures <u>activated</u> by Customs to accept merchandise |
| \$ 1,000 | Publicly/privately owned Magnet Site with warehouse/structures <u>not activated</u> by Customs to accept merchandise. (Three year grace period for private, five year grace period for new public new zones.) |

All fees are payable to the Zone Administrator upon request of application submission.

Issued: June 23, 1997

13-1

April 5, 2012

A Zone Operator will also be responsible for paying any application, or filing fees, required by Customs or the Foreign-Trade Zones Board, if applicable, for such an application.

Activation Fee

An activation fee will be charged to a Zone Operator/User when seeking to activate a Zone Site. The fee will cover Zone Administrator expenses for the preparation and processing of the Zone Operator Agreement, providing the Zone Administrator concurrence letter to the U.S. Customs Service, and review of the activation request and related documents.

The activation fee is \$5,000, payable to the Zone Administrator in advance of requesting activation from Customs. The Zone Operator will also be responsible for paying any activation fees required by Customs for such a request.

Deactivation Fee

A deactivation fee of \$3,000, payable to the Zone Administrator, will be charged to a Zone Operator when seeking to deactivate a Zone Site but will not include temporary deactivation or alteration of a Zone Site or Subzone.

Annual Fee

The annual fee, based upon the above schedule, will cover the administration of the Zone by Zone Administrator, preparation of the Annual Report to the Foreign-Trade Zones Board, and support services from the Zone Administrator staff. Upon activation, a Zone Operator shall be charged an annual fee, payable to the Zone Administrator.

All annual fees will be adjusted on February 1 of each year by the CPI-tied rate, as reported in the Wall Street Journal during the month of January for the previous year. Annual fees for special uses, large area uses, and enterprise zone/revitalization zone development projects are subject to negotiation with the Zone Administrator. The annual fee is payable on the date of Customs activation and annually for each subsequent year the facility remains activated. Fees will be prorated for the portion of the year prior to January 1st that it is activated.

Charges for Special Staff Services

The Zone Administrator maintains a staff of employees to assist in the normal operation of the Zone during regular business hours as set forth in the Schedule. Zone staff services rendered at other hours or during holidays (overtime rates) at the specific request of a Zone Operator will be at the following rates, with a four (4) hour minimum:

| | |
|---------------------------|--------------------------------------|
| Supervisory Personnel: | \$75.00 per hour or portion thereof. |
| Non-Supervisory Personnel | \$35.00 per hour or portion thereof. |

Fees for assisting a Zone Operator with reconciliations, annual reports, etc., when the Zone Operator requests specific on-site assistance in performing said requirements, will be charged at \$75/hour. These charges may be waived at the discretion of the Zone Administrator.

Issued: June 23, 1997

13-2

April 5, 2012

Customs Fees

At the time of issue this Zone Schedule, no fees are charged by Customs for Zone services. Should any fees or charges be imposed in the future, all such fees and charges shall be payable by the Zone Operator of the affected Zone Site. However, Customs does charge for overtime and other special services provided at the request of a Zone Operator. Such fees and charges shall be payable by the Zone Operator of the affected Zone Site. Under no circumstances will the Zone Administrator or Zone Grantee be liable or responsible for any such Customs fees or charges, special or otherwise.

FTZ Board Fees

Any fees or charges imposed by the Foreign-Trade Zones Board shall be payable by the Applicant/Zone Operator of the affected Zone Site or as apportioned by the Zone Administrator among the Zone Sites. Under no circumstances will the Zone Administrator or Zone Grantee be liable or responsible for any FTZ Board fees or charges.

Other Government Agency Fees

Charges for services of other government agencies should be arranged for and paid by the Zone Operator who requires the use of such services. Under no circumstances will the Zone Administrator or Zone Grantee be liable or responsible for any other government agencies' fees or charges.

Fines Penalties, and Liquidated Damages

U.S. Customs Service fines, penalties, or liquidated damage claims affecting Zone merchandise or Zone activities will be paid by the Zone Operator of the affected Zone Site. The same is true of any other fines, penalties, or liquidated damage claims by other government agencies concerning operations at the Zone Site. Under no circumstances will the Zone Administrator or Zone Grantee be

liable or responsible for any fines, penalties, forfeiture, or liquidated damage.

Enforcement of Charges

Zone fees and charges are due and payable to the Zone Administrator when invoiced. All fees and charges are non-refundable. Any and all amounts required to be paid by Zone Operator to Zone Administrator, or which are to paid "with interest" or which are advances on behalf of Zone Operator, which are not paid when due shall bear interest at the following rate: the legal rate provided by law for judgment in Oklahoma, as set forth in Oklahoma statutes, plus three percent (3%). 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 changes. Failure to pay fees and charges on a timely basis may also result in cancellation of the Zone Operator Agreement, deactivation of the Zone Site, eviction, or other remedies deemed appropriate by the Zone Administrator. Should an action be brought to collect fee, charges, and/or interest, the Zone Grantee and/or Zone Administrator may also recover any cost, expense, and/or attorney fee.

Issued: June 23, 1997

13-3

April 5, 2012

APPENDICIES

| | | |
|-------------|---|-----|
| Appendix A: | Procedures for Sponsorship of Applications to the Foreign-Trade Zones Board | A-1 |
| Appendix B: | Procedures for Application of Zone Sites | B-1 |
| Appendix C: | Procedures for Activation: Commencement of Operations | C-1 |
| Appendix D: | Annual Report | D-1 |
| Appendix E: | U.S. Customs Border Protection Forms | E-1 |
| Appendix F: | Automated Commercial Environment (ACE) | F-1 |
| Appendix G: | Customs-Trade Partnership Against Terrorism (C-PAT) | G-1 |

APPENDIX A:
PROCEDURES FOR SPONSORSHIP OF APPLICATIONS TO
THE FOREIGN-TRADE ZONE BOARD

Only a Foreign-Trade Zone Grantee may petition the Foreign-Trade Zone Board for the establishment of special purpose subzones, usage-driven sites, magnet sites, or expansion of already existing zones. When a company, community organization, or legal entity desires to set up a special purpose subzone, usage-driven site, or magnet site under the granteeship of Foreign-Trade Zone No. 106, that entity must petition the Board of Directors for FTZ #106 for sponsorship.

Procedure to Obtain Sponsorship:

1. Notify the Zone Administrator of the intention to petition the Board at least one week prior to the regularly scheduled board meeting.
2. Appear before the Board of Directors during a regularly scheduled meeting to present petition. The Board meets on the third Wednesday of odd numbered months at 12 PM, unless posted differently. Location is the offices of the Alliance for Economic Development of Oklahoma City, 105 N. Hudson, Suite 101, Oklahoma City, OK.
3. The following documents must be presented in a portfolio. Seven hard copies are required.
 - Reason for request
 - a. Subzones, or Usage-Driven Sites: expected FTZ benefits
 - b. Magnet Sites: name of companies expected to benefit and what those benefits would be
 - Physical location and contact information
 - Exact number of acres requested for Foreign-Trade Zone privilege
 - Blueprint of the property showing all structures with metes and bounds and the intended area to be zoned outlined in red.
 - Legal description of the property
 - Public good the establishment of the Zone would enhance

APPENDIX B:
PROCEDURES FOR APPLICATION OF ZONE SITES

All Site application instructions, forms, and procedures can be accessed at the U.S. Foreign-Trade Zones Board website page, <http://enforcement.trade.gov/ftzpage/applications.html>.

Issued: June 23, 1997

B-1

April 2, 2012

APPENDIX C:

ACTIVATION – COMMENCEMENT OF OPERATIONS

(FROM THE FOREIGN-TRADE ZONE MANUAL PAGES 33-37)

4.6 Commencement of Operations - A zone may commence operations after approval by the Port Director of an application to activate (19 CFR 146.6(a)). Any proposed manufacturing or processing activity must be approved in advance by the FTZB. The definition of manufacturing by the FTZB is any activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use (15 CFR 400.2(g)). The definition of processing by the FTZB is any activity involving a change in condition of merchandise, other than manufacturing, which results in a change in the Customs classification of an article or in its eligibility for entry for consumption (15 CFR 400.2(k)). Prior to commencement of operations in a zone, the grantee must have available a zone schedule (See Section 2.1 (f) FTZM).

4.7 Application for Activation - The FTZB regulations require approval from the grantee and the Port Director pursuant to 19 CFR Part 146, prior to the activation of any portion of a zone project. (15 CFR 400.28(a)(1)). Customs regulations define activation as approval by the grantee and the Port Director for operations and for the admission and handling of merchandise in zone status. (19 CFR 146.1(b)(2)). The term activation also includes the resumption of operations of a previously deactivated zone under a new operator. (CFR 146.1(b)(17)).

(a) Initiation of Procedure - (See 19 CFR 146.6) - A zone operator (or where there is no operator, a grantee) shall make written application to the Port Director of the port with jurisdiction over the zone to obtain approval for activation of a zone or zone site. The area to be activated may be all or any portion of the zone approved by the Board. The application must include a description of all the zone sites covered by the application for activation, any operation to be conducted therein, and a statement of the general character of the merchandise to be admitted. No fee is charged or collected by Customs in connection with an application for activation. (Omnibus Reconciliation Act of 1987). The application must be accompanied by the following:

1. a blueprint of the area approved by the Board to be activated showing area measurements, including all openings and buildings; and all outlets, inlets, and pipelines to any tank for the storage of liquid or similar product, that portion of the blueprint certified to be correct by the operator of the tank;
2. a gauge table, when appropriate, showing the capacity in metric units of any tank certified to be correct by the operator of the tank;
3. a procedures manual in the English language describing the inventory control and recordkeeping system that will be used in the zone, certified by the operator or grantee to meet the requirements of 19 CFR Part 146, Subpart B;
4. the written concurrence of the grantee when the operator applies for activation. (19 CFR 146.6(a) and (b)(5) CR).

Issued: June 23, 1997

C-1

April 5, 2012

(1) Format of Application - No particular form is required for an application for activation; a written request on the letterhead of the applicant will suffice. The

application procedure will be required of any new zone or subzone, or of any zone site having a different operator from that of an already-activated zone site.

(2) Treatment of Operator's Procedures Manual - The operator's procedures manual is furnished for Customs use in conducting compliance reviews (formerly spot checks) and audits. Customs officers may initially read the manual for familiarization purposes. Receipt of the manual by Customs does not constitute approval or certification of the procedures manual nor is approval of the manual allowed. (19 CFR 146.21 (b)(4)). The Port Director may advise the applicant, as a matter of courtesy, of any apparent failure(s) of the system to meet the criteria. Neither the Port Director's reading, courtesy advice, or approval of the application for activation constitutes any representation by Customs that the system does or does not meet the criteria of 19 CFR Part 146, Subpart B. The applicant's certification that the recordkeeping system meets the requirements of Subpart B will be taken at face value by Customs at the time of application, and will be evaluated only through compliance assessments, Compliance Reviews (formerly spot checks), and audits conducted after approval of activation.

At the option of the Port Director, the procedures manual may be returned to the zone operator for retention at the zone as Customs copy of the manual. The operator shall keep the Customs copy updated (19 CFR 146.21(b)(2)) and furnish it to the appropriate Customs officer upon demand. The Port Director will retain the operator's certification of the procedures manual in a permanent file. The procedures manual is exempt from disclosure under 5 U.S.C. 552(b)(4) and 19 CFR 103.12(d), and Customs officers will maintain its confidentiality. Sanctions for violation of confidentiality by Customs employees are set forth in 19 CFR 103.34.

(b) Review of Application - As a condition of approval of the application, the Port Director will order an inquiry by a Customs officer into:

1. the qualifications, character, and experience of an operator and/or grantee, principle officers, and/or key employees that are responsible for the zone;
2. the security, suitability, and fitness of the facility to receive merchandise in zone status (security survey). (19 CFR 146.6(c)).
 - (1) Background Investigation - The background investigation is made of the operator firm itself, management involved in the operation of the zone, and key employees that have access to or could cause changes to the inventory and recordkeeping system. If a background investigation was done of the operator in connection with the original zone application, no additional investigation will be made if the information from the original investigation is still current. Checks are not usually made of zone user firms. Checks of employees in subzones are limited to key management and employee positions. The background investigation should be limited to those employees that have access to or could cause changes to the inventory and recordkeeping system. Subjects of investigation may be required, as a

Issued: June 23, 1997

C-2

April 5, 2012

condition of approval of the application for activation, to complete Customs fingerprint cards and establish their true identity for investigation purposes. (19 CFR 146.6(a), TD 93-18). Any information disclosed in this inquiry is confidential and will

not be disclosed to unauthorized persons, except as provided in the Freedom of Information and Privacy Acts, as amended. (5 U.S.C. 552 and 552a). An employer may wish to obtain a Privacy Act waiver, which would allow disclosure of information from Customs to the employer, from employees at the time of employment. If the background investigation discloses derogatory information, the Port Director may deny the application to activate. "Derogatory information" includes such information as:

1. fraud or misstatement of a material fact in the application;
2. failure to furnish, upon request, a complete and accurate list of persons as specified in 19 CFR 146.7(g);
3. presence in the management of the operator of a person who has been convicted of a felony or misdemeanor involving theft, smuggling, fraud or similar property crime; or
4. employment of persons convicted of such crimes that would jeopardize the security of merchandise in the zone.

(2) Cargo Security Survey - The surveying officer may prepare a survey report addressing Customs physical and procedural standards. The surveying officer shall present his or her findings to the applicant in a conference with the understanding that the survey findings do not constitute a decision on the activation application. The applicant shall be afforded an opportunity to correct any deficiencies noted in the conference before the Port Director makes a decision on approval of the application.

After presentation of the survey report to the facility operator, the facility shall be reinspected at an appropriate date to determine whether recommendations for improvements have been carried out. If the facility operator declines or is unable to institute improvements to correct significant deficiencies, the Port Director shall deny the application.

- (2) Other Considerations - Other factors may be considered by the Port Director in making a decision whether to approve the application. (Examples: Before the application is approved, the operator firm is sold to another party; or the operator manifests or demonstrates an inability or unwillingness to comply with the law, regulations, or grant conditions). There is no specific limit on the grounds for denial of an application to activate, except that the Port Director may not deny it in an arbitrary or capricious manner.

Issued: June 23, 1997

C-3

April 5, 2012

(c) Decision on Application - The Port Director shall promptly notify the applicant in writing of his or her decision to approve or deny the application to activate the zone. If the application is denied, the notification will state the grounds for denial, which need not be limited to those

listed in Section 19 CFR 146.82(a). The decision of the Port Director will be the final Customs administrative determination in the matter. On approval of the application, a Foreign-Trade Zone Operator's Bond shall be executed on Customs Form 301, containing the bond conditions of Section 19 CFR 113.73. Upon the Port Director's approval of the application and acceptance of the executed bond, the zone or zone site will be considered activated and merchandise may be admitted to the zone in zone status. Execution of the bond by an operator does not lessen the liability of the grantee to comply with the Act and implementing regulations. (19 CFR 146.6(d), (e)).

Because of the requirements for the background inquiry, applicants may normally expect the Port Director's decision on the application any time from 1 to 4 months after the application was submitted to Customs. The application will not be provisionally approved pending the completion of a regulatory or administrative requirement, e.g. the completion of a background inquiry. Thus, if an application is approved, it will be suspended or revoked only as provided in 19 CFR 146.82, or 146.83, (see Sections 13.8 through 13.11 FTZM).

(1) Admission of Merchandise Already in Zone - Domestic and duty-paid merchandise which is already in the activated area at the time of activation will be treated as having been admitted to the zone in domestic status as authorized in 19 CFR 146.43, and the provisions of Subpart B of part 146 shall become applicable to the merchandise. Merchandise not qualifying for domestic status which is in the area at the time of activation shall be admitted to the activated area under the procedures in 19 CFR 146.32 (and see Section 6.7 FTZM), or removed therefrom for other disposition according to law.

(2) Foreign-Trade Zone Operator's bond - The Foreign-Trade Zone Operator's Bond shall be in the amount set by the Port Director, but will not be less than the amount set by the bonding guidelines. The bond may cover all zones of the same operator in the United States. The amount of the bond shall be determined by the Port Director in accordance with the guidelines set forth in 19 CFR 113.13(b) and CD 3510-004. The initial standard should be based upon the Customs duties and fees owed on the average value of foreign status non-duty paid merchandise held in the zone. An operator may engage in cartage or lighterage under his bond only for merchandise destined for his foreign-trade zone and may also transport merchandise to his zone from anywhere within the district boundaries where the FTZ is located. (19 CFR 112.2(b)). Any other bonded operations by the zone operator, such as of a private carrier, container freight station, or bonded warehouse may not be incorporated in the Foreign-Trade Zone Operator's bond, but rather must be covered under a separate custodial bond, containing the conditions set forth in 19 CFR 113.63. No foreign or zone-restricted status merchandise will be admitted to a zone until the Foreign-Trade Zone Operator's bond has been properly executed and is on file with Customs. An entry of merchandise for consumption into the U.S. must be covered by a separate entry bond. See Section 9.7(b) FTZM.

All Users of the Foreign-Trade Zones program are required to submit an Annual Report, on-line, with information that covers January 1 through December 31. This report is due each year by March 31.

The instructions for the Online FTZ Information System (OFIS) can be accessed on the U.S. Foreign-Trade Zones Board website page, <http://enforcement.trade.gov/ftzpage/annual-report-guidelines.html>General Instructions

Issued: June 23, 1997

D-1

April 5, 2012

APPENDIX E: U.S. CUSTOMS AND BORDER PROTECTION FORMS

http://www.cbp.gov/xp/cgov/trade/cargo_security/cargo_control/ftz/about_ftz.xml

- 214 Application for FTZ Admission and/or Status Designation: Application and permit to approve status and admit merchandise into the Foreign-Trade Zone and report of merchandise received at Zone Site.
- 214A The CBP 214A Statistical Copy: The CBP 214A must be printed on salmon or pink colored stock and identified as "Statistical Copy." It shall include the data required in items 1, 2, 3, 4, 5, 7, 8, 14, 15, 16, 17, 18, 19, 20, 21, and 23 of the form. The responsibility for obtaining and providing the information rests with the Zone Operator for admissions to the Zone. Customs is responsible for making sure the information is provided, then transmitting to Census, unless direct transmit to U.S. Census has been authorized.
- 216 Application for FTZ Activity Permit: Application and permit for the manipulation, manufacture, exhibition, or destruction of Foreign-Trade Zone merchandise.
- 301 Customs Bond: All Customs bonds utilize this form. The Foreign-Trade Zone Operator's bond provisions are set forth at 19 CFR 113.73.
- 3461 Immediate Delivery Application: Used for entry of foreign or mixed status merchandise into U.S. Customs territory. Duties and taxes are payable on filing of the CBP 7501 within ten (10) working days of release of merchandise. An estimated CBP 3461 may be used if the Zone Operator operates under Estimated Production Procedures for Consumption (CR 146.63c).
- 7501 Consumption Entry: Entry for foreign or mixed status merchandise into the Customs territory of the United States. Duties and taxes must be paid at the time of filing this form. Consumption entries must be supported by an entry bond.
- 7512 Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit: This form is used to establish the responsibility of bond for the transfer of foreign or mixed status merchandise from the port of unloading to the Zone (unless the Zone is located in the port of unloading which requires the use of a CBP 214, CBP 3171, or CBP 6043); from the Zone to the Port of exportation; from one Zone to another Zone; from a Zone to a bonded warehouse; and for other transfer purposes.
- 349/350 Harbor Maintenance Fee Quarterly Summary Report and Amended Quarterly Summary Report: The Harbor Maintenance Fee is remitted quarterly for merchandise admitted to Foreign-Trade Zones and Subzones. CBP 349 is used to report and remit the quarterly fees. CBP 350 is used to amend prior reports, to request refunds, or to make supplemental payments.

APPENDIX F: AUTOMATED COMMERCIAL ENVIRONMENT (ACE)

<http://www.cbp.gov/xp/cgov/trade/automated/modernization/ace/>

Issued: June 23, 1997

F-1

April 5, 2012

APPENDIX G: CUSTOMS TRADE PARTNERSHIP AGAINST TERRORISM (CTPAT)
http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/

CTPAT Partner Application for Importers - Instructions
Importer for C-TPAT
Application Qualifications

1. Active U.S. Importer or Non-Resident Canadian Importer into the United States.
2. Have an business office staffed in the United States or Canada.
3. Have active U.S. importer of record ID(s) in either of the following formats:
 - U.S. Social Security Number
 - U.S. Internal Revenue Service assigned ID(s)
 - CBP assigned Importer ID
4. Possess a valid continuous import bond registered with CBP.
5. Have a designated company officer that will be the primary cargo security officer responsible for C-TPAT.
6. Commit to maintaining CBP C-TPAT supply chain security criteria as outlined in the C-TPAT importer agreement.
7. Create and provide CBP with a C-TPAT supply chain security profile, which identifies how the importer will meet, maintain, and enhance internal policy to meet the C-TPAT importer security criteria.

Application Instructions:

Step 1. Prepare a C-TPAT Supply Chain Security Profile

Importers are required to complete and submit to CBP a Supply Chain Security Profile that addresses each item in the C-TPAT Security Criteria for Importers. The security profile should summarize the importer's commitment to ensuring adherence to the following C-TPAT security criteria for importers:

C-TPAT Security Criteria for Importers

Importers must conduct a comprehensive assessment of their international supply chains based upon the following C-TPAT security criteria. Where an importer out sources or contracts elements of their supply chain, such as a foreign facility, conveyance, domestic warehouse, or other elements, the importer must work with these business partners to ensure that pertinent security measures are in place and adhered to throughout their supply chain. The supply chain for C-TPAT purposes is defined from point of origin (manufacturer/supplier/vendor) through to point of distribution and recognizes the diverse business models C-TPAT members employ.

C-TPAT recognizes the complexity of international supply chains and endorses the application and implementation of security measures based upon risk analysis. Therefore, the program allows for flexibility and the customization of security plans based on the member's business model.

Appropriate security measures, as listed throughout this document, must be implemented and maintained throughout the importer's supply chains, based on risk.

Business Partner Requirements

Importers must have written and verifiable processes for the selection of business partners including manufacturers, product suppliers and vendors.

Security Procedures

For those business partners eligible for C-TPAT certification (carriers, U.S. ports, terminals, brokers, consolidators, etc.) the importer must have documentation (e.g., C-TPAT certificate, SVI number, etc.) indicating whether these business partners are or are not C-TPAT certified.

For those business partners not eligible for C-TPAT certification, importers must require business partners to demonstrate that they are meeting C-TPAT security criteria via written/electronic confirmation (e.g., contractual obligations via a letter from a senior business partner officer attesting to compliance; a written statement from the business partner demonstrating their compliance with C-TPAT security criteria or an equivalent WCO accredited security program administered by a foreign customs authority; or by providing a completed importer security questionnaire). Based upon a documented risk assessment process, non-C-TPAT eligible business partners must be subject to verification of compliance with C-TPAT security criteria by the importer.

Point of Origin

Importers must ensure business partners develop security processes and procedures consistent with the C-TPAT security criteria to enhance the integrity of the shipment at point of origin. Periodic reviews of business partners' processes and facilities should be conducted based on risk, and should maintain the security standards required by the importer.

Participation / Certification in Foreign Customs Administrations Supply Chain Security Programs
Current or prospective business partners who have obtained a certification in a supply chain security program being administered by foreign Customs administration should be required to indicate their status of participation to the importer.

Other internal criteria for selection

Internal requirements, such as financial soundness, capability of meeting contractual security requirements, and the ability to identify and correct security deficiencies as needed, should be addressed by the importer. Internal requirements should be assessed against a risk-based process as determined by an internal management team.

Container Security

Container integrity must be maintained to protect against the introduction of unauthorized material and/or persons. At point of stuffing, procedures must be in place to properly seal and maintain the integrity of the shipping containers. A high security seal must be affixed to all loaded containers bound for the United States. All seals must meet or exceed the current PAS ISO 17712 standards for high security seals.

Container Inspection

Procedures must be in place to verify the physical integrity of the container structure prior to stuffing, to include the reliability of the locking mechanisms of the doors. A 7-point inspection process is recommended for all containers:

- Front wall
- Left side
- Right side
- Floor
- Ceiling/Roof
- Inside/outside doors
- Outside/Undercarriage

Container Seals

Written procedures must stipulate how seals are to be controlled and affixed to loaded containers - to include procedures for recognizing and reporting compromised seals and/or containers to U.S. Customs and Border Protection or the appropriate foreign authority. Only designated employees should distribute container seals for integrity purposes.

Container Storage

Containers must be stored in a secure area to prevent unauthorized access and/or manipulation. Procedures must be in place for reporting and neutralizing unauthorized entry into containers or container storage areas.

Physical Access Controls

Access controls prevent unauthorized entry to facilities, maintain control of employees and visitors, and protect company assets. Access controls must include the positive identification of all employees, visitors, and vendors at all points of entry.

Employees

An employee identification system must be in place for positive identification and access control purposes. Employees should only be given access to those secure areas needed for the performance of their duties. Company management or security personnel must adequately control the issuance and removal of employee, visitor and vendor identification badges. Procedures for the issuance, removal and changing of access devices (e.g. keys, key cards, etc.) must be documented.

Visitors Controls

Visitors must present photo identification for documentation purposes upon arrival. All visitors should be escorted and visibly display temporary identification.

Deliveries (including mail)

Proper vendor identification (ID) and/or photo identification must be presented for documentation purposes upon arrival by all vendors. Arriving packages and mail should be periodically screened before being disseminated.

Challenging and Removing Unauthorized Persons

Procedures must be in place to identify, challenge and address unauthorized/unidentified persons.

Personnel Security

Processes must be in place to screen prospective employees and to periodically check current employees.

Pre-Employment Verification

Application information, such as employment history and references must be verified prior to employment.

Background checks / investigations

Consistent with foreign, federal, state, and local regulations, background checks and investigations should be conducted for prospective employees. Once employed, periodic checks and reinvestigations should be performed based on cause, and/or the sensitivity of the employee's position.

Personnel Termination Procedures

Companies must have procedures in place to remove identification, facility, and system access for terminated employees.

Procedural Security

Security measures must be in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain.

Documentation Processing

Procedures must be in place to ensure that all information used in the clearing of merchandise/cargo, is legible, complete, accurate, and protected against the exchange, loss or introduction of erroneous information. Documentation control must include safeguarding computer access and information.

Manifesting Procedures

To help ensure the integrity of cargo received from abroad, procedures must be in place to ensure that information received from business partners is reported accurately and timely.

Shipping & Receiving

Arriving cargo should be reconciled against information on the cargo manifest. The cargo should be accurately described, and the weights, labels, marks and piece count indicated and verified. Departing cargo should be verified against purchase or delivery orders. Drivers delivering or receiving cargo must be positively identified before cargo is received or released.

Cargo Discrepancies

All shortages, overages, and other significant discrepancies or anomalies must be resolved and/or investigated appropriately. CBP and/or other appropriate law enforcement agencies must be notified if illegal or suspicious activities are detected, as appropriate.

Security Training and Threat Awareness

A threat awareness program should be established and maintained by security personnel to recognize and foster awareness of the threat posed by terrorists at each point in the supply chain. Employees must be made aware of the procedures the company has in place to address a situation and how to report it. Additional training should be provided to employees in the shipping and receiving areas, as well as those receiving and opening mail.

Additionally, specific training should be offered to assist employees in maintaining cargo integrity, recognizing internal conspiracies, and protecting access controls. These programs should offer incentives for active employee participation.

Physical Security

Cargo handling and storage facilities in domestic and foreign locations must have physical barriers and deterrents that guard against unauthorized access. Importers should incorporate the following C-TPAT physical security criteria throughout their supply chains as applicable.

Fencing

Perimeter fencing should enclose the areas around cargo handling and storage facilities. Interior fencing within a cargo handling structure should be used to segregate domestic, international, high value, and hazardous cargo. All fencing must be regularly inspected for integrity and damage.

Gates and Gate Houses

Gates through which vehicles and/or personnel enter or exit must be manned and/or monitored. The number of gates should be kept to the minimum necessary for proper access and safety.

Parking

Private passenger vehicles should be prohibited from parking in or adjacent to cargo handling and storage areas.

Building Structure

Buildings must be constructed of materials that resist unlawful entry. The integrity of structures must be maintained by periodic inspection and repair.

Locking Devices and Key Controls

All external and internal windows, gates and fences must be secured with locking devices. Management or security personnel must control the issuance of all locks and keys.

Lighting

Adequate lighting must be provided inside and outside the facility including the following areas: entrances and exits, cargo handling and storage areas, fence lines and parking areas.

Alarms Systems & Video Surveillance Cameras

Alarm systems and video surveillance cameras should be utilized to monitor premises and prevent unauthorized access to cargo handling and storage areas.

Information Technology Security - Password Protection

Automated systems must use individually assigned accounts that require a periodic change of password. Information technology (IT) security policies, procedures and standards must be in place and provided to employees in the form of training.

Information Technology Security - Accountability

A system must be in place to identify the abuse of information technology (IT) including improper access, tampering or the altering of business data. All system violators must be subject to appropriate disciplinary actions for abuse.

Step 2. Submission of your application

Submit your C-TPAT application and other required supplemental information via the C-TPAT Online Application submission process, located at the application web link provided. (C-TPAT Online Application)

Step 3. After entering your online application

Applicants will be directed to upload your Supply Chain Security Profile. The only acceptable file formats are limited to: .doc, .rtf, .pdf, and .txt files.

IMPORTANT: You must be ready to **UPLOAD** your Supply Chain Security Profile **IMMEDIATELY** upon completion of the online application.

Step 4. Upon receipt

CBP will review the importer's completed Supply Chain Security Profile. After CBP completes the profile review, the importer will receive feedback on their Supply Chain Security Profile within 60 days

Customs-Trade Partnership Against Terrorism (C-TPAT)
Security Criteria for Importers

Implementation Plan

Since October 2004, CBP and the trade community have work collaboratively to develop minimum-security criteria for importers either already enrolled in the C-TPAT program, or wishing to join this voluntary, incentives-based supply chain security program. These new minimum-security criteria help solidify membership expectations, and more clearly define and establish the baseline level of security measures, which must be employed by member importers. These security criteria are effective as of March 25, 2005.

FOR NEW IMPORTERS WISHING TO JOIN C-TPAT: Importers wishing to join the C-TPAT program on or after March 25, 2005, will need to meet or exceed the security criteria before they will be 'certified' and eligible for benefits. Applications for new membership will only be accepted electronically, via the C-TPAT web-based online application for importers, http://cbp.gov/xp/cgov/import/commercial_enforcement/ctpat/importers/application_importer.xml, with the submission of a completed, comprehensive security profile that will also be required at time of application.

FOR EXISTING C-TPAT MEMBER IMPORTERS: For importers who are already a member of the C-TPAT program, having completed and received the memorandum of agreement signed by CBP, a gradual, phased implementation approach will be followed which provides existing members more time to address the security measures outlined in the criteria. The components outlined in the security criteria document have been segmented into three distinct phases, each with their own timeline.

- **PHASE 1 – HARDENING OF THE PHYSICAL SUPPLY CHAIN:** Under the first phase, existing member importers will have 60 days from the March 25 effective date to address the following three security criteria:
 1. Container Security (seals, inspections, storage).
 2. Physical Security (fencing, lighting, parking, building structure, locking devices and key controls, lighting, alarm systems, video surveillance cameras).
 3. Physical Access Controls (employees, visitors, deliveries, challenging and removing unauthorized persons).

- PHASE 2 – INTERNAL SUPPLY CHAIN MANAGEMENT PRACTICES: Within 120 days of the March 25 effective date, existing member importers will review and enhance the more internal or procedural security elements:
 1. Personnel Security (pre-employment verifications, background checks, personnel termination procedures).
 2. Procedural Security (documentation processing, manifest procedures, shipping and receiving, cargo discrepancies).
 3. Information Technology Security (password protection, accountability).
 4. Security Training and Threat Awareness.

PHASE 3 – BUSINESS PARTNER REQUIREMENTS: During the final phase, existing member importers will be afforded 180 days from the March 25 effective date to address the Business Partner Requirement elements. Importers must have written and verifiable processes for the selection of business partners including manufacturers, product suppliers, and vendors, and

- documentation substantiating that business partners throughout their supply chain are meeting C-TPAT security criteria, or equivalent supply chain security program criteria administered by a foreign Customs administration.

CERTIFICATIONS: Existing C-TPAT member importers will not be required to provide a written certification that the security criteria have been met, nor will previously submitted and accepted security profiles need to be resubmitted. It will be understood that importers must meet or exceed these baseline security criteria by the end of each implementation phase. CBP will continue to use validations to gauge whether or not importers have adopted these security criteria. Those importers found to be deficient may have benefits suspended, or removed from the program entirely.

To assist in the implementation of these security criteria, a Frequently Asked Questions (FAQs) document has been provided, and the trade is encouraged to submit questions to the C-TPAT Industry Partnership email address at Industry.Partnership@dhs.gov. Periodic updates to the FAQs will be provided.

In closing, as a voluntary, incentive based supply chain security program, the new C-TPAT security criteria for importers are risk based, flexible, and designed to help CBP achieve it's twin goals of security and facilitation. CBP will continue to work with members who demonstrate a commitment towards strengthening their entire supply chain and benefits will be provided accordingly.

March 25, 2005

CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT) **SECURITY CRITERIA FOR IMPORTERS**

SECTION 2 IMPLEMENTATION PLAN

Since October 2004, CBP and the trade community have work collaboratively to develop minimum-security criteria for importers either already enrolled in the C-TPAT program, or wishing to join this voluntary, incentives-based supply chain security program. These new minimum-security criteria help solidify membership expectations, and more clearly define and establish the baseline level of security measures, which must be employed by member importers. These security criteria are effective as of March 25, 2005.

FOR NEW IMPORTERS WISHING TO JOIN C-TPAT: Importers wishing to join the C-TPAT program on or after March 25, 2005, will need to meet or exceed the security criteria before they will be 'certified' and eligible for benefits. Applications for new membership will only be accepted electronically, via the C-TPAT web-based online application for importers, http://cbp.gov/xp/cgov/import/commercial_enforcement/ctpat/importers/application_importer.xml, with the submission of a completed, comprehensive security profile that will also be required at time of application.

FOR EXISTING C-TPAT MEMBER IMPORTERS: For importers who are already a member of the C-TPAT program, having completed and received the memorandum of agreement signed by CBP, a gradual, phased implementation approach will be followed which provides existing members more time to address the security measures outlined in the criteria. The components outlined in the security criteria document have been segmented into three distinct phases, each with their own timeline.

- **PHASE 1 – HARDENING OF THE PHYSICAL SUPPLY CHAIN:** Under the first phase, existing member importers will have 60 days from the March 25 effective date to address the following three security criteria:
 4. **Container Security** (seals, inspections, storage).
 5. **Physical Security** (fencing, lighting, parking, building structure, locking devices and key controls, lighting, alarm systems, video surveillance cameras).
 6. **Physical Access Controls** (employees, visitors, deliveries, challenging and removing unauthorized persons).

- **PHASE 2 – INTERNAL SUPPLY CHAIN MANAGEMENT PRACTICES:** Within 120 days of the March 25 effective date, existing member importers will review and enhance the more internal or procedural security elements:
 5. **Personnel Security** (pre-employment verifications, background checks, personnel termination procedures).
 6. **Procedural Security** (documentation processing, manifest procedures, shipping and receiving, cargo discrepancies).
 7. **Information Technology Security** (password protection, accountability).
 8. **Security Training and Threat Awareness.**
 - 9.

- **PHASE 3 – BUSINESS PARTNER REQUIREMENTS:** During the final phase, existing member importers will be afforded 180 days from the March 25 effective date to address the Business Partner Requirement elements. Importers must have written and verifiable processes for the selection of business partners including manufacturers, product suppliers, and vendors, and documentation substantiating that business partners throughout their supply chain are meeting C-TPAT security criteria, or equivalent supply chain security program criteria administered by a foreign Customs administration.

CERTIFICATIONS: Existing C-TPAT member importers will not be required to provide a written certification that the security criteria have been met, nor will previously submitted and accepted security profiles need to be resubmitted. It will be understood that importers must meet or exceed these baseline security criteria by the end of each implementation phase. CBP will continue to use validations to gauge whether or not importers have adopted these security criteria. Those importers found to be deficient may have benefits suspended, or removed from the program entirely.

To assist in the implementation of these security criteria, a Frequently Asked Questions (FAQs) document has been provided, and the trade is encouraged to submit questions to the C-TPAT Industry Partnership email address at Industry.Partnership@dhs.gov. Periodic updates to the FAQs will be provided.

In closing, as a voluntary, incentive based supply chain security program, the new C-TPAT security criteria for importers are risk based, flexible, and designed to help CBP achieve its twin goals of security and facilitation. CBP will continue to work with members who demonstrate a commitment towards strengthening their entire supply chain and benefits will be provided accordingly.

March 25, 2005

D: Foreign Trade Zone/106 business/Zone Schedule