

ZONE SCHEDULE

Foreign-Trade Zone No. 122

Corpus Christi, Texas

Port of Corpus Christi Authority

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General Information on Foreign-Trade Zones

Foreign-Trade Zones (“FTZs”) are established through grants of authority issued by the Foreign-Trade Zones Board (“FTZ Board”) to a Grantee pursuant to one of two processes: the Traditional Site Framework (“TSF”) process or the Alternative Site Framework (“ASF”) process. The TSF is the initial process developed by the FTZ Board and is used to establish General Purpose Zones and Subzones. The ASF was created in 2009 to provide greater flexibility in establishing zones. It retitled the *General Purpose Zones* and *Subzones* to *Magnet Sites* and *Usage-Driven Sites* (although the term *Subzone* is still used in the context of ASF). The primary differences between the TSF and ASF processes are the geographic areas available for use as zone sites, the required response time by the FTZ Board for applications, and the FTZ Board fees.

General Purpose Zones (or Magnet Sites) are typically multi-tenant buildings or multi-user industrial parks and may be used for all commercial operations authorized under a Grantee’s general grant of authority (warehousing, distribution, etc.). Subzones (or Usage-Driven Sites) are for use by one company. Zone operations in a site in a General Purpose Zone (or Magnet Site) requires the applicant to execute an Operator’s Agreement with the Grantee and receive authority for activation from U.S. Customs and Border Protection (“CBP”). Zone operations in a Subzone (or Usage-Drive Site) additionally require authorization from the FTZ Board. Separate authority from the FTZ Board is required for production or manufacturing operations in all zone sites.

Communications with the FTZ Board should go through the Grantee or with the Grantee’s consent to be copied.

Description of Foreign-Trade Zone No. 122

Foreign-Trade Zone No. 122 was established pursuant to a Grant issued by the FTZ Board as Board Order No. 310 on September 5, 1985. The Zone has been expanded and reorganized under ASF pursuant to Board Order No.'s 529, 545, 764, 1907, and 1960. The Grantee, the Port of Corpus Christi Authority ("POCCA"), is a Texas State public entity. POCCA's primary responsibility is to administer the overall zone project while promoting the benefits and requirements of the FTZ program to businesses in its FTZ Service Area. The Grantee sponsors zones under the ASF process within the following Service Area: Nueces, San Patricio, Aransas, Jim Wells, Kleberg, Bee, and Refugio Counties. POCCA will consider sponsoring companies for zone operations located outside of these counties, under the TSF process, provided they have a demonstrated need for FTZ procedures at their facilities and CBP agrees to provide oversight at the facilities.

Foreign merchandise (tangible personal property) admitted to a zone and domestic merchandise held in a zone for exportation are exempt from certain state and local *ad valorem* taxes under the Foreign Trade Zones Act. Because this exemption may conflict with local tax laws, the FTZ Board requires zone candidates in Texas to submit, as part of the application for zone designation, letters from local taxing jurisdictions indicating no objection to the zone participant claiming this exemption. Alternatively, zone candidates may submit as part of the application for zone status i) certifications that they do not intend to claim the exemptions available under the FTZ Act or ii) agreements with local jurisdictions to make payments in lieu of taxes (so-called, PILOT Agreements).

Zone Sponsorship by Grantee

Grantee, POCCA, has been issued a Grant by the FTZ Board to sponsor Zone projects in Nueces, San Patricio, Aransas, Jim Wells, Kleberg, Bee, and Refugio Counties. Companies interested in the Grantee sponsoring applications should prepare and submit to the Grantee an Application for Zone Sponsorship (Please contact the Grantee for details). Upon receipt of a complete application and \$500 non-refundable application fee, the Grantee will review the application. The Grantee will review the application under the “uniform treatment under like conditions” standard as required by the Foreign Trade Zones (“FTZ”) Act and accompanying regulations.

If approved for sponsorship by the Grantee to conduct zone operations in a site in the Magnet Site, the Applicant must execute an Operator’s Agreement with the Grantee and prepare and submit an application for zone activation to CBP, including all required supplementary information. If approved for sponsorship by the Grantee to conduct zone operations in a Subzone or Usage-Driven Site, in addition to executing an Operator’s Agreement with the Grantee, the Applicant must also prepare an application for the Grantee to submit to the FTZ Board, including all required supplementary information. Upon receipt of approval by the FTZ Board, the Applicant must prepare and submit an application for zone activation to CBP, including all required supplementary information. Production or manufacturing operations require additional approval from the FTZ Board, whether in the Magnet Site, a Subzone, or Usage-Driven Site within Foreign-Trade Zone No. 122. A zone applicant must secure FTZ Board authority before engaging in production or manufacturing operations in the zone.

Foreign-Trade Zone No. 122 Rules, Regulations, and Policies

Foreign-Trade Zone No. 122 is operated as a public utility, and all charges for services or privileges within the zone shall be fair and reasonable, pursuant to Section 14 of the FTZ Act (19 U.S.C. § 81n) and 15 C.F.R. § 400.42(a).

Individuals and legal entities may prepare and submit an Application for Zone Sponsorship with the Grantee (Please contact the Grantee for details) requesting that the Grantee 1) authorize the Applicant to conduct zone operations in the Grantee's Magnet Site or 2) apply on their behalf for authority to establish a Subzone or Usage-Driven Site. The Grantee will review the Application in accordance with the "uniform treatment under like conditions" standard, pursuant to 19 U.S.C. § 400.81n and 15 C.F.R. § 400.43. Should the Grantee agree to sponsor the request, the applicant will be responsible for complying with and incurring all costs associated with the application process established by the FTZ Board and all other associated responsibilities and costs involved.

Merchandise in Foreign-Trade Zone No. 122 for a *bona fide* Customs reason may be exempt from state and local *ad valorem* taxes. The FTZ Board requires applicants to obtain letters of no objection to these tax exemptions from local taxing authorities in the State of Texas. The list of local taxing authorities may be obtained from the Grantee.

Merchandise or activities, including Production Activity, that are prohibited or determined by the FTZ Board to be detrimental to the public interest, safety, or health are not permitted in Foreign-Trade Zone No. 122, pursuant to 19 U.S.C. § 81o(c) and 15 C.F.R. § 400.13(b). The FTZ Board has denied the following types of merchandise on public interest grounds: alcohol and gasohol; merchandise subject to antidumping and countervailing duties and other trade remedies, carbon fiber, apparel and textiles, dairy products, explosives and firearms, golf carts, nuts and pistachios, orange and grapefruit products, printing ink and ink pigments, stainless steel, sugar, titanium; and the following activities on public interest grounds: oil refining, meat processing, and ship building (ship yards).

Retail trade is prohibited within Foreign-Trade Zone No. 122 except as authorized under permits issued by the Grantee and approved by the FTZ Board, pursuant to 19 U.S.C. § 81o(d) and 15 C.F.R. § 400.47.

Production activity will not be conducted in Foreign-Trade Zone No. 122 without prior authorization from the FTZ Board, pursuant to 15 C.F.R. § 400.14. "Production" is defined as the substantial transformation of a foreign article that results in a new and different article having a different name, character, and use; or changes to an article that alter its Customs classification or its eligibility for Customs entry for consumption. 15 C.F.R. § 400.2(o). Production activity within Foreign-Trade Zone No. 122 is strictly limited to the scope of production authority granted by the FTZ Board. Authorization must be sought and received from the FTZ Board prior to engaging in any production activity beyond of the scope of authorized activity.

Merchandise admitted into Foreign-Trade Zone 122 for use within the zone as production equipment, or as parts for such equipment, is not subject to Customs duty until such merchandise is completely assembled, installed, tested, and used in the production for which it was admitted, provided the equipment is intended for use in FTZ Board authorized activity. 19 U.S.C. § 81c(e)(1).

Grants of authority for Foreign-Trade Zones and Subzones under the TSF process lapse unless the Foreign-Trade Zone or Subzone is activated (pursuant to 19 C.F.R. Part 146) and in operation not later than five years from the issuance of FTZ Board authorization, pursuant to 15 C.F.R. § 400.13(a)(4). Grants of authority for Magnet sites under the ASF process are subject to the same five-year rule requiring activation, and Usage-Driven Sites and Subzones under the ASF process lapse three years after authorization unless foreign material, on which Customs duties have not been paid, is admitted to the Site for a *bona fide* Customs purpose, pursuant to internal FTZ Board rules (74 Fed. Reg. 1170, Jan. 12, 2009).

All parties engaged in activity in Foreign-Trade Zone No. 122 will conduct themselves in strict accordance with this Zone Schedule and all applicable laws and regulations, including but not limited to the FTZ Act, the Regulations of the FTZ Board, CBP Regulations, all relevant Partner Government Agency (PGA) regulations, the Export Administration Regulations, the International Traffic in Arms Regulations, the regulations and authorities administered by the Office of Foreign Assets Control, the Federal Trade Regulations, and all other applicable federal, state, and local laws and regulations.

The privilege of establishing, operating, and maintaining Foreign-Trade Zone No. 122 has been granted to the Grantee by the FTZ Board. Zone participants acquire no property rights as a result of their use of Foreign-Trade Zone No. 122.

All Operators of Foreign-Trade Zone No. 122 shall submit to the Grantee information required for the Grantee to prepare and file an Annual Report to the FTZ Board, pursuant to 15 C.F.R. § 400.51(c). The information shall be submitted in its entirety to the Grantee via the Online FTZ Information System (“OFIS”) account created for each Operator by the Grantee within 60 days of the close of the reporting period as specified by the FTZ Board.

This Zone Schedule is published in accordance with 15 C.F.R. § 400.44 and may be amended or modified at any time deemed necessary by the Grantee, who shall have sole authority to interpret the meaning and applicability of any provision of this Zone Schedule.

Foreign-Trade Zone No. 122 Rates and Fees*

Requests for Zone Sponsorship

- Request for zone sponsorship..... \$500

Application Sponsorship Fees**

- FTZ Board application not requesting production authority..... \$1,000
- FTZ Board application requesting production authority..... \$2,000
- CBP application for zone activation..... \$1,000

Annual Fees***

- Zone operations not-involving production..... \$5,000
- Zone operations involving FTZ Board approved production (< 50 acres) ... \$10,000
- Zone operations involving FTZ Board approved production (≥ 50 acres) .. \$20,000
- Rig fabrication project (quarterly fee per project) \$5,000
- Zone operations involving FTZ Board approved petroleum refining \$35,000

* All fees listed above are for Grantee-related services only and are non-refundable. All costs involved with preparing and submitting requests to the FTZ Board or CBP and on-going zone site operations are the sole responsibility of the Applicant. The FTZ Board charges an application fee to establish Subzones under the Traditional Site Framework. The fee is \$4,000 for Subzones manufacturing/producing zero, one, or two (0, 1, or 2) products. The fee is \$6,500 for Subzones manufacturing/producing three (3) or more products. See 15 C.F.R. § 400.29 for the most current and complete FTZ Board fees.

** Application sponsorship fees apply to each application submitted.

*** Annual fees are due within thirty (30) days of receiving activation approval from CBP and are pro-rated the first year based on the date of activation. Thereafter, annual fees are due by January 31 and apply to the calendar year.

Operators Offering Services to the Public in Foreign-Trade Zone No. 122

Where Grantee, POCCA, acts as the Operator for a zone User, the following fees will apply:

- User will pay to Operator an annual fee of \$5,000.

Amended May 15, 2023

BJB/EXHIBIT/240549 (3879)