



FOREIGN TRADE ZONE #122

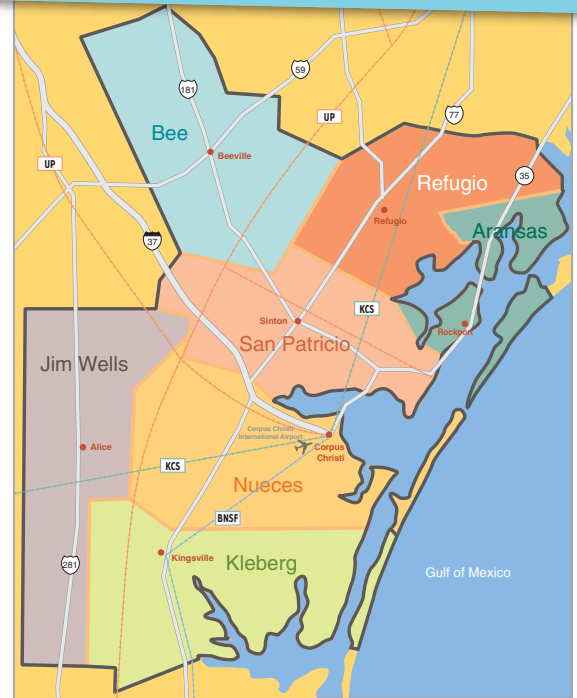
Foreign trade zones are secure areas under supervision of U.S. Customs and Border Protection (CBP) that are considered outside the customs territory of the United States at which special CBP procedures may be used. The Foreign Trade Zone Program was created by the United States government to facilitate international trade and increase the global competitiveness of U.S.-based companies. The program, which has existed since the 1930s, continues to thrive and change to better meet the needs of American companies in the global economy.

Foreign and domestic merchandise may be moved into zones for storage, exhibition, assembly, production, and processing without payment of duties, quota and other import restrictions until the decision is made to enter the goods into the U.S. market. This helps offset customs advantages available to overseas producers who compete with domestic industry. FTZs are a fiscal tool which can defer or reduce duty payments, streamline supply chain costs and improve a company's competitive position in domestic and foreign markets. Foreign trade zones must be located within 60 miles or 90 minutes of a U.S. Customs port of entry.

WHAT ACTIVITIES CAN BE DONE IN A ZONE?

- | | | | |
|---------------|-----------|-----------|--------------|
| • Production* | • Relabel | • Test | • Manipulate |
| • Assemble | • Display | • Repair | • Salvage |
| • Repackage | • Store | • Process | • Destroy |

* Must receive special approval from the FTZ Board for production.



HOW CAN YOU BENEFIT FROM THE ZONE?

Defer Duties

Customs duties are paid only when and if merchandise is transferred into U.S. Customs territory and are not paid if the items are exported to a country outside the United States. This allows companies the ability to keep critical funds accessible for operating needs. There's no limit on the length of time items can remain in the zone.

Reduce Duties

With zone status, you may be allowed to pay lower duties on goods and products assembled or produced within the zone. If the duty rate on a finished product is lower than the rate on the components, you pay the lower rate.

Eliminate Duties

Customs duties are eliminated on merchandise exported from the zone. No duties are paid on labor, overhead, or profit attributed to production operations in the zone. Duty is not paid on in-bond, zone-to-zone transfer of goods and products. Generally, duties are also eliminated for material scrapped, destroyed or consumed in the zone.

Eliminate Inventory/Ad Valorem Tax

Since goods in a zone are considered to be in international commerce, materials and merchandise imported from outside the United States and held in a zone, as well as that produced in the United States for export, are not subject to state and local inventory and ad valorem taxes.

Eliminate Drawbacks

In some cases, duties previously paid on exported goods and products may be refunded through a process called drawback. The drawback law has become increasingly complex and expensive to administer and the need for drawbacks may be eliminated by using the zone.

Minimize Security Costs

Customs security requirements and federal criminal sanctions are deterrents against theft. This may result in lower insurance costs and fewer incidents of loss for cargo imported into a zone.

Avoid Quotas

United States quota restrictions don't apply to items admitted to the zone, though quotas will apply when the items enter into U.S. Commerce. Restricted merchandise may be stored in the zone so that when a particular quota opens, the relevant items may then be immediately shipped into U.S. Customs territory.

Simplify Inventory Controls and Record Keeping

Many companies find their inventory control systems operate more efficiently in the zone, which increases their competitiveness. Zone users also find that meeting their governmental reporting responsibilities makes them eligible for special Customs procedures, such as direct delivery and weekly entry which expedite product movement, facilitating just-in-time inventory procedures.



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WHO WE ARE

- 5th Largest U.S. Port by Tonnage
- Over 100,000,000 tons of Cargo
- 66,000 Port related jobs
- \$319 Million State and Local Tax Revenue
- 22,000 acres
- 200 + Employees
- Public Corporation and Texas Political Subdivision
- 10-Year \$1 Billion Capital Investment Project

IN THE LAST DECADE

- Diversification of Cargo
- Operating Revenues from \$28 to Nearly \$90 Million
- Total Assets from \$212 to \$435 Million
- Capital Expenditures in Port Infrastructure \$261 Million
- Environmental Investments \$20 Million

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COMPANY	PRODUCT
TPCO	Steel Pipe
Oxy Ingheside Energy Center	Crude Oil/Propane
voestalpine	Briquetted Iron
M&G Group	PTA/PET Resin
OxyChem	Ethylene/VCM
Cheniere	LNG



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