

**PORT OF MOSES LAKE, FTZ #203 ZONE SCHEDULE
EFFECTIVE JULY 1, 1997**

**ZONE SCHEDULE FOR THE
PORT OF MOSES LAKE FOREIGN-TRADE ZONE, FTZ #203**

This Zone Schedule has been prepared by the Moses Lake Public Corporation, in its capacity as the Grantee of FTZ #203. Any questions concerning the contents of this Zone Schedule should be addressed to:

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This Zone Schedule has been prepared in accordance with 15 C.F.R. 400.42 and is on file with the Foreign-Trade Zones Board and the United States Customs Service in Moses Lake.

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I. Foreign-Trade Zones in General:

Foreign-trade zones (FTZs) were created by the Foreign-Trade Zones Act of 1934 ("the FTZ Act") for the purpose of expediting and encouraging foreign commerce. Changes to the FTZ Act in 1950 which permitted manufacturing and exhibiting in FTZs have broadened the objectives of the program. FTZs are secured areas under U.S. Customs supervision that are considered outside the customs territory of the United States. Merchandise may be moved into an FTZ for storage, exhibition, manufacture, or other operations not otherwise prohibited by law. Customs duties on foreign merchandise are not collected until the merchandise is entered into the U.S. Customs territory.

II. The Port of Moses Lake Foreign-Trade Zone, FTZ #203:

The Grant of Authority for the Port of Moses Lake Foreign-Trade Zone, FTZ #203, was issued to the Moses Lake Public Corporation by the Foreign-Trade Zones Board on October 18, 1994 (Board Order No. 702).

The Port of Moses Lake Foreign Trade Zone, FTZ #203 is located on approximately 320 acres of property owned by the Port of Moses Lake within the Grant County Airport in Moses Lake. The Grant County Airport was activated as a Customs User Fee Airport on March 1, 1994. As of October 1, 1996, the Ports of Moses Lake and Yakima have agreed to share the services of the Customs Inspector stationed at the Grant County Airport in Moses Lake. As a result of a minor boundary modification approved by the Foreign-Trade Zones Board on April 25, 1995, FTZ #203 is comprised of three (3) subdivisions -- one consisting of 134.7 acres on the west side of the Airport; one consisting of 97.8 acres on the east side of the Airport; and one consisting of 87.9 acres on the south side of the Airport (see the attached blueprint which indicates the boundaries of FTZ #203 highlighted in red).

The Moses Lake Foreign-Trade Zone, FTZ #203 is open for business during normal business hours. The U.S. Customs Service has an employee located at the Grant County Airport in Moses Lake. All inquiries concerning FTZ #203 should be addressed to Al Anderson, Industrial Development Manager, Port of Moses Lake.

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III. Glossary of Terms:

1. **Foreign-Trade Zones Board** -- comprised of the Secretary of Commerce and the Secretary of Treasury. These officials or their designee are empowered to issue to appropriate applicants the grant of authority to establish, maintain and operate a Foreign Trade Zone project 19 U.S.C. 81a(b); 15 C.F.R. 400.2(b).
2. **Foreign-Trade Zones Board staff** -- Officials in the Department of Commerce, International Trade Administration responsible for overseeing the administration of Foreign Trade Zones. The Executive Secretary heads up this office 15 C.F.R. 400.2(f).
3. **Port Director of Customs** -- Customs official with responsibility for overseeing the activation and operations of zone projects within his customs district.
4. **Grantee** -- Corporation to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted." 19 U.S.C. 81a(h); 15 C.F.R. 400.2(r).
5. **Operator** -- Corporation, partnership, or person that operates a zone or subzone under the terms of an Agreement with the zone grantee. Where used in this part, the term "operator" also applies to a "grantee" that operates its own zone. 19 C.F.R. 146.1(15); 15 C.F.R. 400.2(s).
6. **User** -- A person or firm using a zone or subzone for storage, handling, or processing of merchandise. 19 C.F.R. 146.1(20); 15 C.F.R. 400.2(v).
7. **FTZ Eligibility** -- Issuance of a grant by the FTZ Board results in the designated area obtaining FTZ eligibility.
8. **Activation** -- Filing of an application with U.S. Customs by the Operator, with the Grantee's concurrence, results in the actual utilization of an FTZ eligible site as an FTZ.

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9. **Subzone** -- a special purpose zone established as an adjunct to a zone project for a limited purpose.
10. **Domestic Status Merchandise** -- Merchandise produced in the United States or imported merchandise for which customs duties have already been paid.
11. **Privileged Foreign Status Merchandise** -- Imported merchandise which has not cleared Customs and for which the User wishes said merchandise to retain its identity, from a customs classification standpoint, regardless of its condition when it ultimately enters the customs territory of the United States.
12. **Non-Privileged Foreign Status Merchandise** -- Imported merchandise which has not cleared Customs and for which the User does not wish said merchandise to retain its identity, from a customs classification standpoint. Therefore, if said merchandise is altered from a customs classification standpoint, it will become classifiable in its condition when it ultimately enters the customs territory of the United States.
13. **Zone Restricted Merchandise** -- Merchandise which can not re-enter the U.S. customs territory.
14. **C.F. 214** -- Document prepared by the User, signed by the Operator and approved by U.S. Customs, which authorizes the admission of merchandise into a FTZ and designates the status of the merchandise.
15. **C.F. 216** -- Document prepared by the Operator and approved by U.S. Customs, which authorizes the User to engage in certain activities within the FTZ such as manipulation, repair, destruction and manufacture.
16. **C.F. 3461** -- Document prepared by the User, which must be approved by U.S. Customs and furnished to the Operator prior to the physical removal of any merchandise from the FTZ into the customs territory of the United States.

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17. **C.F. 7512** -- Document prepared by the User, which must be approved by U.S. Customs and furnished to the Operator prior to the physical removal of any merchandise from the FTZ for exportation of merchandise from the United States.

IV. Role of Foreign-Trade Zones Board:

1. Review FTZ applications, expansion applications, subzone applications, manufacturing requests and boundary modification requests and issue Board Orders.
2. All ongoing activities are subject to review 15 C.F.R.400.31(d)(1).
3. The Board may revoke a grant in whole or in part for repeated and willful violations of the Act 15 C.F.R.400.28(c).
4. A request for manufacturing/processing in an approved zone or subzone is subject to approval either through informal procedures or formal procedures 15 C.F.R. 400.28(a)(2) and 400.32(b).
5. Zone Schedules are subject to review by the Executive Secretary 15 C.F.R. 400.42(a)(2) and 400.42(b)(3).
6. Zone-restricted merchandise may be permitted to be returned into the customs territory by request to the Board 15 C.F.R. 400.44(c).
7. Retail trade requests may be processed by the Executive Secretary 15 C.F.R. 400.45.
8. Board shall publish Annual Report 15 C.F.R. 400.46(d)(2).

V. Role of U.S. Customs:

1. Port Director is local Representative of the Foreign-Trade Zones Board 19 C.F.R. 146.2; 15 C.F.R. 400.41.

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2. Port Director approves activation and alteration requests 19 C.F.R. 146.6 and 146.7.
3. Customs will conduct spot checks and audits.
4. Customs provide recommendation to the Board with regard to requests to return zone restricted merchandise into the customs territory 15 C.F.R. 400.44(b)(4).
5. Port Director will determine whether an activity constitutes retail trade 15 C.F.R. 400.45.

VI. Role of Zone Grantee:

1. File all applications with the Foreign-Trade Zones Board.
2. Assist in marketing of zone project.
3. Select Operator.
4. Insure maintenance of facilities. 19 U.S.C. 811.
5. Insure zone is run as public utility. 19 U.S.C. 81n.
6. Concur in all activation requests filed with Customs 19 C.F.R. 146.6..
7. Insure that the Annual Report is timely filed with the FTZ Board. 19 U.S.C. 81p(b); 15 C.F.R. 400.46(d).
8. Submit the Zone Schedule to the Executive Secretary and the Port Director 15 C.F.R.400.42(b).
9. Submit requests to Customs with regard to whether an activity constitutes retail trade and can be conducted within zone 15 C.F.R. 400.45(a).

VII. Role of Zone Operator:

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1. Supervise all admissions, transfers, removals, recordkeeping, manipulations, manufacturing, destruction, exhibition, physical and procedural security and conditions of storage in zone as required by law and regulations. 19 C.F.R. 146.4.
2. Payment of any applicable activation fee and annual fee. 19 C.F.R. 146.5.
3. Prepare written application to the Port Director for activation of zone. 19 C.F.R. 146.6.
4. Make written application to the Port Director for approval of an alteration of an activated area. 19 C.F.R. 146.7.
5. File the requisite Customs Form 301 Foreign Trade Zone Operator's Bond with the District Director. 19 C.F.R. 146.7.
6. Sign all C.F. 214s permitting merchandise to be place into the zone. 19 C.F.R. 146.9.
7. Prepare a Procedures Manual outlining the inventory control system and recordkeeping system to be followed at the zone. 19 C.F.R. 146.21.
8. Responsible for preparing a reconciliation report within 90 days after the end of the zone/subzone year. 19 C.F.R. 146.25.
9. Perform an annual internal review of the inventory control and recordkeeping system and report discrepancies to the District Director. 19 C.F.R. 146.26.
10. Maintenance of admission documentation. 19 C.F.R. 146.37.
11. Collect all in-bond documentation. 19 C.F.R. 146.40.
12. Filing of C.F. 216 for permission to manipulate, manufacture, exhibit or destroy merchandise in a zone. 19 C.F.R. 146.52.
13. Report shortages and overages to U.S. Customs. 19 C.F.R. 146.53.

VIII. Role of Zone User:

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1. Payment of customs duties for merchandise entering customs territory.
2. In many instances, the zone user is responsible for maintenance of inventory control records, particularly where the zone user has physical possession of zone merchandise. 19 C.F.R. 146.4.
3. In many instances the zone user is the zone operator.

IX. Benefits from Using an FTZ:

For businesses engaged in international trade, FTZs provide a flexible means of reducing costs, improving cash flow and obtaining other benefits. The value of FTZ use to an individual firm depends upon a combination of factors, including the tariff structure and other rules applicable to FTZs, and the commercial demands of the trade or business concerned. A number of advantageous uses of a zone are outlined below:

FOR STORAGE:

1. Customs duties are not payable until the merchandise is actually released from a zone and enters U.S. customs territory.
2. Excise Taxes are not payable until the merchandise is actually released from a zone and enters U.S. customs territory.
3. Re-exported merchandise is not subject to the payment of regular customs duties, countervailing and dumping duties nor excise taxes.
4. Non-conforming merchandise can be returned to the foreign supplier or destroyed under Customs' supervision without being subjected to the payment of customs duties and/or excise taxes.
5. Zone security must be in compliance with the standards set forth by the U.S. Customs Service and theft of merchandise located within a zone is punishable as a federal offense -- thus, zone utilization generally reduces the rate of pilferage experienced by the User, as well as the insurance premiums paid by the User.
6. Zone Users must adopt inventory control procedures in compliance with the Customs Regulations, which enables Users to maintain tighter inventory control

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over merchandise located within a zone -- thus, zone utilization generally reduces the amount of merchandise which is unaccounted for and lost.

7. Zone Users can store Quota merchandise for a Quota Category that has been filled until the Quota Category reopens.
8. Foreign merchandise stored in a zone is exempt from state and local ad valorem taxation.
9. Merchandise may be remarked or relabeled in a zone to conform to U.S. Customs requirements.
10. Merchandise placed in a zone in "zone restricted" status is considered, for customs purposes, to have been exported from the United States and, if applicable, duty drawback can be claimed.

FOR MANUFACTURING/PROCESSING:

11. Components with a higher duty rate, utilized in the production of an article with a lower duty rate, can have their duty rate reduced to the duty rate applicable to the finished article.
12. The expense of labor, overhead and profit incurred in operations performed in a zone is not subject to customs duties.
13. Articles produced in a zone which are re-exported without having entered the customs territory of the United States are never subject to the payment of U.S. customs duties, dumping and countervailing duties nor excise taxes.
14. Any waste which results from the manufacturing performed in a zone is not subject to customs duties.
15. Any defective components which are not actually used in the manufacturing process but which are destroyed or re-exported are not subject to duty payment.
16. Articles can, in various stages of manufacture, be transferred from zone to zone.
17. Some components can possibly, through a manufacturing operation, change their character so as to escape a Quota Category.

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18. The article produced in a zone is not subject to duty payment until it actually enters the U.S. customs territory.
19. Substandard foods and drugs may, in some instances, be reconditioned to meet the requirements of the Food, Drug and Cosmetics Act.

X. Inventory Control and Recordkeeping System:

1. The operator will maintain either a **manual or automated inventory control and recordkeeping system** or combination manual and automated system capable of:

- (A) accounting for all merchandise, including domestic status merchandise, temporarily deposited, admitted, granted a zone status and/or status change, stored, exhibited, manipulated, manufactured, destroyed, transferred, and/or removed from the FTZ;
- (B) producing accurate and timely reports and documents as required by regulations;
- (C) identifying shortages and overages of merchandise in the FTZ in sufficient detail to determine the quantity, description, tariff classification, zone status, and value of the missing or excess merchandise;
- (D) providing all the information necessary to make entry for merchandise being transferred to the Customs territory;
- (E) providing an audit trail to Customs forms from admission through manipulation, manufacture, destruction or transfer of merchandise from the FTZ either by zone lot or Customs authorized inventory method.

2. **Procedures Manual** -- the operator will provide the Customs Port Director with an English language copy of its written inventory control and recordkeeping systems procedures manual and all subsequent changes thereto. The operator may authorize a zone user to maintain its individual inventory control and recordkeeping system and procedures manual, however, the operator remains responsible to Customs and liable under its bond for supervision, defects in, or failures of such a system.

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3. **Admission of Merchandise** -- all merchandise will be recorded in a receiving report or document using a zone lot number or unique identifier. All merchandise, except domestic status merchandise for which no permit for admission is required must be traceable to a Customs Form 214 and accompanying documentation. Quantities received will be reconciled to a receiving report or document such as an invoice with any discrepancy reported to the Port Director. The receiving report or document is required to provide sufficient information to identify the merchandise and distinguish it from other merchandise. Merchandise received will be accurately recorded in the inventory system records from the receiving report or document using the zone lot number or unique identifier for traceability.

4. **Accountability for merchandise** -- a zone lot number or unique identifier will be used to identify and trace merchandise. Fungible merchandise may be identified by an inventory method authorized by Customs, which must be consistently applied, such as First-In-First-Out (FIFO) and using a unique identifier. The inventory records will specify by zone lot number, or unique identifier (a) the location of merchandise; (b) zone status; (c) cost or value, except where the operator's or user's financial records maintain cost or value and the records are made available for Customs review; (d) beginning balance, cumulative receipts and removals, adjustments, and current balance on hand by date and quantity; (e) destruction of merchandise; and (f) scrap, waste, and by-products.

5. **Physical inventories** -- the operator is required to take at least an annual physical inventory of all merchandise in the FTZ (unless continuous cycle counts are taken as part of an ongoing inventory control program) with prior notification of the date(s) given to Customs for any supervision of the inventory deemed necessary. The operator will notify the Port Director of any discrepancies.

6. **Annual reconciliation** -- the operator will prepare a reconciliation report within 90 days after the end of the zone/subzone year unless the Port Director authorizes an extension for reasonable cause. The operator will retain the annual reconciliation report for a spot check or audit by Customs. The report will contain a description of merchandise for each zone lot or unique identifier, zone status, quantity on hand at the beginning of the year, cumulative receipts and transfer (by unit), quantity on hand at the end of the year, and cumulative positive and negative adjustments (by unit) made during the year. The operator will submit to the Port Director within 10 working days after the preparation of the annual reconciliation report, a letter signed by the operator certifying that the annual reconciliation has been prepared, is available for Customs review, and is accurate. The certification letter is required to contain the name and street address of the operator, where the required records

are available for Customs review; and the name, title, and telephone number of the person having custody of the records.

7. **Annual system review** -- the operator will perform an annual internal review of the inventory control and recordkeeping system and report to the Port Director any deficiency discovered and corrective action taken.

8. **Shortages and overages** -- the operator will report, in writing, to the Port Director upon identification, as such, of any (a) theft or suspected theft of merchandise; (b) merchandise not properly admitted to the zone; or (c) shortage of one percent or more of the quantity of merchandise in a lot or covered by a unique identifier, if the missing merchandise would have been subject to duties and taxes of \$100 or more upon entry into the customs territory. The operator will record upon identification all shortages and overages, whether or not they are required to be reported to the Port Director at that time, in its inventory control and recordkeeping system. The operator will record all shortages and overages as required in the annual reconciliation report. The person with the right to make entry is required to file, within 5 days after identification of an overage, an application for admission of the merchandise to the zone on Customs Form 214 or file a Customs entry for the merchandise. If a Customs Form 214 or a Customs entry is not timely filed, and the Port Director has not granted an extension of the time provided, the merchandise will be sent to general order.

XI. Handling and Movement of Merchandise:

1. **Receipt of merchandise** -- merchandise will be admitted into the zone only upon application on a uniquely and sequentially numbered Customs Form 214 ("Application for Foreign Trade Zone Admission and/or Status Designation") and the issuance of a permit by the Port Director. Exceptions to the Customs Form 214 requirement are for merchandise temporarily deposited, transmitting merchandise, or domestic merchandise admitted without permit. The operator is required to maintain a lot file containing a copy of the Customs Form 214, the examination invoices, and all other documentation necessary to account for the merchandise covered by each Customs Form 214. The lot file will be maintained in sequential order by using the unique number assigned to each Customs Form 214 as the file reference number. Where a Customs-authorized inventory method other than a lot system is in use, such as FIFO, a lot file may not be used, yet the operator will maintain a file of all Customs Form 214's in sequential order.

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2. **Manipulation of merchandise** -- prior to any action the operator is required to file with the Port Director an application (or blanket application) on Customs Form 216 for permission to manipulate, manufacture, exhibit, or destroy merchandise in the zone. After Customs approves the application (or blanket application), the operator will retain in his recordkeeping system the approved application. The Port Director is authorized to approve a blanket application for period of up to one year for a continuous or repetitive operation. The Port Director may disapprove or revoke approval of any application, or may require the operator to file an individual application.

3. **Transfer of merchandise** -- (a) **to another FTZ with a different operator at the same port** must be by a licensed cartman under an entry for immediate transportation on Customs Form 7512 or other appropriate form with a Customs Form 214 filed at the destination zone and (b) **to another FTZ at another port** must be by bonded carrier under an entry for immediate transportation on Customs Form 7512.

When merchandise is transferred from one FTZ to another, the operator of the transferring zone must provide the operator of the destination zone with the documented history of the merchandise being transferred. Upon arrival of the merchandise at the destination FTZ, it is admitted under the normal zone admission procedure except that no invoice or Customs examination is required. When the historical documentation is received, the operator of the destination FTZ must associate it with the Customs Form 214 for admission of the merchandise and incorporate that information into the zone inventory control and recordkeeping system.

4. **Removal of merchandise from FTZ** -- except domestic status merchandise, no merchandise may be removed from the FTZ without a Customs permit on the appropriate entry form or other document as required by pertinent regulations. The Port Director may authorize transfer from the zone without physical supervision or examination by a Customs officer. Upon issuance of a permit, the Port Director will authorize delivery of the merchandise only to the operator, who then may release the merchandise to the importer or carrier.

(a) **Transfer to customs territory for consumption** -- a Customs Form 3461 permit must be filed with and approved by Customs prior to the removal of any foreign status merchandise from the FTZ for entry into the customs territory for consumption.

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(b) **Transfer to customs territory for exportation** -- a Customs Form 7512 permit must be filed with and approved by Customs prior to the removal of any foreign status merchandise from the FTZ for entry into the customs territory for exportation. The bonded carrier will assume liability for the transportation and exportation of the merchandise.

XII. Miscellaneous:

1. **Grantee Fee Schedule** -- attached hereto is the Grantee Fee Schedule setting forth the Grantee's charges in effect at FTZ #203.

2. **Operator Fee Schedule** -- each operator will be responsible for preparation of its own Fee Schedule listing its charges. All Operator Fee Schedules will be provided to the Grantee and will become part of this Zone Schedule. All rates and charges for all FTZ services within FTZ #203 shall be fair and reasonable and the operators shall afford to all who may apply for the use of the FTZ and its facilities uniform treatment under like conditions.

3. **Retail trade within FTZ** -- no retail trade may be conducted within FTZ #203 except under permits issued by the Grantee and approved by the FTZ Board.

4. **Zone-restricted merchandise** -- zone-restricted merchandise may be transferred to the customs territory only for entry for exportation, for entry for transportation and exportation, for warehousing pending exportation, for destruction (except destruction of distilled spirits, wines and fermented malt liquors), for transfer to another FTZ, or for delivery to a qualified vessel or aircraft or as ground equipment of a qualified aircraft, unless the FTZ Board has ruled that the return of the merchandise to the customs territory for domestic consumption is in the public interest.

5. **Exclusion from FTZ of goods or process** -- the FTZ Board may at any time order the exclusion from FTZ #203 any merchandise or process of treatment that in its judgment is detrimental to the public interest, health, or safety.