

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 163
LOCATION

CODEZOL, C.D

Effective: February 28, 2014

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DESCRIPTION OF FOREIGN TRADE ZONE NO. 163

The Foreign Trade Zone Board (FTZB) issued Board Order No. 443 on October 18, 1989, authorizing Puerto Rico International Distribution Center and Free Zone, Inc., (PRIDCFZI) as Grantee to establish and operate FTZ No. 163 in Ponce, Puerto Rico.

Later in the year 1996, PRIDCFZI was substituted as grantee of FTZ No. 163 by the Corporación Para el Desarrollo de la Zona Libre de Ponce, C.D.,(CODEZOL, C.D.) Since then, CODEZOL has been the grantee of FTZ No. 163. Still operates from the Port of Ponce, Puerto Rico.

FTZ No. 163 began operations in 1996 in a building given to us by the municipality of Ponce for which we did not pay any rent. Besides, the municipality gave us an amount of money monthly for operational costs. Our labor force consisted of four people. In the year, 2001, 5 years after beginning operations, we informed the Municipality of Ponce, we did not need their economic help, since we were economically self-sufficient. Actually we are six people working, an executive secretary, a data entry, an administrative assistant, two receiving-dispatchers and the administrator.

We currently serve 109 clients that distribute in Puerto Rico and the Caribbean Diverse merchandise such as: construction material, concentrated orange and apple juice, cars, trucks, heavy equipment, petroleum and its derivatives, medicines, auto parts, food, consumer goods, and liquids gas.

FTZ No. 163 began operations in a 168 acres parcel donated to us by the Municipality of Ponce. Various modifications we made to the original lot, such as, minor boundaries, expansions, added acreage from new clients's properties and actually the zone's project consists of 250.73 acres.

DESCRIPTION OF FOREIGN TRADE ZONE NO. 163

FTZ No. 163 has adequate electric power, waste disposal, communications and access to all modes of transportation.

The facilities located at the Port of Ponce, includes our administrative offices and a lot of six acres we rent form the Port of Ponce, in which we handle our operator's functions, because we are also operators besides being grantees.

All rates and charges for the services or privileges within the zone shall be fair and reasonable and the operators shall afford to all who may apply for he 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 time by the United States with foreign Governments.

FOREIGN-TRADE ZONE NO. 163 PONCE, PUERTO RICO

Copy of the Zone Schedule is on file with the Foreign Trade Zone Board (FTZB) in Washington, D.C., and it is available at the general offices of FTZ No. 163 upon request at a nominal price.

Communications should be addressed to:

CODEZOL, C.D.

P.O. BOX 333

MERCEDITA, P.R. 00715-0333

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REGULATIONS & POLICIES

FOR THE FTZ No. 163

1. **ZONE TO BE OPERATED AS A PUBLIC UTILITY-** All rates and charges for all service or privileges within the zone shall be fair and reasonable, and the Grantee and Operator shall afford to all who may apply for the use of the zone and its facilities and appurtenances 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. (15 C.F.R.; 400.2(g)).
2. **APPLICATION OF FOREIGN-TRADE ZONE NO. 163, ZONE SCHEDULE-**the rules, regulations and rates of this Zone Schedule shall apply at Foreign-Trade Zone No. 163, its subzone and annexes unless otherwise provided for.
3. **GENERAL REGULATIONS-**Foreign Trade Zone No. 163, is regulated by the Foreign-Trade Zones Board, Washington, D.C., special regulations as defined in the U.S. Code of Federal Regulations, Title 15 Part 400. Copies of these regulations are maintained at the office of Foreign Trade Zone No. 163 for reference.
4. **UNITED STATES CUSTOMS SERVICES REGULATIONS-**Foreign-Trade Zone No. 163, is subject to special Customs regulations as defined in U.S. Code Federal Regulations, Title 19, Part 146 Foreign-Trade Zones. Copies of these regulations are maintained at the office of Foreign-Trade Zone No. 163 for reference.
5. **APPLICATION AND INTERPRETATION OF ZONE SCHEDULE-**Zone Grantee shall be the sole judge to interpret and determine the applicability of any of the rates, regulations or services provided for in this Zone Schedule. However, any matter involving interpretation or action by U.S. Customs and Border Protection or other agency of the U.S. Government will be determined by the District Director of Customs.

OPERATION OF FTZ NO. 163

1. OPERATIONS IN ZONE, AND FORMS AND PROCEDURES-the merchandise and operations permitted in a zone, the disposition of merchandise in a zone, the zone status of the merchandise and special provisions applicable to each status, the subsequent importation of merchandise, the exportation of merchandise from a zone, and other operations in a zone authorized by the Act, are hereinafter in this Section generally described. The Customs forms required are available upon request form the zone Operator.
2. MERCHANDISE PERMITTED INA ZONE-Foreign and domestic merchandise of every description, except such as is prohibited by law, may without being subject to Customs laws of the United States, except as otherwise provided in the Act and the regulations made there under, be brought into a zone.
 - a. Merchandise which is specifically and absolutely prohibited by law shall not be disposed of in the manner provided for on the laws and regulations applicable to such merchandise. A distinction is made between 1) merchandise which is specifically and absolutely prohibited by law on the grounds of policy or morals, such as immoral or subversive literature, obscene articles, or lottery matter, and (2) merchandise which is subject to conditional prohibition only, for example, articles which are subject to permits or licenses for the protection of economic or national security or which may be reconditioned to bring them into compliance with the laws administered by various Federal agencies. Directors of Customs are required to exclude the first class of articles and may not permit them to be admitted to a zone if they are aware of their prohibited status, except that the Director may permit the temporary deposit of any such merchandise in the zone pending final determination of its status. The transfer of articles of the second class to a zone is subject to any requirements of the Federal agency concerned. There is no prohibition against placing over-quota merchandise in a zone pending its right to transfer to Customs territory pursuant to the applicable quota provisions.
 - b. The application for the admission of merchandise into a zone shall be approved or disapproved by the District Director of Customs as the representative of the Board.

OPERATION OF FTZ NO. 163

3. DISPOSITION OF MERCHANDISE IN A ZONE-in general, merchandise lawfully brought into a zone may, in accordance with these and other regulations made under the provisions of the Act be exported, destroyed, or sent into Customs territory of the United States there from, in the original package or otherwise; but when foreign merchandise, and domestic merchandise whose identity has been lost, is so sent from a zone into Customs territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise.
4. MANIPULATION, MANUFACTURE, EXHIBITION OF MERCHANDISE.- In general, 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, or otherwise manipulated or be manufactured.
 - a. Permissions for any manipulation, destruction, or exhibition in a zone shall be obtained from the District Director of Customs, as the representative of the Board, subject to such application and procedure prescribed by the Secretary of Treasury for the protection of the revenue. Any new manufacturing operation (not manipulation) resulting in a change in the HTSUS classification or any new activity beyond the scope must be approved by the Foreign-Trade Zones Board.
 - b. In the event of the denial of any application by the Director for any reason, the applicant, the Grantee, of the operator of the zone may appeal the adverse ruling.
5. STATUS OF MERCHANDISE IN A ZONE-a) For the purpose of the Act and the regulations relating in this Section, all merchandise within a zone, except merchandise in transit through a zone as provided in the Customs regulations, and except merchandise temporarily transferred to a zone for manipulation as provided (b) of this Section, shall be given a zone status as-
 - i. Domestic merchandise
 - ii. Privileged foreign merchandise
 - iii. Nonprivileged foreign merchandise
 - iv. Zone-restricted merchandise
 - b. Imported merchandise which has been entered and which has remained in continuous Customs custody may be temporarily transferred to a zone for

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manipulation under Customs supervision pursuant to section 562, Tariff of 1930, as amended, and for return to Customs territory. Any such merchandise shall not be considered within the purview of the Foreign-Trade Zones Act, but shall be treated in all respects as though remaining in Customs territory. Therefore no zone form or procedure shall be considered applicable, but the merchandise shall remain subject in the zone to such requirements as are necessary for the enforcement of section 562 and other pertinent Customs laws.

6. **USE OF ZONE BY CARRIERS.**-The loading or unloading areas of a zone are intended primarily for the use of vehicles unloading merchandise into the zone or loading merchandise from the zone, and their use for other purposes may be terminated by the Secretary of the Treasury if found to endanger the revenue, or by the Board or zone Grantee if found to interfere with the primary use of the zone.
7. **SUBSEQUENT IMPORTATION OF ZONE MERCHANDISE.**-Articles produced or manufactured in a zone and exported therefrom shall, on subsequent importation into the Customs territory of the United States, be subject to the import laws applicable to like articles manufactured in a foreign country, except that articles produced or manufactured in a zone exclusively with the use of domestic merchandise, the identity of which has been maintained in accordance with the Second Proviso of Section 3 of the Act, as amended, may, on such importation be entered as American goods returned.
8. **EXCLUSION FROM ZONE OF GOODS OR PROCESS OF TREATMENT.**-When it shall be reported to the Board that any goods or process of treatment is detrimental to the public interest, health or safety, the Board shall cause such investigation to be made as it may deem necessary. The Board may order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health or safety.
9. **RETAIL TRADE WITHIN ZONE.**-No retail trade shall be conducted within a zone except under permits issued by the Grantee and approved by the Board, with the further exception that no permits shall be necessary for sales involving domestic, duty-paid or duty-free food and non-alcoholic beverage products sold within the zone or subzone for consumption on the premises by persons working therein. Such permittees shall 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

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to the Board for approval shall 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 applicant will sell no goods, except of the kinds specifically authorized by the Act, which are brought into the zone from Customs territory. No goods shall be offered for sale or sold in zones 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 provision of the regulations in this Section, his permit shall be revoked by the Grantee, who shall immediately report such action to the Board.

10. **RESIDENCE WITHIN A ZONE.**-No person shall be allowed to reside within a zone except Federal, State, or local officers or agents whose resident presence is deemed necessary by the Board.
11. **EMPLOYEES AND PERSONAS ENTERIGN AND LEAVING ZONE.**- Employees and other persons entering or leaving the zone shall pass through the designated entrances and exits. Employees and other persons shall be subject to examination upon entering and leaving the zone as the District Director of Customs, Grantee or Operator may deem necessary for the protection of the revenue.
12. **ALL PERSONS ENTERING ZONE BOUND BY REGULATIONS.**-All persons entering the zone for any reason whatsoever shall be bound by the regulations promulgated by the Board, the USCS, the Grantee and Operator of the zone.
13. **IDENTIFICATION OF EMPLOYEES WITHIN ZONE.**-all persons on duty within, and in connection with the operation of, the zone, with the exception of Federal employees and uniformed employees of the zone Operator shall be required within the zone to carry identification cards or wear appropriate identification badges to be provided by the Operator or individual users of the zone.
14. **HOURS OF BUSINESS AND SERVICE**-Hours of business and services, for Customs purposes, shall be as prescribed by the zone Operator.
15. **PAYMENT OF CUSTOMS OFFICERS AND EMPLOYEES.**-a) Customs officers and employees performing services in a zone at night, or on Sundays and holidays, shall receive extra compensation, to be computed as and under the conditions prescribed by Customs regulation.

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1. The cost of any overtime services provided by the U.S. Customs and Border Protection in the zone shall be paid by the Operator of the zone to the District Director of Customs or pursuant to specific arrangements made with a zone user.
16. **CONSTRUCTION OF BUILDING AND FACILITIES WITHIN A ZONE.**- The Grantee may, with the approval of the board, if necessary, and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by it, permit other persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements; provided, (a) that such permission shall not constitute a vested right as against the United States, nor interfere with the regulation of the Grantee or the Operator nor interfere with or complicate the grant by the Board to the Grantee, b). that such permits shall not be granted on terms that conflict with the public use of the zone as set forth in the Act; and c). that accepted sanitary practices be followed in the construction, equipment, and operation of such buildings and other structures.
17. **ACTIVATION.**-Pursuant to regulations of the U.S. Customs and Border Protection, all or any portion of the zone approved by the Foreign-Trade Zones Board may be approved by the Grantee and the District Director of Customs for foreign-trade zone operations and for the admission and handling of merchandise in zone status. All procedures for the U.S. Customs and Border Protection shall be followed and appropriate fees tendered.

INTERNAL RULES, REGULATIONS & POLICIES

WITHIN FTZ No. 163

1. The area, for which the zone user shall be granted authority to use, could be changed in the future and is subject to availability of space within the FTZ.
2. **RIGHT OF ENTRY:** representatives of ZONE GRANTEE/OPERATOR, the board, Customs and other authorized U.S. Government officers, shall have the right to enter the PREMISES at any time for the authorized and lawful purpose of examining the same conferring with ZONE GRANTEE/OPERATOR, and/or the ZONE USER, its agents, invitees, and employees on such premises, inspecting and checking operations, supplies, equipment and merchandise, and determining whether the business is being conducted in accordance with the required FTZ procedures and this Agreement. All such entries shall be in accordance with the ZONE GRANTEE/OPERATOR'S established security procedures and whenever possible with reasonable advance notice to ZONE USER.
3. **USE OF THE PREMISES:** ZONE USER shall use and occupy the PREMISES FOR storage, handling and distribution of foreign and domestic merchandise of every description, except such as is prohibited by law, and for any activity permitted by the laws, rules and regulations governing the FTZ: the PREMISES shall be used for no other purpose. When using the PREMISES, ZONE USER shall not:
 - a) Overload the floors of the PREMISES with more than 1,200 pounds per square foot:
 - b) Display or deposit merchandise, materials, or any other items on the sidewalks, streets, parking and green space and areas adjacent to the PREMISES.
 - c) Indulge in any act, practice or conduct which may cause damage to any other property within the FTZ, or which may be immoral or unlawful.
4. **REPAIRS AND OTHER IMPORVEMENTS:** ZONE USER shall not, without first obtaining the written authorization of ZONE GRNTEE/OPERATOR, make any alterations, additions, or improvements, in, to or about the PREMISES. Ins response to the request of authorization, ZONE GRANTEE/OPERATOR may require drawing and specifications, filed with the corresponding approvals by governmental agencies having jurisdiction thereof. ZONE GRANTEE/OPERATOR performance of any approved alterations, additions or improvements shall be subject to the following conditions.

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- a. ZONE USER will submit written proposal for work to be performed for evaluation by ZONE GRANTEE/OPERATOR'S designated inspector. All work already done, shall be approved by ZONE GRANTEE/OPERATOR.
 - b. Any permanent improvement made by ZONE USER shall automatically become the property of ZONE GRANTEE/OPERATOR upon termination of the Agreement, and ZONE GRANTEE/OPERATOR shall not be obliged to compensate ZONE USER in any way for such improvement. If any improvement already made needs repairs, ZONE USER shall promptly do it, at its expense.
 - c. All such alteration, additions, or improvements and the labor and materials used, shall be at the expense of ZONE USER, and only ZONE USER shall be held liable to contractors, laborers and suppliers. If by any act or order is entered against the PREMISES, zone user shall obtain cancellation thereof at its expense, within twenty (20) days from the date of the lien or order, and will compensate ZONE GRANTEE/OPERATOR and save it harmless from all costs, expenses, claims, losses or damages, including attorney's fees incurred as a result of such lien or order or by reason thereof.
5. RECORD KEEPING: Required reports-The ZONE USER will certify that their inventory control and record keeping system meets the requirements of 19 C.F.R. 146 Subpart B, and will comply with all reporting requirement therein. In order for the ZONE GRANTEE/OPERATOR to meet its obligation with the Board's Regulations, the ZONE USER agrees to submit to the ZONE GRANTEE/OPERATOR all the information which is required for the Board's Annual Report in the form that is provided by the ZONE GRANTEE/OPERATOR. This completed form will be submitted to the ZONE GRANTEE/OPERATOR on an annual basis on or before December 1, or sixty (60) days after the ending of the Federal Fiscal Year (September 30). This report shall be accompanied with a transmittal letter signed by appropriate OPERATOR Officer, certifying the accuracy of the reports.
- b. Record Retention: All financial and accounting records concerning ZONE USER operations shall be retained for five (5) years after the act or occurrence recorded or after the merchandise covered by such records have been forwarded from the FTZ, whichever is longer, and all such records shall be available at the FTZ for inspection and audit by ZONE GRANTEE/OPERATOR, Customs, or the Board, during normal business hours. All such entries shall be in accordance with the established operating procedures of ZONE GRANTEE/OPERATOR.

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6. **GENERAL REGULATIONS:** All persons and merchandise of every description entering or leaving the FTZ and the PREMISES for any purpose whatsoever shall be bound by the Board's Regulations and orders issued there under.
7. **BUSINESS HOURS:** The FTZ shall be available to ZONE USER during normal business hours which shall be 8:00 a.m. to 5:00 p.m., Monday through Friday, with the exception of the Federal and State holiday listed herein. After hour services shall be made available to the ZONE USER by the ZONE GRANTEE/OPERATOR upon reasonable prior notice but the ZONE USER recognizes that it will be additionally charged for such a service as per a list of related charges to be prepared by the ZONE GRANTEE/OPERATOR which shall be made available whenever required by the ZONE USER. Said charges shall apply to the ZONE USER all direct incremental expenses incurred by the ZONE GRANTEE/OPERATOR as result of the expanded work Schedule Plus a reasonable proportionate adjudication of overhead expenses and profit.
8. **INSURANCE:** ZONE USER will provide ZONE GRANTEE/OPERATOR with evidence that certifies the existence of adequate WORKER COMPENSATION INSURANCE and/or State Insurance Fund of Puerto Rico coverage for its employees. Zone User shall insure that all employees of third parties that enter the PREMISES are adequately covered with said insurance.

ZONE USER further agrees to place with an insurance company, and keep in force during the life of this Agreement general liability insurance and designate the ZONE GRANTEE/OPERATOR, Junta Administrativa del Muelle de Ponce and Municipio Autónomo de Ponce as additional insured with a "hold-harmless endorsement" including an obligation of the insurer to defend ZONE GRANTEE/OPERATOR, Junta Administrativa del Muelle de Ponce and Municipio Autónomo de Ponce in any action covered by said insurance. Said general liability insurance shall cover any and all incidents arising or resulting from its operations, presence or occupation of the FTZ in an amount not less than one million (\$1,000,000) dollars for general liability. ZONE USER, will furnish ZONE GRANTEE/OPERATOR, Junta Administrativa del Muelle de Ponce and Municipio Autónomo de Ponce certificates of such insurance which shall provide that coverage shall not be canceled or modified without thirty (30) days prior written notice to ZONE GRANTEE/OPERATOR. THE OPERATOR will promptly pay all such insurance premiums as and when the same become due.

Limits shall be: General Aggregate one million (\$1,000,000) dollars, Products – Comp/Op Aggregate one million (\$1,000,000) dollars Personal and Adv. Injury one million (\$1,000,000) dollars, Each Occurrence one million (\$1,000,000) dollars, Fire

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Damage (any one fire) one hundred thousand (\$100,000) dollars and Medical Expenses five thousand (\$5,000) dollars.

ZONE USER shall maintain in force adequate insurance to cover its property in its FTZ's location. ZONE USER will provide Certificate of Insurance stating the amount of insurance and waive its right of subrogation against ZONE GRANTEE/OPERATOR, Junta Administrativa del Muelle de Ponce and Municipio Autónomo de Ponce with Certificate of Insurance indicating the coverage and Waiver of Subrogation and additional insured.

9. **PUBLIC INTEREST, HEALTH AND SAFETY:** No operation or process of treatment will be permitted in the PREMISES that, in the judgment of the ZONE GRANTEE/OPERATOR, are detrimental to the public interest, health, and/or safety. The ZONE GRANTEE/OPERATOR reserves the right to refuse merchandises which would, in its opinion, pose unusual or unacceptable problems or hazards to the Zone.
10. **WHEN CHARGES ARE PAYABLE:** the ZONE GRANTEE/OPERATOR'S charges are due and payable as they accrue.
11. **MERCHANDISE HELD FOR CHARGES-** the ZONE GRANTEE/OPERATOR reserves the right to withhold delivery an/or withdrawal fo merchandise in case of nonpayment of charges by the ZONE USER.
12. **CHARGES, HOW ENFORCED:** for the purpose of enforcing the payment of charges provided pursuant to this Agreement the ZONE GRANTEE/OPERATOR may take possession of merchandise located at the PREMISES brought to the FTZ by ZONE USER, and remove and store same at the Charge, risk, and expense of the owner or consignee thereof and/or may sell the merchandise at public auction, and/or pursue other remedies as may be proved by law.
13. **SERVICE CHARGES:** the following service charges will be charged if payment is made after the 10th day of the month. B) Returned check_ \$25.00 will be charged for every returned check. C) FTZ Staff Services working after office hours –Services rendered by Inventory Supervisor \$20.73/ hour – Services rendered by others employees \$13.60/hours. D) Document required for admittance and release of merchandise within the FTZ \$10.00/each.
14. **CHARGES FOR SPECIAL CUSTOMS OFFICERS' SERVICES:** Any Customs officer's services specifically requested by the ZONE USER will be charged to ZONE USER at the cost billed to ZONE GRANTEE/OPERATOR by Customs. ZONE USER requiring Customs services must request same in writing to ZONE GRANTEE/OPERATOR, who shall clear the possibility of furnishing such services with

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Customs. If service is established, it will be made available under similar circumstances to the ZONE USER.

15. FTZ ACCOMMODATIONS: Before merchandise may be admitted into the FTZ, Customs Form (CF) 214 signed by the ZONE GRANTEE/OPERATOR or its designee must be filed with the authorized Customs personnel. The application should describe the merchandise fully, as required by CF 214.
16. PERMISSION TO MANIPULATE, MANUFACTURE, EXHIBIT AND DESTROY- Before merchandise may be manipulated, manufactured, exhibited or destroyed within the FTZ, an application CF 216 must be presented to the ZONE GRANTEE/OPERATOR for its review and approval. The ZONE GRANTEE/OPERATOR will then forward the application to Customs. On approval by Customs, the contemplated activity will then be permitted.
17. CLEARING MERCHANDISE AND TRAFFIC: Merchandise land carriers of the ZONE USER, both incoming and outgoing, will obtain clearance through the ZONE GRANTEE/OPERATOR'S office.
18. LIMITATION OF LIABILITY OF LOSS OR DAMAGE: The ZONE GRANTEE/OPERATOR will not be responsible for any loss or damage by fire, heat, dampness, leakage, the elements, evaporation, natural shrinkage, wastage, or decay; animals, rats, mice, or other rodents; moths, weevil, or other insects; leakage or discharge from fire protection systems, collapse of buildings or structures, breakdown of plant or machinery or equipment; theft or mysterious disappearance; nor will it be answerable for any loss, damage, or decay arising from the insufficient notification, or from a war, insurrection, shortage of labor, riots or strikes of any persons in its employ or in the service of others or from any consequences arising therefrom, except to the extent caused by the negligence of the ZONE GRANTEE/OPERATOR. In performing the service of checking, if applicable, the ZONE GRANTEE/will accept no responsibility for concealed damage or the condition of contents of packages, cases, or other containers, whether or not receipts issued so state. The ZONE GRANTEE/OPERATOR will not be responsible for any loss or damage arising from or occasioned by any misunderstanding of orders or instructions received or taken by telephone from the ZONE USER. As a condition precedent to recovery, claims for loss or damage must be made in writing thirty (30) days after the merchandise is delivered from the FTZ, or in the case of failure to make delivery, then within thirty days after delivery of the last package of the lot or U.I.N. in the ZONE GRANTEE/OPERATOR'S apparent possession.
19. CUSTOMS PERMIT: merchandise will not be delivered to or through Customs territory unless delivery order is accompanied by Customs permit.

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20. **HAZARDOUS COMMODITIES:** The ZONE GRANTEE/OPERATOR will not be required to accept for storage any commodity that will affect the rate of insurance on other merchandise in storage in the FTZ.
21. **TRUCKING AND LEGHTERAGE:** Transfer of foreign merchandise between Customs territory and the FTZ must be made by Customs bonded trucks, or other carriers and subject to Customs regulations.
22. **CUSTOMS INSPECTION OF MERCHANDISE WHILE IN FTZ:** The consignee or its agents shall at all times be immediately available to make the merchandise subject to inspection required by Customs and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following the inspection. In the event that the consignee or its agent is not immediately available for inspection, then the ZONE GRANTEE/OPERATOR'S personnel shall get authorization to open such packages for Customs and shall not be liable for any loss or damage for any reason whatsoever to the goods of the consignee. The consignee shall get charged for such services at rates established form time-to-time.
23. **WAREHOUSE SPACE-ZONE-ZONE GRANTEE/OPERATOR** may lease space for storage of commodities on an area basis and/or on a package, bundle, or unitary basis, and for the handling and processing of goods on a month-to-month basis or for extended periods.
24. **ENVIRONMENTAL COMPLIANCE:** ZONE USER agrees, as a condition hereof: that it will not discharge nay solid, liquid or gaseous industrial and/or sanitary effluent or discharges, either into the sewer system and/or into any other place until after required authorization therefor has been obtained from the Puerto Rico Aqueduct and Sewer Authority, and/or the department of Health of Puerto Rico and/or the Environmental Quality Board, and/or any other governmental agency having jurisdiction thereof and ZONE USER further agrees and undertakes to treat any such effluent, prior to discharge thereof as required by the said Authority, Department, and/or Governmental Agency with jurisdiction and/or install any equipments imposed thereby, and upon request by ZONE GRANTEE/OPERATOR, to submit evidence of such compliance; it being agreed that noncompliance thereof by ZONE USER for a period of ninety (90) days after notice, shall be deemed an additional event of default under the provisions hereof.
25. **INDEMINIFICATION: ON THE PART OF ZONE USER:** agrees to protect, indemnify and hold harmless ZONE GRANTEE/OPERATOR its directors, officers, employees and agents from and against any and all out of pocket loss, damage, and liability, including reasonable attorney's fees and costs, whether insured or not,

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arising out of or incident to ZONE GRANTEE/OPERATOR's actions, except to the extent any such loss, damage or liability arises out of or is incident to the ZONE USER negligence or willful misconduct.

26. ON THE PART OF ZONE GRANTEE/OPERATOR: ZONE GRANTEE/OPERATOR agrees to protect, indemnify and hold harmless ZONE USER, its directors, officers, employees and agents from and against any and all out of pocket loss, damage, and liability, including reasonable attorney's fees and costs, arising out of or incident to ZONE GRANTEE/OPERATOR'S actions, except to the extent any such loss, damage or liability arises out of or is incident to the ZONE USER negligence or willful misconduct.

27. NOTICE AND DEFENSE OF CLAIMS: An indemnified party under this Article 7 shall provide the indemnifying party with prompt written notice of any third-party action, claim, demand, allegation or proceeding together with a copy of same and in the absence thereof a detailed statement of facts with respect to which the indemnified party may seek indemnification hereunder (the "Claim"). The indemnifying party shall have the right to direct and control the defense of the Claim with counsel of its own choice provided that if the indemnifying party should be the ZONE USER, evidence of its financial capacity to cover and pay for the Claim in case of a judgment adverse to it shall be supplied to the reasonable satisfaction of the ZONE GRANTEE/OPERATOR. The indemnifying party shall further be responsible for legal fees and other costs incurred in such defense. The indemnifying party shall also have the right to compromise or settle the Claim at the discretion of the indemnifying party; provided, however, that the indemnifying party shall not enter into any such compromise or settlement which involves injunctive or equitable relief against the indemnified party unless the indemnified party consents thereto, which consent shall not be unreasonably withheld. The indemnified party shall cooperate with the indemnifying party and its counsel in the defense of the Claim. The indemnified party, unless it were to be the ZONE USER, and in that case subject to the qualification previously expressed shall participate in, but not control, any defense, compromise or settlement of the Claim that is controlled by the indemnifying party, but shall bear its own costs and expenses with respect to such participation: provided, however, that the indemnified party shall bear the reasonable fees and disbursements of separate counsel in such proceedings. In no event shall the indemnified party be entitled to recover indirect or consequential damages under this indemnification.

28. INDEMNITY FROM GOVERNMENT CLAIMS: ZONE USER agrees to indemnify ZONE GRANTEE/OPERATOR, its officers and directors harmless from

INTERNAL RULES, REGULATIONS & POLICIES WITHIN FTZ No. 163

and against any taxes, duties and fines claimed by federal, state, and/or municipality government, because of any legal violations those governments have found in ZONE USER'S entries or releases of merchandise. ZONE USER also agrees to pay ZONE GRANTEE/OPERATOR any amount Customs has collected from ZONE GRANTEE/OPERATOR'S Customs Bond, because of any such violations.

29. **REMEDIES ON DEFAULT:** If ZONE USER defaults in the payment of charges of fees due, or defaults in the performance of any of the other covenants or conditions hereof: ONE GRANTEE/OPEATOR may give ZONE USER does not cure any such default within 10 days, after the giving of such notice (or if such default is of such nature that it cannot be completely cured within said period and, if ZONE USER does not commence such curing within 10 days and thereafter proceed with reasonable diligence and in good faith to cure the default), then ZONE GRANTEE/OPERATOR may: a) not permit withdrawal of any merchandise stored in the PREMISES. b) Terminate this Agreement on not less than 25 day's notice to ZONE USER.
30. **ZONE DEACTIVATION/REACTIVATION:** In the event that the ZONE GRANTEE/OPERATOR chooses to deactivate the FTZ, ZONE GRANTEE/OPERATOR shall provide sixty (60) days prior written notice to ZONE USER. All outstanding Services and Charges are due immediately to ZONE GRANTEE/OPERATOR.
31. **INDEPENDENT CONTRACTOR STATUS:** ZONE GRANTEE/OPERATOR and ZONE USER are not and shall not be considered as joint ventures, partners or agents of each other, and neither shall have the power to bind or obligate the other except as set forth in this Agreement. ZONE GRANTEE/OPERATOR and ZONE USER agree not to represent to anyone that they are agents of one another or have any authority to act on behalf of one another.
32. **NOTICES:** All notices of a legal nature to the ZONE GRANTEE/OPERATOR shall be hand delivered or sent by certified mail, return receipt requested, addressed to ZONE USER at the address stated below or at such other address as ZONE USER designates in writing. The date of delivery if by certified mail, as evidenced by the postal return receipt, shall be deemed the date of service of the notice.

RATES & CHARGES

On FTZ No. 163's operations we store cars, trucks and heavy equipment for various clients.

Our rates are:

CARS:

\$40.00 per unit / per month

\$20.00 per unit/ per month if unit is received after the 16th day of Month

TRUCKS:

\$100.00 per unit / per month

HEAVY EQUIPMENT:

Depends of size of equipment could be \$200.00 per unit / per month

or \$50.00 per unit / per month

CENTRO AUTOMOTRIZ SANTA ROSA-Guayama's site

They store cars for different auto dealers and they charge \$1.25 per unit / per day.

DEFINITIONS OF TERMS

ACT. – The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 998-1003; 19 U.S.C. 81a-81c), as amended. (15C.F.R.; 400.2 (a))

APPLICANT OF RECORD.- The person, firm, or corporation in whose name the application to admit merchandise into the zone (CF214) is made, is recognized by the zone Grantee as having the legal right to make the application. Evidence of this right of the application is the same that would be required to establish the right to apply for release of the merchandise from Customs.

BOARD.- The Board means the Foreign-Trade Zones Board created by the Act to carry out the provisions thereof. The Board shall consist of the Secretary of the Department of Commerce, who shall be the chairman and executive officer, the Secretary of the Treasury, and the Secretary of the Army. (15 C.F.R.; 400.(b).

BULK.- In trade, a product or a mass (of a product), which is not packaged, bundled, bottled, or otherwise packed, so that it is designated as bulk or bulk merchandise.

CUSTOMS FORMS 214.- Application and permit to admit merchandise into a Foreign-Trade Zone and/or designation of zone status.

CUSTOMS FORMS 216.- Application and permit for the manipulation, manufacture, exhibition, temporary removal or destruction of merchandise within a Foreign-Trade Zone.

CUSTOMS TERRITORY.- The territory of the United States in which the general tariff law of the United States applies but which is not included in an Foreign-Trade Zone.

GRANTEES: A grantee is a public or private corporation, as defined in section 400.2, title 15 Code of Federal Regulations, to which the privilege of establishing, operating, or maintaining a foreign-trade zone project has been given. The principal responsibilities of a grantee are to: **a)** provide and maintain facilities in connection with a zone according to the provisions of 19 USC 81:) **b).** operate the zone as a public utility with fair and reasonable rates and charges for all zone services and privileges, and afford to all who

apply for the use of the zone and its facilities and provide uniform treatment under like conditions, in accordance with 19 USC 81n AND 15cfr 400.42(b). **c).** make to the Board annually, and at such other times as it may prescribe, reports containing such information as the Board may require (19 USC 81p(b) and 15 CFR 400.46(d): **d).** maintaining books, records, and accounts in accordance with the provisions of 15 CFR 400.46(a), (b). **d).** apply to the Board for a grant of authority to establish a subzone or to expand or otherwise modify its zone project (15 CFR 400.22(d). 400.26(a)(a): **e).** to permit the erection of buildings necessary to carry out the approved zone project in accordance with 19 USC 81m and 15 CRF 400.28(a)(6): **f).** operate, maintain, and administer the zone project under the FTZA, FTZR, CR, applicable laws and regulations administered by Customs for other agencies or administered directly by other agencies, and the schedules of rates and charges made and fixed by the grantee, in accordance with 15 CRF 400.41, 400.42(b)(1): **g).** make written application to the Port Director for approval of a new zone operator, pursuant to 19CFR 146.7(e), (f). **h).** the grantee may make application if acting as the operator or must provide concurrence to a request for activation, de-activation or reactivation.

INVENTORY OF RECORDS: a) Lot- The unit or units of goods for which a separate record and account is to be kept by the Zone Operator or zone user. B)Unique Identifier Number (UIN) – Number, letters or combination of both (alphanumeric) or a description unique to a fungible article or product after identification has been lost with the shipment of goods as admitted to a foreign-trade zone. This number may be used for control and accounting of the goods.

OPERATORS.- an operator is a corporation, partnership, or person that operates a zone or subzone under the terms of an agreement with the zone grantee. (19CFR 400.2(q). For Customs purpose, the term “operator” includes a zone grantee that operates its own zone. (19CFR 146.1(b)). Activation of a zone requires the execution of a Foreign-Trade Zone operator’s bond on Customs Form 301, which contains the bond conditions required by 19CFR 113.73. (19CFR 146.6(d), (c). The bond insures the principals’ agreement to comply with the pertinent laws and Customs regulations, and section 146.4, customs regulations and delineates the particular responsibilities of the operator. The grantee may also be considered the operator for Customs Regulation purposes.

REGULATIONS.- All operations within the foreign-trade zone are subject to the referenced regulations: Foreign-Trade Zones Board Regulations, 15 C.F.R. Part 400; U.S. Customs and Border Protection, 19 C.F.R. Part 146.

STATUS MERCHANDISE:

- A) *DOMESTIC MERCHANDISE:* a). the growth, product, or manufacture of the U.S. on which all internal revenues taxes, if applicable have been paid: b) previously imported and on which duty and tax has been paid; or c) previously entered free of duty and tax.

No application or permit is required for the admission of domestic status merchandise, including domestic packing and repair material, to a zone, except upon order of the Commissioner of Customs. No application or permit is required for the manipulation, manufacture, exhibition, destruction, or transfer to Customs territory of is mixed or combined with merchandise, including packing and repair materials, except: 1) when it is mixed or combined with merchandise in another zone status; or 2) upon order of the Commissioner of Customs. When the Commissioner orders a permit will be received and processed. Return of merchandise to Customs territory. Upon compliance with the provisions of the U.S. Customs and Border Protection Regulations, any domestic status merchandise may subsequently be returned to Customs Territory free to quotas, duty or tax.

B). *ZONE-RESTRICTED MERCHANDISE:* Merchandise taken into a zone for the sole purpose of exportation, destruction (except destruction of distilled spirits, wines, and fermented malt liquors), or storage will be given zone restricted status on proper application. That status may be requested at any time the merchandise is located in a zone, but cannot be abandoned once granted. Merchandise in zone-restricted status may not be removed to Customs territory for domestic consumption except where the Board determines the return to be in the public interest. *Application for zone-restricted status will be made on Customs Form 214.* If the applicant desires a zone-restricted status in order that the merchandise may be considered exported for the purpose of any Customs law, all pertinent Customs requirements relating to an actual exportation shall be complied with as though the admission of the merchandise into the zone constituted a lading on an exporting carrier at a port of final exit from the U.s. any declaration or form required for actual exportation and a copy of the approved Customs Form 214 may be accepted in lieu of any proof of shipment required in cases of actual exportation. If the merchandise is to be considered exported for the purpose of any Federal Law other than the Customs laws the district Director shall be satisfied that all pertinent laws, regulations, and rules administered by the Federal agency concerned have been complied with before the Customs Form 214 is approved. Merchandise entered for warehousing and transferred to a zone, other than temporarily for manipulation and return to Customs territory as provided for in 146.33, will have the status of zone-restricted merchandise

when admitted into the zone. The application on Customs form 214 will state that zone-restricted status is desired for the merchandise.

B) NONPRIVILEGED FOREIGN MERCHANDISE, - All of the following will have the status of nonprivileged foreign-merchandise: a) FOREIGN MERCHANDISE. Foreign merchandise properly in a zone which does not have the status of privileged foreign merchandise or of zone-restricted merchandise. b) WASTE. Waste recovered from any manipulation or manufacture of privileged foreign merchandise in a zone; and c) Certain domestic merchandise. Domestic merchandise in a zone, which by reason of noncompliance with the regulations in this part has lost its identity as domestic merchandise, will be treated as foreign merchandise. any domestic merchandise will be considered to have lost its identity if the district Director determines that it cannot be identified positively by Customs officer as domestic merchandise on the basis of an examination of the articles or considered of any proof that may be submitted promptly by a party-in-interest.

C) PRIVILEGED FOREIGN MERCHANDISE. Foreign merchandise which has not been manipulated or manufactured so as to effect a change in tariff classification will be given status as privileged foreign merchandise on proper application to the district director. Each applicant for this status shall submit to the District Director, with the application, and invoice notated as provided for in 141.90 of the Customs Regulations. Upon receipt of the application and accompanying invoice, the District Director may examine the merchandise to determine whether to approve the publication. The merchandise will be subject to classification and valuation as provide in 146.65 of the Customs Regulations.

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

D) RE-EXPORTS OR RESHIPMENTS.-Merchandise from one foreign country initially destined to the United States which, after being unladen, stored, and/or manipulated or manufactured in this country, is transported under a new bill of lading or

other new documentation to another foreign country. The term is particularly applied to reexports or reshipments through a Foreign-Trade Zone. It includes privileged, nonprivileged, or zone-restricted foreign merchandise which (1) is in the same condition as when transported into the United States, or (2) has been manipulated without change in its form or nature or (3) has been manufactured or processed in such a manner as to change its form, whether or not mixed with domestic merchandise, provided the domestic merchandise is not a component part or substantial ingredient thereof. Generally, it includes all merchandise of foreign origin which has not been so manipulated or manufactured as to be deemed a product of the United States, and which has not been released from Customs custody into Customs territory.

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

STORAGE- The keeping of merchandise in or upon the premises within the Foreign-Trade Zone. Covered storage means keeping within a covered and enclosed structure affording weather protection. The term 'storage', without other destination, ordinarily implies covered storage

WAREHOUSE.- A covered and enclosed structure, affording weather protection, used primarily for short or long term storage of merchandise, and often containing business offices. In a Foreign-Trade Zone it also is used for manipulation, manufacture, and exhibition of merchandise.

ZONE USERS- A zone user is a corporation, partnership, or person that uses a zone under agreement with the zone grantee or operator for storage, handling, processing, or manufacturing of merchandise in zone status, whether foreign or domestic. (15 CFR 400.2(t) and 19 CFR 146.1(b)). Usually, the zone user is the entity which requests a Customs permit to admit, process, or remove zone status merchandise. In subzones, the operator and user are usually the same entity. They may be permitted by the grantee to construct their own buildings or structures in which they conduct their own business, according to the provisions of 19 USC 81m and 15 CFR 400.28(a)(6). They are sometimes referred to as "tenants", but the more inclusive term "users" is used in this Manual.