

ZONE SCHEDULE

CHARGES, RATES, RULES AND REGULATIONS

APPLICABLE AT

Foreign-Trade Zone #135



UNDER GRANT OF AUTHORITY OF THE
UNITED STATES FOREIGN-TRADE ZONES BOARD

GRANTEE:

Port of Palm Beach District

One East 11th Street, Suite 600
Riviera Beach, FL 33404

Issue Date: January 1, 2019

DISCLAIMER: The information and appendices included in this Zone Schedule are for informational purposes only. They reflect laws and regulations in effect at the time of submission of this schedule. Each Operator and/or User is responsible for awareness of and compliance with the laws and regulations currently in effect.

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SECTION I – POINTS OF CONTACT & REFERENCE INFORMATION

Grantee	<p>Port of Palm Beach District One East 11th Street, Suite 600 Riviera Beach, FL 33404 561-383-4100 www.portofpalmbeach.com</p> <p>Jarra Kaczwarra, Sr. Director, Business Development & Communications jkaczwarra@portofpalmbeach.com 561-383-4134</p>
Information Regarding Operators Having an Agreement with the Grantee to Offer Services to the Public	<p>None</p>
U.S. Customs & Border Protection (Customs or CBP)	<p>West Palm Beach, Florida 1 East 11th Street, Suite 232, Box #4 Riviera Beach, FL 33404 561-844-1703</p> <p>Port Code: 5204</p>
FTZ #135 Sites	<p>For a description of currently designated usage-driven sites, magnet sites and subzones go to:</p> <p>www.trade.gov/ftz Click on “OFIS” Click “Zone & Site Information” Select FTZ #135</p>
ASF Service Area	<p>Palm Beach County Martin County St. Lucie County (except Sites 1 through 4 of FTZ 218)</p>

SECTION II – OVERVIEW

Foreign-Trade Zones (FTZs or zones) are restricted-access sites in or near U.S. Customs and Border Protection (Customs or CBP) ports of entry. The zones are licensed by the Foreign-Trade Zones Board (FTZB) and operated under the supervision of CBP. Specifically, zones are physical areas into which foreign and domestic merchandise may be moved for operations involving storage, exhibition, assembly, manufacture or other processing not otherwise prohibited by law. Zone areas “activated” by CBP are considered outside of the U.S. customs territory for purposes of CBP entry procedures. Therefore, the usual formal CBP entry procedure and payment of duties is not required on the foreign merchandise in FTZs unless and until it enters U.S. customs territory for domestic consumption. U.S. duties can be avoided on foreign merchandise re-exported from a FTZ, including after incorporation into a downstream product through activity in the FTZ. Zones have as their public policy objective the creation and maintenance of employment through the encouragement of operations in the United States which, for customs reasons, might otherwise have been carried on abroad. The FTZB can deny or limit the use of zone procedures in specific cases on public interest grounds.

Foreign-Trade Zone Number 135 (FTZ #135)

FTZ #135 was established by Board Order #348 on March 27, 1987. The grantee is the Port of Palm Beach District (POPB). POPB established the FTZ project as part of its continuing efforts to promote trade and economic development in the South Florida area. FTZ #209 was established by Board Order #757 on August 11, 1995 as a second zone project in the Palm Beach area. By mutual agreement with the grantee of FTZ #209 (the Palm Beach County Department of Airports) and the grantee of FTZ #135, the two sites approved as FTZ #209 were merged together under the FTZ #135 designation with the POPB as the sole grantee through Board Order #1184 dated August 16, 2001. On February 14, 2018, an application to reorganize FTZ #135 under the Alternative Site Framework (ASF) was submitted to the FTZB and approved on September 6, 2018 (Board Order #2059).

In accordance with the FTZB Regulations at 15 CFR Part 400.44, this zone schedule sets forth the rules and policies for FTZ #135, including a statement of the rates and charges (fees) applicable to FTZ operations. A copy of this zone schedule is available for public inspection at the offices of the POPB and on the FTZ website at www.trade.gov/ftz.

Uniform fees charged by the POPB operators in order to recover the costs of maintaining FTZ #135 are set forth in Section IV.

SECTION III – RULES, REGULATIONS & POLICIES

GENERAL

Principle Governing Laws & Regulations

Foreign-Trade Zones Act (FTZ Act or Act): FTZ #135 is governed by the Foreign-Trade Zones Act, 19 United States Code 81a-81u as amended. A copy of the Act can be accessed on the FTZB's website: www.trade.gov/ftz

Foreign-Trade Zones Board Regulations (FTZB Regulations): FTZ #135 is regulated by the FTZB under U.S. Code of Federal Regulations, Title 15, Part 400, as amended. Copies of these regulations shall be maintained, referred to and complied with by all operators and users. A copy of the regulations can be accessed on the FTZB's website: www.trade.gov/ftz

U.S. Customs and Border Protection Regulations (CBP or Customs Regulations): FTZ #135 is regulated by U.S. Customs and Border Protection under U.S. Code of Federal Regulations, Title 19, Part 146. Copies of these regulations shall be maintained, referred to and complied with by all operators. A copy of the regulations can be accessed on the Government Printing Office's website:

www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR

Foreign-Trade Zones Manual (FTZ Manual): CBP publishes a Foreign-Trade Zones Manual to assist operators with conforming to the Customs Regulations. All operators are required to maintain a current copy of the Foreign-Trade Zones Manual in addition to the Customs Regulations governing FTZs. A copy of the manual can be obtained on CBP's website:

www.cbp.gov/document/guides/foreign-trade-zones-manual

Definition and Roles of Grantee, Operator, and User:

Grantee: The corporate recipient of a grant of authority for a zone project; the public or private corporation to which the privilege of establishing, operating, or maintaining a foreign-trade zone has been given. The POPB is the grantee of FTZ #135.

Operator: A person that operates within a zone or subzone under the terms of an agreement with the POPB and with the concurrence of CBP. The POPB explicitly delegates the responsibility for operation of zone sites to operators who will assume responsibility for compliance with all regulations of CBP, the FTZB, and other relevant government agencies.

User: A party using a zone under agreement with an operator. A party using a zone for storage, handling, or manufacturing/production of merchandise in FTZ status. The operator and user can be the same party. If a user is not the operator and is delegated any of the operator's responsibilities as contained in this zone schedule or the Customs Regulations, a written operator agreement and procedures manual are required.

Availability of Zone: All rates and charges for all services and privileges within the FTZ shall be applied uniformly, and POPB shall afford to all who may apply to make use of or participate in FTZ #135 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. Users are subject to specific rules, rates, and charges of operators.

Grantee Liability: A grant of authority shall not be construed to make POPB liable for violations by FTZ #135 participants. POPB's role under the Act and the FTZB Regulations is to provide general management of FTZ #135 to ensure that the reasonable needs of the business community are served. POPB will not be liable and cannot assume any responsibility for any loss or damage to freight, cargo or merchandise, or other property within FTZ #135, or for any loss or damage arising from acts of commission or omission of operators.

Retail Trade: Retail trade is prohibited in activated areas of FTZ #135 except sales or commercial activity involving domestic, duty-paid and duty-free goods, which may be conducted in activated areas of FTZ #135 under permit issued by POPB and approved by the FTZB. No permits are necessary for sales involving domestic, duty-paid or duty-free food and non-alcoholic beverage products sold within FTZ #135 for consumption on premises by individuals working in FTZ #135.

Fines & Penalties: The FTZB may issue fines for violations of the Act or FTZB Regulations. Each violation is subject to a fine of not more than \$1,000, with each day during which a violation continues constituting a separate offense subject to imposition of the fine. Each day during which an operator fails to submit to POPB the information required for POPB's timely submission of a complete and accurate annual report to the FTZB shall constitute a separate offense subject to a fine of not more than \$1,000 (as adjusted for inflation). The FTZB also can instruct CBP to suspend activated status of all or a portion of FTZ #135.

Residents within Zone: No person will be allowed to reside within FTZ #135 except federal, state, or municipal officers or agents, whose resident presence is deemed necessary by the FTZB.

Insurance: All operators within FTZ #135 shall keep in full force the necessary insurance as required by POPB at the expense of the operator. Merchandise stored, manipulated, or transferred within FTZ #135 is not insured by POPB. A copy of the policy or certificate of insurance shall be delivered to POPB upon request.

Access to FTZ #135 Sites: Operators and users shall permit federal government officials acting in an

official capacity and POPB to have access to the site and records thereof during normal business hours and under other reasonable circumstances or as provided by law and regulations.

Zone Schedule: All corporations, partnerships, and persons operating within a designated site within FTZ #135 are subject to this zone schedule. Copies of this zone schedule are available from POPB and on the FTZB on the Online FTZ Information System (“OFIS”). Any updates to this zone schedule will be provided to the FTZB and each operator.

Operator Agreement: Every individual, corporation or entity seeking to operate in FTZ#135 must enter into an operator agreement with POPB. A copy of the standard operator agreement is available, upon request, from POPB. If any conflict between this zone schedule and any operator agreement arises, the operator agreement will prevail. Users may become operators upon proper execution of an agreement with POPB. Operators must execute an operator agreement with POPB prior to POPB issuing an activation concurrence letter.

Property Owner Agreement: All property owners within the magnet sites of FTZ #135 must enter into a property owner agreement with POPB.

ZONE OPERATIONS

Merchandise Permitted in FTZ #135: 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 FTZ #135.

Merchandise which is specifically prohibited by law shall not be admitted into FTZ #135. Any merchandise so prohibited by law which is found within FTZ #135 shall be disposed of in the manner provided for in laws and regulations applicable to such merchandise.

Activities Permitted in FTZ #135: Merchandise lawfully brought into FTZ #135 may, in accordance with the FTZB and Customs Regulations and 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. Production/manufacturing activity may be performed in FTZ #135 only if approved by the FTZB prior to commencement of the activity.

Responsibility for Duty and Taxes: Operators and users are responsible and liable for payment of any and all charges, fees, duties or penalties due any agency of the federal, state, or local government arising from use of FTZ #135, including liabilities on merchandise which is not accounted for to the satisfaction of CBP.

Security and Safety Requirements in FTZ #135: All FTZ #135 sites, in order to be approved for activation by CBP, must meet certain security and safety requirements. All FTZ #135 sites are subject to security inspections by CBP and/or POPB. Operator FTZ procedures manuals shall include current information on the method of physical as well as cargo security at the FTZ #135 site. Each FTZ #135 site will be evaluated separately by CBP to determine the security measures that are required to protect the revenue of the United States based on the specific conditions of each FTZ #135 site, e.g., description and value of merchandise activities, overall risk assessment, etc.

After a 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 CBP and POPB and fines may be assessed if these requirements are found to be insufficiently met in any way.

No operation, process or treatment will be permitted in FTZ #135 that, in the judgment of the FTZB, CBP, or POPB, is detrimental to the public interest, health, and safety. Cost of special security devices and other requirements will be the responsibility of the operator.

Inventory Control & Recordkeeping System: Operators will establish and maintain inventory control and recordkeeping systems in accordance with the Customs Regulations at 19 CFR § 146. The operator shall perform an annual internal review of the inventory control and recordkeeping system in accordance with the requirements of Customs Regulations.

Annual Reconciliation: Operators must prepare a CBP annual reconciliation report in accordance with the requirements of the Customs Regulations at 19 CFR § 146.

Record Retention: Operators are required to retain all records pertaining to zone merchandise for five (5) years after the merchandise is removed from FTZ #135. Records must be readily available for Customs review at the site. Records must be made available to POPB upon request and as outlined in the operator agreement.

Proprietary Information: Operators are required under the Customs Regulations to protect proprietary information in their custody from unauthorized disclosure.

Use of FTZ #135 Facilities: FTZ #135 facilities will be used for the purposes of receipt, storage, handling, exhibition, manipulation, manufacturing/production, and shipment of foreign and domestic merchandise as considered necessary for the conduct of each operator's normal business. Operators will not use or permit the FTZ to be used for any other purpose without the prior written consent of POPB. Operators will not do or permit anything to be done in or about the FTZ that will in any way obstruct or interfere with the rights of other operators of FTZ #135. All manufacturing/production activities as defined in the FTZB Regulations require prior authorization from the FTZB.

FTZ Operator's Bond: Operators must maintain, for Customs purposes, an FTZ operator's bond in the amount required by Customs. This bond is to assure compliance with Customs Regulations. The bond

conditions 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. The FTZ operator’s bond (04) is a separate bond type from an importer’s bond (01).

Permits: Prior to activation, operators must obtain all necessary permits from federal, state and local authorities and comply with the requirements of those authorities.

Procedures Manuals: Operators shall draft and maintain an FTZ procedures manual in accordance with the Customs Regulations as a condition of activation. The manual shall describe the inventory control and recordkeeping system(s) that will be used in FTZ #135 in compliance with the Customs Regulations.

FTZ APPLICATIONS

Types of Applications to the FTZB

There are several types of FTZB applications:

- **Minor Boundary Modification – ASF Usage Driven Site or Subzone Designation**
- **Expansion (New Magnet Site or Expanded Magnet Site)**
- **Subzone – Traditional Site Framework (TSF)/Outside ASF Service Area**
- **Production Authority (Notification or Application)**

New FTZ #135 Sites

FTZ #135 currently includes five (5) approved magnet sites. If a company is interested in taking advantage of FTZ benefits at a location other than the approved magnet sites, the company may request designation as a usage-driven site or subzone under ASF through a minor boundary modification (MBM application) if the site is within the approved ASF service area. Additionally, a company may request the addition of a new magnet site or an expanded magnet site through an expansion application process. Companies outside of the designated ASF service area may request designation as a subzone under the Traditional Site Framework, subject to CBP’s agreement to oversee the site.

Production Authority

Production is defined as any 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. Production activity must be approved in advance

by the FTZB before the activity may commence. The company undertaking the activity must prepare a production notification to be submitted to the FTZB by POPB or the company may submit the production notification to the FTZB directly with copy to POPB and CBP.

Production notifications to the FTZB requesting production authority can be made as part of an application for a new zone site or can be filed separately for an existing zone site. If the FTZB determines that further review of a production notification is necessary, the FTZ #135 participant will be notified and a production application may be submitted.

Additional information on the requirements for each type of application may be found on the FTZB website at:

www.trade.gov/ftz

Procedures for Filing Applications to the FTZB

POPB will assist prospective operators/users with determining the type of application(s) appropriate to accommodate the company's needs.

All applications, except production notifications, must be submitted to POPB for review and approval prior to submission to the FTZB. POPB will issue required transmittal/concurrence letters as appropriate.

FTZ #135 ACTIVATION, DEACTIVATION AND ALTERATION

Activation

In order to apply for activation with CBP, an operator must comply with the requirements set forth in 19 CFR § 146.6.

An operator agreement between the operator and POPB will be executed prior to POPB issuing a grantee activation concurrence letter.

Prior to submitting an activation request to CBP, the operator will provide POPB with a copy of the activation application, procedures manual and blueprint of the area to be activated for review by POPB, together with such other information as may be requested by POPB. Once POPB reviews and approves the activation application, and if an operator agreement has been executed, POPB will issue a grantee activation concurrence letter.

If the operator intends to conduct production activity (as defined above) at the FTZ #135 site, a copy of the FTZB production authority will be provided to POPB or the operator/user's plan for obtaining

production authority will be submitted to POPB prior to POPB issuing a grantee activation concurrence letter.

As a condition of activation, all operators must agree to satisfy the requirements of CBP automated systems.

Deactivation/Reactivation

An operator may deactivate or reactivate its FTZ #135 site. The operator must notify and obtain written approval from POPB prior to requesting deactivation or reactivation with CBP.

Alteration

An operator may increase or decrease the amount of activated space within an authorized zone site, activate a separate site of an already activated zone with the same operator at the same port, or relocate an already activated site with the same operator. The operator must notify and obtain written approval from POPB prior to requesting alteration approval from CBP. The operator shall provide a copy of the alteration request and CBP approval to POPB including an updated blueprint of the activated area(s).

FTZB ANNUAL REPORT

POPB is responsible for preparing and submitting to the FTZB an annual report summarizing all zone activity from January 1 - December 31 of each year. The report will be submitted by POPB to the FTZB by March 31 of the following year pursuant to the current requirements of the FTZB, which can be found at www.trade.gov/ftz.

In order for POPB to meet its responsibility in this regard, each operator will complete a report so that sufficient data is available to POPB to complete the FTZB Annual Report. The operator will complete the report based on the FTZB requirements and guidelines, and submit it to POPB within 45 days of the end of each calendar year. If the agreement expires, lapses or is terminated during the year or the zone site is deactivated, the annual report information will be provided within 60 days of the expiration, termination or deactivation date. Reports shall be submitted via OFIS.

SECTION IV – FEE SCHEDULE

GRANTEE FEES

Application Fees

POPB charges an application fee to cover the costs of reviewing and processing the necessary grantee documentation or FTZ applications. Fees are as noted below:

Minor Boundary Modification Fee	\$2,500
• <i>Fee for a new ASF Usage-Driven Site or ASF Subzone</i>	
Subzone Application Fee	\$10,000
• <i>Fee for a TSF Subzone outside the ASF Service area</i>	
Expansion Application Fee	\$10,000
• <i>Fee for a new Magnet Site or expansion of an existing Magnet Site</i>	
Production Authority Application	\$5,000
• <i>Fee is applicable for full production authority applications only</i>	

All fees are payable in advance of application requests, with the exception of TSF Subzone Applications, which require **\$5,000** payable in advance and the remaining **\$5,000** payable upon FTZB approval.

*Application for production authority under 15 CFR §400.23 shall be subject to an application fee as noted above. Notifications for production authority under 15 CFR §400.22 shall not be subject to an application fee unless and until the FTZB determines an application for further review is required concerning all or a part of the activity that is the subject of the notification. All notifications for production authority must be submitted to POPB before or simultaneous with the submission to the FTZB.

Application Preparation Fees

If the applicant requests POPB to prepare any applications and POPB agrees, the applicant will be responsible for any and all fees necessary for POPB to prepare any application(s) for submission to the FTZB, including professional fees for any consultants deemed necessary by POPB to assist with the preparation of the application(s).

Activation Fees

Each operator shall pay to POPB an activation fee for the activation of its FTZ #135 site to cover POPB's expenses for preparation and processing of the operator agreement, providing grantee concurrence letter to CBP and reviewing the activation application. The fee does not include preparation of the activation request, procedures manual or any other documents required for activation under the Customs Regulations.

Manufacturing Site – Subzone/Usage-Driven/Magnet	\$5,000
Distribution Site – Subzone/Usage-Driven/Magnet	\$3,000

Upon receipt of the activation fee, the grantee will issue the grantee concurrence letter required for activation.

Deactivation Fee

A one-time fee of **\$5,000** will be assessed for deactivation. If the site remains deactivated on the anniversary of the date on which the annual fee was assessed prior to deactivation, then the site will be assessed a non-activated site fee in accordance with the FTZ #135 zone schedule. If the deactivated site is a usage-driven site or subzone, the company that applied for the usage-driven site or subzone may apply to the FTZB to terminate the FTZ designation in order to avoid the non-activated site fee. If the deactivated site is a magnet site and there are no other activated operators within the property owner's designated FTZ acreage at the site, then the non-activated site fee shall be assessed to the property owner. If the deactivated site is a magnet site and there are other activated operators within the property owner's designated FTZ acreage at the site, no non-activated site fee shall apply as long as there is another activated operator within the property owner's designated FTZ acreage at the same site.

Annual Fees

Annual fees shall be applied to all property with FTZ designation within FTZ #135. Annual fees cover the administration of FTZ #135 by POPB, preparation of the annual report to the FTZB, marketing and promotion of FTZ #135 and other services provided by POPB.

The property owner shall be responsible for payment of the annual fee for magnet sites that are not activated. For non-activated usage-driven sites or subzone sites, the company that received the grant of authority shall be responsible for the fee. The annual fee will be payable on the anniversary date of either the operator or property owner agreement, whichever is applicable.

<u>Non-Activated Sites</u>	<u>Annual Fee</u>
Magnet Site*	\$1,000

Usage-Driven Site or Subzone Site **\$2,500**

*Property owners with no activated users that were included in the original grant of authority for FTZ #135 or FTZ #209 are exempt from this fee.

Activated Sites

Manufacturing Site – Subzone/Usage-Driven/Magnet **\$6,000**

Distribution Site – Subzone/Usage-Driven/Magnet **\$4,000**

OTHER FEES

U.S. Customs and Border Protection Fees

At the time of issuance of this zone schedule, no fees are charged by CBP for normal 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 FTZ #135 site, including any charges for overtime and other special services provided at the request of an operator. Under no circumstances will POPB be liable or responsible for any such CBP fees or charges.

FTZB Fees

Any fees or charges imposed by the FTZB shall be payable by the operator/user of the affected FTZ #135 site, or as apportioned by POPB among FTZ #135 sites when appropriate. Under no circumstances will POPB be liable or responsible for any FTZB fees or charges incurred on behalf of companies seeking to operate in or use FTZ #135.

At the time of issuance of this zone schedule, the following FTZB fees apply for certain types of applications. Applications combining requests for more than one type of approval are subject to the fee for each category.

- | | |
|---|----------------|
| (1) Additional General-Purpose Zones in a Customs Port of Entry | \$3,200 |
| (2) Special-Purpose Subzones (TSF only): | |
| (i) non-manufacturing/processing of less than three products | \$4,000 |
| (ii) manufacturing/processing three or more products | \$6,500 |
| (3) Expansions | \$1,600 |

Harbor Maintenance Fees (HMF)

The Water Resources Development Act of 1986 (WRDA) provides for a Harbor Maintenance Fee to be imposed for commercial use of Ports in the United States. This fee is provided for in title XIV (Revenue Provisions) of the WRDA and is cited as the Harbor Maintenance Revenue Act of 1986. The purpose of the fee is to provide the Army Corps of Engineers with a dedicated source of revenue for funding Corps Port Project. CBP has been mandated to act as the collection agency for this fee. Date of implementation of the fee was April 1, 1987. The fee is assessed on water-borne cargo. Merchandise received into FTZ #135 will be assessed this fee upon entry when applicable. Payment is due by the importer of record on a quarterly basis on admitted merchandise. At the time of issue of this zone schedule, the rate of the Harbor Maintenance Fee is .125% of the value of the commercial cargo.

Merchandise Processing Fees (MPF)

Merchandise that is formally entered or released is subject to the payment to Customs of an ad valorem fee of .3464% on the value of the merchandise per entry in accordance with 19 CFR 24.23. The fee shall be due and payable to Customs by the importer of record of the merchandise at the time of presentation of the entry summary and shall be based on the value of the merchandise as determined under 19 U.S.C. 1401a.

Public Law No. 112-41, adopted on October 21, 2011 established .3464% as the MPF rate through June 30, 2021. At that point the MPF rate will revert to .21% unless changed by law. The minimum MPF is \$26.22 per entry and the maximum MPF is \$508.70 per entry.

Other Government Agency Fees

Charges for services of other government agencies shall be arranged for and paid by the operator who requires the use of such services. Under no circumstances will POPB be liable or responsible for any other government agencies' fees or charges.

Fines, Penalties and Liquidated Damages

POPB will not be involved in the day-to-day operations of users and operators of FTZ #135. CBP 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 FTZ #135. Under no circumstances will POPB be liable or responsible for any fines, penalties, forfeiture, or liquidated damage claims.

APPENDIX – DEFINITIONS OF TERMS

Act: The Foreign-Trade Zones Act of June 18, 1934 (19 USC 81a-81u), as amended.

Activation: Written approval by POPB and Customs Port Director for FTZ operations to commence and for the admission and handling of merchandise in FTZ status. Activation can only take place in approved areas under the grant of authority by the FTZB. Prior to activation, an operator must enter into a written agreement with POPB.

Alteration: A change in the boundaries of an activated zone site; activation of a separate site of an already activated zone with the same operator at the same port; or the relocation of an already activated site with the same operator.

Annual Reconciliation: A report required of activated operators by Customs within 90 days after the end of the zone year unless the Port Director authorizes an extension for reasonable cause. See 19 CFR Section 146.25 for more information.

Annual Report: A report required by the FTZB from each grantee due March 31st of each year. Each operator must provide information to POPB as requested and by POPB's established deadline in order for POPB to aggregate the information and file the federal report on time each year.

Annual Systems Review: A review by the operator required by Customs to identify system deficiencies to ensure that the inventory control and recordkeeping system(s) meets the requirements of Customs. See 19 CFR Section 146.26 for more information.

Applicant: A corporation, entity or individual applying for the right to operate an FTZ site under the jurisdiction of FTZ #135.

Bond: A surety bond is a contract whereby one party, the surety, guarantees the performance of a second party, the principal, for the benefit of a third party, the obligee (the Federal government, in the case of Customs bonds). Should the principal fail to perform his agreement with the obligee, the surety will be required to pay liquidated damages, and will have the right to obtain reimbursement from the defaulting principal. "Customs bonds" - all bonds required to be given under Customs laws or regulations shall be known as Customs bonds. [19 CFR § 113.4(a)]

Boundary Modifications: A change of the area of a federally designated zone made by proper application to the U.S. Foreign-Trade Zones Board. [FTZ Manual, Section 4.4] Boundary modifications may be minor or major; zone expansions may be considered major boundary modifications [15 CFR § 400.24].

Customs & Border Protection: On March 1, 2003, the border inspection functions of the U.S. Customs

Service, the Immigration and Naturalization Service, and the Agriculture and Plant Health Inspection Service, along with the U.S. Border Patrol, were transferred to U.S. Customs & Border Protection. Customs is an official agency of the Department of Homeland Security. Customs & Border Protection is responsible for carrying out the Tariff Act and various other laws and regulations in respect to foreign-trade zones.

Deactivation: Voluntary discontinuation of the activation of an entire zone or subzone by POPB or operator. Discontinuance of the activated status of only a part of a zone site is an alteration [19 CFR § 146.1(b)].

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

Duty: A tax on imports. In a foreign-trade zone, duties are not payable until the merchandise exits the zone and is entered into the commerce of the United States.

Entry: To bring merchandise into the Customs territory of the United States. Documentation required by 19 CFR § 142.3 to be filed with the appropriate Customs officer to secure the release of imported merchandise from Customs custody, or the act of filing that documentation [19 CFR § 141.0a(a)].

Expansion: Expand the physical dimensions of an approved zone area as it relates to the scope of operations envisioned in the original plan [15 CFR § 400.24].

Foreign Merchandise: Imported merchandise of every description (except articles specifically and absolutely prohibited by statute) that has not been released from U.S. Customs custody into the U.S. Customs territory. Imported merchandise upon which duty and taxes, if applicable, have not been paid. [19 CFR § 146.1(b)]

Foreign-Trade Zone (FTZ): A foreign-trade zone is one or more restricted-access sites, including subzones, in or adjacent to a Customs port of entry, operated as a public utility under the sponsorship of a zone grantee authorized by the Foreign-Trade Zones Board, with zone operations under the supervision of Customs & Border Protection [15 CFR § 400.2].

Foreign-Trade Zones Act: The Foreign-Trade Zones Act of June 18, 1934 (19 USC 81a-81u), as amended, that established the Foreign-Trade Zones Board and the Foreign-Trade Zones Board Regulations. This statute is administered through 15 CFR § 400 (Foreign-Trade Zones Board Regulations) and throughout 19 CFR (Customs Regulations).

Foreign-Trade Zones Board (FTZB): The Board that was established to carry out the provisions of the Foreign-Trade Zones Act of 1934, codified in Title 19, Sections 81a through 81u. The Board consists of the Secretary of Commerce, who is chairman and executive officer of the Board, and the Secretary of

the Treasury, or their designated alternatives [19 USC § 81a; 15 CFR § 400.2]. The Board staff is responsible for administering the FTZ program on behalf of the Board. The Executive Secretary of the Board staff represents the Board in administrative, regulatory, operational, and public affairs matters. The Executive Secretary serves as the director of the staff.

Foreign-Trade Zone Number: A number assigned by the Foreign-Trade Zones Board upon establishment of a foreign-trade zone.

Grantee: A grantee is the corporate recipient of a grant of authority for a zone project [15 CFR § 400.2]. A grantee is a public or private corporation to which the privilege of establishing, operating, or maintaining a foreign-trade zone has been given [FTZ Manual, Section 3.10].

Harbor Maintenance Fee (HMF): A port use fee of 0.125 percent of a cargo's value may be payable by commercial vessels unloading cargo at a port that is authorized to charge HMF [19 CFR § 24.24]. The applicant for admission of cargo unloaded in a foreign-trade zone must pay the HMF due on a quarterly basis [19 CFR § 24.24(e)(2)(iii)]. HMF payment must be received no later than 31 days after the close of the quarter being paid. Quarterly periods end on the last day of March, June, September and December.

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 with the zone, is said to be "imported" into foreign-trade zones, Customs bonded warehouses, or Customs custody. This latter merchandise, in relation to operations in the zone, is considered to be foreign merchandise until its entry into the commerce of the United States.

Manipulation: Activity described as manipulation is generally considered to include cleaning, sorting and/or repacking or otherwise changing condition but not manufacture/production.

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 are not considered "merchandise".)

Merchandise Processing Fee (MPF): Generally, merchandise that is formally entered or released is subject to the payment to Customs of an ad valorem fee of 0.3464 percent. The fee shall be due and payable to Customs by the importer of record of the merchandise at the time of presentation of the entry summary and shall be based on the value of the merchandise. Per entry, the ad valorem fee (MPF) shall not exceed \$508.70 and shall not be less than \$26.22. This fee is assessed differently for formal and for informal entries or releases. An ad valorem fee and other charges are applicable

according to the provisions of 19 CFR § 24.23. On October 21, 2011, Public Law No: 112-41 was adopted establishing the MPF fee at .3464 through June 30, 2021. At that point the MPF rate will revert to .21% unless changed by law.

Operator: An operator is a person that operates within a zone or subzone under the terms of an agreement with POPB (or third party on behalf of POPB), with the concurrence of Customs [15 CFR § 400.2].

Operator Agreement: Prior to activation, an agreement between the operator and POPB will be executed. Activation cannot occur without execution of an operator agreement and issuance of an activation concurrence letter by POPB.

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

Penalties/Fines: Merchandise introduced into the United States contrary to law may subject the responsible parties to penalty actions. If merchandise is entered, introduced, or attempted to be entered or introduced by a false document, oral or written statement, or act or omission which is the result of fraud, gross negligence or negligence, the person(s) responsible may be liable for a civil monetary penalty as provided in 19 USC 1592. Upon violation of the FTZ Act, or any regulation issued under the Act, the person responsible shall be subject to a fine of not more than \$1,000. Each day during which a violation continues may constitute a separate offense. Liquidated damages, where applicable, will be imposed in addition to the fine.

Port Director: The principal Customs official of a designated port of entry (except for the Headquarters Port). Under certain contexts, refers to whomever the Port Director delegates to act in his or her authority and thus may refer to any Customs officer [FTZ Manual, Section 1.5].

Port of Entry: A port of entry in the United States, as defined by part 101 of the regulations of Customs (19 CFR Part 101), or a user fee airport authorized under 19 USC 58b and listed in part 122 of the regulations of Customs (19 CFR Part 122) [15 CFR § 400.2].

Production: As defined by the Foreign-Trade Zones Board Regulations means 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]. The Foreign-Trade Zones Board requires that specific prior authorization be obtained for production operations in the activated zone.

Prohibited Merchandise/Operations: Merchandise that is prohibited by law to be imported on grounds of public policy or morals, or any merchandise that is excluded from a zone by order of the Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of Prohibited Merchandise [19 CFR § 146.1(b)]. Prohibited operations include, but are not limited to, manufacturing of alcohol products, tobacco products and firearms. Any activities determined by federal, state, or local authorities to be detrimental to the public health and safety, and retail trade are not permitted in a zone.

Property Owner Agreement: Prior to FTZ designation of any site, an agreement between the property owner of the proposed magnet site and POPB will be executed.

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 a new activation.

Site: The physical location of a zone or subzone. A site is composed of one or more generally contiguous parcels of land organized and functioning as an integrated unit, such as all or part of an industrial park or airport facility.

Subzone: A site (or group of sites) established for a specific purpose. The term “zone” also applies to a subzone, unless specified otherwise [19 CFR § 146.1(b); 15 CFR § 400.2].

United States: The United States, District of Columbia and Puerto Rico. The term “United States” includes all territories and possessions of the United States, except the U.S. Virgin Islands, Guam, American Samoa, Wake Island, Midway Islands, and Johnston Atoll.

User: A party using a zone under agreement with the zone operator [15 CFR § 400.2]. An operator may also be a user.

Zone: A foreign-trade zone established under the provisions of the FTZ Act and regulations. The term also includes subzones, unless the context indicates otherwise [15 CFR § 400.2].