

ZONE SCHEDULE FOR



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Grantee: Quad Cities Foreign Trade Zone, Inc.

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QUAD CITIES FOREIGN TRADE ZONE, INC. SCHEDULE
FOR
FOREIGN-TRADE ZONE NO. 133

INTRODUCTION

This Zone Schedule (“Schedule”) has been adopted by the Quad Cities Foreign-Trade Zone, Inc. (“QCFTZ”), an Iowa nonprofit organized for the purpose of establishing, operating, and maintaining a Foreign Trade Zone, as defined in 19 United States Code § 81a and subsequent amendments, and for auxiliary or supplemental purposes incidental to the maintenance of such a Foreign Trade Zone. This Zone Schedule sets forth the operational structure of Foreign Trade Zone No. 133 and the regulations and charges associated with active Zone operations. A copy of this Zone Schedule is available for public inspection at the offices of the Grantee. The goal of the QCFTZ is to promote economic development through the promotion and utilization of Foreign-Trade Zone No. 133 by assisting businesses to be more competitive in the global market. Foreign-Trade Zone No. 133 assists in the economic development of the community by providing a Customs management tool to importers and exporters. The principal benefits that the Zone provides to businesses are listed on Page 6 of this Zone Schedule.

There are three (3) ways to take advantage of Foreign-Trade Zone No. 133. A company can have its products handled by a Zone Operator, become a separate Zone User under an Operator, or a company can itself become a Zone Operator. Applications will made to the FTZ Board for a subzone. The QCFTZ charges Zone Operators for the privilege of operating in the Zone. Uniform charges are set forth herein. Other charges and costs associated with the operation of a Zone area are the responsibility of the Zone Operator.

The Grantee does not prepare or compile the actual General Purpose Zone application documents or operator’s manuals, those being the responsibility of the Applicant and/or their consultant.



GLOSSARY OF STANDARD ABBREVIATIONS

<u>Abbreviation</u>	<u>Definition</u>
FTZ Board	Foreign Trade Zone Board
CBP	U.S. Customs and Border Protection
CD	CBP Directive
CFR	Code of Federal Regulations
C.S.D.	CBP Legal Decision published in CBP Bulletin
FR	Federal Register
FTZ Act	Foreign-Trade Zones Act of 1934, as amended (19 §81a-81u)
FTZM	Foreign-Trade Zone Manual
FTZO	Foreign-Trade Zone Board Order
HQ. Ltr.	Unpublished CBP Headquarters Letter
HTS	Harmonized Tariff Schedule of the U.S.
HQR	Published Headquarters Rulings
MS	CBP Manual Supplement
OCOD	Office of Commercial Operations Decision published in CBP Bulletin
PL	Public Law
Slip Op	Slip Opinion of the Court
TA	Tariff Act of 1930, as amended (Title 19 U.S.C. and 18 U.S.C. §541-552)
TD	Treasury Decision published in CBP Bulletin
U.S.C.	United States Code
UST	United States Treaties in Force



PRINCIPAL BENEFITS TO BUSINESSES

Re-exports: Merchandise which is imported into the U.S. for admission into Foreign-Trade Zone No. 133 and later re-exported from the Zone is never assessed any Customs duties.

Reject, Scrap, and Merchandise: Imported merchandise which is admitted into a Zone and then rejected, scrapped, is not assessed any Customs duties whatsoever. Duties are reduced significantly for all merchandise that is scrapped through a manufacturing operation in a Foreign-Trade Zone, and then sold from the Zone as commercial scrap material.

Zone-to-Zone Transfers: Imported merchandise that is admitted into the Zone and then shipped to another U.S. Foreign-Trade Zone can be shipped duty-free to the receiving Zone with the receiving Zone's concurrence. As duty-free transfers, Zone-to-Zone shipments allow both the shipping Zone and the receiving Zone to reduce their duty exposure. Duties are eliminated completely on imported components, which are transshipped through several Zones and eventually re-exported.

Duty Deferral: While duties are eventually assessed on imported merchandise shipped to U.S. locations from the Zone, these duties are deferred while the merchandise remains in the Zone. The time that duty is paid is moved from the date of importation to the date of shipment from the Zone. The cost-of-money savings on duty deferral can be significant for large-volume distributors, or operations with long inventory turnover periods.

Inverted Tariffs: When components are imported and admitted into Foreign-Trade Zone No. 133, they can be manufactured into a new product for re-export or sale in the U.S. In these cases, the importer, with specific approval from the FTZ Board, may elect to apply the finished product duty rate, or the component duty rate, whichever is lower. When the finished product rate is lower than the imported component rate, the importer can save the difference between the two rates.

Elimination of Drawback: In some instances, Customs duties previously paid on exported merchandise may be refunded through a process called drawback. The drawback law is increasingly complex and expensive to administer. Through the use of an FTZ, the need for drawback may be eliminated allowing these funds to remain in the operating capital of the company.

Labor, Overhead and Profit: In calculating the dutiable value on foreign merchandise removed from a zone, zone users are authorized to exclude zone costs of processing or fabrication, general expenses and profit. Therefore, Customs duties are not owed on labor, overhead and profit attributed to production in a FTZ.

Other: Many companies in FTZs find that their inventory control systems run more efficiently, increasing their competitiveness. FTZ users also find that, due to meeting their FTZ reporting responsibilities to the U.S. government, they are eligible to take advantage of special Customs procedures such as direct delivery and weekly entries, which facilitate the timely movement of cargo in and out of the country and improve competitiveness.

These are just the principal benefits of U.S. Foreign-Trade Zones. To discuss how your operation could benefit from Foreign-Trade Zone No. 133, visit <https://quadcitieschamber.com/locate-grow-business/business-resources/foreign-trade-zone-international-trade/> or [FTZ Production Center](#).

Application of Rates, Rules and Regulations

The rates, rules and regulations published in this schedule will apply to all Operators of General Purpose Sites and Subzone Sites under the jurisdiction of Foreign-Trade Zone No. 133. Except as otherwise provided in this schedule, all general rates, rules and regulations will apply as published.



DEFINITION OF FOREIGN-TRADE ZONE TERMS AND U.S. CUSTOMS FORMS

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

Admission: Physical arrival of goods into the Foreign-Trade Zone with the approval of the Zone Grantee and Customs. The word “admission” is to be used instead of “entry” of goods in a Zone to avoid confusion with Customs entry processes under Title 19 Parts 141-144 of the Customs Regulations.

Admit: To bring merchandise into a Zone with Zone status.

Alteration: A change in the boundaries of an activated Zone or Subzone; activation of a separate Site of an already-activated Zone or Subzone with the same Operator at the same port; or the relocation of an already-activated Site with the same Operator.

Audit-Inspection Procedures: These procedures provide the framework for Customs to reduce on-Site supervision of Zones and for Zone Operators to increase Zone operating flexibility through the audit-inspection method of supervising Zones. These procedures require use of the Zone Lot Number system or a Unique Identifier Number system. The systems may be manual, computerized, or a combination of both.

Applicant: A corporation, partnership or person applying for the right to operate a Foreign-Trade Zone Site or Subzone under the jurisdiction of FTZ No. 133.

Bulk: A product or mass (of a product) which is not packaged, bundled, bottled, or otherwise packed, so that it is designated as bulk or bulk merchandise.

Constructive Transfer: A legal fiction, which permits acceptance of a Customs entry for merchandise in a Zone before its physical transfer to the Customs territory. Constructive transfer is deemed to have occurred when Customs receives an entry in proper form. If the entry is not accepted, the merchandise will be deemed constructively transferred back to the Zone in its previous Zone status.

Control Number: The number used on all Zone entry and exit forms to identify all merchandise and commodities. The control number will, in all cases, be the same as the tariff number for that same merchandise described in the Harmonized Tariff Schedules of the United States Annotated.

Customs Broker: A firm, representative or individual who acts on behalf of the Zone Operator and/or the importer of record under an authorized power of attorney.

Customs Territory: The territory of the U.S. in which the general tariff laws of the U.S. apply. “Customs territory of the United States” includes only the States, the District of Columbia, and Puerto Rico.

Deactivation: Voluntary discontinuation of the activation of an entire Zone or Subzone by the Grantee or Operator. Discontinuance of the activated status of only a part of a Zone Site is an alteration.

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

Direct Delivery: Procedure for delivery of merchandise to a Zone without prior application and approval; designated for low-risk, repetitive shipments whose ordering and timing are under the control of the Operator.



Discovery: The time at which a suspected discrepancy is confirmed as a true discrepancy. Discovery is made after an investigation has been initiated on a suspected discrepancy, and the discrepancy cannot be resolved by locating missing merchandise elsewhere in the Zone Site.

Domestic Status: Domestic status is for (a) the growth, product, or manufacture of the United States on which all internal revenue taxes, if applicable, have been paid, and (b) previously imported merchandise on which all applicable duties and internal revenue taxes have been paid. Domestic merchandise may be returned to the Customs territory free of duty and taxes.

Drawback: Import duties or taxes repaid by a government, in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.

Entry or Withdrawal for Consumption: From 19 CFR 101.1 means entry for consumption or withdrawal from warehouse for consumption.

Exhibition: The showing of merchandise within a Zone, usually to prospective buyers. This may require Customs supervision whenever it involves packing, unpacking, repacking, assembly, or reconditioning of the goods for showing.

First In-First Out (FIFO): Under the FIFO method, any fungible merchandise withdrawn from stock is assumed, in accordance with good business practice, to be withdrawn from the oldest stock first. In applying FIFO procedures, it is important to note that each Zone admission is considered a layer and the Zone Operator is responsible for identifying the appropriate sequence of transfers from the Zone to assure the proper layer was used and transferred from the Zone. Fungible merchandise is, by definition, commercially interchangeable in all situations. Identification shall be maintained in the inventory control system records, generally, by description and part or stock number.

Foreign-First (FOFI): An accounting method based on the assumption that foreign status merchandise is disposed of first.

Foreign-Trade Zone (FTZ): A restricted-access Site, in or adjacent to a Customs Port of Entry, operated pursuant to public utility principles under the sponsorship of a corporation granted authority by the Board and under supervision of the Customs Service. Any foreign and domestic merchandise, except such as is prohibited by law or such as the Board may order to be excluded as detrimental to the public interest, health, or safety may be brought into a Zone without being subject to the Customs laws of the United States governing the entry of goods or the payment of duty thereon; and such merchandise permitted in a Zone may be stored, exhibited, manufactured, mixed or manipulated in any manner, except as provided in the Act and other applicable law or regulations, the merchandise may be exported, destroyed, or sent into Customs territory from the Zone, in the original package or otherwise. It is subject to customs duties if sent to Customs territory, but not if reshipped to foreign points.

Foreign-Trade Zones Act: The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 998-1003; 19 U.S.C. 81a-81u), as amended.

Fungible Merchandise: Merchandise which for commercial purposes, is identical and interchangeable in all situations.

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

Grantee: Corporation that has the privilege of establishing, operating, and maintaining a Foreign-Trade Zone by grant of authority from the Foreign-Trade Zones Board.



Imports: Foreign merchandise of every description (except articles specifically and absolutely prohibited by statute) entered into Custom 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.

Inventory Tracking System (ITS): The system utilized for all Zone Sites reporting functions. It includes complete accountability of the merchandise received and shipped and can be computerized, manual system or a combination. It is completely auditable from receipt to shipment and backwards from shipment to receipt.

Manipulation: Processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted, graded, or otherwise changed in condition, but not manufactured. The definition is taken from Section 562 of the Tariff Act. The precise distinction between manipulation and manufacture is subject to interpretation and enjoys a long history of case law.

Manufacture or Production: 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.

Merchandise: Merchandise includes goods, wares, and chattels of every description, except prohibited merchandise, building materials, production equipment and supplies for use in operation of a Zone.

Merchandise, Conditionally Admissible: Merchandise which may be imported into the U.S. under certain conditions. Merchandise which is subject to permits or licenses, or which must be reconditioned to bring it into compliance with the laws administered by various Federal agencies.

Merchandise, Domestic: Merchandise which has been produced in the United States and not exported therefrom, or previously imported into the Customs territory of the United States and properly released from Customs custody with payment of all applicable duties and taxes.

Merchandise, Foreign: Imported merchandise which has not been properly released from Customs custody into the Customs territory of the United States.

Merchandise, Fungible: Merchandise which for commercial purposes is identical and interchangeable in all situations. Originally applied to liquids or free-flowing substances which arrived in bulk, unpacked condition, the concept is now applied in Zones for inventory control purposes, to shipments of goods which arrive packed, but are unpacked and placed together in storage or manufacturing locations, so that identification with the shipment as admitted to the Zone is lost. Concept is subject to wide use in manufacturing environments where it is infeasible to store goods in their original lots awaiting manufacture.

Merchandise, Mixed Status: Foreign merchandise which has been combined with domestic merchandise in the Zone is sometimes referred to as mixed status merchandise.

Merchandise/Operations, Prohibited: Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise that is excluded from a Zone by order obscene pictures, and lottery tickets are examples of prohibited merchandise. Also, certain operations involving the following merchandise are prohibited: tobacco, distilled spirits, alcohol, wine and beer (26 U.S.C. 5001-5008, 5010); sugar (26 U.S.C. 4501-4503); watch movements (19 U.S.C. 1367-1368); bicycles parts (19 U.S.C. 81c); and retail sales in a Zone (19 U.S.C. 81o & CR 146.14).



Merchandise/Operations, Restricted: Merchandise which may not be authorized for delivery from Customs custody without a special permit, or a waiver thereof, by an agency of the U.S. Government. Also, the Foreign-Trade Zones Board and U.S. Customs Service have restricted certain operations involving the following products: steel, textiles, television tubes and sugar. Operations involving orange juice may be restricted. The restrictions vary on a case-by-case basis.

Merchandise/Quote Control: Foreign merchandise subject to U.S. Government import quota controls may be placed in the Zone pending approval for transfer to Customs territory, re-export to a foreign destination, manipulation, or other authorized purposes.

Nonprivileged Foreign Status (NPF): Nonprivileged foreign status is a category for merchandise that does not have privileged or Zone Restricted status. Articles composed of nonprivileged merchandise are classified and appraised in their condition at the time of transfer to the Customs territory for consumption.

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

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

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

Operator's Bond: All Zone Operators must submit to Customs a bond to assure compliance with Customs regulations. The bond is submitted on Customs Form (CF) 301. The bond provisions are set forth at 19 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.

Port Director: U.S. Customs, Davenport, IA-Moline and Rock Island, IL.

Port of Entry: A place designated by the U.S. Government at which a Customs officer is assigned with authority to accept entries of merchandise, collect duties, and enforce the various provisions of the Customs laws.

Privileged Foreign Status (PF): In normal operations or prior to any manipulation or manufacture that would change its tariff classification, an importer may apply to the District Director to have imported merchandise in the Zone given privileged foreign status. The merchandise is classified and appraised and duties and taxes are determined as of the date the application is filed. Taxes and duties are payable, however, only when such merchandise or articles are transferred to the Customs territory. The determined duty rate and taxes are not subject to future fluctuation. Once established, privileged foreign status cannot be changed.

Reactivation: A resumption of the activated status of an entire area that was previously deactivated without any change in the Operator or the area boundaries. If the boundaries are different, the action is an alteration. If the Operator is different, it is an activation.

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

Subzone: A special-purpose Zone established as part of a Zone project for a limited purpose. The term "Zone" also applies to a Subzone, unless specified otherwise.

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



Unique Identifier Number (UIN): This inventory method controls merchandise in a Zone by cumulative identification, i.e., by unique numbers and/or letters that identify merchandise admitted to a Zone (SKU, part number, bar code, etc.). Inventory levels are adjusted on a First-In-First-Out (FIFO) or Foreign First (FOFI) basis pursuant to generally accepted accounting principles.

User: A person or firm using a Zone for storage, handling or processing of merchandise. An Operator may also be a User.

Vessel/Aircraft Supply: The supply of goods or equipment free of duties and taxes under Section 309 of the Tariff Act, to eligible vessels or aircraft for use while actually engaged in foreign trade, or in transit to Alaska, Hawaii, Puerto Rico, or any U.S. possession. Sometimes confused with exportation, which involves removal from the geographic territory of the United States and entry into a foreign country.

Zone Lot Number (ZLN): A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a Zone by lot and lot number.

Zone Project: All of the Zone and Subzone Sites under a single Grantee.

Zone Restricted Status (ZR): Merchandise admitted into the Zone Site for the purpose of exportation or destruction (except destruction of distilled spirits, wines, and fermented malt liquors). Zone restricted merchandise may not be returned to US Customs territory for domestic consumption except as approved by the FTZ Board and may not be manipulated or manufactured once admitted.

Zone Site: The physical location of a Zone or Subzone.

Zone Status: The status of merchandise held in the Zone Site. Zone status distinguishes between merchandise which has already cleared US Customs or is a product of the United States (domestic status) and merchandise which was imported and has not yet cleared US Customs (nonprivileged and privileged foreign status), or is being held in a Zone pending exportation or destruction (Zone restricted status).



PRINCIPAL GOVERNING REGULATIONS, AGREEMENTS AND MANUALS

Foreign-Trade Zones Act: Foreign-Trade Zone No. 133 is governed by the Foreign-Trade Zones Act, 19 United States Code 81a-81u as amended.

Foreign-Trade Zones Board Regulations: Foreign-Trade Zone No. 133 is regulated by the Foreign-Trade Zones Board, Washington, DC, under U.S. Code of Federal Regulations, Title 15, Part 400, as amended.

U.S. Customs and Border Protection Regulations: Foreign-Trade Zone No. 133 is subject to the regulations of the U.S. Customs Service under U.S. Code of Federal Regulations, Title 19, part 146, as amended.

Governmental Agencies: All corporations, partnerships and persons operating within activated Zone space are responsible to obtain, maintain and keep current any and all licenses, permits, certificates or other authorizations required by a Federal, State, or Local government that are or may be necessary for conducting business in or from the Zone.

Foreign-Trade Zone No. 133 Schedule: All corporations, partnerships and persons operating within activated Zone space are subject to this Schedule. The Foreign-Trade Zone Grantee will be the sole judge to interpret and determine the applicability of any of the rates, rules, regulations or services provided for in this Schedule. However, any matter involving interpretation of action by U.S. Customs or other agency of the U.S. Government will be determined by the Port Director of Customs as the resident representative of the Foreign-Trade Zones Board. The Zone schedule shall contain a section listing rates and charges for Zones and subzones with information sufficient for the Board or the Executive Secretary to determine whether the rates or charges are reasonable based on other operations in the port of entry area and whether there is uniform treatment under like circumstances among Zone Users. A copy of this Schedule will be provided to each Operator. Updates will be provided as revisions occur. Additional copies of this Schedule are maintained at the office of Foreign-Trade Zone No. 133 for reference.

Foreign-Trade Zone No. 133 Grantee/Operator Agreement: Every corporation, partnership and person seeking to operate in a Zone Site (including a Subzone) within Foreign-Trade Zone No. 133, must enter into a Grantee/Operator Agreement with QCFTZ, as Grantee. A copy of the standard Grantee/Operator Agreement is available, upon request, from QCFTZ. If any conflict with this Schedule and any Grantee/Operator Agreement occurs, the Grantee/Operator Agreement will prevail.

Foreign-Trade Zone Operator/User Agreement: If a Zone User, other than the Operator, is delegated any of the Operator's, the Zone Operator shall ensure that a written Operator/User Agreement is executed by and between the Zone Operator and Zone User and the User is issued a Procedure Manual, prior to the commencement of any activities at the Zone Site. Said written Operator/User Agreement shall specify the term, the User's authority and responsibilities, charges and other matters as defined by the Operator.

Foreign-Trade Zone Procedure Manual: The Operator, prior to activation, is required to submit to Customs a written FTZ Procedures Manual. The manual describes the systems and procedures that will be employed in the Zone's operation. During the Zone's operation, the Procedures Manual must be updated to reflect any changes that are made in systems and procedures. The Foreign-Trade Zone Board and U.S. Customs Service Regulations will be made a part of each Operator(s) and/or User(s) Procedure Manual. Customs neither approves nor disapproves the Procedures Manual. The Zone Operator is responsible for compliance of the systems and procedures described in the Procedures Manual. Besides meeting a Customs requirement, the Procedures Manual should serve as the Operator or user's tool in conducting its Zone activities.



GENERAL RULES AND REGULATIONS

Roles of Grantee, Operator, and User:

Grantee: A grantee is a public or private corporation to which the privilege of establishing, operating, or maintaining a Foreign-Trade Zone has been given. The QCFTZ, as grantee, shall be limited to its general oversight responsibility to ensure that the reasonable needs of the business community are served by Foreign-Trade Zone No. 133.

Operator: An Operator is a corporation, partnership, or person that operates a Zone or subzone under the terms of a Grantee/Operator Agreement with the Zone Grantee. The QCFTZ, as Grantee, delegates the responsibility for operation of Zone Sites to the Operator(s) who will assume responsibility for compliance with all regulations of the U.S. Customs Service, the Foreign-Trade Zones Board and other relevant government agencies.

User: A Zone User is a corporation, partnership, or person that uses a Zone or subzone for storage, handling, processing, or manufacturing merchandise in Zone status. In subzones and general purpose Sites, the Operator and User can be the same party. If a Zone User is not the Operator and is delegated any of the Operator's responsibilities as contained in the Zone Schedule and Grantee/Operator Agreement a written Operator/User Agreement and Procedure Manual are required.

Availability of Zone: All rates and charges for all services and privileges within the Zone shall be fair and reasonable, and the Grantee and Operator(s) shall afford to all who may apply for the use of the Zone and its facilities uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments. Users are subject to specific rules, rates and charges of Zone Site Operator(s).

All Zone services and facilities shall be administered fairly and reasonable. In addition, the availability of all said services and facilities is subject to the physical limitations of Foreign-Trade Zone No. 133, with said services and facilities available on a "first-come, first-served" basis.

Merchandise Permitted in Zone: Foreign and domestic merchandise of every description, except such as is specifically prohibited by law, may, without being subject to the Customs laws of the United States except as otherwise provided in the Act and the regulations made thereunder, be brought into a Zone.

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

Activities Permitted in Zone: Merchandise lawfully brought into a Zone may, in accordance with these and other regulations made under the provisions of the Act, be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured into new articles of commerce. Only manufacturing activity approved by the FTZ Board may be performed in the Zone or Subzone(s). See Section "Activities permitted in a Zone."

Responsibility for Duty and Taxes: The Foreign-Trade Zone Board does not own or operate any Zones. Rather, it provides grants to applicants to establish, operate, and maintain Zones. The QCFTZ, as Grantee, shall execute a Grantee/Operator Agreement with another party or parties for the operational management of Zone Sites. Various tenants may lease space and construct buildings in the Zone and physically run their operations in the buildings, while others may pay a Zone Operator a fee for handling their merchandise and performing related services. Operator(s) of the Zone are responsible and liable for payment of any and all duties or penalties due any agency of the Federal, State



or Local government arising from use of the Zone, including liabilities on merchandise which is not accounted for to the satisfaction of the U.S. Customs Service.

Security and Safety Requirements in the Zone: All Foreign-Trade Zone Sites, in order to be approved for their initial activation by Customs, must meet certain security and safety requirements. These requirements may include, but are not limited to, locking warehouse doors, adequate fencing (if necessary), personnel screening, proper lighting in warehouses, absence of debris or other safety hazards, etc. Each Zone Site will be considered separately to determine what Customs may require to protect the revenue of the United States, based on the specific conditions of each Zone Site, e.g., value of goods, size, chances of theft occurring, etc. After a Zone Site has been activated, all security and safety measures required to achieve the initial activation must be maintained at all times. Spot checks may be conducted by Customs and the Grantee and liquidated damages or notices may be assessed if these requirements are found to be insufficiently met in any way.

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

Inventory Control and Recordkeeping Systems: All inventory control and recordkeeping systems employed by Operators within the Zone must meet the requirements of the U.S. Customs Service Regulations. Under the Regulations, each Operator maintains the inventory records. The U.S. Customs Service is relieved of the duty of actually keeping the records, but maintains assurance of the systems' accuracy by selective examinations of merchandise, and spot checks and audits of Zone facilities. Each system must be capable of producing the following required results:

- Producing accurate and timely reports and documents as required by the Customs Regulations;
- Accounting for all merchandise in their care, custody, and control;
- Identifying shortages and overages of merchandise in the Zone in sufficient detail to determine the quantity, description, Tariff classification, Zone status, and value of the missing or excess merchandise;
- Providing an audit trail to Customs forms, from admission through manipulation, manufacture, destruction or transfer of merchandise from the Zone by a Customs authorized inventory method; and
- Providing all information necessary to make entry for merchandise being transferred to the Customs territory.

Inventory Procedures: Zone Operator(s) are responsible for establishing and maintaining Inventory Control Systems acceptable to the U.S. Customs Service and the Zone Grantee for all merchandise in their care, custody, and control.

Use of Zone Facilities: Zone facilities will be used for the purposes of receipt, storage, handling, exhibition, manipulation, manufacturing and related processing and shipment of foreign and domestic merchandise as considered necessary to the conduct of Operator's normal business. Operators will not use or permit the Zone to be used for any other purpose without the prior written consent of the Zone Grantee. Operators will not do or permit anything to be done in or about the Zone which will in any way obstruct or interfere with the rights of other Operators of the Zone.

Proprietary Information: Proprietary information contained on Customs forms or in the inventory control and recordkeeping systems of Operators will not be disclosed to unauthorized persons. The Customs Regulations provide for liquidated damages for unauthorized disclosure of proprietary information.

Residence within Zone: No person will be allowed to reside within a Zone except federal, state or municipal officers or agents whose resident presence is deemed necessary by the Foreign-Trade Zones Board.

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



Liability of Grantee: QCFTZ (Grantee) will not be liable and cannot assume any responsibility for any loss or damage to freight, cargo or merchandise or other property within the Zone, or for any loss or damage arising from acts of commission or omission of Operators.

Record Retention: The Operator is required to retain records for five (5) years after merchandise is removed from the Zone. Records must be readily available for Customs review at the Zone Site(s).

Customs Inspection of Zone Merchandise: The Operator will make merchandise subject to Customs inspection immediately available to Customs at the Zone Site or a location designated by Customs, and will have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following the inspection.

Operator Bond: The Operator must maintain, for Customs purposes, an Operator Bond required by Customs. This Bond is to assure compliance with Customs regulations. The bond is submitted on Customs Form (CF) 301. 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.



APPLICATIONS TO THE FOREIGN-TRADE ZONES BOARD

New Zone Sites

If a company is interested in taking advantage of the benefits of Foreign-Trade Zone No. 133 at a location other than the currently approved Sites as listed herein, the company may request that an application, for modification, expansion or subzone, be filed by the QCFTZ.

Manufacturing Permits

Any activity involving foreign merchandise which causes the merchandise to undergo a substantial transformation or change Customs tariff classification while in the Zone must be approved in advance by the Foreign-Trade Zones Board before the activity may commence. The company must request that application production notification, completed by the company, be filed by Foreign-Trade Zone No. 133 to the Foreign-Trade Zones Board for approval of the contemplated operation.

Types of Applications to the Foreign-Trade Zones Board

There are several types of applications for New Zone Sites:

- Subzone
- Expansion Site
- Boundary Modification

Requests to the Board for production authority must be filed separately with the Board (through a production notification).

Procedures for Filing Applications to the Foreign-Trade Zones Board

The QCFTZ will determine which type (or types) of application(s) is appropriate to accommodate an interested Zone Operator and/or User.



ACTIVATION, DEACTIVATION AND ALTERATION OF ZONE SITES

Activation

The QCFTZ will assist the Operator toward activation of the Zone Site with Customs for commencement of Zone operation. After a letter of concurrence has been received, the Operator will complete the following:

- 1) Procedures Manual establishing how the Zone Site will be operated. The manual describes the inventory control and record keeping system(s) and Zone procedures. The Operator must certify that the Zone inventory control and record keeping system(s) satisfy the requirements of 19 CFR, Section 146, and Subpart B.
- 2) Statement of personal history in order to permit the Customs Service to perform a background check. This form must be completed on principal officers and key employees who will be involved in the operation.
- 3) A letter of concurrence from the Zone Grantee.
- 4) If activity is for manufacturing, a description of the proposed manufacturing activity and a copy of the Foreign-Trade Zones Board approval of this activity.
- 5) Grantee/Operator Agreement, duly executed, between the Operator and the Grantee, covering the Zone Site for which activation is sought.
- 6) A security inspection of the Zone Site to ensure security systems are in place as listed in the Procedures Manual will be conducted by Customs.
- 7) FTZ Operator's Bond to U.S. Customs as specified by Customs prior to activation

Deactivation

An Operator may deactivate all or a portion of a Zone Site by notifying and obtaining the approval of the Grantee pursuant to the terms of the Grantee/Operator Agreement between the Operator and the Grantee.

Alteration

An Operator may increase or decrease the amount of activated space, within an authorized Zone Site or Subzone by notifying and obtaining approval of the Grantee.



ACTIVITY PERMITTED IN ZONE

Storage of merchandise: Merchandise may be stored for an unlimited period of time in the Zone. Merchandise controlled under a Zone lot system must be physically segregated and marked by lot and lot number. Merchandise controlled under a UIN system does not need to be segregated or marked.

Quota Controlled Merchandise: Foreign merchandise subject to U.S. Government import quota controls may be placed in the Zone pending approval for transfer to Customs territory or may be re-exported to a foreign destination.

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

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

Exhibition of Merchandise: Any merchandise admitted to the Zone may be exhibited. The Operator must obtain permission from Customs to exhibit merchandise by obtaining approval on a CF 216.

Retail Trade Within Zone: No retail trade will be conducted within a Zone except under permits issued by the Grantee and approved by the Board. Such permittee will sell no goods except such domestic or duty-paid or duty-free goods as are brought into the Zone from Customs territory. Permits which are sent to the Board for approval will be accompanied by a sworn statement, subscribed to by the applicant before a duly authorized officer to administer oaths setting forth in detail the nature of the retail trade to be conducted, and containing an agreement that such applicants will sell no goods except of the kinds specifically authorized by the Act, which are brought into the Zone from Customs territory.

No goods will be offered for sale or sold in a Zone which are not of the same kind and quality permitted to be offered for sale or sold in the political jurisdiction in which the Zone is located. If the permittee violates any provisions of the regulations in this Section, his permit will be revoked by the Grantee, who will immediately report such action to the FTZ Board.

Change in Zone Status: The Zone status of merchandise may be changed in the Zone. Merchandise in NPF status may be changed to PF status if done prior to manipulation or manufacture effecting a change in tariff classification of the merchandise. PF status may not be changed to NPF status. Merchandise in PF or NPF status may be changed to Zone Restricted status. The Operator will submit a CF 214 to Customs for approval of a Zone status change.

Destruction of Merchandise: Whenever Zone status merchandise is discovered damaged or merchandise is considered waste or scrap, it will be physically segregated, marked and otherwise secured to preserve its identity. Such merchandise may be held for return to the vendor, or for destruction, or Customs entry. All merchandise destroyed will be recorded in the Operator's inventory control and recordkeeping systems.

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



FEE SCHEDULE

Grantee fees:

All Grantee fees, as described herein, are payable to the Quad Cities Foreign-Trade Zone, Inc. The fees are published in the Zone Schedule and are subject to review and modification. Absent modification, the most current fees shall remain in effect.

SUBZONE APPLICATION AND ACTIVATION

New Application Fees

Subzone Application Fee **\$5,000**
(This fee does not include actual preparation of the Subzone Application)

The Application Fee covers Grantee expenses for review of the application and submission of the Application to the Foreign-Trade Zones Board, and any necessary support required in the Subzone Application process.

Activation Fee **\$5,000**

The Activation Fee covers Grantee expenses for preparation and processing of the Operations Agreement, providing the Grantee concurrence letter to the U.S. Customs Service, preparation and/or assistance in preparing the Procedures Manual, and any necessary Grantee support required in the Customs activation process.

Annual Fee

An annual fee will be charged to the Operator or to the Owner, if serving as its own Operator.

The fee will cover Grantee expenses for administration, which includes support, assistance and technical services with the standard Grantee/Operator Agreement. The fee also covers overhead, marketing, education, legal expenses, etc.

The Annual Fee will cover Grantee expenses for oversight of the Subzone project and submission of the Annual Report to the Foreign Trade Zones Board.

The fee is payable as follows:

Non-Activated Site/Subzone	\$2,500
Active Operator Usage Driven Site	\$10,000

Fees are payable as described in the Grantee/Operators agreement and annually for each subsequent year the facility remains activated.



Late Payment Charge

At the time of issue of this Schedule, no late payment fees are charged by QCFTZ. Should a late payment fee be imposed in the future, such fee shall be payable by the Operator of the affected Zone Site.

Operator(s) fees

Each individual Operator shall set its own fees.

U.S. Customs Fees

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

FTZ Board (Washington, D.C.) Fees

Any fees or charges imposed by the Foreign-Trade Zones Board shall be payable by the Operator of the affected Zone Site, or as apportioned by the Grantee among the Zone Sites when appropriate. Under no circumstances will the Grantee be liable or responsible for any FTZ Board fees or charges.

Presently FTZ Board Fees for certain types of applications and requests for authority are based on their average processing time. Applications combining requests for more than one type of approval are subject to the fee for each category. Current FTZ Board Fees are defined in 15 CFR § 400.29.

Other Government Agency Fees

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

Fines, Penalties and Liquidated Damages

U.S. Customs Service fines, penalties, or liquidated damage claims affecting Zone merchandise or Zone activities will be paid by the Operator of the affected Zone Site. The same is true of any other fines, penalties, or liquidated damage claims by other government agencies concerning operations at the Zone Site. Under no circumstances will the Grantee be liable or responsible for any fines, penalties, forfeiture or liquidated damage claims.