

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.

FOREIGN-TRADE ZONE NO. 171

ZONE SCHEDULE

CHARGES, RATES, RULES AND REGULATIONS

APPLICABLE AT

FOREIGN-TRADE ZONE NO. 171

Operating Under Grant of Authority

from the

United States Foreign-Trade Zones Board

to

Liberty County, Texas

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APPLICATION OF RATES, RULES, AND REGULATIONS

The rates, rules, and regulations published in this schedule will apply to all Operators of Foreign-Trade Zone (FTZ or Zone) sites or Subzones under the jurisdiction of FTZ No. 171, except as otherwise provided in this schedule, all general rates, rules, and regulations will apply as published.

I. Overview of FTZ No. 171 and Zone Schedule

Purpose of FTZ No. 171 and Zone Schedule

The FTZ Board granted FTZ No. 171 to the Liberty County Economic Development Corporation (LCEDC or Grantee), on January 4, 1991.

This Zone Schedule is issued by the Grantee in compliance with the U.S. FTZ Board regulations. This Zone Schedule sets forth the operational structure of FTZ No. 171 and the regulations and charges associated with active FTZ operations.

The Grantee's goal is to promote economic development throughout the Zone Service Area. The FTZ has been developed to affect the following objectives:

1. Diversify the economy of the Zone Service Area.
2. Provide enhanced job opportunities for the citizens of the Zone Service Area.
3. Provide a relocation incentive for companies involved in international trade which, if successful, would bring investment, jobs, and commerce to the Zone Service Area.

Taking Advantage of the Benefits of FTZ No. 171

Currently approved Zone sites are listed in Section III of this Zone Schedule. The Zone can be expanded or modified to accommodate interested Zone site Operators and/or importers and exporters located throughout the region, as explained in Section VII and VIII. The actual procedure involved in requesting support for expanding or modifying the Zone is included as Appendix A and B to this Zone Schedule.

There are two ways to utilize FTZ No. 171. A company can have its products handled by a Zone Operator who can store and manipulate the products duty-free in the Zone. The company can itself become a Zone Operator at one of the existing Zone sites or through an Expansion or a Subzone site if none of the existing Zone sites are suitable.

The Grantee charges Zone Operators for the privilege of operating a Zone site. Uniform charges are set forth in Section X. 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 FTZ No. 171

Additional general information concerning the operation of Zone sites and general record keeping requirements are contained in other sections of this Zone Schedule. Obligations and responsibilities of Zone 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.

II. Principal Benefits Provided by FTZ No. 171

Re-exports: Merchandise which is imported into the U.S. for admission into FTZ No. 171 and later re-exported from the Zone is never assessed any Customs duties.

Reject, Scrap, and “Consumed” Merchandise: Imported merchandise which is admitted into a Zone and then rejected, scrapped, or consumed in the Zone is not assessed any duties from Customs. Duties are reduced significantly for all merchandise which is scrapped through a manufacturing operation in a FTZ 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. FTZ 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 their duty exposure. Duties are eliminated completely 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 of duty payment, is moved from the date of importation, 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 FTZ No. 171, they can be manufactured into a new product for re-export or sale in the U.S. In these cases, the importer may 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.

Abatement of State and Local Inventory Taxes: Merchandise which would normally be subject to standard end-of-year inventory tax is typically considered exempt by federal law from state and local ad valorem taxes.

These are just the principal benefits of U.S. FTZ’s. There are many other additional benefits provided by FTZ No. 171, which are usually evaluated on a case-by-case basis. To discuss how your operation could benefit from FTZ use, call Mr. Trey Boring, President, IMSOS at (281) 554-9099.

III. Site Descriptions for FTZ No. 171

FTZ No. 171 is sponsored by the Zone Service Area pursuant to a grant issued by the U.S. FTZ Board on April 17, 2002. The Zone is located on six (6) sites designated in the records of the FTZs Board:

- Site No. 4 Cleveland Municipal Airport Facility, Highway FM 787, Liberty County. The 24 acres are owned by the City of Cleveland and provides access to air, rail and highway.
- Site No. 5 Sjolander Plastics Storage Railyard Facility, adjacent to Highway 146, approximately 2 miles south of Dayton, Liberty County, Texas consists of 583.08 acres.
- Site No. 6 Cedar Crossing - Baytown, Texas. The 200 acres are located within the 13,000 acre Cedar Crossing Industrial Park in the City of Baytown, Chambers County, Texas.
- Site No. 7 75 South Industrial Park, located on the southern side of Huntsville, Texas consists of 199.55 acres.
- Site No. 8 75 North Industrial Park, located on the north side of Huntsville, Texas consists of 103.15 acres.
- Site No. 10 AmeriPort Industrial Park, South FM 565 between FM 1405 and Grand Parkway 99, Baytown, Texas consists of 745.959 acres.
- Site No. 11 Katoen Natie Gulf coast, Inc., located on South FM 565 between Highway 146 and Grand Parkway 99, Baytown, Texas consists of 443.65 acres.
- Site No. 12 Baytown Barge Terminal, LTD. dba Green Barge Terminal, located north of Grand Parkway 99 and east of Cedar Bayou, Baytown, TX consists of 62.37 acres.

IV. Definition of Foreign-Trade Zone Terms and U.S. Customs Forms

Activation: Approval by the Grantee, the Grantee and U.S. Customs for operations and the admission and handling of merchandise in Zone status.

Admission: Physical arrival of goods into the Zone with the approval of the Zone Operator and U.S. 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 through 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 Operator at the same Port, or the relocation of an already-activated site with the same 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 FTZ site or Subzone under the jurisdiction of FTZ No. 171.

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 entry 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 50 States, the District of Columbia, and Puerto Rico, minus any areas within the boundaries of FTZ’s.

Deactivation: Voluntary discontinuation of the Activation of an entire Zone or Subzone by the Grantee or 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.

Developers Agreement: After the approval of the site by the FTZ Board, an agreement between the Developer of the Zone site and the Grantee will be executed. Zone designation cannot be maintained without an executed Developers Agreement.

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 merchandise. Identification shall be maintained in the inventory control system records, generally by description and part or stock number.

Foreign-Trade Zone: A restricted-access site in or adjacent to a Customs Port of Entry operated pursuant to public utility principles under the sponsorship of a corporation granted authority by the FTZ Board and under supervision of the Customs Service. Any foreign and domestic merchandise, except such as is prohibited by law or such as the FTZ 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; such merchandise permitted in a Zone may be stored, exhibited, manufactured, mixed, or manipulated in any manner, except as provided in the FTZ Act of 1934, as amended, and other applicable laws 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 FTZ Act of June 18, 1934 (48 Stat. 998-1003; 19 USC 81a-81u), as amended (the Act).

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

Grantee: A corporation which has the privilege of establishing, operating, and maintaining an FTZ by grant of authority from the FTZ Board. The Grantee for FTZ No. 171 is the County of Liberty, Texas.

Imports: Foreign merchandise of every description (except articles specifically and absolutely prohibited by statute) entered into Customs territory to become a part of the domestic supply for the purpose of domestic commerce or consumption, and particularly that which is entered into Customs territory through the Zone and foreign merchandise which, under the laws and regulations of various other Federal agencies having jurisdiction within the Zone, is said to be “imported” into FTZ’s, 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 the manufacture from other operations such as manipulation, processing, production, and blending. The FTZ 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 FTZ Board before the manufacturing 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 FTZ 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: tobacco, distilled spirits, alcohol, wine and beer (26 USC 5001-5008, 5010); sugar (26 USC 4501-4503); and watch movements (19 USC 1367-1368). Additionally, retail sales are prohibited in a Zone (19 USC 810 & 19 CFR, Part 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 FTZ 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.

Non-Privileged Foreign Status (NPF): Non-Privileged foreign status is a category for merchandise which does not have privileged or Zone-restricted status. Articles composed of non privileged foreign 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.

Operator: A corporation, partnership, or person that operates a Zone or Subzone under the terms of an agreement with the Grantee.

Operator Agreement: Prior to Activation of the site, an agreement between the Operator of the Zone site and the Grantee will be executed. Activation cannot occur without an executed Operator Agreement.

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 (CF) 301. The bond provisions are set forth at 19 CFR 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: U.S. Customs, Houston, Texas. The Port Director is the local representative of the FTZ Board as identified in the FTZ Board regulations and is the authority on all operational and activity-related issues at the Zone.

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 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 Operator or the area boundaries. If the boundaries are different, the action is an alteration. If the Operator is different, it is an Activation.

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

Subzone: 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, unless specified otherwise.

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

Unique Identifier Number (UIN): Customs identifies and defines a UIN as any unique set of alpha numeric characters which is assigned to a category of merchandise, 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. This process is sometimes confused with exportation, which involves removal from the geographic territory of the United States and entry into a foreign country.

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.

Zone-Restricted Status: Articles in Zone-restricted status have been brought to the Zone from Customs territory for the purpose of exportation, destruction, or storage, and are considered exported.

U.S. Customs Forms

214 Application for FTZ Admission and/or Status Designation: Application and permit to approve status and admit merchandise into the FTZ and report of merchandise received at Zone site.

214A The CF 214A Statistical Copy: The CF 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 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 FTZ merchandise.

301 Customs Bond: All Customs bonds utilize this form. The FTZ Operator’s bond provisions are set forth at 19 CFR 113.73.

3461 Entry/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 CF 7501 within 10 working days of release of merchandise. An estimated CF 3461 may be used if the Operator operates under Estimated Production Procedures for Consumption (19 CFR, Part 146.63c) or Weekly Summary entry Procedures (19CFR, Part 146).

5119-A Informal Entry: Entry for goods valued less than One Thousand Two Hundred and Fifty Dollars (\$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 a 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 CF 214, CF 3171, or CF 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 FTZ's and Subzones. CF 349 is used to report and remit the quarterly fees. CF 350 is used to amend prior reports, to request refunds, or to make supplemental payments.

V. Principle Governing Regulations and Agreements

Foreign-Trade Zones Act: FTZ No. 171 is governed by the FTZ Act, 19 United States Code 81a-81u as amended. Copies of the Act are maintained at the office of FTZ No. 171.

Foreign-Trade Zones Board Regulations: FTZ No. 171 is regulated by the FTZ 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 FTZ No. 171 for reference.

U.S. Customs Service Regulations: FTZ No. 171 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 FTZ No. 171 for reference.

Foreign-Trade Zone No. 171 Schedule: All corporations, partnerships, and persons operating within activated Zone space are subject to this Schedule. The FTZ 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 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 Port Director of Customs as the resident representative of the FTZ Board. One copy of this Schedule will be provided to each Operator. Updates will be provided as revisions occur. Additional copies of this Schedule are maintained at the office of FTZ No. 171 for reference.

Foreign-Trade Zone Operator Agreement: Every corporation, partnership, and person seeking to operate a Zone site (including a Subzone) within FTZ No. 171, must enter into an Operator Agreement with the Zone Service Area, as Grantee. Copies of the Standard Operating Agreement are maintained at the office of FTZ No. 171 for reference. If any conflict with this Schedule and any Operating Agreement occurs, the Operating Agreement will prevail.

VI. 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 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 reasonable. In addition, the availability of all said services and facilities is subject to the physical limitations of FTZ No. 171, 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 IX “Activities Permitted in a Zone.”**

Security and Safety Requirements in the Zone: All FTZ sites, 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 Grantee and liquidated damages or notices may be assessed if these requirements are found to be insufficiently met in any way.

No operation or process of treatment will be permitted in the Zone that, in the judgment of the FTZ Board, Customs, or the Grantee, is detrimental to the public interest, health and safety. Cost of special security devices and other requirements will be the responsibility of Operator.

Inventory Control and Record Keeping Systems: All inventory control and record keeping systems employed by Operators within the Zone must meet the requirements of the U.S. Customs Service Regulations. Under the Regulations, each 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, spot checks and audits of Zone facilities. Each system must be capable of producing the following required results:

- Producing 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 and every day proclaimed by the President of the U.S. or the Governor of the State of Texas to be a legal holiday:

New Year's Day	Labor Day
Martin Luther King's Birthday	Veteran's Day
President's Day	Thanksgiving Day
Memorial Day	Day After Thanksgiving
Independence Day	Christmas Day

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 Operator's normal business. Operators will not use or permit the Zone to be used for any other purpose without the prior written consent of the Grantee. Operators will not do or permit anything to be done in or about the Zone which will in any way obstruct or interfere with the rights of other Operators of the Zone.

Proprietary Information: Proprietary information contained on Customs forms or in the inventory control and record keeping systems of 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 except Federal, State, or Municipal officers or agents whose resident presence is deemed necessary by the FTZ Board.

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

Liability of Grantee and Grantee: The Grantee and Grantee 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 Operators.

Record Retention: The 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 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 the merchandise, and securing the crates and packages following the inspection.

VII. Applications to the Foreign-Trade Zones Board

New Zone Sites

If a company is interested in taking advantage of the benefits of FTZ No. 171 at a location other than the currently approved sites as listed in Section IV, the company may request the Grantee to approve sponsorship of the new site, and file an Application for the new location. The process for applying for sponsorship through the Grantee of FTZ No. 171, is included as Appendix A.

Manufacturing Permits

Any activity involving foreign merchandise which causes the merchandise to undergo a substantial transformation which leads to a change in Customs tariff classification while in the Zone must be approved in advance by the FTZ Board. If a company is interested in conducting manufacturing, processing, or assembly operations in an already approved site in the Zone, the company may request that an Application be sponsored by the Grantee for submission to the FTZ Board for approval of the contemplated operation.

Types of Applications to the FTZ Board

There are several types of Applications for new Zone sites:

- Subzone (Manufacturing Requests)
- Expansion to include a new Magnet Site
- Minor Boundary Modification/ Usage-Driven Site designation

Requests to the FTZ Board for manufacturing authority can generally be made as part of an Application for a new Zone site, or they can be filed separately with the FTZ Board for a manufacturing permit at an existing Zone site. Manufacturing requests to the FTZ Board which meet certain criteria are available for fast-track consideration.

Procedures for Filing Applications to the FTZ Board

The Grantee will work with the Applicant to 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 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 A of this Zone Schedule.

VIII. Activation, Deactivation and Alteration of Zone Sites with Customs

Activation

The Grantee will provide a checklist of items necessary to assist an Operator toward Activation of their Zone site with Customs for commencement of Zone operation. This applies to Zone sites that are not currently controlled by an exclusive Operator. The Grantee recommends that an Operator retain a qualified consultant to assist in the management of the Activation process or bring such expertise in-house to properly plan for and implement the Activation and operation of the FTZ site or Subzone. When an Operator desires to activate Zone space, the Operator will complete the following as part of the full Activation procedures outlined in Appendix B:

- 1) Procedures Manual establishing how the Zone site will be operated, in conformance with the Procedures Manual standard maintained by the Grantee.
- 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 operation.
- 3) Request and obtain a letter of concurrence from the Grantee.
- 4) If activity is for manufacturing, a description of the proposed manufacturing activity and a copy of the FTZ Board approval of this activity.
- 5) Operations Agreement, duly executed, between the Operator and the Grantee, covering the Zone site for which Activation is sought.
- 6) A security inspection of the Zone site to ensure security systems are in place as listed in the procedures manual will be conducted by Customs.
- 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 Grantee against any loss or other Customs obligations or costs attributable to operations in the Zone.

Deactivation

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

Alteration

An Operator may increase or decrease the amount of activated space within an authorized Zone site or Subzone by giving five (5) working days advance written notice to the Grantee and to Customs and by applying for alteration which includes a new layout diagram and a letter request for alteration.

Procedures

Specific procedures and estimated time frames for the Activation of a Zone site or sites by a Zone Operator are contained in Appendix B to this Zone Schedule. These procedures apply only to the Activation of Zone sites not currently controlled by an exclusive Operator.

IX. 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 placed in the Zone pending approval for transfer to Customs territory or may be re-exported to a foreign destination.

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

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

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

Retail Trade within Zone: No retail trade will be conducted within a Zone except under permits issued by the Grantee and approved by the FTZ 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 the kinds specifically authorized by the Act which enables the goods to be 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, their permit will be revoked by the 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 Operator will submit a CF 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 Operator's inventory control and record keeping systems.

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

Storage of domestic Status Merchandise: Domestic Merchandise may be stored and manipulated within an FTZ operation.

X. Fee Schedule

The structure of FTZ No. 171 fees meet all regulatory requirements, including those pertaining to the operation of Zones as public utilities. As a public utility, the Grantee is entitled to charge fees to Operators and users in order to recoup the direct and indirect costs of administering the Zone and amortized costs of Zone start-up expenses including a minimal surplus, if possible. The Grantee has authorized these fees to achieve this recoupment over a long period of time, instead of immediately, in an effort to minimize the financial burden on initial Zone Operators.

In accordance with the Grantee's charter, the FTZ has been developed to effect the following objectives:

1. Diversify the economy of the surrounding area.
2. Provide enhanced job opportunities for the citizens of the surrounding area.
3. Provide a relocation incentive for companies involved in international trade which, if successful, would bring investment, jobs, and commerce to the surrounding area.

In order to accomplish these goals, the Grantee has established the following fee structure. The fee structure is intended to encourage FTZ use. **A lack of use or a delay in the utilization of each site is viewed as detrimental to the overall Zone project and is discouraged.** Zone Activation is the outward evidence of Zone use. Therefore, the Grantee may include fees for non-active sites in the coming years to promote and market Zone use.

The fees are divided into two elements: onetime fees and recurring fees. Onetime fees are usually charged only once during the life of an FTZ site, and recurring fees are those charged either each year or every time a site or Operator makes significant changes in its operations or size.

Onetime Fees

Application Fee

The Grantee will review all applications for submission to the FTZ Board. Zone No. 171 is administered in such a way as to allow maximum flexibility, while requiring the maximum quality assurance for all applications and operations. Therefore, the Grantee will review all draft applications for submission to the FTZ Board, to review and modify any draft applications for completeness and to make appropriate corrections to meet quality standards. Other professional firms may prepare various applications to the FTZ Board on behalf of their respective clients, but all applications will be comprehensively reviewed, edited and perhaps modified to meet the highest quality standards as required by the Grantee.

Application fees are to be paid when the Application is submitted for review and sponsorship by the applicant.

SUBZONE APPLICATIONS (Including Manufacturing Requests)	\$ 5,000
EXPANSION APPLICATIONS	\$ 5,000
MINOR BOUNDARY MODIFICATIONS	\$ 3,000

All fees required by the FTZ Board for submission by the Grantee will be payable by the respective applicants for sponsorship, as established by the U.S. FTZ Board, Department of Commerce. The Grantee may allow, where appropriate, for more than one party to split the fees charged by the U.S. FTZ Board.

Activation Fee

An Activation fee will be charged to an Operator when seeking to activate a Zone site. The fee will cover Grantee expenses for the preparation and processing of the Operator Agreement, the Grantee concurrence letter to the U.S. Customs Service, and review of the Activation Request and related documents. This fee does not cover any costs to prepare the Activation Request, which must be borne by the potential Operator.

The Activation fee is Three Thousand Five Hundred Dollars (\$3,500), payable in advance of requesting Activation from Customs (see Appendix B). The Operator will also be responsible for paying any Activation fees required by Customs for such a request, if applicable.

Deactivation Fee

A deactivation fee of Two Thousand Five Hundred Dollars (\$2,500) will be charged to an Operator when seeking to deactivate a Zone site, but will not include temporary deactivation or alteration of a Zone site or Subzone.

Recurring Fees

Annual Fee

The annual fee will cover the administration of the Zone by the Grantee, preparation of the Annual Report to the FTZ Board, and support services from the Grantee staff. Upon Activation, an Operator shall be charged an annual fee. Annual fees for Zone sites.

Subzones or Manufacturing Operators: \$10,000/yr
(Includes any Operator permitted for
Production Authority by the
FTZ Board)

General-Purpose Zone Sites/Operators: \$5,000/yr
(Any Operator conducting business in two or more
Sites or buildings will pay an additional \$2,500 for
each additional Site that is operated)

Annual fees for special uses, large area uses, and enterprise Zone/Revitalization Zone Development projects are subject to negotiation with the Grantee. The annual fee is payable on the date of Customs Activation and annually for each subsequent year the facility remains activated. All annual fees may be adjusted by act of the Grantee at its discretion and following the rules identified by the FTZ Board.

Marketing Fees

A Marketing Fee is payable by each and every land owner or developer of a non-activated Zone Site under the guidelines outlined in section XI of the Zone Schedule. The Marketing Fee is Five Thousand Dollars (\$5,000) annually. These fees will commence March, 1, 2013 for all sites not activated in the Zone project.

Customs Fees

At the time of issue of this 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 Operator of the affected Zone site. However, Customs does charge for overtime and other special services provided at the request of an Operator. Such fees and charges shall be payable by the Operator of the affected Zone site to Customs. Under no circumstances will the Grantee or Grantee be liable or responsible for any such Customs fees or charges.

FTZ Board Fees

Any fees or charges imposed by the FTZ Board shall be payable by the Applicant/Operator of the affected Zone site or as apportioned by the Grantee among the Zone sites. Under no circumstances will the Grantee or 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 Operator who requires the use of such services. Under no circumstances will the Grantee or Grantee be liable or responsible for any other government agencies' fees or charges.

Fines, Penalties, and Notices

U.S. Customs Service fines, penalties, or liquidated damage claims affecting Zone merchandise or Zone activities will be paid by the 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 Grantee or Grantee be liable or responsible for any fines, penalties, forfeiture, or liquidated damage claims.

Further, the Grantee may send an Operator a notice for violation or failure to correct any violation of the FTZ Act, Zone regulations, Customs regulations, this Schedule, or the requirements of the Operator Agreement. The Grantee will issue this written Notice of Violation to the Operator with a written response required from the Operator within seven (7) business days. The Grantee will review the written response for mitigating circumstances and within 15 business days thereafter issue a final decision. Failure of the Operator to reply to the Notice of Violation shall become a breach of the Operator agreement. Nothing herein shall preclude the Grantee from recovering actual damages sustained from Operator's violation or failure to correct such violation.

Enforcement of Charges

Zone fees and charges are due and payable when invoiced. All fees and charges are non-refundable.

Any and all amounts required to be paid by Operator to Grantee, or which are to be paid "with interest" or which Grantee advances on behalf of Operator, which are not paid when due shall bear interest at the following rate: the legal rate provided by law for judgment in Texas plus 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 or prime rate changes. Failure to pay fees and charges in a timely fashion may also result in cancellation of the Operator Agreement, deactivation of the Zone site, eviction, or other remedies deemed appropriate by the Grantee.

XI. Site Management Plan

Sites with no Activated Operators (Activity)

Sites currently approved in FTZ No. 171, which have not yet been activated, will be charged a marketing fee, as identified in Section X of this Zone Schedule, beginning in 2014.

The FTZ Board requires that sites must be activated within five years of their approval. The Grantee and the Grantee are responsible for ensuring that all sites are being marketed to ensure maximum opportunity for Activation. This fee will assist the Grantee and the Zone Administrator with the marketing of the Zone.

New Sites Added after the Implementation of the Zone Schedule (2013) with no Activated Operators (Activity)

Within the first three years after approval of the Zone, private sites are encouraged, but not required, to initiate activity. If no activity has occurred by the end of the third year, the Grantee will send an alert letter at the beginning of the fourth year. A marketing fee will be charged as listed in Section X of the Zone Schedule. In each subsequent year of no Activation, a marketing fee will be charged as listed in Section X of the Zone Schedule.

Appendix A: Procedures for Sponsorship of Applications to the FTZ Board

Submitting an Application to the FTZ Board involves a three-step process.

- § First, a request must be submitted to the Grantee.
- § Second, the request must be reviewed for Grantee sponsorship.
- § Third, the Application must be prepared for submission, submitted, and preparations for Activation must begin.

Step 1 - The Request

Requests to submit any kind of Application to the FTZ Board, including requests for Subzone Sponsorship, Manufacturing/Activity Permit, Expansion, or Minor Boundary Modification, must be made to the Grantee in a simple letter format, including the following information:

- (a) Name of applicant, address, phone number, facsimile number, and name and title of person responsible and authorized for the Application preparation, including financial statement or other evidence/information indicating the applicant's financial ability to make Application and sustain active Zone operations.
- (b) Type of designation sought, i.e., Subzone, Manufacturing, Expansion, or Minor Boundary Modification.
- (c) Brief description of proposed site (acreage, square footage, number of buildings). Include an electronic and hard copy layout/diagram of site.
- (d) For Subzones and Manufacturing Permit Requests, provide a short description of the company, including number of years in existence, product lines, imported items, manufactured goods, number of employees, prior experience with FTZ's, and staff resources to be devoted to Zone activity.

For Expansion Applications and Minor Boundary Modifications a description of the initial activity at or planned for the site, level of marketing committed to develop Operator(s) and/or user(s) which are committed/intend to use the site(s), and a statement as to why this site adds any unique characteristics to the current Zone.

- (e) Completed Cost-Benefits Analysis or an explanation of definitive benefits company or site will yield for needing Zone status. (Not necessary for Expansion Sites)
- (f) The letter should include a statement by the applicant that all fees for Application shall be paid promptly, and that the applicant fully intends on activating, executing a Grantee/Operator or Developer agreement, whichever is applicable.

Step 2 - The Review

All requests to submit Applications will go through a review by the Grantee and approval process which uses the following criteria:

- (a) Operation “qualifies” to become a Zone site or Subzone under federally-established criteria.
- (b) Applicant demonstrates ability and commitment to comply with applicable regulations and activate and operate a Zone site/Subzone.
- (c) Operation demonstrates a clear FTZ need and for Subzones/Manufacturing Permits, the activity meets the public interest criteria, such as sufficient investment, jobs, import substitutions, exports, etc.
- (d) Operations involving trade-sensitive merchandise must show how FTZ benefits outweigh other trade considerations on a national and local scale. Any operations with trade sensitive merchandise may not be viable (due to Commerce Department Policy) and may not qualify for sponsorship.
- (e) Other criteria as may be set by the Grantee.

The review process will take approximately 30 days and the Sponsorship Request will be approved by the Grantee. This approval process may add another 30-60 days. The description of the process is as follows:

1. Applicant submits letter request (Step 1 above) for sponsorship to the Grantee’s office for staff review.
2. Grantee will complete within 30 days, applicant contacted with results and if positive, the Grantee will issue an invoice for the Application Fee.

Step 3 - Application Submission

Submission of an Application to the FTZ Board and Application preparation is a complex process, and close attention must be paid to the relevant regulations.

- (a) The Application must be prepared consistent with FTZ Board regulations. The Application should be professionally prepared according to the guidelines established by the FTZ Board. The Grantee recommends that applicants have experienced staff to complete the Application or to seek professional expertise in preparation. This will save time and expense. The Grantee can provide a list of qualified firms to any applicant upon request.
- (b) Grantee assists in obtaining government support at federal, state, and local levels.
- (c) Grantee provides resolution in support of Application. (See Step 2 above)
- (d) Grantee reviews and, if complete, submits Application to the FTZ Board in Washington, D.C. on behalf of the applicant. If a technical and/or legal review is required, the Grantee will inform the applicant of said cost. If Application is not complete, Grantee will return the Application to the applicant for revision to meet FTZ Board guidelines or strengthen justification arguments.
- (e) Approval and designation by FTZ Board.
- (f) Company prepares for Activation. (See Appendix B)

Appendix B: Procedures for Activation of Zone Sites

In the interest of making Activation as easy as possible for all involved parties, the Grantee established the following procedures for Activation of a Zone site or Subzone. The procedures involve three (3) steps; Request to the Grantee, Approval by the Grantee, and Approval by Customs.

1. Request Letter to the Grantee for Activation

Before an Activation request can be made to Customs, the Operator must have the Grantee's permission for Activation.

1. Request permission through a Request Letter to Grantee, including:
 - (a) Facility size and location.
 - (b) Description of the area to be activated.
 - (c) Activities to be conducted, specifying product.
 - (d) Statement that Operator has or will have a system in place to manage the Zone inventory according to Customs regulations.
2. The Grantee reviews the request and if the Operator appears to meet the qualifications, the Grantee will issue an invoice for the Activation Fee. Once paid, the Grantee will allow an Operator desiring to activate to receive a conditional letter to the applicant, so that the applicant can begin the Activation process of submitting the background investigation forms to U.S. Customs. If the request is rejected for cause, Grantee will advise the reason(s).

2. Approval by Grantee for Activation

The process for executing the Operator agreement takes approximately 60-90 days. The process for having an Operator agreement executed and approved by the Grantee, which results in a Final Grantee concurrence letter as well as the signed Operator Agreement is as follows:

1. Applicant submits Request Letter (Step 1 above), executes the Operator Agreement, and pays the Activation Fee.
2. Grantee review completed within 30 days and placed on the agenda for the LCEDC.
3. LCEDC approves Grantee's recommendation, resulting in execution of the agreement and Grantee concurrence letter.

3. Application to Customs for Activation

1. Grantee reviews the Activation Request package and if complete, provides the signed concurrence letter. If Activation Request package is not complete, Grantee will return the package to the company for revision.
2. The applicant must submit an Application to the Port Director for Activation, which includes:
 - (a) A description of all sites included.
 - (b) A description of any operation to be conducted therein.
 - (c) A statement of the general character of the merchandise to be admitted.
 - (d) Completed Customs Form 5106 (Importer ID Input Record).
 - (e) Completed Background Check Forms on all officers and managing officials.
 - (f) Customs bond form 301.
 - (g) Physical and procedural security survey.
 - (h) A detailed blueprint of the FTZ site with the area to be activated outlined in red.
 - (i) A Procedures Manual detailing the inventory control and record keeping system that will be used in the Zone, including a description of any special procedures.
 - (j) Grantee concurrence letter.
 - (k) Special Request Letter, for any approvable procedures sought.
3. The complete Application requesting Activation of a site in FTZ No. 171 should be forwarded to the Port Director of U.S. Customs. Submit a copy to the Grantee.

4. Activation Approval

1. Notification, in writing, from Customs with approval/denial of request. At this time, Customs will specify the amount of Operator Bond*. Grantee Bond may be required for the same amount. Annual fee to the Grantee is due when the Customs letter is received.
2. Obtain Operator and Grantee Bond.
3. Grantee Annual Fee is due and payable upon filing of the Operator Bond.

The Grantee will work with the applicant in obtaining all approvals necessary to commence Zone operations, which could include interfacing with the US CBP and other agencies.

* Amount is determined by Customs, based upon the average value of inventory and the Customs duties payable, minimum One Hundred Thousand Dollars (\$100,000).

Appendix C:

Issuance of Official Inventory Tax Policy for Foreign-Trade Zone No. 171

By this policy statement the Grantee of Foreign-Trade Zone (FTZ or Zone) No. 171 is outlining the definitions of the Inventory Tax Policy as outlined by the Foreign-Trade Zones Board (FTZ Board) Regulations 15 CFR 400.1(c). “Foreign merchandise (tangible personal property) admitted to a Zone and domestic merchandise held in a Zone for exportation are exempt from certain state and local *ad valorem* taxes (19 U.S.C. 81o(e)).”

By this definition, the regulations and the Grantee require a Zone Operator to be activated with The Bureau of Customs and Border Protection (Customs) inside an approved FTZ site. The Zone Operator must “admit” the merchandise into a Zone under Zone procedures outlined in 19 CFR 146, in order to access the Inventory Tax benefit allowed under the federal law. The inventory that qualifies for the Inventory Tax benefit is defined as those items that are foreign in their origin and domestic merchandise held for export within an activated Zone site.

1. Definition of foreign merchandise is any merchandise that is manufactured outside the United States. The evidence required for qualification under this definition is any one of the following: An original invoice identifying the country of origin of the merchandise or a copy of a Customs document that identifies the country of origin of the merchandise.

The Customs document can be a Customs entry into the United States (CF3461), a Zone Admission form (CF214), Customs In-Bond Transportation Form (7512) or any other official Customs document that carries a statement of the merchandise’s country of origin.

2. Definition of domestic merchandise held for exportation is any merchandise manufactured within the United States that is held in the Zone specifically for exportation outside the United States and its related territories. The evidence required for qualification under this definition is any one of the following: A purchase order for a customer outside the United States or its related territories, a sales agreement showing the commitment to purchase the merchandise by a foreign customer, or any definable determination showing the merchandise is destined for exportation.

It is the intention of the Zone Grantee to outline the processes and requirements for accessing the Inventory Tax benefit in order to eliminate any confusion with the Zone Operators and the local taxing authorities. The definitions and requirements enclosed in this document are taken from the FTZ Board Regulations as outlined above. This policy is subject to all Federal Regulations at all times.