

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

RULES, REGULATIONS, RATES, AND CHARGES APPLYING AT:

UNITED STATES FOREIGN-TRADE ZONE NUMBER 295

**Operating under authority granted by the Foreign-Trade Zones
Board, Washington, D.C., on January 4, 2016, to the Pennsylvania
Foreign-Trade Zone Corporation**

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**2016
The Pennsylvania Foreign-Trade Zone Corporation**

ISSUED: January 2016

EFFECTIVE: January 2016

ISSUED BY: Pennsylvania Foreign-Trade Zone Corporation

WELCOME TO SOUTH-CENTRAL PENNSYLVANIA!

The Pennsylvania Foreign-Trade Zone Corporation (PAFTZ) was established to bring the U.S. Foreign-Trade Zones program to south-central Pennsylvania; known as the Southern Alleghenies Region. Counties included in our Alternative Site Framework (ASF) service area are Bedford, Blair and Cambria. Transportation into and out of the region is excellent, bolstered by four limited access highways (Interstates 70/76, 99, and US Routes 22 and 219), three railroad lines (Norfolk Southern, CSX Transportation, and AmTrak), and two commuter airports (Johnstown-Cambria County and Altoona-Blair County).

The Washington, DC metro area is only a two-hour drive from the region. The significant growth and expansion occurring in Washington is reaching northwest directly toward the PAFTZ service area, creating a growing source of opportunity for our area businesses.

The region has great diversity with regard to energy. Our location within the Marcellus Shale region ensures excess natural gas will be available for the foreseeable future and several electric generation developers have identified locations for new plant development. Six (6) wind farms host 163 turbines generating approximately 356 megawatts of power. This gives our businesses unbeatable access to sustainable, low-cost power. The hard working/dedicated workforce in the area is well-known for its work ethic and puts that energy to productive use.....

In addition to these attributes attractive to today's employers is our growing focus on entrepreneurship. With immediate access to the University of Pittsburgh at Johnstown, Saint Francis University, Mount Aloysius College, Penn State Altoona and Pennsylvania Highlands Community College, business and community leaders are partnering with college leaders to foster and facilitate entrepreneurship by students and faculty. This vital link to the workforce of the future complements the lower cost-of-doing-business in south-central Pennsylvania to create a great location companies looking to do business. We look forward to working with you.

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DESCRIPTION OF FOREIGN-TRADE ZONE NO. 295

Pursuant to a Grant issued by the Foreign-Trade Zones Board, Washington D.C., as Board Order No. 1993 the Pennsylvania Foreign-Trade Zone Corporation (PAFTZ), Foreign-Trade Zone No. 295, has issued the following Zone Schedule on rules, regulations, rates and charges. The PAFTZ submitted an Alternative Site Framework (ASF) application under the provisions of the Foreign-Trade Zones Act (19 U.S.C. 81a-81u), which was approved by the Foreign-Trade Zones Board on January 4, 2016. Foreign-Trade Zone No. 295, which is operated as a public utility under Foreign-Trade Zones Board Regulations, has offices located at 479 Airport Road, Suite 2, Johnstown, Pennsylvania 15904.

The area PAFTZ intends to serve with ASF procedures encompasses three (3) south-central Pennsylvania counties including Bedford, Blair and Cambria. Companies located in other surrounding counties will be able to pursue program procedures through the Traditional Site Framework (TSF), as long as US Customs and Border Protection will agree to service the site.

SECTION I – BACKGROUND OF THE SERVICE AREA

The area PAFTZ intends to serve with ASF procedures encompasses three (3) south-central Pennsylvania counties including Bedford, Blair and Cambria. Companies located in other surrounding counties will be able to pursue program procedures through the Traditional Site Framework (TSF), as long as US Customs and Border Protection will agree to service the site. Concerning geography, the region is located on the Allegheny Plateau, which lies within the Appalachian Mountains of the United States. Topography is a mixture of low, rugged, mountain ranges, rolling countryside, and river valleys. The climate is entirely within the continental climate zone and experiences four seasons, which can vary based on elevation. Having primarily mountainous terrain, summers are cooler and somewhat less humid. Autumn is moderate, while winter is cold and snowy. Average July high temperatures run in the low 80's, with January's lows in the high teens. Average annual rainfall is 44.5 inches and snowfall comes in at 65.2 inches. Average elevation is 1,937 feet above sea level.

Transportation into and out of the region is bolstered by five (5) limited access highways, three (3) railroad lines and three commuter airports. East/west highways include Interstates 70/76 and 80, as well as US Route 22. Primary north/south roads include Interstate 99 and US 219. Norfolk Southern Corporation, CSX Transportation and Amtrak provide freight and passenger service respectively. The three airports are Johnstown-Cambria County, Altoona-Blair County and University Park airports.

There are three population centers based around the cities of Johnstown in Cambria County, Altoona in Blair County and the Borough of Bedford in Bedford County. Overall, the 2014 US Census Bureau population estimate for all three counties is 312,633. In general, the Region is mostly rural located within 90-minutes of Pittsburgh to the west, and Harrisburg to the east and the Washington, DC metro area. The significant growth and expansion occurring in Washington is reaching northwest directly toward the PAFTZ service area. The historical character of the workforce of the region is linked to mining coal, producing steel, building/operating railroads and agriculture. This hard working/dedicated workforce is now in transition, moving toward advanced manufacturing, warehouse-distribution, professional services and healthcare. The civilian labor force hovers around 146,000 persons for the three county region.

Top ten (10) industry sectors include: 1-Health Care & Social Assistance; 2-Retail Trade 3-Manufacturing; 4-Accommodation & Food Services; 5-Education Services 6-Transportation & Warehousing; 7-Public Administration; 8-Construction; 9-Administration, Support, Waste Management & Remediation and 10-Wholesale Trade. Average hourly wages is \$ 19.99; weekly salary is \$ 800 and annual salary is \$ 41,574.

Our region has great diversity with regard to energy. Being located in the middle of the Marcellus natural gas play ensures more than adequate amounts of natural gas will be

available. Several electric generation developers have identified locations for new plant development. Six (6) wind farms host 163 turbines generating approximately 356 megawatts of power.

Beyond our region's many attributes, is a growing focus on entrepreneurship. Centering around institutions of higher learning, including the University of Pittsburgh at Johnstown, Penn State-Altoona, Saint Francis University, Mount Aloysius College and Pennsylvania Highlands Community College, business and community leaders are partnering with college leaders to foster and facilitate entrepreneurship by students and faculty. In educating business formation concepts, it is hoped students, especially local men and women, will participate in value creation, bring products or services to market, then own and operate small businesses in their home communities. This linkage shows how the lower cost-of-doing-business in south-central Pennsylvania has merit and is a very positive attribute for companies looking for a great location.

SECTION II - OVERVIEW OF FOREIGN-TRADE ZONES

Foreign-trade zones (zones) are restricted-access sites in or near ports of entry, which are licensed by the Foreign-Trade Zones Board and operated under the supervision of U.S. Customs (see, 19 C.F.R. Part 146). Authority for establishing these facilities is granted to qualified corporations. Applications submitted to the Foreign-Trade Zones Board for grants of authority must show the need for zone services and a workable plan that includes suitable facilities and financing.

Zones are operated under public utility principles. Zone Grantees usually contract with private firms to operate their own facilities or provide services to zone users. Zones have as their public policy objective the creation and maintenance of employment through the encouragement of operations in the United States that, for Customs reasons, might otherwise have been carried on abroad. The objective is furthered particularly when zones assist exporters and re-exporters, and usually when goods arrive from abroad in an unfinished condition for processing here, rather than being completed overseas.

Foreign and domestic merchandise may be moved into zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacture or other processing. The usual formal Customs entry procedure and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer ordinarily has a choice of paying duties either on the original foreign material or the finished product. Quota restrictions do not normally apply to foreign goods stored in zones, but the Foreign-Trade Zones Board can limit or deny zone use in specific cases on public interest grounds. Domestic goods moved into a zone for export may be considered exported upon entering the zone for purposes of excise tax rebates and drawback. "Subzones" are a special-purpose type of ancillary zone authorized by the Foreign-Trade Zones Board, through grantees of public

zones, for operations by individual firms that cannot be accommodated within an existing zone when it can be demonstrated that the activity will result in a significant public benefit and is in the public interest. Foreign merchandise and domestic merchandise for export in a zone are exempt from state and local ad valorem taxes. (15 C.F.R. § 400.1(c)).

More detailed information is contained in the Foreign-Trade Zones Act - 19 U.S.C. 81a-u; Foreign-Trade Zones Board Regulations - 15 C.F.R. Part 400; and U.S. Customs Regulations - 19 C.F.R. Part 146.

SECTION III - APPLICATION OF RULES, REGULATIONS AND RATES

Section III.0 – Application and Interpretation of Foreign-Trade Zone No. 295, Zone Schedule

The rules, regulations and rates of this Zone Schedule shall apply at Foreign- Trade Zone No. 295, its subzones, usage-driven, magnet and annex sites unless otherwise provided. PAFTZ as the 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 or other agency of the U.S. Government will be determined by the Port Director of Customs, with the concurrence of the Foreign-Trade Zones Board. Where applicable, the Foreign-Trade Zones Board and U.S. Customs Regulations shall prevail should any conflict arise with this schedule.

Section III.1 – Regulations - Foreign-Trade Zones Board

Foreign-Trade Zone No. 295 is regulated by the special regulations of the Foreign-Trade Zones Board as defined in the U.S. Code of Federal Regulations, Title 15, Chapter IV, Part 400-Regulations of the Foreign-Trade Zones Board. Copies of these regulations are available for review and download at: <http://www.gpo.gov/fdsys/search/pagedetails.action?collectionCode=CFR&searchPath=Title+15%2FSubtitle+B%2FChapter+IV%2FPart+400&granuleId=CFR-2012-title15-vol2-part400&packageId=CFR-2012-title15-vol2&oldPath=Title+15%2FSubtitle+B%2FChapter+IV%2FPart+400&fromPageDetails=true&collapse=true&yrcord=800> .

Section III.2 – Regulations - U.S. Customs and Border Protection

Foreign-Trade Zone No. 295 is subject to special U.S. Customs regulations as defined in U.S. Code of Federal Regulations, Title 19, Chapter I, Part 146-Foreign- Trade Zones. Copies of these regulations are available for review and download at <http://www.gpo.gov/fdsys/search/pagedetails.action?collectionCode=CFR&searchPath=Title+19%2FChapter+I%2FPart+146&granuleId=CFR-2012-title19-vol2-part146&packageId=CFR-2012-title19-vol2&oldPath=Title+19%2FChapter+I%2FPart+146&fromPageDetails=true&collapse=true&yrcord=1440> .

Section III.3 – Public Utility Standards

Pursuant to Foreign-Trade Zones Board Regulation, the zone must be operated as a public utility. All rates and charges for all services or privileges within the zone shall be fair and reasonable, and the Zone Grantee and Zone Operator(s) 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 regardless of whether a zone participant has processed any zone related product or engaged a particular service provider. (15 C.F.R. § 400.43). The Zone contains buildings available for sale or lease, and open land suitable for construction, to ensure that the reasonable zone needs of the business community are being met. The buildings are equipped to provide storage, manipulation, manufacturing, and other office space for individual companies to act as their own Operator within their own facility. Additionally, there are buildings available, or land available for construction, that would accommodate a third party provider public warehouse building or buildings, making zone services available to those companies who did not wish to lease or purchase their own building, or physically handle their own merchandise while within the foreign-trade zone site. In this manner, the PAFTZ provides the community the opportunity for a wide range of firms to be accommodated under public utility principles.

Section III.4 - Uniform Treatment Standard

Any company that prepares an application to be filed with the Foreign-Trade Zones Board shall be sponsored by this Grantee organization unless that company is in a business that will harm other domestic companies, includes information in its application that is detrimental to the local community, or is not deemed to be in the general public interest.

Section III.5 – Property Ownership

The Pennsylvania Foreign-Trade Zones Corporation may choose whether to seek to renew zone status at its discretion for a property if it is not activated within its promulgated sunset period. Zone status is a “privilege,” not a “right,” which is provided to Grantees only in the Foreign-Trade Zone Act. Property owners are not specifically included, and the Foreign-Trade Zones Board does not have the legal right to grant them the privilege of zone status.

SECTION IV - SECURITY PROCEDURES

Section IV.0–Background Investigation

In order to permit U.S. Customs to complete an activation request, a background investigation on the qualifications, character and experience of key employees and principal officers who will be involved in the operation of the zone must be completed. A list of each individual, including full names, addresses, social security numbers, and dates and places of birth or a completed CBPF 3078 may be required by U.S. Customs in order for them to perform this investigation. (19 C.F.R. §146.6(c)) U.S. Customs may consult with U.S. Immigration and Customs Enforcement (ICE) to complete the background checks.

Section IV.1—Employees and Persons Entering and Leaving Activated Portion of Zone

Persons desiring admittance to the zone shall make application to the Zone Operator and shall be bound by the Foreign-Trade Zones Board and U.S. Customs Regulations and the rules of the Zone Operator. The identification badge issued must be worn and shown upon request. Upon leaving the zone, any temporary pass must be surrendered. All persons having business in the zone will enter and leave at the prescribed pedestrian entrances and be subject to examination as deemed necessary for the protection of the Customs revenue.

Section IV.2—Identification of Employees Within Activated Portion of Zone

Every employee on duty within the zone and in connection with the operation of the zone shall be required to adhere to the security procedures established by the Zone Operator. All persons having business within the zone, but not possessing appropriate zone-issued badges, passes, or other approval to enter the zone, shall apply for the appropriate approval and entry identification at the Zone Operator's office. A visitor's log will be maintained by the Zone Operator and will contain the date, name, firm, person to be visited, and pass number for each visitor permitted to enter the zone.

Section IV.3—Physical Facilities

All merchandise stored in the zone will be stored in a safe and sanitary manner. Aisles will be established in storage areas and may be changed from time-to-time. All entrances shall be left unblocked. Trash and waste shall be promptly removed from the zone. All local, state, and federal health laws shall be observed to ensure protection of public safety. (19 C.F.R. § 146.4 (f)).

SECTION V - OPERATION OF ZONE

Section V.0—Activation

Pursuant to U.S. Customs regulations, all or any portion of the zone approved by the Foreign-Trade Zones Board may be approved by the Port Director of Customs with activation concurrence from the Zone Grantee for foreign-trade zone operations and for the admission, handling, and shipment for import or export of merchandise in zone status. All procedures of U.S. Customs shall be followed. (19 C.F.R. § 146.6).

Section V.1–Boundary Modification

The Zone Grantee may submit to the Foreign-Trade Zones Board an Application to modify the boundary of an existing zone or subzone or to add a new site under the ASF. The procedure is administrative at the Foreign-Trade Zones Board without a Federal Register notice. (15 C.F.R. § 400.24(c)). No fee is owed the Foreign-Trade Zones Board.

Section V.2–Construction of Buildings and Facilities Within a Zone

The Zone Grantee may, with the approval of the Foreign-Trade Zones Board, permit other persons, firms, or corporations to erect buildings and other structures within an approved zone as will meet their particular requirements. The Foreign-Trade Zones Board statute and regulations contain certain requirements. All security related construction should be in accordance with U.S. Customs requirements and the building activated by U.S. Customs prior to use for zone activity. The Foreign-Trade Zones Board must be notified of all such construction in a general-purpose foreign-trade zone that was not approved in the original Application. Notification will occur with the Annual Report to the Board. If production authority within a general-purpose zone is requested, notification will occur with Production Notification approved by the Foreign-Trade Zones Board. In a foreign-trade subzone, or general-purpose zone operation with production authority, all such construction not approved in the original Application must be approved by an Application to the Foreign-Trade Zones Board in advance of any zone activity. (19 U.S.C. §81m)(15 C.F.R. § 400.13(a)(2)).

Section V.3–Deactivation

A Zone Operator may file a request with the Customs Port Director to deactivate all or a portion of an existing activated zone or subzone. As a consequence, the Zone Operator shall cease to admit merchandise into the zone site in zone status. Final action and disposition of the merchandise must be made with the concurrence of the Customs Port Director.

Section V.4–Disposition of Merchandise in a Zone

In general, merchandise lawfully admitted to a zone may, in accordance with these and other regulations made under the provisions of the Act be sent into Customs territory of the United States, destroyed or exported. (19 C.F.R. § 146.71).

Section V.5—Exclusion from Zone of Goods or Process of Treatment/Grant Restrictions

When it shall be reported to the Foreign-Trade Zones Board that any goods or process of treatment is detrimental to the public interest, health, or safety, the Foreign-Trade Zones Board shall cause an investigation to be made, as it may deem necessary. No operation or process of treatment will be permitted in the zone that in the judgment of the Foreign-Trade Zones Board or the Zone Operator is detrimental to the public interest, health, or safety. (15 C.F.R. § 400.13). Normally, the Foreign-Trade Zones Board issues a Grant Restriction by means of a Board Order governing such activity. Grant Restrictions are restrictions or conditions placed in a Grant or other approval by the Foreign-Trade Zones Board that may limit the zone status allowed, the kind of operation or the merchandise in a zone, the entry of merchandise into the commerce, the life of the Grant, or the amount of acreage allowed to be activated. See also the definition of Restricted Merchandise/Operations.

Section V.6—Forms, Procedures and Operations in a Zone

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, compliance with requirements of other Federal Agencies, the subsequent importation of merchandise, the exportation of merchandise from a zone, and other operations in a zone authorized by the Act are all controlled by U.S. Customs Forms or forms of other Federal Agencies.

Section V.7—Grant Sale/Conveyance, Transfer, Assignment, Etc.

The Foreign-Trade Zone Grant of Authority may not be sold, conveyed, transferred, set over, or assigned (FTZ Act, Section 17; 19 U.S.C. 81q). (15 C.F.R. § 400.13(a)(7)). Application may be made to the Foreign-Trade Zones Board to reissue a Grant under certain conditions.

Section V.8—Hours of Business and Service

The Zone Operator shall prescribe hours of business and service, for U.S. Customs purposes.

Section V.9—Independent Contractor Status

Zone Grantee, Zone Operator, and any future Zone User are not and shall not be considered as joint ventures, partners, or agents of each other, and none shall have the power to bind or obligate the other except as set forth in any written agreements. Zone

Grantee, Zone Operator, and any future 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 except as set forth in any written agreements.

Section V.10–Lapse/Sunset Provision

The grant of authority for every general-purpose zone or subzone may lapse if it is not activated and in operation within the sunset time prescribed in the Foreign-Trade Zones Board Order (15 C.F.R. § 400.13(a)(4)). All zone operators in general-purpose zone sites are subject to sunset provisions. A usage-driven site operator must demonstrate zone activity within three (3) years or lose zone status. If an operator is located in a magnet site, the operator or another operator in the magnet site must activate a portion of the magnet site within five (5) years. Failure to meet the sunset provisions will result in automatic deletion of zone status. The Pennsylvania Foreign-Trade Zone Corporation as Grantee will not be held liable for any difficulties this may create for an operator.

Section V.11–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, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated or be manufactured.

(a) Permission for any manipulation, manufacture, destruction, or exhibition in a zone shall be obtained from the Port Director of Customs, as the representative of the Foreign-Trade Zones Board, subject to such application and procedure prescribed by the Secretaries of the Treasury and Homeland Security for the protection of the revenue by means of a CBPF 216.

(b) For production (manufacturing/processing), a second request must be made in advance to the Foreign-Trade Zones Board for production operations. This may include certain “kitting” operations even where there may not be a change in HTSUS classification. Any new production operation beyond the scope approved in the Grant of Authority must be authorized by the Foreign-Trade Zones Board. See generally 15 C.F.R. 400.14(a). The Foreign-Trade Zones Board must be notified if sourcing changes occur with an approved manufacturing activity involving new foreign materials subject to quotas or inverted duty benefits. (15 C.F.R. §400.14(a)). In a general-purpose zone, expedited action can be secured for production activity. In existing general-purpose zone sites and subzones, Interim Production Authority may be secured if U.S. Customs based in either the Port of Pittsburgh or Harrisburg will issue a concurrence letter stating the Company is ready to activate or begin the new production activity.

(c) In the event of the denial of any application by the Port Director for any reason, the applicant, the Zone Grantee, or the Zone Operator of the zone may appeal the adverse ruling. If any revenue protection considerations are involved in such an application, the

Foreign-Trade Zones Board shall be guided by the determinations of the Secretary of the Treasury.

Section V.12—Merchandise Permitted in a Zone

Foreign and domestic merchandise of every description, except such as is prohibited by law, may without being subject to the Customs laws of the United States, except as otherwise provided in the Foreign Trade Zones Act and the regulations made thereunder, be admitted into a zone.

(a) Merchandise that is specifically and absolutely prohibited by law shall not be admitted into a zone. Any merchandise so prohibited by law that is found within a zone shall be disposed of in the manner provided for in 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. Port 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 Port 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. See 19 C.F.R. § 146.31(a) and (b).

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 Port Director of Customs as the representative of the Foreign-Trade Zones Board on a CBPF 214.

(c) For definitions of Prohibited and Restricted Merchandise, see A-3.

Section V.13—Retail Trade Within Zone

No retail trade shall be conducted within a zone except under permits issued by the Foreign-Trade Zones Board. Duty paid and domestic merchandise may be sold in a foreign-trade zone under certain circumstances. Contact the Zone Grantee for more detailed information.

Section V.14—Scope of Authority

Foreign-Trade Zone No. 295 is authorized by Foreign-Trade Zone Board Order Number 1993 to undertake the activities set out therein. The Foreign-Trade Zones Board must authorize all production activity. This includes “kitting” operations where finished products are packaged together for sale. Any change in imported materials and finished products for such activity must also be authorized to only undertake those activities approved by the Foreign-Trade Zones Board. Zone Operator/User shall promptly notify the Zone Grantee of any activity requiring Foreign-Trade Zones Board notice and authorization.

Section V.15–Sponsor of New Zone or Subzone

The Zone Grantee may in its sole discretion decide to sponsor a new zone or subzone project and its Application to the Foreign-Trade Zones Board. In order to make its determination, the interested party must submit, in letter form to the Grantee, sufficient data in summary form as required in an Application to the Foreign-Trade Zones Board. (15 C.F.R. § 400.14(a), 400.22, 400.25, 400.37). If the Zone Grantee decides to sponsor the proposed project, the Application must be prepared at the cost of the applicant.

Section V.16–Status of Merchandise in a Zone

For the purposes of the Act and the regulations relating to this Section, all merchandise within a zone, except merchandise in transit through a zone as provided in U.S. Customs Regulations, and except merchandise temporarily transferred to a zone for manipulation under Customs supervision pursuant to Section 562, Tariff Act of 1930, as amended, shall be given a zone status on a CBPF 214 document. Any changes to the zone status must be made on a CBPF 214 and approved by the U.S. Customs. For definitions see A-3.

Section V.17–Subsequent Importation of Zone Merchandise

Articles produced 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 produced 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. (19 C.F.R. § 146.67(e)). Contact the Zone Grantee for more detailed information on this topic.

Section V.18–Termination-Accrued Obligations/Survival

All Zone Operator/Users will specifically acknowledge and agree that, upon termination or expiration of tenancy in the foreign-trade zone for any reason whatsoever, Zone Operator/User shall not be released or relieved from fulfilling any and all of its obligations or duties which arose or accrued during the term of its zone usage,

and Zone Operator/Users will specifically represent and warrant to PAFTZ that upon termination or expiration of its zone usage for any reason whatsoever, Zone Operator/User shall completely perform and fulfill any and all of its obligations or duties which arose or accrued during the term of its zone use including the immediate preparation and filing of all necessary reports with the Grantee and the U.S. Customs. Specifically, the Zone Operator/User's indemnity obligations, bond obligations, and record and record retention obligations shall survive the termination or expiration of any Agreement and/or zone activity for any such reason. Zone Grantee may require the tender of all such records for safekeeping.

Section V.19–Termination-Bankruptcy

The Foreign-Trade Zone activity or any rights hereunder shall not be subject to involuntary assignment, transfer or sale or to assignment, transfer or sale by operation of law in any manner whatsoever, and any such attempted involuntary assignment, transfer or sale shall be void and of no effect. Without limiting the generality of the foregoing, Zone Operator/User agrees that in the event any proceedings under the Bankruptcy Act or any amendment thereto be commenced by or against Zone Operator/User, and, if against Zone Operator/User, said proceedings shall not be dismissed before either an adjudication in bankruptcy or the confirmation of a composition, arrangement or plan of reorganization, or in the event Zone Operator/User be adjudged insolvent or make an assignment for the benefit of its creditors, or if a writ of attachment or execution be levied against any real or personal property owned or leased by Zone Operator/User within the Zone and be not released or satisfied within 15 days thereafter, or if a receiver be appointed in any proceedings or action to which Zone Operator/User is a party with authority to take possession or control of the business conducted thereon by Zone Operator/User and such receiver be not discharged within a period of 15 days after his appointment, any such event or any involuntary assignment may constitute a termination by the Zone Grantee of the use of the Zone without notice or any other action and also shall terminate all rights hereunder at the discretion of PAFTZ.

Section V.20–Termination-Conviction/Abandonment

Foreign-Trade Zone usage may be terminated if Zone Operator/User shall be convicted under any law of a felony as defined by such law; if the Foreign-Trade Zones Board or U.S. Customs should suspend or terminate Zone Operator/User or the activated status of the zone; or if the Zone Operator/User shall voluntarily abandon, desert, or vacate the premises or discontinue its operations. Zone Operator/User shall immediately provide all records and reports for Zone Grantee, the Foreign-Trade Zones Board, and the U.S. Customs.

SECTION VI - GENERAL RULES AND REGULATIONS

Section VI.0–Agreements

All firms using the services of a Foreign-Trade Zone Operator must enter into an operating agreement with the Operator. All Foreign-Trade Zone or Subzone Operators must enter into an agreement with the Zone Grantee. If there is a conflict between the operating agreement and this Schedule, the agreement will prevail. Copies of the agreements are available from the Zone Grantee/Operator(s).

Section VI.1--Charges

- A. Government Agencies**--Charges made by government agencies are not included in this Zone Schedule and should be arranged by the Zone User or his agent with the government agency concerned.
- B. How Enforced**--For the purpose of enforcing the payment of charges named in this schedule on merchandise in the zone facilities, the zone may take possession of such merchandise, and remove and store same at the charge, risk, and expense of the owner or consignee thereof and/or may sell the goods by public auction, and/or pursue other remedies as may be provided by law.
- C. Service Charges**--Service fees may be charged on all accounts receivable at 30-days age, checks returned due to "insufficient funds" in an account, etc.
- D. When Payable**--Zone charges are due and payable as they accrue.

Section VI.2--Communication, Audits, Inspections and Requests for Information

Zone Operator/User shall inform Zone Grantee of any written or oral communication with U.S. Customs, the Foreign-Trade Zones Board, and any other Federal Agency that involves the merchandise held in the zone with respect to zone activity. Zone Grantee must make all written submissions to the Foreign-Trade Zones Board with respect to Foreign-Trade Zone activity. The Zone Operator/User shall promptly notify Zone Grantee of any oral or written request for information, inspection, spot check, or audit of any kind from U.S. Customs or the Foreign-Trade Zones Board or other reports requested by any government agency and of any audit or investigation commenced by any government agency which directly concerns zone operations, and shall accompany such notification with copies of all letters, requests, reports and investigative documentation to Zone Grantee.

Section VI.3--Confidential Relationship

All foreign-trade zone documentation contains confidential business information that may not be copied or disclosed without the express written permission of the particular party in interest. All information shall be kept confidential except that which is required to be made public by the Foreign-Trade Zones Board or U.S. Customs. The Zone Operator is specifically required by 19 C.F.R. 146.4(d)(3) to maintain all transaction records confidential. This document contains trade secrets and commercial and financial

information relating to the confidential business of private parties. The Trade Secrets Act (18 U.S.C. 1905) provides penalties for disclosure of such information.

Section VI.4–Foreign-Trade Zone Usage

Zone Operator agrees to place the following language in all lease/purchase agreements involving its referenced zone property:

“The Premises are within Foreign-Trade Zone No. 295. If a purchaser, lessee, or tenant wishes to utilize the foreign-trade zone, it must enter into an appropriate Agreement with the Foreign-Trade Zone Grantee or Zone Operator as appropriate”.

Section VI. 5–Government Agencies

Zone Operator/User must comply with all lawful regulations of the United States and the Commonwealth of Pennsylvania. Besides U.S. Customs, many U.S. agencies have specific laws that apply to the import and export of merchandise. The Zone Operator/User and its Customs Broker, if applicable, are responsible for assuring compliance. See also Regulations definition in Section I.

Section VI.6–Governmental Licenses

Zone Operators/Users are responsible to obtain, maintain, and keep current any and all licenses, permits, certificates or other authorizations required by any Federal, State, or local government that are or may be necessary in the conduct of business in or from the zone.

Section VI.7–Insurance

All Zone Operators/Users shall secure and maintain throughout the term of their zone tenancy insurance with requirements and limits as required by the Zone Grantee. Zone Operators/Users must furnish certificates of insurance evidencing the required coverage ten (10) business days prior to the commencement of operations. As appropriate insurance shall include statutory workmen’s compensation, automobile liability, and general liability.

Zone tenancy may be terminated if, at any time, a Zone Operator/User fails to maintain the required insurance for any period of time or fails to comply with any of the insurance requirements. Detailed insurance requirements may be secured from the Zone Grantee/ Operator. Insurance is carried by Zone Operator on its own property only and does not include insurance on the contents stored therein. Zone User is obligated to bring nothing within the zone which will cause the cancellation or forfeiture of the insurance or affect the premium rate thereof on the building or buildings of which the leased premises form a part. If applicable, a list of such materials is available in the office of the Zone Operator. Insurance on commodities or other property stored on the leased premises must be carried by and at the expense of Lessee or owner of the commodities

or other properties. Merchandise stored, manipulated, or transferred within the zone is not insured by the Zone Operator, and the Zone Schedule rates do not include insurance on merchandise.

Section VI.8–Public Interest, Health and Safety

No operation or process of treatment will be permitted in the zone that, in the judgment of the Foreign-Trade Zones Board, Zone Grantee or Zone Operator, is detrimental to the public interest, health and/or safety. Zone management reserves the right to refuse merchandise that would, in the opinion of the zone management, pose unusual or unacceptable problems or hazards to the zone. See also Restricted Merchandise/Operations in A-3. (15 C.F.R. § 400.31(a)).

Section VI.9–Regulations - General

All persons and merchandise of every description entering or leaving Foreign-Trade Zone No. 295 for any purpose whatsoever shall be bound by the lawful regulations of the Foreign-Trade Zones Board and by the Board Order issued thereunder, and U.S. Customs and actions of the Port Director of Customs.

Although zones are outside the Customs territory, most Federal laws apply in zones. The extent to which they apply or do not apply depends on their precise wording, their relationship to the Foreign-Trade Zones Act, and the interpretation thereof by the particular Federal Agency affected. State and local laws apply in zones except to the extent they are preempted or modified by Federal laws. The Foreign-Trade Zones Board and the Port Director of Customs cooperate with Federal, State, and local government authorities in the administration of their laws, regulations, and ordinances. The Zone Grantee, Zone Operator, and Zone Users shall allow such authorities access to the zone to carry out their duties. They are, however, subject to admission and departure requirements as noted herein.

Section VI.10–Regulations - Zone

The rules governing procedure within Foreign-Trade Zone No. 295 are issued in conformity with and supplementary to the Foreign-Trade Zones Board and U.S. Customs regulations and such other United States laws and regulations relating to the Port of Entry as are applicable to Foreign-Trade Zone Operations.

Section VI.11 – Annual Report

ANNUAL REPORT DATA

All Foreign-Trade Zone Annual Reports must be submitted via an online system, OFIS (the Online FTZ Information System). The OFIS reports are broken out in four categories; Grantee, warehouse Operator (non-manufacturing), manufacturing Operator, and oil refinery Operator. The reporting period for the Annual Report is the calendar year

(January 1 through December 31). The due date for submission of the report to the Foreign-Trade Zones Board is March 31st of the year following the reporting period. Operator must submit its report to the Grantee through OFIS and the Grantee, in turn, will use OFIS to submit its zone's report on the entire Zone project to the Foreign-Trade Zones Board. Operator prepares a Foreign-Trade Zones Board Annual Report summarizing all zone activity during the previous calendar year (January 1 through December 31). The information is provided to the Grantee who is responsible for providing an Annual Report to the Foreign-Trade Zones Board on the activity that occurred in their foreign-trade zone project (inclusive of all general purpose zone sites and subzones) pursuant to the Foreign-Trade Zones Act (19 U.S.C. 81a-u) and the FTZ Board Regulations (15 C.F.R. Part 400). The Annual Report is designed to report the flow of merchandise and clarify how foreign-trade zone merchandise is handled by a zone. The Annual Report should only include the value of foreign non-duty merchandise stored within activated portions of a zone and/or the foreign and domestic product used in the manufacturing, processing, or storage of product under zone procedures.

FILING OF REPORT

Operator will input their Annual Report information directly into OFIS. OFIS is available at the Foreign-Trade Zones Board Web site at <http://ita.doc.gov/FTZ/OFISLogin.nsf>. The Grantee is responsible for filing the Annual Report with the Foreign-Trade Zones Board by March 31st of the year following the reporting period. Operator shall input its information into OFIS by February 15th of each year.

SECTION VII - SPECIAL RULES PERTAINING TO MERCHANDISE

Section VII.0—Abandonment, Arrearage, or Insolvency

If merchandise has been abandoned in the zone, or the person in whose account the merchandise is held in the zone apparently has absconded, is insolvent, or is in serious arrears in payments owed to the operator, the operator must take legal action under the laws of the state in which the zone is located to dispose of the merchandise. If the operator is authorized to sell the merchandise in public auction to recover a debt, the buyer will have title in the goods to dispose of them at his or her option. If the merchandise is to be entered for consumption the owner or purchaser will be held liable for any duties, taxes and deficiencies due. Auction sales will be conducted by the zone operator or representative thereof, and not by Customs or a Customs contractor.

Section VII.1—Bureau of Census Reporting

Certain statistical information is necessary to be provided to the Bureau of the Census on all FTZ admission receipts. The Operator shall provide this data to the Bureau of the Census via an e-214 filing.

Section VII.2–Customs Bond

A Customs and Border Protection Form 301, Activity Code 4, is utilized for the Foreign-Trade Zone Operator’s Bond. Provisions are set forth at 19 C.F.R. § 113.73. Any companies that will act as a foreign-trade zone operator must secure a foreign- trade zone operator’s bond in the name of their company.

Section VII.3–Customs Inspection of Merchandise While in Zone

The Zone Operator/User or his agent shall at all times be immediately available to make the merchandise subject to inspection required by U.S. 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 Zone Operator/User or his agent is not immediately available for inspection, then the zone personnel shall be authorized to open such packages for U.S. Customs and shall not be liable for any loss or damage for any reason whatsoever to the goods of the consignee. The Zone Operator/User shall be charged for such services at rates established.

Section VII.4–Customs Permit

Merchandise will not be delivered to or through Customs territory unless the delivery order is accompanied by: a CBPF 3461/7501 (entry for consumption); a CBPF 7512 (entry for transportation, immediate exportation, or transportation and exportation); or appropriate alternate procedures.

Section VII.5–Grantee Knowledge

The Zone Grantee is not obligated to, and does not intend to, monitor the day-to-day activity of the Foreign-Trade Zone. The Zone Grantee shall have no knowledge, actual or constructive, of the quantity, character, status designation, identification, or time of admission, transfer, or release of goods into or from the Foreign-Trade Zone.

Section VII.6–Handling of Merchandise

Zone Operator/User will be responsible for the receipt and verification of all merchandise admitted to the Zone on the proper Customs Forms and for handling of all merchandise having activity being performed under the proper Customs Forms. Zone Operator/User will perform all these functions according to all Customs Regulations that apply to these activities. Zone Operator/User will not allow removal of any merchandise located within the Zone without prior approval from Customs under the applicable laws, rules and regulations of the U.S. Customs.

Section VII.7–Harbor Maintenance Fee

The Water Resources Act of 1986 provides for a Harbor Maintenance Fee to be imposed for commercial use of Ports in the United States. All merchandise arriving at deep-water ports is subject to a fee of .125%. The Applicant for admission is liable for payment of the fee. The filing of the CBPF 349 quarterly is the responsibility of the Zone Operator/User or its Customs broker. The CBPF 350 is used for amendments or refunds.

Section VII.8–Hazardous/Objectionable Commodities

The zone will not be required to accept for storage any commodity that will affect the rate of insurance on other merchandise in storage. Products will not be stored except in locations or areas that are not restricted in the acceptance of any commodity for storage under the insurance rate established on contents stored therein. The Grantee reserves the right to not allow certain merchandise to be stored, processed, or manufactured in the zone.

Section VII.9–Indemnification

Zone Operator/User will protect, indemnify and hold harmless Zone Grantee and its respective Boards, officers, employees and agents from and against any and all actions, suits, proceedings, claims, demands (including attorneys' fees and costs), whether insured or not, arising out of, or incident to, Zone Operator/Users obligations and operations hereunder. Zone Grantee/Zone Operator may require a bond at any time Zone Grantee/Zone Operator deems it necessary to adequately protect the parties indemnified hereby.

Section VII.10–Indemnity Bond

Zone Users shall be required, upon notice by the Zone Operator, to post an indemnity bond executed by a U.S. surety in a form acceptable to the Zone Operator, or other security, payable to the Zone Operator as a guarantee of payment of Customs duty or taxes or other obligations of or to the Zone Operator to protect past, present, or future obligations or liabilities of the Zone Operator.

Section VII.11–Marking

All merchandise handled in the zone, before entry to Customs territory, must be marked in accordance with U.S. Customs regulations as to the country-of-origin and in accordance with all other government regulations. No merchandise will be permitted by Customs to be transferred from the zone for any purpose that is not properly labeled or carries any false or misleading label or mark. A CBPF 216 must be filed and approved by U.S. Customs prior to any repacking and labeling that may occur in the zone.

Section VII.12–Merchandise Processing (User) Fee

The current Customs Merchandise Processing (User) Fee of .3464% ad valorem is applicable only to the value of foreign non-duty paid merchandise entered into the U.S.

from a foreign-trade zone. In 1995, the North American Free Trade Agreement for Canadian NAFTA qualifying merchandise provides that the fee is zero, not .3464% as for all other imports. For Mexican NAFTA qualifying merchandise, the fee was eliminated June 30, 1999. It is collected on a Customs entry CBPF 7501. Merchandise that is exported, scrapped, etc. from the zone is not subject to the Merchandise Processing Fee. The fee has a minimum of \$25 and is capped at \$485 per entry.

Section VII.13–Permission to Manipulate, Manufacture, Exhibit, Repack or Destroy

Before merchandise may be manipulated, repacked, manufactured, exhibited, or destroyed within the zone, application on CBPF 216 must be presented to the Zone Operator for concurrence. The Zone Operator will then forward the application to U.S. Customs. On approval by U.S. Customs, the contemplated activity will then be permitted. The Zone Operator maintains a schedule of charges.

Section VII.14–Record Deficiencies

In the event that any audit, inspection, or examination by U.S. Customs, the Foreign-Trade Zones Board, Zone Grantee or Zone Operator discloses that books, records or operational procedures of Zone Operator/User are not in conformance with the requirements of Federal, State and/or local law and the Operator's Agreement, U.S. Customs, the Foreign-Trade Zones Board, Zone Grantee or Zone Operator may order the immediate correction of the documents or procedures. In the event that it is anticipated that such correction will take in excess of five (5) working days, a plan of performance will be submitted by the responsible party(s) to the Zone Grantee or Zone Operator for the correction of such discrepancy which shall be approved if necessary, by the Foreign-Trade Zones Board and U.S. Customs, and shall proceed with all due diligence to correct the deficiency as described in the approved plan.

Section VII.15–Record Retention

All financial and accounting records of Zone Operator/User concerning zone operations shall be retained for five (5) years after the act or occurrence recorded or after the merchandise covered by such records has been forwarded from the Zone, whichever is longer, and all such records shall be available for inspection and audit by any appropriate government agency and by Zone Grantee during normal business hours.

Section VII.16–Reports to Governmental Agencies

The Zone Operator may be required to submit periodic reports to the Grantee and U.S. Customs, or may be required to perform other acts as the Zone Operator of the zone in compliance with governmental regulations. Zone Users are required to and shall cooperate with the Zone Operator in the creation and maintenance of procedures, systems, regulations, or programs, and provide information and statistics that the Zone Operator considers necessary to ensure compliance with governmental requirements.

The Zone Grantee must file an Annual Report to the Foreign-Trade Zones Board on or before March 31st on all activity that occurred in the zone during the previous calendar year (January 1 through December 31). Each Zone or Subzone Operator and Zone User must cooperate in providing the necessary data (15 C.F.R. § 400.51(c)). This data must be provided to the Grantee by no later than March 1st each year. An Annual Reconciliation and Annual Systems Review is required of each Foreign-Trade Zone or Subzone Operator. (19 C.F.R. § 146.25, 146.26). A certification letter, acknowledging the Annual Reconciliation and Annual Systems Review has been completed, must be forwarded to the Customs Port Director within ninety (90) days of the end of the Operator zone year.

Section VII.17–Right of Entry

Representatives of the Zone Grantee, Zone Operator, Zone User, the Foreign-Trade Zones Board, U.S. Customs and other authorized U.S. Government officers, shall have the right of access to enter the Zone for the authorized and lawful purpose of examining same, conferring with Zone Operator/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 procedures established for the operation and management of the zone.

Section VII.18–Temporary Removal

Merchandise held in the zone may be temporarily removed from the zone for the limited purposes of repair, restoration, or any incidental operation which would not constitute a “manufacture or production” under drawback law, 19 U.S.C. 1313, and then returned to the zone. Application on a CBPF 216 must be presented to the Zone Operator and then to U.S. Customs for concurrence. See Customs Headquarters Ruling 214189 (August 31, 1982), Ruling 218458 (January 27, 1986), Customs Directive 3260-20 (August 4, 1986) and Section 9.2 of U.S. Customs FTZ Manual for a more detailed description of this limited provision.

Section VII.19–Trucking and Lighterage

Transfer of foreign merchandise from the first Port of arrival through Customs territory to the zone and from the zone to the port of export must be made by Customs bonded trucks, rail cars, airplanes, lighters or other carriers and subject to U.S. Customs regulations. Alternate procedures for transfer of merchandise under the Foreign-Trade Operators Bond (see 19 C.F.R. § 146.40(b)), not on bonded carriers, may be available with Customs approval.

SECTION VIII – CHARGES

Section VIII.0–Charges

Each General-Purpose Zone Operator that makes its facilities available to multiple zone user firms is responsible for preparing and submitting to the Grantee and Appendix which sets out the rules, rates and charges at the zone site. Each Zone Operator assumes responsibility for maintaining a complete and current Zone Schedule. Each Zone Operator will provide an Appendix of their charges to the Grantee and any changes and/or revisions to the Appendix upon implementation. Additionally, firms utilizing the General Purpose Zone may act as their own Zone Operator. No other charges will be levied other than those in Appendix A. Under these circumstances, the zone sites will operate under the Rules and Regulations and Grantee Rates and charges as set out herein.

Section VIII.1–Uniform Pricing

All customers having similar volume and circumstances will be afforded the same contractual terms.

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GRANTEE CHARGES

Application Fees

PAFTZ charges an application fee to cover the costs of reviewing and processing the necessary documentation for FTZ applications. Fees indicated below:

Alternative Site Framework (ASF) Sites

Companies located in Bedford, Blair and Cambria counties (PA) may apply for ASF designation of real estate (land and buildings) containing merchandise under their control. Fees for PAFTZ's sponsorship in pursuit of such designation are as follows:

- Subzone/Usage Driven Site - (General Purpose or Manufacturing-Production).....\$ 2,500
- Magnet Site - (General Purpose or Manufacturing-Production).....\$ 5,000

Traditional Site Framework (TSF) Sites

Companies located outside of our ASF service area but in Pennsylvania may apply for TSF designation of real estate (land and buildings) containing merchandise under their control. Fees for PAFTZ's sponsorship in pursuit of such designation are as follows:

- Subzone/Usage Driven Site - (General Purpose or Manufacturing-Production).....\$ 3,500
- Magnet Site - General Purpose\$ 7,000

Annual Fees

“ACTIVATED” Sites - (ASF or TSF, Usage Driven, Magnet or Subzone sites with production authority) -

Minimum Fee (up to 25,000 activated square feet).....\$ 2,500*

* For companies in excess of 25,000 activated square feet, an additional pro-rata fee equal to \$.10 per square foot shall be charged for each square foot in excess of 25,000 square feet.

Maximum Fee.....\$ 15,000

“ACTIVATED” Sites - (ASF or TSF, Usage Driven, Magnet or Subzone sites without production authority) -

Minimum Fee (up to 25,000 activated square feet).....\$ 2,500**

** For companies in excess of 25,000 activated square feet, an additional pro-rata fee equal to \$.07 per square foot shall be charged for each square foot in excess of 25,000 square feet.

Maximum Fee.....\$ 15,000

“NON-ACTIVATED” Sites - (ASF or TSF, User Driven, Magnet or Subzone sites with or without production authority) -

Minimum Fee (up to 25,000 square feet).....\$ 1,500***

*** For companies in excess of 25,000 square feet, an additional pro-rata fee equal to \$.06 per square foot shall be charged for each square foot in excess of 25,000 square feet.

Maximum Fee.....\$ 5,000

Other Fees

Annual Report Late Fees.....\$ 100 per day*

Activation Fee.....\$ 500

Deactivation Fee.....\$ 2,000

Boundary Modification Fee.....\$ 1,500

Change of Scope Fee.....\$ 1,500

* - Every day after February 15th, plus the cost of any fine levied upon PAFTZ as a result of the lateness of the operator.

NOTE: These fees do not cover the cost of developing the necessary applications/exhibits.

Payment is due prior to submission of documentation.

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APPLICATION PROCEDURES

As the federally approved Grantee for FTZ # 295, Pennsylvania Foreign-Trade Zone (PAFTZ) works as a partner organization to Pennsylvania companies and communities to aid in the FTZ application and implementation process. We can help you determine if the program is right for you and if so, facilitate the overall process until you are up and running as an FTZ operator.

In general, the application process follows these steps:

- Sponsorship of the Grantee
- Application to the FTZ Board (U.S. Department of Commerce)
- Activation of the facility (U.S. Customs & Border Protection out of the ports of Pittsburgh or Harrisburg)
- Normal processing time is less than 6 months with potential faster processing on a case-by-case basis.

For a “Subzone/Usage-Driven” FTZ Site

Step 1: Statement of Need for FTZ Services

Submit a written request to PAFTZ including:

- Name of company and facility address
- Nature of operation
- Reason for requesting FTZ designation
- Acknowledgement that an Operating Agreement between your company and PAFTZ must be fully executed prior to submission of FTZ Application / Request to the federal FTZ Board
- Acknowledgement of the terms of the current FTZ # 295 Fee Schedule

Step 2: Federal Application for “Usage-Driven” FTZ Application

Based on the demonstrated need for FTZ services at the proposed site mentioned in step one above, and the positive impact to the local economy that FTZ services will create, PAFTZ will support the effort to obtain FTZ designation.

Information and guidelines for Applications is available on the U.S. Department of Commerce website at <http://ia.ita.doc.gov/ftzpage/info/toolbox.html>. PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps.

Step 3: Production Notification

If the proposed FTZ site does not involve production activities, proceed to STEP 4.

If the proposed FTZ site involves “production” activities, at least one additional application is required by the FTZ Board. Production is defined as: “Activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use, or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption.” (15 CFR 400.2(o)). Information and guidelines for Production Notifications and Applications is available on the FTZ website at <http://ia.ita.doc.gov/ftzpage/info/toolbox.html>. PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps.

*PRODUCTION APPLICATIONS are necessary if the FTZ Board determines during the standard notification process that the more extensive application process is warranted based on issues or concerns that arise. The FTZ Board’s regulations delineate a general time frame of 12 months to process a production application. The specific processing time for a given application will depend on a range of factors, including whether a public hearing or industry survey is conducted and any specific industry or policy issues that arise during the processing of the case. PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps.

Step 4: Activation by U.S. Customs & Border Protection (USCBP)

Upon approval of FTZ site designation from the FTZ Board, the operator must then request FTZ “Activation” from USCBP. FTZ procedures cannot begin at a facility until it is Activated by USCBP. Requirements for Activation include, but are not limited to, the following:

- Letter on company letterhead signed by a company officer requesting the need for FTZ activation.
- Letter from the Pennsylvania Foreign-Trade Zone supporting the activation request.
- Qualifications, character, and experience of an operator, principal officers, and/or key employees that are responsible for the zone are of critical importance. The activation request must therefore include completed background investigation forms on company officers and key FTZ personnel including any employee that has access or could cause changes to the inventory and recordkeeping system.
- A blueprint of the area to be activated.
- A gauge table, when appropriate, showing the capacity in metric units of any tank certified to be correct by the operator of the tank.
- A “Procedures Manual” describing the FTZ inventory control and recordkeeping system that will be used in the applicant’s facility.
- Upon approval of the request, an FTZ Operator’s Bond shall be executed CBP Form 301, containing the bond conditions of Section 19 CFR 113.73.

- PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps. The Port Director shall promptly notify the applicant in writing of the decision to approve or deny the request to activate. If denied, the notification will state the grounds for denial. The decision of the Port Director will be the final USCBP administrative determination in the matter.

* Production notification and site designation application can be submitted and processed concurrently.

For a “Magnet” FTZ Site

Step 1: Statement of Need for FTZ Services

Submit a written request to PAFTZ including:

- Name of company and facility address
- Nature of operation
- Reason for requesting FTZ designation
- Acknowledgement that an Operating Agreement between your company and PAFTZ must be fully executed prior to submission of FTZ Application / Request to the federal FTZ Board
- Acknowledgement of the terms of the current FTZ # 295 Fee Schedule

Step 2: Federal Application for “Magnet” FTZ Application

Based on the demonstrated need for an FTZ “Magnet” Site at the proposed site in Step 1 above, and the positive impact to the local economy that FTZ services will create, PAFTZ will support the effort to obtain FTZ designation.

Information and guidelines for Applications is available on the U.S. Department of Commerce website at <http://ia.ita.doc.gov/ftzpage/info/toolbox.html>. PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps.

Step 3: Activation by U.S. Customs & Border Protection (USCBP)

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- Letter on company letterhead signed by a company officer requesting the need for FTZ activation.
- Letter from the Pennsylvania Foreign-Trade Zone supporting the activation request.
- Qualifications, character, and experience of an operator, principal officers, and/or key employees that are responsible for the zone are of critical importance. The activation

request must therefore include completed background investigation forms on company officers and key FTZ personnel including any employee that has access or could cause changes to the inventory and recordkeeping system.

- A blueprint of the area to be activated.
- A gauge table, when appropriate, showing the capacity in metric units of any tank certified to be correct by the operator of the tank.
- A "Procedures Manual" describing the FTZ inventory control and recordkeeping system that will be used in the applicant's facility.
- On approval of the request, an FTZ Operator's Bond shall be executed on CBP Form 301, containing the bond conditions of Section 19 CFR 113.73.

PAFTZ strongly suggests applicants seek professional help from an FTZ industry expert when completing the application steps. The Port Director shall promptly notify the applicant in writing of the decision to approve or deny the request to activate. If denied, the notification will state the grounds for denial. The decision of the Port Director will be the final CBP administrative determination in the matter.

* Production notification and site designation application can be submitted and processed concurrently.

A – 3

DEFINITION OF TERMS

Act—The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 998 - 1003; 19 U.S.C. 81a-81u), as amended by Public Law 397, 73rd Congress, approved June 18, 1950. (15 C.F.R. § 400.2(a)).

Admission Suspense Account—Merchandise received without complete U.S. Customs documentation or which is unacceptable to the inventory control and recordkeeping system will be recorded in a suspense account or record until documentation is complete or the system is capable of accepting the information. (19 C.F.R. § 146.22(c)). See Temporary Deposit later in this Definition of Terms.

Alteration—A change in the boundaries of a Foreign-Trade Zones Board approved and designated Zone or Subzone; designation of a separate Site of an already-activated Zone or Subzone with the same Zone Operator at the same port; or the relocation within a Foreign-Trade Zones Board approved and designated area of an already-activated Site with the same Zone Operator. The Operator must make a written application to the local Port Director of U.S. Customs for approval of an alteration of an activated area, as it must be checked by Customs through its security survey to ensure the security suitability and fitness of the area for receipt of merchandise in zone status.

Alternative Site Framework (or ASF)—An optional approach to designation and management of zone sites allowing greater flexibility and responsiveness to serve single-operator/user locations. The ASF was adopted by the Board as a matter of practice in December 2008 (74 FR 1170, January 12, 2009; correction 74 FR 3987, January 22, 2009) and modified by the Board in November 2010 (75 FR 71069, November 22, 2010).

Antidumping/Countervailing Duty—FTZ Board Regulations require that any merchandise admitted to a zone that is subject to an AD/CVD Order must be placed in privileged foreign status. (15 C.F.R. § 400.33(b)(2)).

Applicant of Record—The person, firm or corporation in whose name the application to admit merchandise into the zone (CBPF 214) is made, recognized by U.S. Customs as having the legal right to make the application. Evidence of this right of the applicant is the same as would be required to establish the right to apply for release of the merchandise from U.S. Customs with the right to make entry. (19 C.F.R. § 146.32(b)(2)).

Board—The Board means the Foreign-Trade Zones Board created by the Act to carry out the provisions thereof. The Foreign-Trade Zones Board shall consist of the Secretary of the Department of Commerce (or designate), who shall be the chairman, and the Secretary of the Treasury (or designate). (15 C.F.R. § 400.2(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.

Conditionally Admissible Merchandise—Merchandise that may be admitted to the zone or be imported into the U.S. under certain conditions. Merchandise subject to antidumping and countervailing duty, subject to Foreign-Trade Zones Board Grant Restrictions, or merchandise transferred from a bonded warehouse, are examples of conditionally admissible merchandise for admission to the zone. Merchandise which is subject to permits or licenses (i.e. FDA controlled merchandise, certain firearms, motor vehicles, etc.), or merchandise which may be reconditioned to bring it into compliance with the laws administered by various federal agencies are examples of conditionally admissible merchandise for import. See Sections 6.3, 6.7(g), and 11.5, U.S. Customs FTZ Manual.

Container—A container is a shipping device—a non-self-propelled, rigid, non-disposable, returnable, cargo-carrying device with or without wheels, enclosed or otherwise and includes any container, trailer, chassis platform, specially constructed skid, pallets, mount, or combination thereof, and which is designed to be transported integrally as one unit directly and mechanically between vessels and piers so as to eliminate intermediate re-handling and/or storage of cargo.

Customs and Border Protection Form 214—Application and permit to admit merchandise into a Foreign-Trade Zone and/or designation of zone status. Electronic filing of the e-214 also transmits statistical data required by the Bureau of the Census.

Customs and Border Protection Form 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 any Foreign-Trade Zone.

Domestic Merchandise—Domestic sourced or foreign sourced previously duty paid merchandise. See Status of Merchandise herein.

Foreign Merchandise—Imported merchandise that has not been properly released from U.S. Customs custody in the Customs territory of the United States. See Status of Merchandise herein.

Fungible Merchandise—Merchandise that for commercial purposes is identical and interchangeable in all situations.

Grantee—The Grantee of Foreign-Trade Zone No. 295 is the Pennsylvania Foreign-Trade Zone Corporation (PAFTZ), an organization to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted by the U. S. Foreign Trade Zones Board.

Harmonized Tariff Schedule of the U.S. (HTSUS) Number—The ten-digit number used to identify all imported and exported merchandise. The complete text is available from the U.S. International Trade Commission on its website.

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.

Inventory Records—

A. Zone Lot Number (ZLN)—A number assigned to the unit or units of goods (zone lot) for which a separate record and account is to be kept by the Zone Operator or Zone User. The merchandise must be physically segregated and marked by lot at all times. (19 C.F.R. 146.37(a)(1) and (d)).

B. Unique Identifier Number (UIN)—Numbers, letters, or combination of both (alphanumeric) that identify merchandise admitted to a zone. It is fungible material typically identified by a part number, model number, style number, SKU, etc. This number may be used for control and accounting of the goods. FIFO (First In, First Out) and FOFI (Foreign First) inventory relief methods have been authorized by the U.S. Customs. (19 C.F.R. 146.37(a)(2) and (d)). Generally, a FIFO system is used for UIN activity.

Lease—The document of agreement entered into between the owner or lessor of the property and the lessee for use of space within the Foreign-Trade Zone.

Magnet Site means sites intended to attract multiple potential FTZ operators/users.

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

Manufacturing—This is the old term used by the Foreign-Trade Zones Board for activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, use, and HTS classification. It is now referred to as "production". Authority for such activity in a zone must be secured from the Foreign-Trade Zones Board and authorized on a CBPF 216 by the U.S. Customs.

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 may not be considered "merchandise.")

North American Free Trade Agreement (NAFTA) Duty Deferral Program—The NAFTA Duty Deferral Program is currently in effect for trade between the United States, Canada and Mexico. Under this Program, all foreign sourced, non-NAFTA-qualified merchandise used in manufacturing in a foreign-trade zone, whether or not the finished product is NAFTA-qualified, when exported to Canada/Mexico must be the subject of a special NAFTA "08" code Customs entry and be subject to U.S. Customs duties, applicable antidumping/countervailing duties, and merchandise processing fees.

OFIS—This is the Online FTZ Information System that includes information on each zone. It can be accessed through the FTZ Board web site. All annual reports are now filed electronically through OFIS.

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

Operating Agreement—The agreement between the Zone Operator and the Zone User, or the Zone Grantee and the Zone Operator describing rights, responsibilities, and financial considerations.

Port Director, U.S. Customs—The Port Director (or his/her representative) of U.S. Customs located in Pittsburgh, Pennsylvania and Harrisburg, Pennsylvania.

Production— This means traditional manufacturing activity where there is activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, use, or HTS classification. This includes "kitting" operations. The Foreign-Trade Zones Board now uses this term to cover both manufacturing and processing activity.

Prohibited Merchandise—Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise that is excluded from a zone by order of the Foreign-Trade Zones Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of prohibited merchandise. Also, certain types of operations involving the following merchandise are prohibited: Tobacco, cigars, cigarettes and cigarette papers and tubes (26 U.S.C. 5701-5706); Firearms (26 U.S.C. 4181-4182/5811); Distilled spirits, alcohol, wine and beer (26 U.S.C. 5001-5008/5010); Sugar (26 U.S.C. 4501-4503); Watch movements (19 U.S.C. 1367-1368); and retail sales in a zone (19 U.S.C. 81 (o)(d) & CR 146.14).

Quantity—Means the numerical count of the units composing a shipment of merchandise.

Quota—Means a set limit of a given item that may be imported during a set period of time (normally one year). Tariff rate quota only limits the quantity that may be imported at the lower rate; imports above the quota quantity would be at a higher rate of duty.

Re-Exports or Reshipments—Merchandise from one foreign country initially destined to the United States that, after being un-laden, 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. 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.

Regulations—All operations within the foreign-trade zone are subject to the Foreign-Trade Zones Board Regulations, 15 C.F.R. Part 400; and U.S. Customs Regulations, 19 C.F.R. Part 146. Imports and exports may also be governed by the Regulations or Guidelines of other Federal Agencies. All products to be admitted to a foreign-trade zone must be reviewed for potential compliance issues.

Restricted Merchandise/Operations—Merchandise which may not be authorized for delivery from Customs custody without a special permit, or a waiver thereof, by an agency of the U.S. Government. Also, the Foreign-Trade Zones Board and U.S. Customs have restricted certain operations involving the following products: steel, apparel/textiles, television tubes, auto parts, milk, and sugar, orange juice, printers ink, alcohol/gasohol, oil refining, tires, titanium, silicon metals, and golf carts. The restrictions may vary on a case-by-case basis.

Sequential Number—The control number or the zone admission number on the CBPF 214 in block #6. The Zone Operator sets the number structure. It is not the zone lot number or the UIN.

Service Area means the Bedford, Blair, Cambria, Centre, Fulton, Huntingdon and Somerset counties area, where subzone/usage-driven or magnet sites can be established.

Status of Merchandise—

A. Domestic Merchandise—Merchandise produced in the U.S., not exported therefrom, and on which all internal revenue taxes, if applicable, have been paid; and, imported merchandise properly released from Customs' custody on which all applicable duties and taxes have been paid. (19 C.F.R. § 146.43).

B. Non-privileged Foreign Merchandise—Foreign merchandise or non-tax-paid domestic merchandise upon which the duty and applicable taxes will be determined at the time the merchandise enters the Customs territory of the United States from the zone for consumption. (19 C.F.R. § 146.42).

C. Privileged Foreign Merchandise—Foreign merchandise or non-tax-paid domestic merchandise upon which the duty and applicable taxes have been determined at the time this status is approved. The determined duty rate and taxes are not subject to future fluctuation. However, if merchandise is subject to antidumping or countervailing duties, and therefore placed in Privileged Foreign status, the merchandise will be entered under the HTSUS rate of duty in effect at the time of admission to the zone; however, the estimated AD/CVD rates are those in effect at the time of withdrawal from the zone. Merchandise subject to antidumping or countervailing duties, that must be placed in privileged foreign status pursuant to Section 400.14(e)(2), Foreign-Trade Zones Board Regulations, may be exported duty free except to North American Free Trade Agreement countries. Once established, Privileged Foreign status cannot be changed. If merchandise has already been admitted to a zone with Non-privileged Foreign status, Privileged Foreign status may be obtained by filing a CBPF 214 and related documents. Application for this status, however, must be filed prior to manipulation or manufacture in the zone. (19 C.F.R. § 146.41).

D. Zone-Restricted Merchandise—Merchandise admitted to a zone for the sole purpose of exportation or destruction. Merchandise with Zone-Restricted Status may not enter U.S. Customs territory for consumption except when approved by the Foreign-Trade Zones Board. No manufacturing or processing may occur with merchandise that is in Zone Restricted Status. Drawback may be filed immediately upon merchandise admission. (19 C.F.R. § 146.44).

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 designation, ordinarily implies covered storage.

Subzone—A special purpose zone established as part of a zone project for a limited purpose that cannot be accommodated within an existing zone. Foreign merchandise may be admitted to the area without the payment of U.S. Customs duties and taxes or the imposition of U.S. quotas; domestic merchandise is allowed in the area. No U.S. Customs duties, taxes, or quotas apply if the merchandise is exported; U.S. Customs duties, taxes and quotas are applicable if the merchandise is admitted into U.S. Customs territory either on the basis of the imported materials or the finished product depending on the zone status designation. For new subzones, if a company wishes to have production authority it must request approval of a Production Notification Application which can require four (4) months unless U.S. Customs will support an Interim Production Approval.

Sunset Provision—Magnet sites have a rolling five (5) year sunset provision during which at least a portion of the magnet site must be activated, while a usage- driven site must demonstrate actual zone activity within three (3) years or lose zone status.

Temporary Deposit—Merchandise admitted to a foreign-trade zone under 146.35, C.R. when information or documentation is insufficient in order to complete the CBPF 214. The documentation and time period restraints under this provision are

avoided if the Admission Suspense Account procedures in 146.22(c), C.R. are followed. See Section I - Definition of Terms, Admission Suspense Account.

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 a Foreign-Trade Zone.

Unit of Quantity—Means the customary grouping of a commodity as a unit to indicate the medium or method of measure.

United States—The fifty States, the District of Columbia, and Puerto Rico that constitute the Customs territory of the U.S. The term "United States" includes all territories and possessions of the United States, except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, and the Island of Guam, which are not considered part of U.S. Customs territory.

Usage-Driven Site—A site designated to meet a specific operator/user's present need for FTZ designation; usage-driven sites cannot be used by another entity.

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 is also used for manipulation, manufacture, and exhibition of merchandise.

Weight—Means the gross weight of the merchandise including all containers, except as noted to the contrary.

Zone Admission Number—The control number or sequential number on the CBPF 214 in block #6. The Zone Operator sets the number structure.

Zone Operator—The foreign-trade zone may be managed by the Grantee, a firm that oversees one or multiple zone users, or each firm may be its own foreign-trade Zone Operator. For the purposes of this Schedule, the term Zone Operator shall apply to both general-purpose zones and subzones. The zone or subzone may be an organization, corporation, partnership, or person that operates under the terms of an agreement with the Zone Grantee. There may also be multiple Zone Operators operating under the terms of agreement with the Zone Grantee.

Zone User—A person or firm using a zone for storage, handling or processing of merchandise. The Zone Operator may authorize a Zone User to maintain its individual inventory control and recordkeeping systems and procedures manual; however, the Zone Operator will remain responsible to Customs and liable under its bond for supervision, defects in, or failures of the systems unless the Zone User posts its own FTZ Operator's Bond and becomes a Zone Operator.

Zone Year—Each Zone Operator may choose its own zone year. December 31 is the year-end for Foreign-Trade Zones Board Annual Report purposes.