

ZONE SCHEDULE

FOREIGN-TRADE ZONE NO. 227 DURANT, OK

GRANTEE:

Rural Enterprises of Oklahoma, Inc.

Effective Date: June 24, 2014

ADMINISTRATIVE PAGE

Grantee

Rural Enterprises of Oklahoma, Inc. (REI Oklahoma)
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Operator(s)

General Purpose Zone Site
None Currently

Subzone Site

None Currently (previously TPI Petroleum Inc.)

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DEFINITIONS

ACT:

The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 98-1003; 19 U.S.C. 81a-81u), as amended by Pub. L. 566, 81st Congress, approved June 17, 1950 (64 Stat. 246), and Pub. L. 791, 85th Congress, approved August 28, 1958 (72 Stat. 945).

ACTIVATION:

Approval by the Grantee and the Port Director of the U.S. Customs and Border Protection (CBP) for operations and for the admission and handling of merchandise in Zone status.

ADMISSION:

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

ADMIT:

To bring merchandise into a Zone with Zone status.

APPLICATION:

An application to establish a Foreign-Trade Zone or subzone that must address the items delineated in 15 CFR 400.24 or 400.25, and that consists of a transmittal letter, an executive summary, and five exhibits.

ALTERATION:

A change in the boundaries of an activated Zone or Subzone, activation of a separate site of an already activated Zone or Subzone with the same Operator at the same port, or the relocation of an already activated site with the same Operator.

AUDIT-INSPECTION 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 U.S. Customs and Border Protection.

BOARD:

The Foreign-Trade Zones Board was established by the Act. The Board consists of the Secretary of Commerce and the Secretary of the Treasury. Each Board member designates an official of his/her Department, usually an Assistant Secretary, to serve as his/her alternate.

BOUNDARY MODIFICATIONS:

A change of the area of an established zone made by proper application (FTZ Manual, Section 4.4). Boundary modifications may be minor or major; zone expansions may be considered major boundary modifications.

BULK:

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

COMMINGLING:

Physically combined or mixes (19 CFR 102.1). Regarding fungible goods from different countries, which are commingled, the country or countries of origin may be determined on the basis of an inventory management method of the Customs regulations (19 CFR 102.12).

CONSUMPTION ENTRY:

An entry for the transfer of merchandise from a zone to the Customs territory for consumption in the United States.

CONTROL FILE:

A file established for each CF 214 Control Number/Admission Number containing source documents related to that number.

CUSTOMS TERRITORY:

The territory of the United States in which the general tariff law of the United States applies, but which is not included in any Foreign-Trade Zone. Customs territory of the United States includes only the States, the District of Columbia, and Puerto Rico. (General Note 2, Harmonized Tariff Schedule of the United States, 19 CFR 146.1)

DOMESTIC MERCHANDISE:

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 there from,
- (3) Previously entered into the commerce of the United States as duty free and tax free, or;
- (2) Previously imported into Customs territory and properly released from CBP custody.

This means imported merchandise on which all necessary duties and taxes, if applicable, have been paid, and if upon which no drawback has been claimed, is considered Domestic merchandise when admitted to a foreign-trade zone (19 CFR 146.43).

DEACTIVATION:

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

DEFAULT:

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

DRAWBACK:

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

DUTIES:

A tax on imports. (In a foreign-trade zone, duties are not payable until the merchandise exits the zone and is entered into the commerce of the United States.)

DUTY DEFERRAL:

The process by which the assessment of duties is deferred on imported merchandise until they are shipped from a Foreign Trade Zone.

ENTRY:

Means to bring merchandise into US Customs territory.

ESTIMATED WEEKLY ENTRY:

An estimated entry, made on CF 3461 and officially accepted, providing the legal permit necessary from Customs to remove merchandise during a business week.

ESTIMATED WEEKLY EXPORT (APPLICATION FOR WEEKLY ZONE PERMIT):

An estimated export, made on CF 7512 and officially accepted, providing the legal permit necessary from Customs to remove merchandise during a business week (19 CFR 146.68)

EXAMINER:

An employee of one of the Board agencies designated under the regulations to conduct or participate in an investigation concerning the establishment or expansion of a Zone or Subzone or other matter requiring a fact-finding determination and recommendation for Board action.

FOREIGN MERCHANDISE:

Merchandise of every description (except articles specifically and absolutely prohibited by statute), which has not been properly released from CBP custody into Customs territory.

FOREIGN-TRADE ZONE:

A Foreign-Trade Zone is a restricted access site, in or adjacent to a Customs port of entry, operated under public utility principles under the sponsorship of a corporation granted authority by the Foreign-Trade Zones Board. U.S. Foreign-Trade Zones are restricted areas, under supervision of the U.S. Customs and Border Protection, in which, when activated under Zone procedures, merchandise is treated for Customs and taxation purposes as if it is outside the Customs territory of the United States. Foreign-Trade Zones are the U.S. version of what are generally known internationally as CBP free trade zones; however, U.S. Foreign-Trade Zones are different in several important respects from other types of free trade zones. Located in or near the U.S. Customs and Border Protection Ports of Entry, Zones are operated under public utility principles by qualified corporations. Authority for establishing these facilities is granted by the Foreign-Trade Zones Board under the Act and regulations. The term "Foreign-Trade

Zone” typically refers to a Zone environment known as a “General Purpose Zone.” The General Purpose Zone is established to accommodate various Zone activities carried on by multiple users. Storage, distribution, testing, repair, and repackaging are typical of activities carried on within a General Purpose Zone. Manufacturing or processing activity within a General Purpose Zone requires prior approval by the Foreign-Trade Zones Board. “Foreign-Trade Zone” might, as a general term, include special purpose Subzones. If the Zone is designed to serve a special type of activity, the term “Subzone” may be used. Like the General Purpose Zone, Subzones are established under the sponsorship of a corporation granted authority by the Foreign-Trade Zones Board. (See “Grantee.”) When a Zone consists of more than one site under the same Grantee, the sites shall be considered part of the same Zone project. Foreign and domestic merchandise may be moved into Zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacture or other processing. The usual formal CBP entry procedures and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer generally has a choice of paying the duty rate which applies to either the original foreign material or to the finished product. Quota restrictions do not normally apply to foreign goods in Zones, except that special procedures may apply when manufacturing is involved. Domestic goods moved into a Zone for export may, at the request of the exporter, be considered exported upon admission to the Zone for purposes of excise tax rebates and drawback.

FUNGIBLE:

Merchandise that, for commercial reasons, is identical and interchangeable in all situations. Originally applied to bulk liquids or free-flowing substances, it now applied to shipments of goods that arrive packed, but are unpacked and placed together in storage or manufacturing locations so that identification with the shipment as admitted to the Zone is lost. Concept is widely used manufacturing environments where it is not feasible to store goods in their original lots awaiting manufacture.

FIRST IN-FIRST OUT (FIFO):

Under the FIFO method, any fungible merchandise withdrawn from stock is assumed to be withdrawn from the oldest stock first. In applying FIFO procedures, it is important to note that each Zone admission is considered a layer, and the Zone Operator is responsible for identifying the appropriate sequence of transfers from the Zone to assure the proper layer was used and transferred from the Zone. Identification shall be maintained in the inventory control system records, generally by description and part or stock number.

FOREIGN-FIRST (FOFI):

An accounting method based on the assumption that foreign status merchandise is disposed first.

FOREIGN-TRADE ZONES BOARD:

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

FORWARDER:

Consultant in logistics and international traffic. The forwarding agent assists the exporter in finding the most economic and efficient methods of transporting and storing cargo.

GENERAL PURPOSE ZONE:

Typically a multi-purpose area, warehouse or underground storage facility. It may house one or more importing/exporting operations which have little or nothing to do with one another. FTZ 227 is a General Purpose Zone.

GRANT:

A grant to establish, operate, and maintain a Foreign-Trade Zone (FTZ) or a special-purpose FTZ (subzone) awarded by the Foreign-Trade Zones Board to an eligible Grantee.

GRANTEE:

Rural Enterprises of Oklahoma, Inc., to which the privilege of establishing, operating, and maintaining Foreign-Trade Zone No. 227 and its Subzones has been granted.

HARBOR MAINTENANCE FEE (HMF):

A port use fee of 0.125 percent of a cargo's value may be payable by commercial vessels unloading cargo at a port that is authorized to charge HMF (19 CFR 24.24). The applicant for admission of cargo unloaded in a foreign-trade zone must pay the HMF due on a quarterly basis (19 CFR 24.24).

HOLIDAYS:

The Zone will be closed on those days designated as Federal Holidays by the United States Government and recognized by the U.S. Customs and Border Protection.

IMPORTS:

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

INTERMODAL:

Relating to cargo which can be handled interchangeably among different transportation modes, i.e. truck, rail, ocean and air.

IN-TRANSIT MERCHANDISE:

The term "in-transit merchandise" includes all foreign merchandise transported into and out of the United States, whether in and out of the same port or across the country to another port, with or without transshipment, warehousing, breaking bulk, or change in 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 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 or the Operator and User/Client for assignment of space within Foreign-Trade Zone 227.

MANIPULATION:

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

MANUFACTURE/ MANUFACTURING:

The activity, process or production of a foreign article(s) (raw or prepared materials) which transforms the materials into a new or different article having a different name, character and use resulting in a change in customs classification. Board clearance is required before manufacturing can occur within a zone.

MERCHANDISE PROCESSING FEE (MPF):

Customs assessment entry which is calculated as 0.21% (.0021) of the full declared value of the merchandise, up to a maximum of \$485.00.

NON-PRIVILEGED FOREIGN MERCHANDISE:

- (1) Foreign merchandise properly in the Zone that 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, or;
- (3) Domestic merchandise taken into a Zone whose identity has been lost.

OPERATOR:

A Zone or Subzone Operator is that party that accepts CBP liability for Zone or Subzone operations through a bond filed with the U.S. Customs and Border Protection.

OPERATOR AGREEMENT:

An agreement between the Operator of the Zone site and the Grantee prior to activation of a Foreign Trade Zone site. Activation cannot occur without an executed Operator Agreement.

OPERATOR'S BOND:

Zone Operator's Bond submitted to Customs to assure compliance with Customs regulations. Bond is submitted on Customs Form (CF) 301. The bond provisions are set forth at 19 CFR 113.73, Customs Regulations. A failure to comply with the regulations may be deemed a "default" by Customs and result in the assessment of liquidated damages under the bond.

PERSON OF RECORD:

The person, firm or corporation in whose name the application to admit merchandise into the Zone (Customs Form 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 Customs custody at the end of its transit through Customs territory, and usually consists of an original bill of lading endorsed to him, or a carrier's certificate.

PORT DIRECTOR, THE BUREAU OF CUSTOMS AND BORDER PROTECTION:

The CBP official (located in Dallas, Texas) so designated for Durant, OK. The Port Director is the Board's representative for Foreign-Trade Zone No. 227 and any of its Subzones.

PORT OF ENTRY:

Places designated by the U.S. Government, at which a CBP officer is assigned with authority to accept entries of merchandise, collect duties, and enforce the various provisions of the CBP laws.

PRIVILEGED-FOREIGN MERCHANDISE:

Foreign merchandise which has the duty and applicable taxes determined at the time the status is approved. The determined duty rate and taxes are not subject to future fluctuation. Once established, Privileged Foreign status cannot be changed. If merchandise has already been admitted into the Zone with a Non-Privileged Foreign status may be obtained by filling CF 214 and related entry documents. However, application for this status must be filed prior to manipulation or manufacture.

Foreign merchandise for which an application (CBP 214) has been made for a determination of taxes and liquidation of duties and which has been taken under supervision by the Port Director of CBP.

QUANTITY:

The numerical count of the units composing a shipment of a commodity, except bulk commodities, which must be measured by weight, size, or volume.

REACTIVATION:

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

RE-EXPORTS OR RE-SHIPMENTS:

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 custody into Customs territory.

RETAIL SALE:

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

RURAL ENTERPRISES OF OKLAHOMA, INC.:

Rural Enterprises of Oklahoma, Inc. serves as the Grantee for U. S. Foreign-Trade Zone No. 227. Through Rural Enterprises of Oklahoma, Inc., the Grantee, as part of its trade and economic development services, provides zone services for the benefit of the public. Rural Enterprises of Oklahoma, Inc. established U.S. Foreign-Trade Zone No. 227 under a grant of authority issued by the U. S. Foreign-Trade Zones Board pursuant to Board Order No. 947, issued on January 27, 1998.

SECRETARY:

The Secretary of Commerce.

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.

STRIPPING:

The process of removing cargo from a container.

SUBZONES:

Special-purpose ancillary Zone sites authorized by the Board through Grantees of public Zones for operations by individual firms that cannot be accommodated within an existing Zone, when it can be demonstrated that the activity, usually manufacturing, will result in a significant public

benefit. Subzones 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 as contiguous, and thus a part of the General Purpose Zone, rather than as Subzones.

TIME OF ENTRY:

Generally, merchandise is entered into the Customs territory of the United States when the appropriate Customs officer authorizes the release of the merchandise or any part of the merchandise covered by the entry documentation (19 CFR 146.65).

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 that 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.

UNIQUE IDENTIFIER NUMBER (UIN):

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

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 person or firm using a Zone or Subzone, an individual, company, or corporation utilizing the services and facilities of the Zone.

ZONE:

The term "Zone" refers to any General Purpose Zone or Subzone site.

ZONE LOT NUMBER (ZLN):

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

ZONE PROJECT:

All of the Zone and Subzone sites established by the Board under a single Grantee, normally in a single Port of Entry area.

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

DESCRIPTION OF FOREIGN-TRADE ZONE NO. 227

Foreign-Trade Zone No. 227 was established by Board Order No. 947 on January 27, 1998. The Grantee is Rural Enterprises of Oklahoma, Inc.

Foreign Trade Zone No. 227 is comprised of 2,942 acres within three sites located in Durant and Ardmore, OK.

Site 1: 30 acre International Business Park in Durant, OK off US Highway 69/75

Site 2: 2,790 acre Ardmore Industrial Airpark, formerly the Ardmore Air Force Base, 16 miles northeast of Ardmore

Site 3: 122 acre Westport Industrial Complex, located in Ardmore, OK

FTZ No. 227 is the only foreign trade zone in the rural southeastern and south central part of Oklahoma and the first zone in the state to operate outside the ports of Oklahoma City and Tulsa. It is located just one hour from Dallas, Texas, a national center for cargo distribution.

Rural Enterprises of Oklahoma, Inc., as Grantee of Foreign-Trade Zone No. 227, has not established a General-Purpose Zone operator. TPI Petroleum (Valero) was approved as a Subzone of FTZ No. 227 and operated as such until the Subzone was deactivated in 2012 due to the decrease in imported crude oil. In the event additional Subzones are established, each will be operated pursuant to Grantee/Operator's Agreements between the Subzone operators and Rural Enterprises of Oklahoma, Inc.

ZONE POLICY

SCHEDULE AUTHORITY

This Schedule is published pursuant to a Grant issued by the Foreign-Trade Zone Board, U.S. Department of Commerce, Washington, DC on January 27, 1998, to Rural Enterprises of Oklahoma, Inc. under provisions of Public Law No, 397, 73rd Congress, approved June 18, 1934, as amended. The Zone policy, rules, regulations, rates and charges of this schedule shall apply at Foreign-Trade Zone No. 227 and its Subzones unless otherwise provided for.

ZONE OPERATED AS A PUBLIC UTILITY

The rates and charges for space, facilities, and services within a Zone shall be fair and reasonable, and the Grantee shall afford uniform treatment under like conditions to all users. The Board shall determine whether the rates and charges are fair and reasonable.

BOARD REGULATIONS

Foreign-Trade Zone No. 227 is regulated by the Foreign-Trade Zones Board, Washington, DC under U.S. Code of Federal Regulations; Title 15, Chapter IV, Part 400. Copies of these regulations are maintained at the Foreign-Trade Zone No. 227 office for reference.

U.S. CUSTOMS AND BORDER PROTECTION REGULATIONS

Foreign-Trade Zone No. 227 is subject to special CBP regulations as defined in U.S. Code of Federal Regulations, Title 19, Chapter I, the Bureau of Customs and Border Protection, Part 146 - Foreign-Trade Zones; and the guidelines contained in the "the Bureau of Customs and Border Protection Service Foreign-Trade Zones Operations Manual." Copies of these publications are maintained at the Foreign-Trade Zone No. 227 office for reference.

FOREIGN-TRADE ZONE NO. 227 SCHEDULE

All corporations, partnerships and persons operating within an activated Zone are subject to this Schedule. The Grantee shall interpret and determine the applicability of any rates, rules, regulations, or services provided for in this schedule. However, any matters involving interpretation or action by U.S. Customs and Border Protection or another agency of the U.S. Government will be determined by the Port Director of CBP or his/her duly appointed representative. The Zone Schedule shall contain a section listing rates and charges for Zones and subzones with information sufficient for the Board or the Executive Secretary to determine whether rates or charges are reasonable based on other operations in the port of entry area and whether there is uniform treatment under like circumstances among Zone Users. A copy of this Schedule will be provided to each Operator. Updates will be provided as revisions occur.

FOREIGN-TRADE ZONE NO. 227 GRANTEE/OPERATOR AGREEMENT

Every corporation, partnership and person seeking to operate in a Zone Site (including a Subzone) with Foreign-Trade Zone No. 227, must enter into a Grantee/Operator Agreement with Rural Enterprises of Oklahoma, Inc., as Grantee. A copy of the standard Grantee/Operator Agreement is available, upon request, from Rural Enterprises of Oklahoma, Inc. If any conflict

with this Schedule and any Grantee/Operator Agreement occur, the Grantee/Operator Agreement will prevail.

FOREIGN-TRADE ZONE OPERATOR/USER AGREEMENT

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

FOREIGN-TRADE ZONE NO. 227 PROCEDURES MANUAL

A standard Procedures Manual, which is necessary as part of the application to U.S. Customs for activation, will be utilized by Foreign Trade Zone 227 Operator(s) and certain User(s). A copy of the standard Procedures Manual is available, upon request, from the Grantee. The Foreign-Trade Zone Board and U.S. Customs and Border Protection regulations will be made a part of each Operator(s) and/or User(s) Procedures Manual.

PRIVILEGES OF FOREIGN-TRADE ZONES

Section 3 of the Act, as amended, authorizes the following privileges:

"Foreign and domestic merchandise of every description, except such as prohibited by law, may, without being subject to the Customs laws of the United States, except as otherwise as provided in this Act, be brought into a Zone and may be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured except as otherwise provided in this Act, and be exported, destroyed, or sent into Customs territory of the United States, there from, in the original package or otherwise; but when foreign merchandise is so sent from a Zone into Customs 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 there has been no manipulation or manufacture affecting a change in tariff classification, the collector of Customs shall take under 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 Customs 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 Customs territory, it shall be dutiable and taxable in its condition and quantity and at its weight at the time of entry. When two or more products results from a manipulation or manufacture of merchandised 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, or which have been admitted free of duty and tax may be taken into a Zone from the Customs territory of the United States, placed under the supervision of the collector, 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 re-enter Customs 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 Customs 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:

- (a) The draw-back, warehousing, and bonding, or any other provisions of the Tariff Act of 1930 as amended, and the regulations there under, and;
- (b) The statutes and bonds exacted for the payment of drawback, refund, or exemption from liability of internal revenue taxes and for the purposes of the internal revenue laws generally and the regulations there under.

Such a transfer may also be considered an exportation for the purposes of the Federal laws insofar as Federal agencies charged with the enforcement of those laws deem it advisable. Such articles may not be returned to Customs territory for domestic consumption except where the Foreign-Trade Zones Board deem such return to be in the public interest, in which event the article shall be subject to the provisions of the paragraph 1615 (F) of the Tariff Act of 1930, as amended:

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 Customs territory, or involving the manufacture of any article provided for in Paragraph 367 or Paragraph 368 of the Tariff Act of 1930, shall be permitted in a Zone except those operations (other than rectification of distilled spirits and wines, or the manufacture of production of alcoholic products unfit for beverage uses) which were permissible under this Act prior to July 1, 1949.

Provided further, that articles produced or manufactured in a Zone and exported there from shall on subsequent importation into the Customs territory of the United States be subject to the import laws applicable to like 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 provision of this section, may on such importation, be entered as American goods returned."

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 proper written consent of the Grantee. 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.

INSPECTION OF ZONE AREAS

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

OPERATIONS IN ZONES

MERCHANDISE PERMITTED IN A ZONE

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

- (a) Merchandise, which is specifically and absolutely prohibited by law, shall not be admitted into a Zone. Any merchandise so prohibited by law that is found within a Zone shall be disposed of in the manner provided for in laws and regulations applicable to such merchandise. A distinction is made between (i) Merchandise which is specifically and absolutely prohibited by law on the grounds of policy and morals, such as immoral or subversive literature, obscene articles, or lottery matter and (ii) Merchandise which is subject to conditional prohibition only, for example, articles which are subject to permits or licenses for the protection of economic or national security or which may be reconditioned to bring them into compliance with the laws administered by various Federal Agencies. Port Directors of CBP are required to exclude the first class of articles and may not permit them to be transferred to a Zone if they are aware of their prohibited status except that the Port Director may permit the temporary deposit of any such merchandise in the Zone pending final determination of its status. The transfer of articles of the second class to a Zone is subject to any requirements of the Federal agency concerned. There is no prohibition against placing over quota merchandise in a Zone pending its rights to transfer to Customs territory pursuant to the applicable quotas' provisions.
- (b) 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.
- (c) Zone procedures may not be used to circumvent the laws and regulations. Upon order of the Secretary of the Commerce, or his designee, the Commissioner of CBP, 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 Customs 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 Customs 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 worth the prior approval of the Board as otherwise provided by the Act.

- (a) Permission for any manipulation or exhibition in a Zone shall be obtained from the Port Director of CBP, 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.
- (b) In the event of the denial of any application by the Port Director of CBP 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

- (a) 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 Sections 146.14 and 146.13 of CBP Regulations, and except merchandise temporarily transferred to a Zone for manipulation as provided in paragraph (b) of this section, shall be given a Zone status as (i) Privileged Foreign Merchandise, (ii) Non-Privileged Foreign Merchandise, (iii) Domestic Merchandise, or (iv) Zone Restricted Merchandise.
- (b) Imported merchandise, which has been entered and which has remained in continuous CBP custody, may be temporarily transferred to a Zone for manipulation under CBP supervision pursuant to Section 562, Tariff Act of 1930, as amended, and for return to Customs territory. Any such merchandise shall not be considered within the purview of the Foreign-Trade Zones Act, but shall be treated in all respects as though remaining in Customs 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 laws.

ENTRY AND EXIT OF MERCHANDISE

Before merchandise may enter or exit the Zone, the appropriate Customs Application must be completed by the Zone User or Agent and approved by the Zone Operator and authorized by Customs. The application shall describe the merchandise fully and be accompanied by all supporting documentation as required.

MERCHANDISE SUBJECT TO QUOTA

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

USE OF ZONE BY CARRIERS

The cargo facilities, and service of a Zone area, are intended primarily for the use of vessels, vehicles, or aircraft lading or unlading 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 there from shall, on subsequent importation into the Customs territory of the United States, be subject to the import laws applicable to like articles 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 Section 3 of the Act, as amended may, on such importation, be entered as American goods returned.

PUBLIC INTEREST PROVISION

Pursuant to 15(c) of the Act, the Board has authority to restrict or prohibit any Zone operation "That in its judgment is detrimental to the public interest, health or safety."

- (a) 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 the Board or the Executive Secretary finds good cause, 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 "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.
- (b) In investigations under this section, either self-initiated or in response to complaints, the factors considered by the Board shall include:
 - 1. Whether the adverse effect is significant in relation to actual and potential public benefits.
 - 2. Whether additional exports from the U.S. will be created;
 - 3. Whether Zone procedures will encourage activity related to import displacement or substitution;
 - 4. Whether employment and investment will be generated or sustained in the U.S., and;
 - 5. Whether Zone activity will undermine a remedial action or program in effect because an unfair trade practice, or materially or substantially harm an existing domestic industry.
- (c) Zone activity may be approved for limited periods, subject to extension after a review as to whether the anticipated public benefits have materialized.

(d) Zone activity, which is exclusively for export, shall be presumed to be in the public interest.

(e) Interested parties shall have an opportunity to submit comments or participate in any public hearings or proceedings held on such investigations.

RETAIL TRADE WITHIN A ZONE

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 of CBP 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 his 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 WITHIN 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 CBP.

FOREIGN TRADE ZONE 227 OPERATOR(S): are responsible by regulation for the following:

Inventory Control and Recordkeeping System:

Maintain an inventory control and recordkeeping system approved by the Port Director which is 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 Zone,
- b) producing accurate and timely reports and documents as required by regulations;
- c) identifying shortages and overages of merchandise in the Zone,
- d) providing all information necessary to make entry for merchandise being transferred to the Customs territory; and
- e) providing an audit trail to Customs forms from admission through manipulation, manufacture, destruction or transfer of merchandise from the Zone.

Procedure Manual:

Provide the CBP with an English language copy of its written inventory control and recordkeeping systems procedures manual and all subsequent changes.

Physical Inventories:

Take at least an annual physical inventory of all merchandise in the Foreign Trade Zone with prior notification of the date(s) given to Customs for any supervision of the inventory deemed necessary. Notify the Port Director of any discrepancies.

Annual Reconciliation:

Prepare a reconciliation report within 90 days after the end of the zone/subzone year. Retain the annual reconciliation report for a spot check or audit by Customs.

Annual System Review:

Perform an annual internal review of the inventory control and recordkeeping system and report to the Port Director any deficiency discovered and corrective actions taken.

Shortage and Overages:

Report, in writing, to the Port of Director upon identification of:

- a) theft or suspected theft of merchandise;
- b) merchandise not properly admitted to the Zone; and
- 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 or more upon entry in to the custom territory.

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/her review for operation approval. All persons and vehicles entering such areas shall be subject to the requirements of CBP, Zone User, and the Zone Schedule.

SUBJECT TO CBP SUPERVISION

Zone operations are subject to the control of the U.S. Customs and Border Protection, exercised mainly through the Port Director who shall be in charge of the Zones within the Port for purposes of enforcement of the requirements of the Act and regulations, the Board, and CBP.

Requirements for such matters as Zone forms, inventory control systems, cargo security standards, and physical security shall be determined by CBP 19.

HOURS OF BUSINESS AND SERVICE

Hours of business and service, for CBP purposes, shall be the same as those prescribed in CBP regulations. Hours for other business and service shall be those set forth in this Schedule.

HOLIDAYS

The term "holiday", for the Grantee, includes the following named days:

New Year's Day

Martin Luther King, Jr. Day

President's Day

Good Friday Day

Memorial Day

Independence Day

Labor Day

Thanksgiving Day

Day after Thanksgiving

Christmas Eve Day

Christmas Day

GENERAL REGULATIONS

APPLICATION OF REGULATIONS

All persons and merchandise of every description entering or leaving activated Zone areas for any purpose whatsoever, shall be bound by the lawful regulations of the Foreign-Trade Zones Board, the Bureau of Customs and Border Protection, and Grantee of the Zone.

CONFIDENTIAL RELATIONSHIPS

The Grantee 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.

REPORTS TO GOVERNMENTAL AGENCIES

The Grantee is required to submit periodic reports to the Foreign-Trade Zones Board and the U.S. Customs and Border Protection 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 ensure 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.

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.

PUBLIC WAREHOUSE OPERATIONS

Public warehousing services may be performed in the Zone by private firms under a User Agreement with the Grantee.

INSURANCE

Insurance is carried by the Grantee on its own property only and does not include insurance on any contents stored within the Zone. 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 effect any fire or other insurance upon the building 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 on the leased premises, 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 Operator shall indemnify and hold harmless the Grantee from and against any and all loss, cost (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 Operator 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, customers, invitees, contractor, or subcontractors. Additionally, the user shall be responsible for and pay any fines, (including CBP 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 its Zone site and shall hold harmless the Grantee from any and all liabilities and costs arising out of any fines, (including CBP 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 to Operator to enter the Zone and participate in it activities, legal representatives, agents, partners, employees, customers, invitees, and assignees, releases, premises, and discharges the Grantee and its directors, officers, agents and employees of and from all damage, claim, demand, action, and cause of action of any sort of loss, damage, or destruction to buildings or contents, or to property or merchandise of any kind located or stored in the Zone by the Operator or by any other person with the consent or knowledge of the Operator and without regard to whether such loss or damage be the result of negligence or misconduct of any person in the employ of the Grantee.

OPERATOR LIABILITY

FTZ 227 Operators agree to terms and conditions set forth within the Operator's Agreement that cover the development and exclusive operational management of Foreign Trade Zone activities at their given zone site. Operations will be consistent and in accordance with standards of operation required by the U.S. Customs and Border Protection (CBP) and the FTZ Boards, including those related to occupancy and use.

Operators and users must arrange to demonstrate an adequate system of inventory control to the Zone 227 CBP Port Director prior to commencing operations/transactions in area designated for activation for Zone Purposes. Operators and users must also comply with all CBP procedures and be able to use electronic monitoring of trade movement.

LIABILITY INSURANCE

All persons or firms conducting business operations within the Zone or Subzone, shall carry, and keep in force, those insurance levels required by the Operator Agreement.

PERSONS ENTERING AND LEAVING ZONE

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

REGULATIONS APPLICABLE AT SUBZONES

"Subzones" are special-purpose ancillary Zone sites authorized by the Board through Grantees of public Zones for operations 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 general purpose Zone, rather than as Subzones.

In reviewing proposals for Subzones the Foreign-Trade Zones Board and the Grantee will, in addition to the economic factors for public Zones consider:

- (1) Whether the operation can be accommodated in the public Zone serving the area;
- (2) Whether efforts have been made to accommodate the operation, such as enlarging the public Zone area, the cost of locating in a public Zone not being a determining factor; and,
- (3) Whether convincing evidence has been presented as to a resulting significant public benefit, including export development and displacement or substitution of imports, usually measured in terms of new or sustained employment.

All persons and entities doing business within a Subzone established by a Grantee must comply with the provisions of the Foreign-Trade Zones Act; with the rules, regulations, and procedures of the Foreign-Trade Zones Board; with such laws and regulations of the United States, the operators, 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 concerning proposed Subzone operations. This agreement will contain provisions including, but not limited to, those relating costs incident to the preparation of the applications and any subsequent amendments or modification thereof; costs incident to public hearings and legal proceedings; charges for providing required CBP services; Startup and Activation and User Fees; and charges for special services not provided in this Schedule. Applicants for the establishment of a Subzone will bear application costs and charges resulting to preparing and filing of application whether or not the Foreign-Trade Zones Board favorably acts upon the application.

ROLES OF GRANTEE, OPERATOR AND USER

Grantee: A grantee is a public or private corporation to which the privilege of establishing, operating, and maintaining Foreign-Trade Zone and its Subzones has been granted. Rural Enterprises of Oklahoma, Inc., as grantee, shall limit its participation in the everyday operations of the Zone in order to ensure that the reasonable needs of the business community are served by Foreign-Trade Zone 227.

Roles:

- File all applications with the Foreign-Trade Zones Board.
- Assist in marketing of zone project.
- Select Operator.
- Insure maintenance of facilities. 19 U.S.C.811.
- Insure zone is run as public utility. 19. U.S.C. 81n.
- Concur in all activation requests filed with CBP. 19 C.F. R. 146.6.
- 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).
- Submit the Zone Schedule to the Executive Secretary and the Port Director. 15 C.F.R. 400.42(b).
- Submit requests to CBP with regard to whether an activity constitutes retail trade and can be conducted within zone. 15 C.F.R. 400.45(a).

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

Roles:

- 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 CFR 146.4.
- Payment of any applicable activation fee and annual fee. 19 CFR 146.5.
- Prepare written application to the Port Director for activation of zone.
- Make written application to the Port Director for approval of an alteration of an activated area. 19 CFR 146.7.
- File the requisite Customs Form 301 Foreign Trade Zone Operator's Bond with the District Director. 19 CFR 146.7.
- Sign all C.F. 214s permitting merchandise to be placed into the zone. 19 CFR 146.9.
- Prepare a Procedures Manual outlining the inventory control system and recordkeeping system to be followed at the zone. 19 CFR 146.21.
- Responsible for preparing a reconciliation report within 90 days after the end of the zone/subzone year. 19 CFR 146.37.
- Perform an annual internal review of the inventory control and recordkeeping system and report discrepancies to the District Director. 19 CFR 146.25.

- Maintenance of admission documentation. 19 CFR 146.40.
- Collect all in-bond documentation. 19 CFR 146.40.
- Filing of CF 216 for permission to manipulate, manufacture, exhibit or destroy merchandise in a zone. 19 CFR 146.52.
- Report shortages and overages to CBP. 19 CFR 146.53.

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

Roles:

- Payment of customs duties for merchandise entering customs territory.
- In some instances, the Zone User is responsible for maintenance of inventory control records, particularly where the zone user has physical possession of zone merchandise. 19 CFR 146.4.

REGULATIONS PERTAINING TO MERCHANDISE

CBP PERMIT

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

TRANSPORTATION

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

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 consignee, the Zone user, or agent, shall at all times be immediately available to make merchandise available and ready for inspection as may be required by the U.S. Customs and Border Protection, 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 and shall not be liable for any loss or damage to the goods for any reason.

INVENTORY PROCEDURES

Zone Operators are responsible for establishing and maintaining an Audit Inspection Inventory Control System acceptable to the U.S. Customs and Border Protection and the Grantee for all merchandise in their care, custody, and control. Inventory actions may be conducted by the Operator or through the Operator's agent authorized to maintain inventory records and to represent the Operator in inventory matters.

FOREIGN-TRADE ZONE FORMS

The following Bureau of Customs and Border Protection Forms are available upon request to the Grantee:

- (1) CBP Form 214 - Application for Foreign-Trade Zone Admission and/or Status Designation of Merchandise;
- (2) CBP Form 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 Port Director of CBP for approval. The Port Director of CBP must submit requests for manufacturing or processing authority to the Foreign-Trade Zones Board and final approval prior to approval. On approval by appropriate agencies, the contemplated operation will be permitted Manipulation, Manufacture, and Exhibition of Merchandise.

TRANSITING MERCHANDISE

Merchandise transiting the Zone under the provision of CFR 146.14 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 admitted into the Zone as merchandise under supervision of the Bureau of Customs and Border Protection unless the Port Director of CBP authorizes an extension.

MARKING

All merchandise handled in the Zone, before entry to Customs territory, must be truly marked in accordance with CBP 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.

PUBLIC WAREHOUSE OPERATING REQUIREMENTS

Private firms may enter into a user agreement with the Grantee to offer public warehousing facilities and services within the Zone. The warehouse firm will be required to comply with the Foreign-Trade Zone No. 227 public warehouse minimum standards as established by the Grantee

UNIFORM PROCEDURES REGARDING CONSTRUCTION OF BUILDINGS AND FACILITIES

All uses and development of the lands of the Zone shall comply with all applicable Zoning Ordinances of the appropriate local government, which has zoning jurisdiction, and applicable covenants that run with the land.

RATES AND CHARGES

RESPONSIBILITY FOR DUTY AND TAXES

The Foreign-Trade Zone Board does not own or operate any Zones. Rather, it provides grants to applicants to establish, operate, and maintain Zones. Rural Enterprises of Oklahoma, Inc., as Grantee, shall execute a Grantee/Operator Agreement with another party or parties for the operational management of Zone site. Operator(s) of the Zone/Users are responsible and liable for payment of any and all duties or penalties due any agency of the Federal, State or Local government arising from use of the Zone, including liabilities on merchandise which is not accounted for the satisfaction of the U.S. Customs and Border Protection.

CBP BOND FEES

The Operator provides a Foreign-Trade Zones Operator's Bond to the U.S. Customs and Border Protection, which is applicable to all merchandise in the Zone. The amount of the bond required for a specific facility is established by the Bureau of Customs and Border Protection and the appropriate cost of the bond will be billed to the user.

CHARGES BY OTHER GOVERNMENT AGENCIES

Charges made by government agencies that are not included in this Schedule should be arranged for and paid by the user.

FEE SCHEDULE

All fees in this schedule are payable to:

Rural Enterprises of Oklahoma, Inc.
Grantee FTZ 227
2912 Enterprise Drive
Durant, OK 74701

Zone Fees are due and payable when invoiced. All Fees are non-refundable.

SUBZONE APPLICATION AND ACTIVATION

- 1. Application Processing Fee** **\$ 4,000.00**
(This fee does not include preparation of the Subzone Application)

The Application Processing Fee covers Grantee expenses for obtaining the necessary local approvals/resolutions for the subzone, submission of the Application to the Foreign-Trade Zones Board and any necessary support required in the Subzone Application process.

- 2. Activation Processing Fee** **\$ 4,000.00**
 (This fee does not include actual preparation of the Activation Application to U.S. Customs)

The Activation Fee covers Grantee expenses for preparation and processing of the Operation Agreement, providing the Grantee Concurrence Letter to the U.S. Customs Service, and any necessary Grantee support required in the Customs Activation process.

- 3. Deactivation Processing Fee** **\$ 4,000.00**
 A deactivation fee will be charged to the operator of a zone requesting deactivation. This does not apply to temporary deactivation of a subzone site.

- 4. Annual Fee**
 The Annual Fee will cover Grantee expenses for oversight of the Subzone project and submission of the Annual Report to the Foreign-Trade Zones Board. Then, annually on the anniversary of the effective date of the signed Operator/Grantee Agreement, the fee is payable as described in the Operator/Grantee agreement and annually for each subsequent year the facility remains activated.

Subzone Oil Refineries	\$ 17,000.00
Subzone Manufacturing/Warehouse	\$ 10,000.00

GENERAL-PURPOSE ZONE APPLICATION AND ACTIVATION

- 1. Application Processing Fee - New Zone or Expansion** **\$ 4,000.00**
 (This fee does not include actual preparation of the GPZ Application)

The Application Processing Fee covers Grantee expenses for obtaining the necessary approvals/resolutions for the GPZ, submission of the Application to the Foreign-Trade Zone Board and any necessary support required in the GPZ Application process.

- 2. Activation Processing Fee** **\$ 4,000.00**
 (This fee does not include actual preparation of the Activation Application to U.S. Customs)

The Activation Fee covers Grantee expenses for preparation and processing of the Operators Agreement, providing the Grantee Concurrence Letter to the U.S. Customs Service, and any necessary Grantee support required in the Customs Activation process.

- 3. Deactivation Processing Fee** **\$ 4,000.00**
 A deactivation fee will be charged to the operator of a zone requesting deactivation. This does not apply to temporary deactivation of a zone site.

- 4. Manufacturing Authorization Request** **\$ 2,500.00**
 (This fee does not include actual preparation of the Manufacturing Approval Request to the Foreign-Trade Zones Board)

The fee will cover the Grantee expenses for processing the Manufacturing Approval Request, submission of the Request to the Foreign-Trade Zones Board. And base support services required in the approval process.

- 5. Annual Fee** **\$ 5,000.00**

The Annual Fee will cover Grantee expenses for oversight of the General-Purpose Zone project, marketing and submission of the Annual Report to the Foreign-Trade Zones Board. Then, annually on the anniversary of the effective date of the signed Operator/Grantee Agreement, the fee is payable as described in the Operator/Grantee agreement and annually for each subsequent year the facility remains activated.

EXPANSION APPLICATIONS

(The following fees do not include actual preparation of the application)

Expansion Application to Foreign-Trade Zones Board to expand the designated zone site area or the scope of operations in a Subzone **\$ 2,500.00**

Amendment to Expansion Application to Foreign-Trade Zones Board to expand the designated zone site area or the scope of operations in a Subzone. **\$ 1,500.00**

Expansion Application to the U.S. Customs Service to expand the activated area of a particular Subzone or general-purpose user area. **\$ 2,500.00**

Amendment to Expansion Applications to the U.S. Customs Service on activated areas with a particular Subzone or the general-purpose area. **\$ 1,500.00**

BOUNDARY MODIFICATION

(This fee does not include actual preparation of the Request for Boundary Modification to the Foreign-Trade Zones Board)

Request to Boundary Modification

This fee will cover the Grantee expenses for processing the Request for Boundary Modification. Submission of the Request for Boundary Modification to the Foreign –Trade Zones Board and base support services required in the approval process.

General Purpose Zone:

Major Boundary Modification	\$ 2,500.00
Minor Boundary Modification (under 10 acres)	\$ 1,500.00

Subzone:

New Subzone	\$ 2,500.00
Major Boundary Modification	\$ 2,500.00
Minor Boundary Modification (under 10 acres)	\$ 1,500.00

CUSTOMS

Merchandise-processing fees will be paid by the operator of the zone site. Additionally, all other fees and charges assessed by Customs for services provided to the affected zone site will be invoiced to the operator of that site. The Grantee is not liable or responsible for customs fees or charges.

OTHERS

Zone operators are also responsible for the following fees:

- FTZ Board
- Other Government Agency Fees
- Customs fines, penalties or liquidated damages affecting zone merchandise or zone activities.

RATES

Holiday and Overtime Staff Services

The Grantee maintains a support to staff to assist zone operators during published business hours. Zone services, requested by an operator to be provided during Holiday or overtime hours will be compensated as follows (4 hours minimum):

Supervisory Personnel	\$ 60.00 per hour
Non-Supervisory Personnel	\$ 30.00 per hour

Operators requesting on-site assistance in performing reconciliation, annual reports or related documentation will be charge \$60.00 per hour.