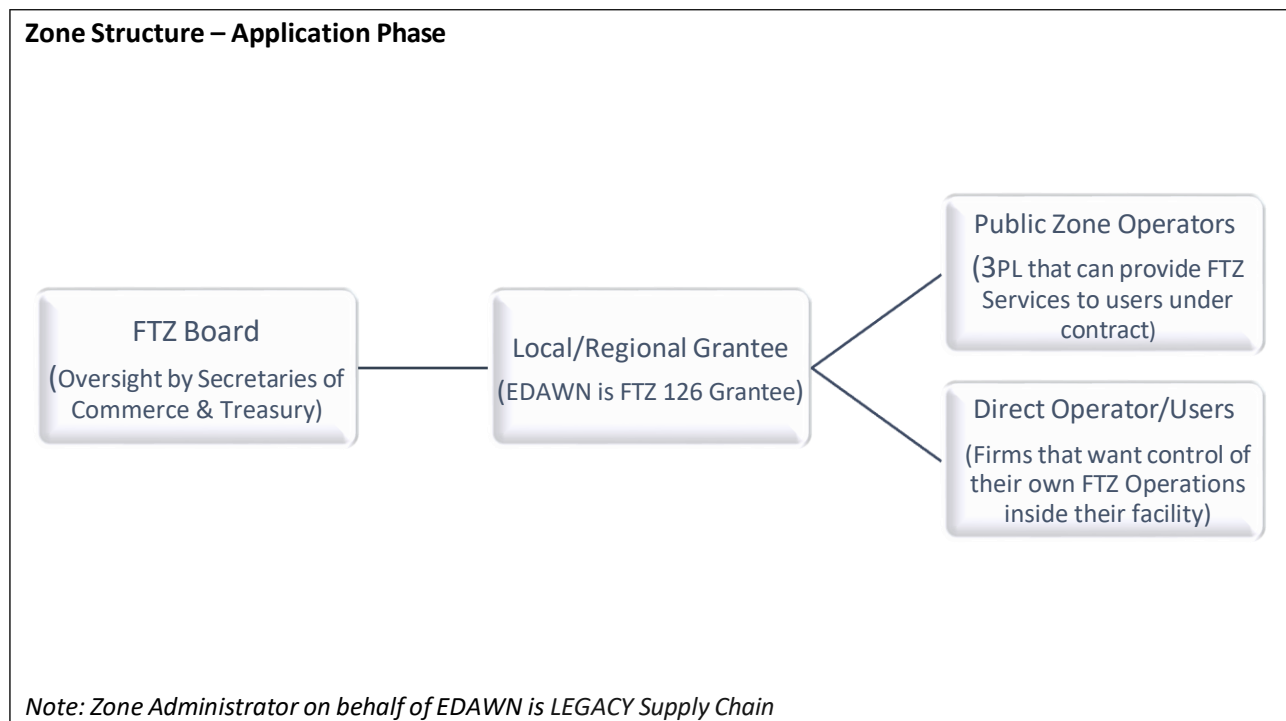


WHAT IS A FOREIGN TRADE ZONE?

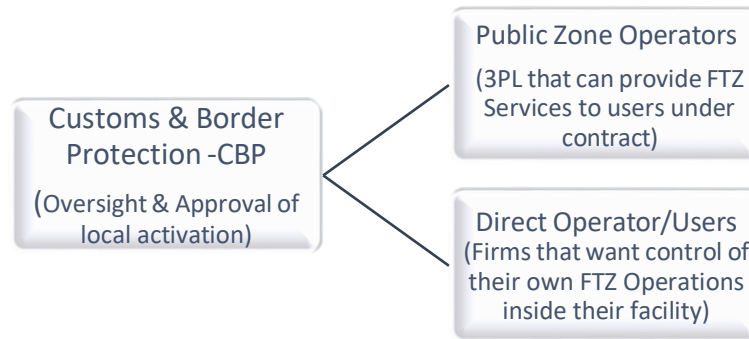
A foreign-trade zone is a designated location in the United States where companies can use special procedures that help encourage U.S. activity and value added – in competition with foreign alternatives – by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.

A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.

- [Glossary](#) of terms



Zone Structure - Activation Phase Note:



Note: Zone Administrator (LEGACY Supply Chain) can recommend Zone consultants to support this phase

FOREIGN TRADE ZONE BENEFITS of USE

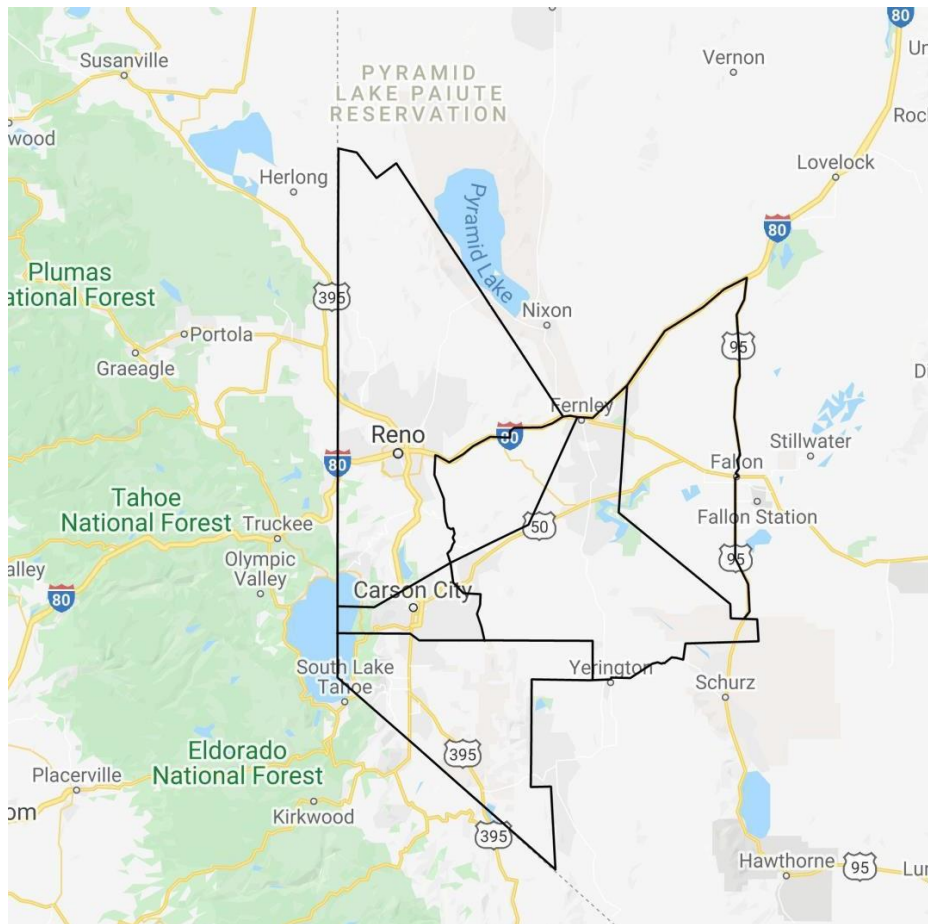
- Duty Exemption. No duties on or quota charges on re-exports.
- Duty Deferral. Customs duties and federal excise tax deferred on imports.
- Inverted Tariff. In situations where zone production results in a finished product that has a lower duty rate than the rates on foreign inputs (inverted tariff), the finished products may be entered at the duty rate that applies to its condition as it leaves the zone (requires prior authorization).
- Logistical Benefits. Companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- Other Benefits. Foreign goods and domestic goods held for export are exempt from state/local inventory taxes. FTZ status may also make a site eligible for state/local benefits which are unrelated to the FTZ Act.

FTZ #126

Grantee: Economic Development Authority of Western Nevada (EDAWN)

Structure: Alternative Site Framework (ASF)

Coverage Area: FTZ 126 ASF coverage area includes all or part of Carson City, Churchill, Douglas, Lyon, Storey, and Washoe counties (*See Map below*)



What Activity is permitted in a Foreign Trade Zone?

Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.

Production activity must be specifically authorized by the FTZ Board. (Production activity is defined as activity involving the substantial transformation of a foreign article 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.)

Retail trade is prohibited in zones.

How to take Advantage of the Zone

Potential FTZ users can utilize our FTZ Calculator to feasibility of operating within an FTZ.

For question, or once feasibility is determined, potential users should contact EDawn or its Zone Administrator to discuss zone objectives and timing. There is a \$5000 fee to new operators applying for zone status. The FTZ Board will typically grant application for new Operators or changes to existing zone boundaries, within 30 days.

For Production Authority, the FTZ Board will require Production Notification in addition to the application. Links to the [Application](#) and [Production Notification](#) can be found here.

Once the Operator has received application approval (30 days or less), the operator is then required to seek Activation approval from the local Customs & Border Protection Office (CBP) before beginning zone operations. Activation requires the Operator to develop an operating manual, meet security requirements for facility and staff, ensure inventory can be managed according to FTZ requirements. If you are seeking Production Authority, the activation process can run concurrently with the FTZ application.

FTZ Activation requirements for CBP

1. Site Plan Map - detailing the area for which activation is requested. The documents included in the Foreign Trade Zones Board application can be utilized for this.
2. Purpose of Activation - A description of the proposed zone activity.
3. Operations Manual - An Operations Manual that describes in detail how all aspects of the zone operation will be managed.
4. Concurrence of Grantee Organization - A letter from the Grantee organization, EDawn, which acknowledges the activation of the operator.
5. Background Investigation – CBP will require key individuals to have background investigations.
6. Security Inspection - A description of the security features of a zone operation.
7. FTZ Operator's Bond - CBP will determine bond amount according to regulations.
8. Production Authority (If Applicable) - A description of the process, if production will occur.
9. Zone Inventory Management - A description of how the merchandise will be tracked as foreign-trade zone inventory.
10. Automated Commercial System Commitment - A commitment for establishment of an electronic interface with Customs through the Automated Commercial System (ACS) must be made. A commitment letter should be attached to the activation request.
11. Application for Specific Authorities - There are specific authorities or options that may be requested of Customs, such as break and seal containers without customs supervision (Direct Delivery Authority), and Weekly Blanket Admission/Withdrawal authorization.
12. A Foreign-Trade Zone Operations Manual – documentation that describes on a high-level, but very detailed basis, exactly how all aspects of the zone site project would be managed with all forms to be filed with Customs completed to Customs specifications based upon the Company's intended zone admissions and shipments.

FIRMS Code - Customs will assign a Facilities Information Resource Management System (FIRMS) Code upon approval of the activation.

Statistical Reporting - Operators are required to annually report their FTZ activity for year ending, due by March 31 the following year. Activity includes value imported, valued withdrawn, value exported, beginning and ending inventory in foreign and domestic status. Activity includes value imported, valued withdrawn, value exported, beginning and ending inventory in foreign and domestic status. Reporting is done through the OFIS System FTZ system. The Zone Administrator will provide the Operator with access information.

For questions Please contact:

Zone Administrator
FTZ Team
LEGACY Supply Chain
Ph: 775-336-2852
Email: FTZ@legacyscs.com