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**TITLE PAGE**

Board of Trustees of the Galveston Wharves

Zone Schedule No. 4

Replaces Zone Schedule No. 3

Zone Policy, Rules, Regulations,  
Rates and Charges

Applicable at Foreign-Trade Zone No. 36  
Galveston, Texas

Operating Under Grant of Authority  
of the United States Foreign-Trade Zones Board

to the

Board of Trustees of the Galveston Wharves, Grantee

Revised July 20, 2010

Prepared by the Board of Trustees of the Galveston Wharves, Grantee

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**Check Sheet for Zone Schedule Changes**

This Zone Schedule is issued in loose-leaf form, and all changes will be made by reprinting the entire page or by adding other pages. Revised pages will bear correction numbers at the top of the page. Set forth below is a list of pages included in this Zone Schedule, identified as to whether they are original pages or if they are issued with respect to any subsequent revision of this Zone Schedule.

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**Abbreviations**

\$	Dollars (U.S.)
%	Percent
B/L	Bill of Lading
CBP	Customs and Border Protection
CF	CBP Form
CFR	Code of Federal Regulations
CR	CBP Regulations
Dom.	Domestic
Ea.	Each
E.G.	For Example
Etc.	Et Cetera
FTZ	Foreign-Trade Zone
FTZB	Foreign-Trade Zones Board
H.T.S.U.S.A.	Harmonized Tariff Schedules Of the U. S. Annotated
Lot	Lot
No.	Number
N.P.F.	Non-Privileged Foreign
P.F.	Privileged Foreign
Pkg.	Package
Sec.	Section
Sq. Ft.	Square Foot
U.S.	United States
USCBP	United States Customs and Border Protection
Yd.	Yard
Z.R.	Zone Restricted

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## Definitions

### **ACT**

The Foreign-Trade Zones Act of 1934, as amended.

### **ACTIVATION**

Approval by the Grantee and the Port Director for operations and for the admission and handling of Merchandise in Zone status.

### **ADMISSION**

Physical arrival of goods in the Zone with the approval of the Grantee and the CBP Service. The word "admission" is to be used instead of "entry" of goods into a Zone to avoid confusion with CBP Service entry processes under parts 141-144 of the CBP Service regulations (19 CFR parts 141-144).

### **ADMIT**

To bring Merchandise into a Zone with Zone Status

### **AUDIT-INSPECTION INVENTORY CONTROL SYSTEM**

The procedures used to maintain the records necessary for inventory control of merchandise that is under the supervision and control of the CBP Service.

### **BOARD**

The Foreign-Trade Zones Board established by the Act, which consists of the Secretary of the Department of Commerce, the Secretary of the Treasury or their designated alternates.

### **Bulk**

The term used in describing fungibles, which can be poured, scooped or shoveled which generally cannot be counted or identified piece by piece.

### **CBP SERVICE**

The United States CBP Service of the Department of Homeland Security.

### **CBP TERRITORY**

The territory of the United States in which the general tariff laws of the United States apply.

### **Domestic Exports**

Domestic merchandise exported from the United States and particularly such merchandise exported through a Foreign-Trade Zone. It includes merchandise of every description, (except articles specifically and absolutely prohibited by statute), which has been:

- 1.) grown, produced or manufactured in the United States and not exported therefrom, or

**Definitions (continued)**

- 2.) previously imported into CBP territory and properly released from CBP Service custody.

For the purposes of marking and labeling, it includes:

- 1.) the product of manipulation or manufacture in the Zone in which only domestic merchandise is used,
- 2.) the product of manipulation or manufacture in the Zone in which there is a mixture of foreign and domestic merchandise which results in a change in form or nature of commodities, and in which the domestic merchandise consists of a component part or parts or a substantial portion of the finished product, and
- 3.) foreign merchandise which, by manipulation or manufacture in the Zone, has been changed in form and nature or enhanced in value that the product is deemed to be one of domestic manufacture.

**DOMESTIC MERCHANDISE**

Merchandise which has been:

- 1.) produced in the United States and not exported therefrom, or
- 2.) previously imported into CBP territory and properly released from CBP Service custody.

**EXAMINER**

The person designated by the Executive Secretary to conduct a review and prepare a report with recommendations for the Board with respect to the initiation of proceedings based on an application filed under the regulations of the Board.

**EXECUTIVE SECRETARY**

The Executive Secretary of the Board.

**FOREIGN MERCHANDISE**

Imported merchandise, which has not been properly released from CBP Service custody into CBP territory.

**FOREIGN-TRADE ZONE**

A restricted access site, in or adjacent to a CBP Service port of entry, or operated pursuant to public utility principles under the sponsorship of a corporation (as defined in the Act) granted authority by the Board and under supervision of the CBP Service.

**Definitions (continued)**

**GRANT OF AUTHORITY**

A document issued by the Board which authorizes a Grantee to establish, operate, and maintain a zone project or a subzone, subject to limitations and conditions specified in applicable Board regulations and CBP Service regulations. The authority to establish a zone includes the authority to operate and the responsibility to maintain it.

**GRANTEE**

The corporate recipient of a grant of authority for a zone project. The Grantee for Foreign-Trade Zone No. 36 is the Board of Trustees of the Galveston Wharves.

**IMPORTS**

Foreign merchandise of every description, (except articles specifically and absolutely prohibited by statute), entered into CBP territory to become a part of the domestic supply for the purpose of domestic commerce or consumption, and particularly that which is entered into CBP territory through the Zone and foreign merchandise which, under the laws and regulations of various other federal agencies having jurisdiction within the Zone, is said to be "imported" into Foreign-Trade Zones, CBP Service bonded warehouse or CBP Service custody. The latter merchandise, in relation to operation of the Zone, is considered to be foreign merchandise until its entry into the commerce of the United States.

**IN-TRANSIT MERCHANDISE**

The term "in-transit merchandise" includes all foreign merchandise transported into and out of the United States, whether in or out of the same port or across the country to another port, with or without transshipment, warehousing, breaking bulk or change in the mode of transportation, which originated in one foreign country and is destined at the same time of the original shipment to another foreign country. Its distinctive feature is that it is being transported from one foreign country through the United States to another foreign country, under a through bill of lading or other documentation or a completed journey. The term is particularly applied to foreign merchandise shipped in-transit through a Foreign-Trade Zone.

**LEASE**

The document of agreement entered into between the Grantee and User for assignment of space within the Zone.

**LOT**

The unit or units of goods for which a separate record and account is to be kept by the Zone Operator.

**LOT NUMBER**

The number assigned to a Zone lot by CBP Service.

**Definitions (continued)**

**MANAGER**

The duties of Foreign-Trade Zone manager are performed by a staff member of the Port of Galveston, designated by the Grantee.

**MANIPULATION**

The breaking up, repackaging, assembling, distributing, sorting or grading, cleaning, mixing with foreign or domestic merchandise, or other processing which does not constitute manufacture.

**MANUFACTURING**

Activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use.

**MEASUREMENT TON**

Ton based on a measurement of 40 cubic feet.

**MERCHANDISE**

Goods, wares, and chattels of every description, except prohibited merchandise. However, building materials, production equipment, and supplies for use in operation of a Zone are not merchandise.

**NON-PRIVILEGED FOREIGN MERCHANDISE**

- 1.) Foreign merchandise properly in the Zone which does not have status of:
  - a.) privileged-foreign merchandise or
  - b.) zone-restricted merchandise;
- 2.) Waste recovered from any manipulation or manufacture of privileged foreign merchandise in a Zone; or
- 3.) Domestic merchandise in a Zone, which by reason of noncompliance with CBP Service regulations has lost its identity as domestic merchandise and is, treated as foreign merchandise. Any domestic merchandise will be considered to have lost its identity if the Port Director determines that it cannot be identified positively by a CBP Service officer as domestic merchandise on the basis of an examination of the articles or consideration of any proof that may be submitted promptly by a party-in interest.

**OPEN YARD STORAGE**

The keeping of merchandise in open space within the fenced-in area of the where merchandise not requiring weather protection may be stored.

**Definitions (continued)**

**OPERATOR**

A corporation, partnership, or person that operates a zone or subzone under the terms of an agreement with the Grantee or an intermediary entity, with the concurrence of the Port Director.

**PERSON OF RECORD**

The person, firm or corporation in whose name the application to admit merchandise into the Zone (CF 214) is made, recognized by the Zone Grantee as having the legal right to make the application. Evidence of this right of the applicant is the same as would be required to establish the right to apply for release of the merchandise from CBP custody at the end of its transit through CBP territory, and usually consists of an original bill of lading in the name of the applicant, an original bill of lading endorsed to him or a carrier's certificate.

**PORT DIRECTOR**

Normally the director of the CBP Service for the CBP Service jurisdictional area in which the zone is located. The Port Director is in charge of the zone as the representative of the Board.

**PORT OF ENTRY**

A port of entry in the United States, as defined by part 101 of the regulations of the CBP Service (19 CFR part 101), or a User fee airport authorized under 19 U. S. C. 58b and listed in part 122 of the regulations of the CBP Service (19 CFR part 122)

**PRIVATE CORPORATION**

Any corporation, other than a public corporation, which is organized for establishing a zone project and which is chartered for this purpose under a law of the state in which the zone is located.

**PRIVILEGED FOREIGN MERCHANDISE**

Foreign merchandise which has not been manipulated or manufactured so as to effect a change in tariff classification will be given status as privileged foreign merchandise on proper application to the Port Director.

**PROCESSING**

When referring to zone activity, any activity involving a change in condition of merchandise, other than manufacturing, which results in a change in the CBP Service classification of an article or in its eligibility for entry for consumption.

**PROHIBITED MERCHANDISE**

Merchandise the importation of which is prohibited by law on grounds of public policy or morals, or any Merchandise which is excluded from a Zone by order of the Board.

**Definitions (continued)**

Books urging treason or insurrection against the United States, obscene pictures, and lottery tickets are examples of Prohibited Merchandise.

**PUBLIC CORPORATION**

A state, a political subdivision (including a municipality) or public agency thereof, or a corporate municipal instrumentality of one or more states.

**RE-EXPORTS OR RESHIPMENTS**

Merchandise from one foreign country initially destined to the United States which, after being unladen, stored, and /or manipulated or manufactured in this country, is transited under a new bill of lading or other new documentation to another foreign country. The term is particularly applied to re-exports or re-shipments through a Foreign-Trade Zone.

It includes privileged, non-privileged or zone restricted foreign merchandise which:

- 1.) is in the same condition as when transported into the United States, or
- 2.) has been manipulated without any change in its form or nature, or
- 3.) has been manipulated or processed in such a manner as to change its form, whether or not mixed with domestic merchandise, provided the domestic merchandise is not a component part or substantial ingredient thereof.

Generally, it includes all merchandise of foreign origin, which has not been so manipulated or manufactured as to be deemed a product of the United States, and which has not been released from CBP territory.

**SECRETARY**

The Secretary of Commerce.

**STATE**

Any state of the United States, the District of Columbia, and Puerto Rico.

**STORAGE**

The keeping of merchandise in or upon the premises within the Foreign-Trade Zone. Covered storage means keeping within a covered and enclosed structure affording weather protection. The term "storage," with or without designation, ordinarily implies covered storage.

**SUBZONE**

A special-purpose zone established as an adjunct to a zone project for a limited purpose that cannot be accommodated within an existing Zone.

**TENANT**

A person or firm utilizing Zone facilities pursuant to a lease agreement with the Grantee.

**Definitions (continued)**

**TON**

Weight ton of 2,000 pounds, unless otherwise indicated.

**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.

**TRANSSHIPMENT MERCHANDISE**

Foreign merchandise which enters and leaves the United States through the same port, being transferred from one vessel to another directly or by way of a Foreign-Trade Zone or CBP bonded warehouse. The term is particularly applied to such merchandise transferred through a Foreign-Trade Zone.

**UNIT OF QUANTITY**

The customary groupings of a commodity as a unit to indicate the medium or method of measure.

**UNITED STATES**

The several states, District of Columbia and Puerto Rico. The term "United States" includes all territories and possessions of the United States, except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef and the Island of Guam.

**USER**

A party using a Zone under agreement with the Grantee or Operator for storage, handling, or processing of merchandise.

**WAREHOUSE**

A covered and enclosed structure, affording weather protection, used primarily for short or long-term storage of merchandise, and often containing business offices. In a Foreign-Trade Zone it is also used for manipulation, manufacture, and exhibition of merchandise.

**WEIGHT**

The gross weight of the merchandise including container, except as noted to the contrary.

**ZONE**

A foreign-trade zone established under the provisions of the Act and Board regulations, including without limitation Foreign-Trade Zone No. 36. The term also includes subzones, unless the context indicates otherwise.

**Definitions (continued)**

**ZONE LOT**

A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a Zone by lot.

**ZONE PROJECT**

The Zone plan, including all of the Zone and Subzone sited that the Board authorizes a single Grantee to establish.

**ZONE RESTRICTED MERCHANDISE**

Foreign or domestic merchandise taken into the Zone, under the rules and regulations of the controlling Federal agency, for the sole purpose of exportation or destruction, (except destruction of distilled spirits, wine and fermented malt liquors), or storage pending exportation or destruction.

**ZONE SITE**

The physical location of a Zone or Subzone.

**ZONE STATUS**

The status of Merchandise admitted to a Zone, i.e. non-privileged foreign, privileged foreign, zone restricted, or domestic.

### **Description of Foreign-Trade Zone No. 36**

The original Grantee for Foreign-Trade Zone No. 36 was the city of Galveston, Texas which was appointed as such by a Grant of Authority issued by the Board on May 4, 1978. On February 22, 2000, the Board enacted Order No. 1080, which authorized the reissuance of the Grant of Authority for Foreign-Trade Zone No. 36 to the Board of Trustees of the Galveston Wharves, and designated the Board of Trustees of the Galveston Wharves as the Grantee of the Zone.

The Board of Trustees of the Galveston Wharves are appointed by the City Council, an elected body of the City of Galveston, Texas. The Board consists of a Chairperson, Vice Chairperson and five trustees.

On August 27, 2004 the Foreign-Trade Zones Board enacted Board Order 1348 approving a reorganization and expansion of Foreign-Trade Zone No. 36 expanding the zone project to three sites which total 1208 acres on Galveston Island and Pelican Island.

Site 1 is a site comprised of approximately 116 acres of port facilities on and off waterfront, located on Old Port Industrial Road Piers 32-41 at the west end of the Galveston Harbor and 45 acres of on and off waterfront at the east end Pier 10 roll on-roll off terminal. Site 1 also has three small parcels south of Harborside Drive that approximate seven more acres. Therefore the total acreage in Site 1 is 167 acres.

The western 116 acres of Site 1 activated and 5 acres of the eastern 45 acres is also activated. It is anticipated that another 35 to 40 acres of this site will be activated in the future.

Immediately across the Galveston Channel, Site 2 is 900-acres of undeveloped property located on Pelican Island along Seawolf Parkway. The property has 1,280 feet of channel access and streets and utilities. Site 2 is not activated

Ingress and egress to both sites is by way of Harborside Drive which joins U.S. Interstate Highway 45 at the east terminus of the bridge connecting Galveston Island to the Texas mainland.

Site 3 is located at Scholes International Airport and consists of an area of approximately 38 acres owned by the City of Galveston. This area is served by roadway and utilities are readily available. Site 3 is not activated

In 2009 Minor Boundary Modifications (MBM) enabled three additional sites to be added to the General Purpose Zone of FTZ No. 36. The first was Site 4 and it is located 26 miles north of Galveston Island on FM 646 in Dickinson, Texas. The site is 25 acres in size located in an unincorporated area of Galveston County. Ten acres of Site 4 is activated.

Site 5 and Site 6 were added at the end of 2009 through the same MBM. Site 5 is adjacent to Site 1 on the western edge of the Port property. The site is 20 acres in size and the entire 20 acres is activated.

Site 6 is 50 acres in size and is located in Hitchcock, Texas at the Blimp Base Storage facility approximately 18 miles from the Port of Galveston. Only 25 acres of the Site 6 is activated.

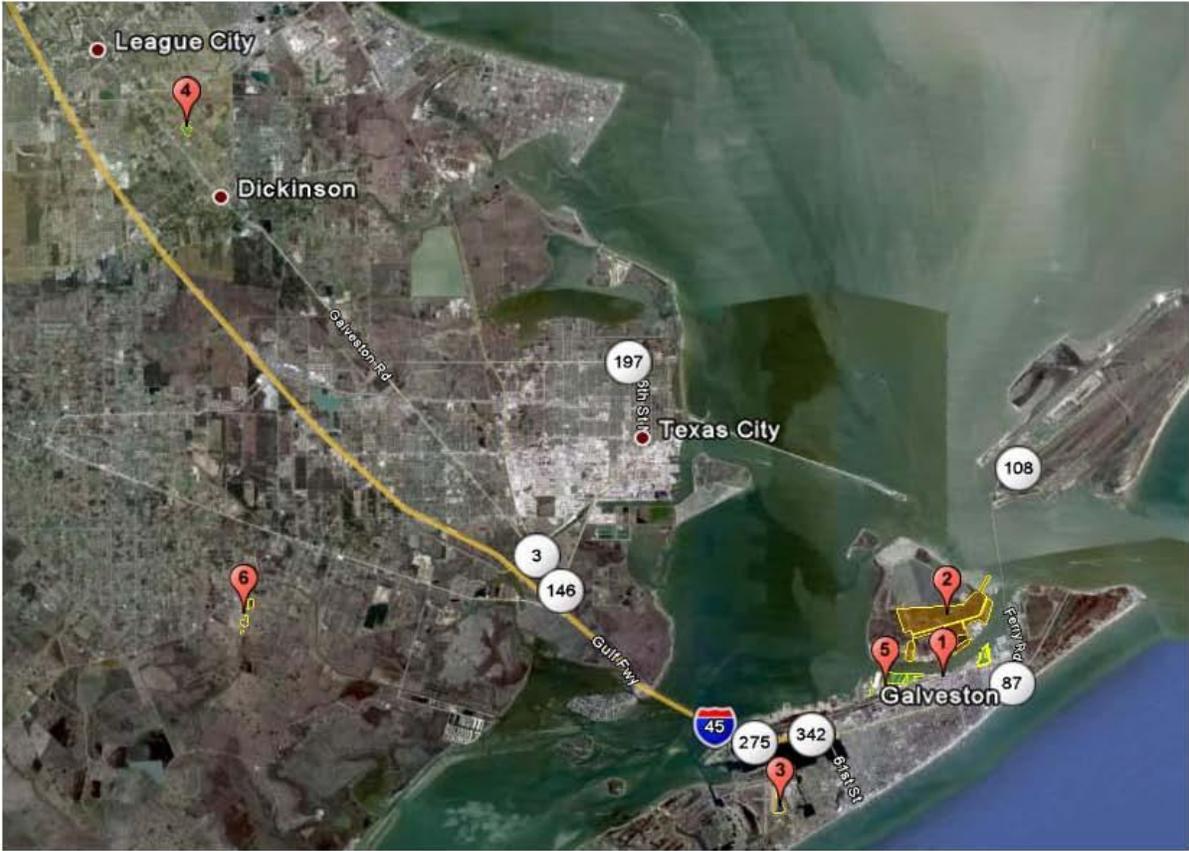
The Zone has adequate utilities, communication capabilities, and availability of transportation. The warehouses are equipped to provide storage, manipulation and assembly space.

Transportation services available include air, land, and water capabilities. Air service is available at Scholes Field in Galveston at Houston's Bush Intercontinental Airport and Hobby Airport in Houston.

Railroad service within the Port area is provided by Galveston Railroad L.P., a thirty-five mile terminal railway that performs all switching services for the port facilities. Connecting railroads serving Galveston are the Union Pacific and the Burlington Northern/Santa Fe.

Foreign-Trade Zone No. 36 is easily accessible by truck, being within the Houston Commercial truck zone.

Maps of the zone sites follow this description.



Port of Galveston Foreign Trade Zone No. 36



## **Definition and Privileges of Foreign Trade Zones**

### **DEFINITION OF FOREIGN-TRADE ZONE**

Under Board Regulations governing the establishment, operation, maintenance and administration of Foreign Trade Zones in the United States, the term "zone" means a "foreign trade zone". It is an isolated, enclosed and policed area, operated as a public utility, in or adjacent to a port of entry, furnished with facilities for lading, unloading, handling, storing, manipulating, manufacturing, and exhibiting goods, and for reshipping them by land, water, or air. Any foreign and domestic merchandise, except such as is prohibited by law or such as the Board may order to be excluded a detrimental to the public interest, health, or safety, may be brought into a zone without being subject to the CBP 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 laws or regulations. The merchandise may be exported, destroyed, or sent into CBP duties if sent into CBP territory, and but not if reshipped to foreign points.

### **PRIVILEGES OF FOREIGN TRADE ZONES**

The Act, as amended, states in part as follows:

"Foreign and domestic merchandise of every description except such as prohibited by law, may without being subject to the CBP laws of the United States, except as otherwise provided in this chapter, be brought into a zone and may be stored, sold, exhibited, broken up, repacked, assembled, distributed sorted, graded, mixed with foreign or domestic merchandise, or otherwise manipulated, or be manufactured except as otherwise provide in this chapter, and be exported, destroyed, or sent into CBP territory of the United States, therefrom, in the original package or otherwise; but when foreign merchandise is so sent from a zone into CBP territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise:

Provided, That whenever the privilege shall be requested and there has been no manipulation or manufacture effecting a change in tariff classification, the appropriate CBP officer shall take under supervision any lot or port of a lot of foreign merchandise in a zone, cause it to be appraised and taxes determined and duties liquidated thereon. Merchandise so taken under supervision may be stored, manipulated or manufactured under the supervision and regulations prescribed by the Secretary of the Treasury, and whether mixed or manufactured with domestic merchandise or not, may, under regulations prescribed by the Secretary of the Treasury, be exported or destroyed or may be sent into CBP

**PRIVILEGES OF FOREIGN TRADE ZONES (continued)**

territory upon the payment of such liquidated duties and determined taxes thereon. If merchandise so taken under supervision has been manipulated or manufactured, such duties and taxes shall be payable on the quantity of such foreign merchandise used in the manipulation or manufacture of the entered articles. Allowance shall be made for recoverable and irrecoverable waste; and if recoverable waste is sent into CBP territory, it shall be dutiable and taxable in its condition and quantity and at its weight at the time of entry. Where two or more products result from the manipulation or manufacture of merchandise in a zone, the liquidated duties and determined taxes shall be distributed to the several products in accordance to their relative value at the time of separation with due allowance for waste as provided for above:

Provided further, That subject to such regulations respecting identity and the safeguarding of the revenue as the Secretary of the Treasury may deem necessary, articles, the growth, product or manufacture of the United States on which all internal-revenue taxes have been paid, if subject thereto, and articles previously imported on which duty and /or tax has been paid, or which have been admitted free of duty and tax, may be taken into a zone from the CBP territory of the United States, placed under the supervision of the appropriate CBP officer, and whether or not they have been combined with or made part while in such zone, of other articles may be brought back thereto free of quotas, duty or tax:

Provided further, That if in the opinion of the Secretary of the Treasury their identity has been lost, such articles not entitled to free entry by reason of non-compliance with the requirements made hereunder by the Secretary of the Treasury shall be treated, when they reenter CBP territory of the United States, as foreign merchandise under the provisions of the tariff and internal revenue laws in force at that time:

Provided further, That under the rules and regulations of the controlling Federal agencies, articles which have been taken into a zone from CBP territory for the sole purpose of exportation, destruction, (except destruction of distilled spirits, wines and fermented malt liquors), or storage shall be considered to be exported for the purpose of:

- 1.) the draw-back, warehousing, and bonding, or any other provisions of the Tariff Act of 1930, as amended, and the regulations thereunder; and
- 2.) the statutes and bonds exacted for the payment of draw-back, refund or exemption from liability for internal-revenue taxes and for the purposes of the internal-revenue laws generally and the regulations thereunder.

**PRIVILEGES OF FOREIGN-TRADE ZONES (continued)**

Such a transfer may also be considered an exportation for the purposes of other Federal laws insofar as Federal agencies charged with the enforcement of those laws deems it advisable. Such articles may not be returned to CBP territory for domestic consumption except where the Foreign-Trade Zones Board deem such return to be in the public interest, in which event the articles shall be subject to the provisions of paragraph 1615 (f) of section 1201 of this title:

Provided further, That no operation involving any foreign or domestic merchandise brought into a zone which operation would be subject to any provision or provisions of section 1807, chapter 15, chapter 16, chapter 17, chapter 21, chapter 23, chapter 24, chapter 25, chapter 26, or chapter 32 of the Internal Revenue Code if performed in CBP territory or involving the manufacture of any article provided for in paragraphs 367 or 368 of section 1001 of this title, shall be permitted in a zone except those operations, (other than rectification of distilled spirits and wines, or the manufacture or production of alcoholic products unfit for beverage uses), which were permissible under this chapter prior to July 1, 1949:

Provided further, That articles produced or manufactured in a zone and exported therefrom shall on subsequent importation into the CBP territory of the United States be subject to the import laws applicable to like articles produced or manufactured in a foreign country, except that articles produced or manufactured in a zone exclusively with the use of domestic merchandise, the identity of which has been maintained in accordance with the second proviso of this section may, on such importation, be entered as American goods returned:

Provided further, That no merchandise that consists of goods subject to NAFTA drawback, as defined in section 3333(a) of this title, that is manufactured or otherwise changed in condition shall be exported to a NAFTA country, as defined in section 3301(4) of this title, without an assessment of a duty on the merchandise in its condition and quantity, and at its weight, at the time of its exportation (or if the privilege in the first proviso to this subsection was requested, and assessment of a duty on the merchandise in its condition and quantity, and at its weight, at the time of its admission into the zone) and the payment of the assessed duty before the 61<sup>st</sup> day after the date of exportation of the article, except that upon the presentation, before such 61<sup>st</sup> day of satisfactory evidence of the amount of any CBP duties paid or owed to the NAFTA country on the article, the CBP duty may be waived or reduced (subject to section 1508(b)(2)(B) in an amount that does not exceed the lesser of (1) the total amount of CBP duties paid or owed on the merchandise on importation into the United States, or (2) the total amount of CBP duties paid on the article to the NAFTA country:

**PRIVILEGES OF FOREIGN-TRADE ZONES (continued)**

Provided further, that if Canada ceases to be a NAFTA country and the suspension of the operation of the United States-Canada Free-Trade Agreement thereafter terminated, with the exception of drawback eligible goods under section 204(a) of the United States-Canada Free-Trade Agreement Implementation Act of 1988, no article manufactured or otherwise changed in condition (except a change by cleaning, testing or repacking) shall be exported to Canada during the period such Agreement is in operation without the payment of a duty that shall be payable on the article in its condition and quantity, and at its weight, at the time of its exportation to Canada unless the privilege in the first proviso to this subsection was requested.”

## Zone Policy

### **ZONE OPERATION AS A PUBLIC UTILITY**

All rates and charges for all services and privileges within the Zone shall be fair and reasonable, and the Grantee and Operator shall afford to all who may apply for the use of the Zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made. Subzone fees shall be related to actual services rendered or out of pocket expenses.

### **SCHEDULE AUTHORITY**

This Schedule is published pursuant to law. The Grantee directs all persons to the provisions of Order No. 1080 of the Board, dated February 22, 2000, designating the Board of Trustees of the Galveston Wharves as the Grantee of Foreign-Trade Zone No. 36 and authorizing the reissuance of the Grant of Authority for Foreign-Trade Zone No. 36 to the Grantee. The Zone policy, rules, regulations, rates and charges of this schedule shall apply at Foreign-Trade Zone No. 36 and its subzones unless otherwise indicated.

### **INTERPRETATION OF SCHEDULE**

The Manager shall interpret and determine the applicability of any rates, rules, regulations, or services provided for in this Schedule. However, any matter involving interpretation or action by the CBP Service or another agency of the U. S. government will be determined by the Port Director or his duly appointed representative.

### **USE OF ZONE FACILITIES**

Zone facilities will be used for the sole purpose of receipt, storage, handling, exhibition, manipulation, manufacturing and related processing and shipment of foreign merchandise and domestic merchandise as considered necessary to the conduct of a User's normal business in conjunction with the foreign merchandise. Users shall not use or permit the Zone to be used for any other purpose without the prior written consent of the Manager. Users shall not do or permit anything to be done on or about the Zone which will in any way obstruct or interfere with the rights of other Users or occupants of the Zone or injure or annoy them. The availability of all services and facilities is subject to the physical limitations of the Zone, and facilities are available on a first come, first serve basis.

### **FOREIGN TRADE ZONE BOARD REGULATIONS**

The Zone is governed by, among other things, the regulations of the Board. Copies of these regulations are maintained in the Zone's office for reference.

### **U. S. CBP REGULATIONS**

The Zone is subject to special regulations of the CBP Service, 19 CFR part 146, and the "U. S. CBP Service Foreign-Trade Zones Operations Manual." Copies of these publications are maintained at the Zone's office for reference.

### **INSPECTION OF ZONE AREA**

The Grantee may inspect any leased or assigned area at any and all reasonable times to ascertain whether or not the conditions related to its proper use are being observed.

### **TAX POLICY**

The Foreign-Trade Zone (FTZ or Zone) Activation allows for all inventory within an approved and activated FTZ to be exempt from ad-valorem taxes, if the inventory is imported or domestic and held for export.

The Grantee will not issue a letter of support for an FTZ Application (Subzone or new Site) until the Operator has provided a letter of support and/or non-objection letter from all impacted taxing entities.

- All applicants for Sites/Subzones, or new/expanded operations within the Zone service area must first obtain a letter from the taxing entities impacted by the proposed Zone.
- All applicants will be required to comply with any and all Payment in Lieu of Taxes (PILOT) Agreement the applicant has obligated itself to.

The Grantee must act in the public interest and is not willing to support a Zone Site or Subzone that will result in any loss of existing tax revenue, without the express written concurrence from the affected tax entity.

### Operations in Zones

#### **MERCHANDISE PERMITTED IN A ZONE**

Merchandise of every description may be admitted into a Zone unless prohibited by law. A distinction is made between prohibited and conditionally admissible merchandise.

- 1.) Port Directors shall not admit prohibited merchandise. If there is a question as to whether the merchandise may be prohibited, the Port Director may permit the temporary deposit of the merchandise in a zone pending a final determination of its status. Any prohibited merchandise which is found within a Zone will be disposed of in the manner provided for in the laws and regulations applicable to that merchandise. The admission of conditionally admissible merchandise into a Zone is subject to the regulations of the Federal agency concerned.
- 2.) The application for the admission of merchandise into a Zone shall be approved or disapproved by the Port Director, as the representative of the Board, where the merchandise is not excluded by any other Federal agency having jurisdiction over the merchandise.
- 3.) Zone procedures may not be used to circumvent applicable laws and regulations. Upon order of the Secretary, or his designee, the Commissioner of Customs, or his designee, shall direct that an importer place goods in a specific status for this purpose, subject to appeal to the Board.

#### **DISPOSITION OF MERCHANDISE IN A ZONE**

In general, merchandise lawfully brought into a Zone may, in accordance with these and other regulations made under the provisions of the Act, be exported, destroyed or sent into CBP territory of the United States in the original package or otherwise; but when foreign merchandise and domestic merchandise whose identity has been lost is sent from a Zone into the CBP territory of the United States, it shall be subject to the laws and regulations of the United States affecting imported merchandise.

#### **MANIPULATION, MANUFACTURE AND EXHIBITION OF MERCHANDISE**

In general, 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 or processed except as otherwise provided by the Act.

- 1.) Permission for any manipulation or exhibition in a Zone shall be obtained from the Port Director, as the representative of the Board, subject to such

application and procedure prescribed by the Secretary of the Treasury for the protection of the revenue.

- 2.) In the event of the denial of any application by the Port Director for any reason, the applicant or the Grantee of the Zone may appeal the adverse ruling to the Board. If any revenue protection considerations are involved in such an application, the Board shall be guided by the determinations of the Secretary of the Treasury with respect to them.
- 3.) In the event of the denial of any application by the Port Director for any reason, the applicant, the Grantee or the Operator of the Zone may appeal the adverse ruling to the Board. If any revenue protection considerations are involved in such an application, the Board shall be guided by the determinations of the Secretary of the Treasury with respect to them.

#### **STATUS OF MERCHANDISE IN A ZONE**

- 1.) For the purpose of the Act and the regulations of this section, all merchandise within a Zone, except merchandise in transit through a Zone, as provided in applicable CBP Service regulations and except merchandise temporarily transferred to a Zone for manipulation, as provided in Paragraph (2) of this section, shall be given a Zone status as :
  - a.) Privileged Foreign Merchandise,
  - b.) Non-Privileged Foreign Merchandise,
  - c.) Domestic Merchandise, or
  - d.) Zone Restricted Merchandise
- 2.) Imported Merchandise which has been entered and which has remained in continuous CBP Service custody may be temporarily transferred to a Zone for manipulation under CBP Service supervision pursuant to Section 562, Tariff Act of 1930, as amended, and for return to CBP territory. Any such merchandise shall not be considered within the purview of the Act, but shall be treated in all respects as though remaining in CBP territory. Therefore, no Zone form or procedure shall be considered applicable, but the merchandise shall remain subject in the Zone to such requirements as are necessary for the enforcement of Section 562 and other pertinent CBP Service laws and regulations.

#### **USE OF ZONE CARRIERS**

The cargo facilities and services of a Zone area are intended primarily for the use of vessels, vehicles or aircraft lading or unloading Zone merchandise and their use for other purposes may be terminated by the Commissioner of CBP if found to endanger the revenue, or by the Board if found to interfere with the primary uses of the Zone.

### **SUBSEQUENT IMPORTATION OF ZONE MERCHANDISE**

Articles produced or manufactured in a Zone and exported therefrom shall, on subsequent importation into the CBP territory of the United States, be subject to the import laws applicable to like articles manufactured in a foreign country, except those articles produced or manufactured in a Zone exclusively with the use of domestic merchandise, the identity of which has been maintained in accordance with the Act, as amended, may on such importation, be entered as American goods returned.

### **PUBLIC INTEREST PROVISION**

Pursuant to the Act, the Board has authority to restrict or prohibit any Zone operation that in its judgement is detrimental to the public interest, health or safety.

- 1.) Adversely affected parties may submit complaints to the Board under this section, requesting the prohibition or restriction of a Zone activity; or the Board may conduct investigations on its own initiative. A complaint must contain information as to how the Zone activity in question is or would be detrimental to the public interest, health or safety. When good cause is found by the Board or the Executive Secretary the matter shall be investigated pursuant to these regulations. In deciding whether good cause exists, special consideration shall be given to conducting investigations when the Zone activity in question involves an "import sensitive" industry. In determining whether an industry is import sensitive, the Board and the Executive Secretary shall be guided by references to such industries in trade laws and regulations, and decisions of federal courts and agencies.
- 2.) In investigations under this section, either self-initiated or in response to complaints, the factors considered by the Board shall include:
  - a.) Whether the adverse effect is significant in relation to actual and potential public benefits.
  - b.) Whether additional exports from the U.S. will be created.
  - c.) Whether Zone procedures will encourage activity related to import displacement or substitution.
  - d.) Whether employment and investment will be generated or sustained in the U. S.
  - e.) Whether Zone activity will undermine a remedial action or program in effect because an unfair trade practice, or materially substantially harm an existing domestic industry.
- 3.) Zone activity may be approved for limited periods, subject to extension after a review as to whether the anticipated public benefits have materialized.

- 4.) Zone activity, which is exclusively for export, shall be presumed to be in the public interest.
- 5.) Interested parties shall have an opportunity to submit comments or participate in any public hearings or proceedings held on such investigations.

### **RETAIL TRADE IN ZONES**

No retail trade shall be conducted within activated Zone space except under permits issued by the Grantee and approved by the Board. Only domestic, duty-paid and duty-free goods may be sold in such cases. In considering whether to approve requests under this section, the Board shall consider the economic impact on the retail trade outside the Zone in the port of entry area. No approval is required for sales involving domestic or duty-paid food products sold within the Zone or subzone to be consumed on the premises by persons working therein. Grantees shall revoke permits when there is a violation of this restriction. The Port Director shall determine which sales are to be classified as retail sales under this section, subject to review by the Board when a question arises. Appeals from the Port Director's decision may be made to the Executive Secretary. Retail sales within non-activated but approved Zone areas may be prohibited if found by the Board, the Executive Secretary or the Port Director to be incompatible with Zone operations.

### **RESIDENCE IN A ZONE**

No person shall be allowed to reside within a Zone except Federal, State or Municipal officers or agents whose resident presence is deemed necessary by the Board or the CBP Service.

### **CONTROLLED ACCESS TO ZONES**

Plans for the controlled access of persons and vehicles to activated Zone areas shall be subject to the approval of the Port Director as part of his or her review for operation approval. All persons and vehicles entering such areas shall be subject to the requirements of the CBP Service and the Zone Schedule. Business hours shall be subject to the approval of Customs.

### **CONSTRUCTION OF BUILDINGS AND FACILITIES**

The Grantee, Operator, and Users may construct buildings and facilities necessary to implement a Zone plan approved by the Board. Any building construction within the General Purpose Zone shall be subject to approval by the Grantee. Such approval shall not constitute a vested right against the United States and the consideration for the sale of any such buildings or facilities shall not be affected by Zone status. The commencement of operations in any building or facility shall be subject to approval by the Port Director.

**SUBJECT TO CBP SUPERVISION**

Zone operations are subject to the control of the CBP Service, exercised mainly through the Port Director, who shall be in charge of the Zone within the port for purposes of enforcement of the requirements of the Act and regulations promulgated thereunder, the Board and the CBP Service. The CBP Service regulations shall determine requirements for security.

**HOURS OF BUSINESS AND SERVICE**

Hours of business and service for CBP Service purposes shall be the same as those prescribed in CBP Service regulations. Hours for other business and service shall be those set forth in this Schedule. The Grantee's office hours are Monday through Friday 8 AM to 5 PM except as observed as holidays.

**HOLIDAYS**

The legal holidays\* during which the Zone is closed for regular business are as follows:

New Year's Day	1 <sup>st</sup> day in January
Martin Luther King Day	3 <sup>rd</sup> Monday in January
President's Day	3 <sup>rd</sup> Monday in February
Good Friday	Friday before Easter
Memorial Day	Last Monday in May
Independence Day	4 <sup>th</sup> day in July
Labor Day	1 <sup>st</sup> Monday in September
Thanksgiving Day	Last Thursday in November
Day after Thanksgiving	Last Friday in November
Christmas Eve	December 24
Christmas Day	December 25
New Year's Eve	December 31

\*If a holiday falls on Saturday, the day immediately preceding such Saturday will be observed: and if a holiday falls on Sunday, the following Monday will be observed.

## **General Rules and Regulations**

### **APPLICATION OF REGULATIONS**

All persons and merchandise of every description entering or leaving the Zone for any purpose whatsoever shall be bound by the lawful regulations of the Board, the CBP Service, the Grantee.

### **CONFIDENTIAL RELATIONSHIPS**

The Manager will take precaution to avoid the divulging of information regarding merchandise and services thereon performed in the Zone. Any Zone employee violating this confidential relationship will be suitably disciplined or discharged.

### **GOVERNMENT AGENCIES**

Users shall comply with all lawful regulations of government agencies in or about ports of entry insofar as they are not in conflict with applicable federal law and the regulations issued thereunder.

### **REPORTS TO GOVERNMENTAL AGENCIES**

The Grantee is required to submit periodic reports to the Board and the CBP Service or may be required to perform other acts as the Grantee of the Zone in compliance with governmental regulations. Users are required to and shall cooperate with the Grantee in the creation and maintenance of procedures, systems, regulations or programs, and provide information and statistics, which the Grantee considers necessary to endure compliance with governmental requirements.

### **GOVERNMENTAL LICENSES**

Users are responsible to obtain, maintain, and keep current any and all licenses, permits, certificates or other authorizations required by any federal, state, or local governments that are or may be necessary in the conduct of business in or from the Zone.

### **USER AGREEMENTS**

The Grantee requires that a Zone User Agreement be executed between and among the User and the Grantee prior to any person or firm conducting Zone business in the Zone or any of its subzones.

### **PUBLIC INTEREST, HEALTH AND SAFETY**

No merchandise, operation or process of treatment will be permitted in the Zone that is detrimental to the public interest, health and safety.

### **INDEMNITY BOND**

Users shall be required upon notice by the Grantee to post an indemnity bond executed on a form and by a U. S. surety acceptable to the Grantee, or other security payable to

the Grantee, as a guarantee of payment of CBP Service duty or taxes or other obligations of or to the Grantee under the following circumstances:

- 1.) User does not have a sufficient beneficial interest in inventoried merchandise to pay the estimated duty/taxes.
- 2.) User accepts delivery of a shipment of unusually high duty/tax liability.
- 3.) Value of User inventory is insufficient to compensate the CBP Service for possible duty/taxes obligations payable on merchandise inventory shortages and/or financial obligations to the Grantee.
- 4.) A significant increase in duty/tax liability due to changes in CBP Service regulations, foreign currency valuations, etc.
- 5.) Other situations which require appropriate security to protect past, present or future obligations or liabilities of the Grantee.

### **NOTICE REGARDING INSURANCE**

Insurance is carried by the Grantee on its own property only and does not include insurance on the contents stored therein. Users shall not do or permit anything to be done in or about the Zone nor bring or keep anything in the Zone which will in any way increase the existing rate of or affect any fire or other insurance upon the buildings or any of its contents, or cause cancellation of any insurance policy covering any Zone building or any part thereof or any of its contents. Insurance on commodities or other property stored in the Zone, if desired, must be carried by and at the expense of the User or owner of the commodities or other properties. Merchandise stored, manipulated, or transferred within the Zone is not insured by the Grantee. The Zone Schedule rates do not include insurance on merchandise.

### **INDEMNIFICATION**

Each User shall indemnify and hold harmless the Grantee from and against any and all loss, costs (including attorney's fees), damages, expense and liability, (including statutory liability and liability under Workman's Compensation Laws, in connection with claims for damages as a result of injury or death of any person or persons or property damages to any property sustained by a User and/or all other persons which arise from or in any manner grow out of any act or neglect on or about the Zone by User, User's partners, agents, employees, customer, invitees, contractor or subcontractors. Additionally, the User shall be responsible for and pay any fines (including CBP Service fines, penalties and liquidated damages), penalties, claims, legal fees, suits or other costs arising out of any action or omission, accident or any other occurrences at its Zone site and shall hold harmless the Grantee from any and all liabilities and costs arising out of any fines (including CBP Service fines, penalties, and liquidated damages) penalties, claims, legal fees, suits or other costs arising out of any action or omission, accident or any other occurrence at the User's Zone site.

### **RELEASE OF GRANTEE FROM LIABILITY**

In consideration of permission granted User to enter the Zone and participate in its activities, User, for itself, its heirs, legal representatives, agents, partners, employees, customers, invitees and for its assignees, releases the premises and discharges the City of Galveston and the Board of Trustees of the Galveston Wharves, its officers, servants, agents and employees, of and from all damage, claims, demands, actions and causes of action of any sort of loss, or damage or destruction to buildings or contents, or to property or merchandise of any kind located or stored in the Zone by the User or by any other person with the consent or knowledge of the User and without regard to whether such loss or damage is the result of negligence or misconduct of any person in the employ of the Grantee.

The City of Galveston shall never be liable to respond in damages or make indemnity or compensation of any character from any source other than the income and revenues arising from the operation of the property operated by the Board of Trustees of the Galveston Wharves by reason of, or due to, or caused by the operation of the Galveston Wharves. The members of the Board of Trustees of the Galveston Wharves, either singularly or collectively, shall not be personally liable to anyone by reason of, or due to, or caused by the management of the Galveston Wharves.

### **INSURANCE REQUIREMENTS**

All persons or entities using Zone property or conducting business operations on Zone property, in accordance with a User agreement with the Grantee, shall carry and keep in force the following insurance:

Property Insurance. The User must insure all buildings, other improvements and personal property located used by the User and located or being constructed in the Zone against loss or damage by fire, windstorm, flood, earthquake and all other risks with "all risks" endorsement or its equivalent. The insurance must be paid for by User and must be in amounts not less than the full actual replacement value of all buildings, other improvements, and personal property occupied or used by the User and located or being constructed in the Zone, and must have a replacement cost endorsement or similar provision. The actual replacement value must be confirmed from time to time by the insurer, at Grantee's request. Such policy must name Grantee (and any successor or assign designated by Grantee) as a loss payee, as its respective interests may appear.

Commercial General Liability Insurance. User must maintain commercial general liability insurance, including pollution liability coverage, covering Grantee, and User for liability for property damage, bodily injury personal injury and death. The insurance provided under this section must be in the amount of not less than \$1,000,000.00 per occurrence for property damage and not less than \$1,000,000.00 per occurrence for personal injury, bodily injury or death. This insurance must protect against liability to any person or persons whose property damage, personal injury or death arises out of or in connection with the occupation, use, or condition of the Zone, and must include (i) coverage for premises and operations, including completed operations, (ii) coverage for products liability, and (iii) contractual liability coverage insuring the obligations of User under the terms of any User agreement. Such policy must name Grantee (and any successor or assign designated by Grantee) as an additional insured.

Construction Liability Insurance. User must maintain construction-liability insurance at all times when demolition, excavation, or construction work is in progress in the Zone. The insurance will have limits of not less than \$1,000,000.00 per occurrence for property damage and \$1,000,000.00 per occurrence for personal injury, bodily injury or death and must protect against all liability for injury or damage to any person or property in any way arising out of demolition, excavation, or construction work in the Zone. Such policy must name Grantee (and any successor or assign designated by Grantee) as an additional insured.

Workers Compensation. User must maintain workers compensation insurance to protect against claims under Texas Workers Compensation laws as well as all Federal acts applicable to User's operations at the Zone, including but not limited to U. S. Longshoremen and Harborworkers Act, Jones Act and Federal Employers' Liability Act. The limit of liability for such coverage must at least meet applicable statutory requirements. Additionally, each policy must contain an endorsement waiving all rights of subrogation against Grantee and its agents and employees.

Employer's Liability. User must maintain employer's liability insurance in the minimum amount of \$1,000,000.00 per occurrence for personal injury, bodily injury or death to any employee of User who may bring a claim outside the scope of the Texas Worker's Compensation laws or federal acts applicable to User's operations at the Zone. This insurance must contain all endorsements necessary to cover maritime operations, including admiralty benefits and damages under the Jones Act, in the minimum amount of \$1,000,000.00 per occurrence. Additionally, each policy must contain an endorsement waiving all rights of subrogation against Grantee and its agents and employees.

Automobile Insurance. User must maintain automobile liability insurance coverage on all its owned or rented vehicles in the minimum amount of \$1,000,000.00 combined single limit coverage per occurrence. Additionally, each policy must contain an endorsement waiving all rights of subrogation against Grantee and its agents and employees.

Umbrella Liability Insurance User must maintain umbrella/excess liability insurance. The insurance provided under this section must be in the amount of not less than \$5,000,000.00 per occurrence and must be excess over all underlining insurance coverage.

Waiver of Subrogation. Grantee, and User agree to waive any and all rights of recovery, claims, actions or causes of action against the other, its agents, officers and employees for any injury, death, loss or damage that may occur to persons or to the Zone, or any personal property of such party in the Zone, by reason of fire, windstorm, earthquake, flood or any other risks, or any other cause which is insured under the insurance policy or policies that either party is required to provide or maintain under this Schedule, to the extent and only to the extent of any proceeds actually received by Grantee or User, respectively, with respect thereto, regardless of cause or origin, including negligence of either party hereto, its agents, officers or employees, and each party covenants that no insurer will hold any right of subrogation against the other. If such waiver is not obtained, the party failing to do so indemnifies the other party for any claim by an insurance carrier arising out of subrogation.

Increase in Insurance Coverage. User agrees to employ an appraiser approved by Grantee to review, at least annually, the insurance covering the improvements and personal property in the Zone to determine the full replacement value thereof. User agrees to increase the policy limits, if necessary, to an amount equal to the full replacement value as determined by the appraiser. User is solely responsible for the payment of any appraiser fees and policy premium increases.

Policy Requirements. The phrase "Required Policy" means each policy of insurance required to be maintained by User under the terms of this Schedule. Each Required Policy must be written by a company satisfactory to or, if the aforesaid is not available, by a company qualified to do business as a non-admitted insurer in Texas under current Texas surplus lines requirements. All Required Policies may contain a deductible of not more than \$25,000.00. Such policies must be endorsed so as to require 30 days prior written notice to Grantee in the event of cancellation, material change or intent not to renew. Required Policies must contain cross-liability clauses, when applicable and available. User must deliver to Grantee a certificate of insurance for any Required Policy within 10 days of execution of any User agreement. The required evidence of coverage must always be deposited with Grantee. If User fails to do so, such failure may be treated by Grantee as a default by User and Grantee, in addition to any other remedy under this Schedule, may purchase and maintain such Required Policy and User must immediately reimburse Grantee for any premiums paid or costs incurred by Grantee in providing such insurance. Failure of User to reimburse Grantee is a default by User under this Schedule and any User agreement.

Indemnity for Noncompliance with Insurance Requirements. User INDEMNIFIES and HOLDS HARMLESS Grantee from any loss it may suffer, including without limitation reasonable attorneys' fees and expenses, due to User's failure to comply with all the above insurance requirements, including the requirement for obtaining waivers of subrogation, and due to any insurance coverage being invalidated because of User's failure to comply with the terms, conditions and warranties of any Required Policy.

### **PERSONS ENTERING AND LEAVING THE ZONE**

Employees and other person entering and leaving the Zone shall pass through the designated entrances to the Zone. Employees and other persons shall be subject to such examination upon entering and leaving the Zone as the Manager may deem necessary for the protection of the revenue and security of the Zone.

### **VEHICLE CONTROL**

All vehicles entering or leaving the Zone shall pass through their designated entrances of the Zone. The vehicles and driver, and all contents of the vehicle, shall be subject to such examination when entering, leaving or while within the Zone as the Manager may deem necessary for the protection of the revenue and security of the Zone.

### **REGULATIONS APPLICABLE TO SUBZONES**

"Subzones" are special-purpose ancillary Zone sites authorized by the Board through Grantees of Zones for operation by individual firms that cannot be accommodated within an existing Zone when it can be demonstrated that the activity, usually manufacturing, will result in significant public benefits. They are considered noncontiguous extensions of Zones for single Users, usually at their own facilities, and in this sense, are private rather than public Zone facilities. Separate Zone sites within an industrial or commercial complex subject to common management and covenants may be considered contiguous and thus a part of the Zone, rather than as subzones.

In reviewing proposals for subzones, the Board and the Grantee will, in addition to the economic factors for public Zones consider: if the proposed operation can be accommodated in the public Zone serving the area; whether efforts have been made to accommodate the operation; and where convincing evidence has been presented as to the resulting significant public benefit including export development and displacement or substitution or imports usually measured in terms of new or sustained employment.

The Operator and all persons and entities doing business within a subzone established by a Grantee must comply with the provisions of the Act; with the rules, regulations and procedures of the Board; with such laws and regulations of the United States, the Operator's occupants, their employees and invitees, and Users of subzones; and with such of the provisions of this Schedule and subsequent issues and modifications thereof as may be applicable to the operations conducted in the subzone.

All persons and entities who request the Grantee to apply for authority to establish a subzone must first enter into an agreement with the Grantee governing the proposed subzone operations. This agreement will contain provisions including, but not limited to, those relating costs incident to public hearings and legal proceedings; charges for providing required CBP Services; Start-up, Activation and User Fees; and charges for Grantee's special services not provided in this Schedule. Applicants for the establishment of a subzone will bear application costs and charges relating to preparing and filing of any application by Grantee whether or not the application is favorably acted upon by the Board.

## **Regulations Pertaining to Merchandise**

### **CBP PERMIT**

Merchandise will not be delivered to or through CBP territory unless a delivery order is accompanied by a CBP Service permit.

### **TRANSPORTATION**

Transfer of foreign merchandise between CBP territory and the Zone, or through CBP territory, must be made by CBP Service bonded trucks or other carriers and in accordance with CBP Service regulations.

### **ZONE ACCOMMODATIONS**

Before merchandise may enter or exit the Zone, applications must be completed by a Zone User or his agent and approved by the Grantee and authorized CBP Service personnel. The application shall describe the merchandise fully and be accompanied by all supporting documents as required.

### **TENDER FOR ACCEPTANCE**

All merchandise for Zone movement shall be delivered at designated points properly marked and packed and accompanied or preceded by necessary documents for preserving the identity of such merchandise.

### **CBP INSPECTION OF MERCHANDISE**

The consignees, the User or his agent shall at all times be immediately available to make merchandise available and ready for inspection as may be required by the CBP Service and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following inspection. In the event that the consignee or his agent is not immediately available for inspections, Zone personnel are authorized to open such packages for the CBP Service and shall not be liable for any loss or damage to the goods for any reason.

### **SPECIAL SECURITY**

The Grantee will assist in making special security arrangements for the receipt, handling and protection of high value merchandise, which will remain in the Zone for a short period of time. Costs of personnel overtime, additional security guards, special security devices and other precautions will be charged to the User. The Grantee assumes no liability for loss of or damage to this merchandise.

### **INVENTORY PROCEDURES**

Zone Users are responsible for establishing and maintaining an Audit Inspection Inventory Control System acceptable to the CBP Service and the Grantee for all merchandise in their care, custody and control. Inventory actions may be conducted by the User or through an agent authorized to maintain inventory records and to represent the User in inventory matters. The Grantee will assist Users in

establishing an Audit Inspection Inventory Control System, monitoring records, conducting periodic selective inventories of merchandise and advising the Port Director of any inventory discrepancies.

### **FOREIGN-TRADE ZONE FORMS**

The following CBP Service Forms are mandatory for Zone operations and are available from the CBP Service:

- 1.) CBP Form 214 (CF-214) - Application for Foreign-Trade Zone admission and/or Status Designation of Merchandise, and
- 2.) CBP Form 216 (CF- 216) - Application for Foreign-Trade Zone Activity Permit (Manipulation, Manufacture, Exhibition or Destruction of Merchandise).

### **PERMIT TO MANIPULATE, MANUFACTURE, PROCESS AND EXHIBIT**

Before merchandise may be manufactured, processed, manipulated or exhibited within the Zone, application must be presented to the Manager for concurrence by the User. The Manager will then forward the application to the Port Director for approval. Requests for manufacturing will also be submitted to the Board for final approval. On approval by appropriate agencies the contemplated operation will be permitted.

### **TRANSITING MERCHANDISE**

Merchandise transiting the Zone under applicable CBP Service regulations must leave the Zone within five (5) working days after arrival. Working days do not include Saturday, Sunday or Holidays. Items remaining in the Zone beyond five (5) working days will lose the "transiting" status and will be entered into the Zone as merchandise under supervision of the CBP Service unless an extension is authorized by the Port Director.

### **MARKING**

All merchandise handled in the Zone before entry to CBP territory must be truly marked in accordance with CBP Service regulations as to the country of origin and in accordance with all other government regulations, and no merchandise will be permitted to leave the Zone for any purpose that carries any false or misleading label or mark. When repacked or labeled in the Zone, the goods should, when possible, be marked to indicate that fact.

### **PROHIBITED MERCHANDISE**

A list of merchandise specifically prohibited from admission to the Zone is available upon request of the Manager.

### **WAREHOUSE USE**

The Grantee will permit the use of warehouse space for the purpose of manufacturing, manipulation, processing, handling, exhibition of storage of foreign or domestic merchandise under supervision of the CBP Service. Warehouse space may also

be used as office space when utilized in direct support of Zone operation. All leases are subject to approval by the Grantee.

### **PUBLIC WAREHOUSE OPERATION REQUIREMENTS**

Private firms may enter into an agreement with the Grantee to offer public warehousing facilities and services within the Zone. The warehouse firm will be required to comply with the Zone public warehouse minimum standards as established by the Grantee.

### **LAND LEASES**

The Grantee will lease land for the purpose of constructing buildings and facilities and open storage when use of such buildings and land involves manufacturing, manipulation, processing, handling, exhibition or storage of foreign and domestic merchandise under supervision of the CBP Service.

### **ERECTION OF BUILDINGS**

The Grantee may, with the approval of the Board and under reasonable and uniform regulations for like conditions and circumstances and in accordance with the Grantee's written approval, permit other persons, firms, corporations or associations to erect such buildings and other structures within the Zone as will meet their particular requirements, provided:

- 1.) that such permission shall not constitute a vested right against the United States, nor interfere with or compromise the Grant of Authority from the United States;
- 2.) that in the event of the United States or the Grantee desiring to acquire the property of the permittee, no goodwill shall be considered as accruing from the privilege granted to the Zone;
- 3.) such permits shall not be granted on terms that conflict with the public use of the Zone as set forth in the Act. Provided further that accepted sanitary practices be followed in the construction, equipment and operation of such buildings and other structures.

### **ZONE REGULATIONS**

All uses and development of the lands of the Zone shall be in compliance with all applicable Zoning Ordinances of the City of Galveston, Texas. Copies are available upon request through the City of Galveston Planning Department.

### **Miscellaneous Regulations**

#### **OVERNIGHT PARKING**

No vehicles other than those used by Zone or Custom Service personnel will be allowed to park overnight within the Zone. Trucks transporting merchandise to or from the Zone may park overnight in the area under the management and control of the Port of Galveston subject to prior approval by the Manager and at no risk or liability to the Port of Galveston.

#### **TRASH COLLECTION**

Zone occupants are responsible for the removal of trash from the Zone sites. Trash not removed and/or dumpsters not emptied in a timely manner, in order to maintain Zone cleanliness, will be removed and/or emptied by order of the Manager and billed to the Zone occupant.

#### **HAZARDOUS COMMODITIES**

The Zone will not be required to accept for storage any commodity that will affect the rate of insurance on other merchandise in storage. Where reference is made hereto, by any rate item, the product will not be stored except in locations or areas that are not restricted to that particular commodity.

## **Rates and Charges**

### **RESPONSIBILITY FOR DUTY AND TAXES**

Users of the Zone are responsible and liable for payment of any duties, taxes, fines, penalties, or liquidated damages 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 CBP Service. In the event the Grantee or Operator is required to pay any duty or tax to the CBP Service under conditions of the CBP Service bond maintained by Grantee or Operator, the person responsible for payment of the duty or tax will immediately reimburse the Grantee or Operator for such payments. Such person shall be liable to the Grantee or Operator for all costs, expenses and attorney fees which may be incurred or sustained by the Grantee or Operator by reason of collection of such duty or taxes. Any sums due to the Grantee or Operator under the provisions of this paragraph shall constitute a lien against the interest of the User in the Zone and all its properties situated in the Zone to the same extent and the same condition as delinquent rent would constitute a lien on such premises and property.

### **CBP FEES**

The User shall reimburse the Grantee for any CBP Service fees connected with its conducting business within the Zone. Such CBP Service fees may include activation and deactivation fees, alteration fees, transaction fees and annual fees. Whenever the Grantee pays fees to the CBP Service, which concern the entire general purpose Zone or the entire Zone project, reimbursement by Users to the Grantee will be done by appointment.

### **CBP BOND FEE**

The Operator provides a Foreign-Trade Zones Operator's Bond to the CBP Service which is applicable to all merchandise in the Zone that is under CBP Service supervision. The amount of the bond required for a specific facility is established by the CBP Service and the appropriate cost of the bond will be the responsibility of the User.

### **LAND LEASE RENTAL RATES**

Zone Users may lease land for a term of not less than one (1) month. Rental rates will be negotiated considering the term of the lease and the location, configuration, condition, facilities and intended use of the property, and other factors including reimbursement of Grantee for cost of staff administration and the CBP Service supervision of operations conducted on the leased land. Please refer to Exhibit A Schedule of Fees and Charges for property owner contact information.

### **SALE OF LAND**

The Zone has approximately 971 acres of industrial land available for purchase on Pelican Island . There are several private property owners and public agencies that own this acreage. The Grantee will facilitate contacts with the appropriate landowner in the event there is an

interest to purchase land for development for Zone projects. The sales price for such property will be negotiated with the individual property owners based on each specific application. Please refer to Exhibit A Schedule of Fees and Charges for property owner contact information.

### **WAREHOUSE STORAGE RATES**

Warehouse storage rates for FTZ activated areas will be charged at the rate stated in the most current Port of Galveston Tariff Circular or as negotiated with the Operator of the warehouse. . Other rates may be negotiated directly through the Operator as needed by the Zone User.

### **ACTIVATION FEE**

An activation fee will be charged the User when seeking to activate a Zone Site. The fee will cover Grantee's expenses for the preparation and processing of the operator agreement, providing the Grantee concurrence letter to the CBP Service, and review of activation and operations procedures. The fee does not include preparation of actual activation request, procedures manual, or other documents, which may be required by CBP Service regulations. Please refer to Exhibit A Schedule of Fees and Charges.

### **APPLICATION FEE**

An application fee will be charged the User when the Grantee must return to the Board for approval of (a) expansion to include new Zone space or a new Zone Site, (b) boundary modifications to accommodate expanded operations, (c) for manufacturing authority or scope requests and (d) for Subzone designation. The fee will cover Grantee's expenses for obtaining the necessary approvals/resolutions of the application, submission to the Board, and support services required in the approval process. The fee does not include actual preparation of the application or requests.

All fees are payable in advance of application request, with the exception of the Subzone application, which requires one half of the fee to be paid in advance and the other half upon Board approval. Please refer to Exhibit A Schedule of Fees and Charges.

**ANNUAL FEE**

The annual fee will cover the administration of the Zone by the Grantee, preparation of the annual report to the Board, and support services from the Grantee staff. Upon activation a User shall be charged an annual fee. Annual fees for special uses, large area uses, and enterprise zone/revitalization zone development projects are subject to negotiation with the Grantee.

The annual fee is payable on the date of CBP Service activation and annually for each subsequent year the facility remains activated.

Zone fees may be increased/decreased each year based on the provisions of the operating agreement between the parties. Please see Exhibit A Schedule of Fees and Charges.

**CHARGES FOR SPECIAL ZONE STAFF SERVICES**

The Grantee maintains at the Zone a staff of employees to assist in the normal operation of the Zone during regular business hours as set forth in this Schedule. Zone staff services rendered at other hours or during holidays at the specific request of a User will be at the rate of \$70 per hour and a minimum of \$2800.

**FOREIGN-TRADE ZONES BOARD FEES**

Any fee or charges imposed by the Board shall be payable by the User of the affected Zone Site, or as apportioned by the Grantee among the Zone Sites. Under no circumstances will the Grantee be liable or responsible for any Board fees or charges.

**OTHER GOVERNMENT AGENCY FEES**

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

**FINES, PENALTIES, AND LIQUIDATED DAMAGES**

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

Further, the Grantee may issue a written Notice of Violation to the User for violation or failure to correct any violations of the Act, Board regulations, CBP Service regulations, the Schedule or the requirements of the Zone Site operations and procedures. A written response will be required within seven (7) business days. Grantee will review the written response for mitigating circumstances and within fifteen (15) business days thereafter issue a final decision. Failure of the User to reply to the Notice of Violation shall cause the Notice of Violation to be in effect without further review. At that time further steps may be taken in the way of additional charges paid to the Grantee.

### **ENFORCEMENT OF CHARGES**

For the purpose of enforcing the payment of charges provided for in this Schedule, the Grantee may take possession of the merchandise, and may remove and store same at the charge, risk and expense of the owner or consignee thereof and may sell the goods by public auction, and may avail itself of such other remedies as may be provided by law.

**EXHIBIT A**  
**SCHEDULE OF FEES AND CHARGES**  
**GRANTEE: PORT OF GALVESTON**  
**EFFECTIVE DATE: August 1, 2006**

Users of the Zone are responsible and liable for payment of any duties, taxes, fines, penalties, or liquidated damages 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 CBP in addition to the fee enumerated below. In the event the Grantee is required to pay any duty or tax to CBP under conditions of the USCBP Service bond maintained by the Grantee, the person responsible for payment of the duty or tax will immediately reimburse the Grantee for all costs, expenses and attorney fees which may be incurred or sustained by the Grantee by reason of collection of such duties or taxes. Any sums due to the Grantee under the provision of the paragraph shall constitute a lien against the interest of the User in the Zone and all properties situated in the Zone to the same extent and the same condition as delinquent rent would constitute a lien on such premises and property.

The Grantee reserves the right to change or waive any fee or charge if, in the Grantee's determination, it is in the best interest of the welfare of the community to do so.

**1. General Purpose Zone**

A.	New Applications/Filing Fee:	
	1. Boundary Modification	\$ 1,500.00
	2. Change in Scope of Authority	\$ 2,500.00
B.	Activation Fee	\$ 2,500.00
C.	Annual Fee (in addition to fees listed above)	
		\$ 3,000.00

**2. Subzones and Special Purpose Zones**

A.	Application	\$ 5,000.00
B.	Modification	\$ 2,500.00
C.	Activation	\$ 2,500.00
D.	Annual Fee (in addition to fee listed above)	
	1. Minimum Fee	\$ 10,000.00

**3. Lease/Rental/Purchase Rates**

A. In order to lease property owned by the Grantee, all Users of FTZ services must have already selected an Operator recognized by USCBP, unless the User is acting as its own operator under its own Bond and Procedures Manual accepted by USCBP. Lease contract and FTZ Operator Agreements will always be separate, stand-alone documents.

1. Short term rental/overflow refer to Section 400 C-472 Warehouse Rental of the most current Port of Galveston Tariff Circular or contact John Peterlin (409) 766-6112.

2. Long term rental/sale or property development, contact Diane Falcioni (409) 766-6121.

B. To lease/purchase property not owned by the Grantee, but approved by the FTZ Board for FTZ activity, contact the following companies:

1. Scholes International Airport  
Hud Hopkins (409) 741-4609

2. Pelican Island Property owned by Port of Houston  
Jack Beasley (713) 670-2604

**EXHIBIT B**  
**SCHEDULE OF FEES AND CHARGES**  
**GRANTEE/OPERATOR: PORT OF GALVESTON**  
**EFFECTIVE DATE: July 14, 2010**

Users of the Zone are responsible and liable for payment of any duties, taxes, fines, penalties, or liquidated damages 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 CBP in addition to the fee enumerated below. In the event the Grantee/Operator is required to pay any duty or tax to CBP under conditions of the USCBP Service bond maintained by the Grantee, the person responsible for payment of the duty or tax will immediately reimburse the Grantee/Operator for all costs, expenses and attorney fees which may be incurred or sustained by the Grantee/Operator by reason of collection of such duties or taxes. Any sums due to the Grantee/Operator under the provision of the paragraph shall constitute a lien against the interest of the User in the Zone and all properties situated in the Zone to the same extent and the same condition as delinquent rent would constitute a lien on such premises and property.

All Users utilizing the services of the Grantee/Operator are required to hold a back to back FTZ Operators bond with the Grantee/Operator.

The Grantee/Operator reserves the right to change or waive any fee or charge if, in the Grantee's determination, it is in the best interest of the welfare of the community to do so.

**General Purpose Zone**

B.	Minimum Monthly Fee (4 transactions)	\$	280.00
B.	Transaction* Fee	\$	70.00
c.	Hourly Fee**	\$	70.00

Zone Users utilizing the Grantee as Operator of the General Purpose Zone will pay a minimum monthly charge noted above. Each transaction over the minimum per month will be charged according to the price listed above.

\*Transaction- Processing of a CF214, CF 216, CF 3641, 7501, 7512 or any other CBP form or back up for said forms required by CBP for the operation of the zone.

\*\*Hourly Fees will be charged for CBP Compliance Reviews or CBP Audits

