

BOARD OF HARBOR COMMISSIONERS

CITY OF LOS ANGELES

PORT OF LOS ANGELES

FOREIGN-TRADE ZONE NO. 202

TARIFF NO. 2

RULES, REGULATIONS, RATE AND CHARGES

GOVERNING FOREIGN-TRADE ZONE NO. 202

ISSUED: September 9, 2013

Order No. 13-7131
Ordinance No. 182672

Adopted: May 16, 2013
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SECTION ONE

GRANTEE
FOREIGN-TRADE ZONE NO. 202
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DESCRIPTION OF ZONE SITES AND
APPLICATION OF RATES, RULES AND
REGULATIONS

DESCRIPTION OF FOREIGN-TRADE ZONE NO. 202

FTZ No. 202 is sponsored by the Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles as Grantee, pursuant to a grant issued by the FTZ Board, Washington, D.C., on July 14, 1994 (Board Order 693).

There have been six subsequent Expansion Applications and one Alternative Site Framework Application filed with and approved by the FTZ Board:

1. The initial Expansion was approved on August 26, 1996 (Board Order 842).
2. The second Expansion was approved on July 9, 1999 (Board Order 1043).
3. The third Expansion was approved on May 11, 2004 (Board Order 1331).
4. The fourth Expansion was approved on February 27, 2008 (Board Order 1543).
5. The fifth Reorganization/Expansion was approved on April 24, 2009 (Board Order 1616).
6. The sixth Expansion was approved on December 20, 2010 (Board Order 1732).
7. The Reorganization under Alternative Site Framework was approved on July 5, 2012 (Board Order 1838).

For a listing of all General-Purpose Zone Sites and Subzone Sites comprising FTZ No. 202, see Attachment A or please contact the FTZ Administrator at the address listed on the cover page to this Tariff.

APPLICATION OF RATES, RULES AND REGULATIONS

The rates, rules and regulations published in this Tariff, which serves as the Zone Schedule for FTZ No. 202, will apply to all Property Owners, Developers and Operators of Zone Sites or Subzones under the jurisdiction of FTZ No. 202. Except as otherwise provided in this Tariff, all general rates, rules and regulations will apply as published in the Board of Harbor Commissioners, Port of Los Angeles, Tariff No. 2.

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DEFINITION OF TERMS

Activation Approval. A letter issued by the Port Director authorizing Operator, upon the filing of the requisite FTZ Operator's Bond (CBPF 301), to commence FTZ operations at a specific Zone Site.

Activation Limit. A cap on the amount of space that can be in CBP "activated" status simultaneously. The FTZ Board's practice involves a 2,000-acre activation limit for any FTZ grantee.

Activation Request. A request filed with CBP by Operator, with Grantee's concurrence, seeking CBP authorization to commence FTZ operations at a specific Zone Site. The request (a) specifies the exact area to be activated and includes a map or blueprint of the Site; (b) includes a request for CBP to conduct a background investigation of Operator; (c) includes a request for CBP to conduct a security check of the Site; and (d) includes a copy of the Procedures Manual setting forth the inventory control and recordkeeping systems to be maintained at the Site.

Administrator. The Director of Business Development or his/her designee.

Admission. Physical arrival of goods into the FTZ with the approval of CBP. The word "admission" is used instead of "entry" of goods into a Zone to avoid confusion with CBP entry processes under Parts 141-144 of the CBP Regulations.

Admission of Merchandise. The bringing of merchandise into a Zone with a specific Zone status. All such merchandise will be recorded in a receiving report or document using a Zone lot number or unique identifier. All merchandise, except domestic status merchandise, for which no permit for admission is required, must be traceable to a CBPF 214 and accompanying documentation. Quantities received will be reconciled to a receiving report or document such as an invoice, with any discrepancy reported to the Port Director.

Alteration Request. A request filed with CBP by Operator, with Grantee's concurrence, seeking CBP authorization to (a) change the boundaries of an activated Zone Site; (b) activate a separate Site of an already-activated Zone with the same Operator at the same port; or (c) relocate an already-activated Site with the same Operator.

Alternative Site Framework (ASF). An optional approach to designation and management of Zone Sites allowing greater flexibility and responsiveness to serve single-Operator/User locations. The ASF was adopted by the Board as a matter of practice in December 2008 (74 FR 1170, January 12, 2009; correction 74 FR 3987, January 22, 2009) and modified by the Board in November 2010 (75 FR 71069, November 22, 2010).

Application. The documentation required by the Foreign-Trade Zones Board in 15 CFR Part 400 for designating a Zone Site and the documentation required by U.S. Customs and Border Protection in 19 CFR Part 146 for Activating a Zone Site.

Bonded Carrier/Cartman. A contract or common carrier authorized by CBP to transport merchandise In-bond. A bonded carrier may transport merchandise In-bond both within Port of entry limit, and between Ports. A bonded cartman may only transport merchandise In-bond within Port of entry limits.

Bonded Merchandise. Merchandise which has not yet been formally entered or cleared through CBP, usually transported In-bond on a CBPF 7512.

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DEFINITION OF TERMS
(Continued)

CBP. The U.S. Customs and Border Protection (CBP), Department of Homeland Security, formerly the Customs Service, Department of Treasury. CBP is assigned the responsibility of protecting the revenue of the United States, border protection; regulating and facilitating international trade, collecting import duties and enforcing U.S. trade laws. CBP has the primary regulatory oversight and management function with FTZ programs.

CBP Territory. The territory of the United States in which the general tariff laws of the U.S. apply. "CBP territory of the United States" includes only the States, the District of Columbia, and Puerto Rico. Activated portions of FTZs are not within the CBP territory.

Customs Broker. A firm, representative or individual who acts on behalf of the Zone Operator and/or the importer of record under an authorized power of attorney. They may use the broker identified as the Customs Broker. A list of the brokers is maintained in the Zone files.

Deactivation. Discontinuation of the Activation of an entire Zone Site by Grantee or Operator. Discontinuance of the activated status of only a portion 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.

Developer. The party that is responsible for marketing the property for which FTZ designation is being sought or has been obtained.

Developer Agreement. A Developer Agreement is a standard legal agreement between the Grantee and the Developer that determines the responsibilities of each party regarding the marketing and development of a Zone Site within the Zone

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

Domestic Status Merchandise. Merchandise produced in the United States or imported merchandise for which CBP duties have already been paid.

First In-First Out (FIFO). A generally-accepted accounting method based on an assumption regarding the flow of goods that older stock is disposed of first, in accordance with good merchandising policy. This method requires that the merchandise be fungible without regard to the source, e.g., foreign or domestic. Use of the method in FTZs requires a perpetual inventory system that identifies the merchandise by a Unique Identifier Number (UIN) system. Permission to use FOFI (Foreign First) must first be obtained from CBP and its acceptability will be determined on a case-by-case basis.

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DEFINITION OF TERMS
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Foreign-Trade Zone. 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 as detrimental to the public interest, health, or safety may be brought into a Zone without being subject to the CBP's 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 territory from the Zone, in the original package or otherwise. It is subject to CBP duties if sent to CBP territory, but not if reshipped to foreign points.

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

FTZ Board. The Board is comprised of the Secretary of Commerce and the Secretary of Treasury. These officials or their designees are empowered to issue to appropriate applicants the grant of authority to establish, maintain and operate a FTZ project.

FTZ Board Staff. Officials in the Department of Commerce, International Trade Administration, responsible for overseeing the administration of FTZs. The Executive Secretary heads up this office.

FTZ Eligibility. Issuance of a grant by the FTZ Board results in the designated area obtaining FTZ eligibility.

FTZ Operator's Bond. All Zone Operators must submit a bond to CBP to assure compliance with the CBP regulations. The bond is submitted on CBPF 301. The bond provisions are set forth at 19 CFR 113.73. A failure to comply with the regulations may be deemed a "default" by CBP and result in the assessment of liquidated damages under the bond.

Grantee. Entity to which the privilege of establishing, operating, and maintaining a FTZ has been granted.

HTSUS Number. Harmonized Tariff Schedules of the United States of America (HTSUS). Every item of imported merchandise has been assigned a specific number which is used for identification and for determining the duty rate.

ICRS. The Inventory Control and Recordkeeping System (ICRS) utilized for Zone reporting functions. The ICRS is a combination computerized and manual system for tracking all merchandise at the General-Purpose Site. It includes complete accountability of the merchandise received and shipped. It is completely auditable from receipt to shipment and backwards from shipment to receipt.

Importer of Record. The entity in whose name the Application to admit merchandise into the Zone (CBPF 214) is made and recognized by CBP as having the legal right to make the Application. Evidence of this right is the same as would be required 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.

DEFINITION OF TERMS
(Continued)

Magnet Site. A site intended to serve or attract multiple operators or users under the ASF.

Manifest Discrepancy Report (MDR). A report that is filed by any party discovering a discrepancy to manifested cargo, including but not limited to the importing carrier, a subsequent in-bond carrier, a cartman or lighterman, or an importer. Discrepancies mainly include any change to manifested quantities, but may also include any change to the manifest information.

Manipulation. Generally, any activity on merchandise in a Zone which does not change the tariff classification of the merchandise. Manipulation includes but is not limited to: nondestructive testing, measuring, opening packages, counting, re-packing, labeling, physically examining, rearranging inside a package, destruction, etc.

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

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

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

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

Merchandise, Prohibited. Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise that is excluded from a Zone by Order of the FTZ Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of prohibited merchandise.

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DEFINITION OF TERMS
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Operating Agreement. The contract between Grantee and Operator that sets forth the responsibilities and liabilities of both entities with regard to the FTZ operations at the Zone Site. Operator is not authorized to request Activation of a Zone Site by CBP until the Operating Agreement has been completely executed.

Operator. Entity that operates a Zone or Subzone under the terms of an Agreement with the Zone Grantee. The term "Operator" can also apply to a "Grantee" that operates its own Zone.

Port Director of CBP. CBP official with responsibility for overseeing the Activation and operations of Zone projects within his or her CBP Port of Entry.

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

Processing. Any activity involving a change in condition of merchandise, other than manufacturing, that results in a change in the CBP classification of an article or in its eligibility for entry for consumption.

Property Owner. The party that owns the property for which FTZ designation is being sought or has been obtained.

Property Owner or Developer Agreement. The contract between Grantee and Property Owner or Developer that sets forth the responsibilities of both entities with regard to the FTZ operations at the Zone Site.

QP/WP: In-bond processing of electronic documents.

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

Receiving Report. [146.22(a)&(b)]: (Tally Sheet) Receipt of In-bound Merchandise is accomplished by the use of a local Receiving Form and the Shipment Packing List. The Receiving Form will be filled out with the following items of information to include: Package Type, Product Type, Manufacturing Lot Code, Quantity of Containers, Weight of Material and notations on any damage as received. When Merchandise is received, it will be attached to the Shipment Packing List for recordkeeping purposes.

Retail Trade. Generally, sales or offers to sell goods or services to individuals for personal use.

Service Area. The geographic area (such as specific counties) where you intend to be able to propose future FTZ Sites. Under the ASF, your Zone could serve Sites throughout the Service Area based on companies' needs for FTZ designation.

Site. Sites established around industrial parks, airports, or port complexes that are intended to attract multiple potential FTZ Operators/Users.

Subzone. A special purpose Zone established as an adjunct to a Zone project for a limited purpose.

Sunset Limit. For a Site means FTZ designation self-removes if there is no FTZ activity at the Site before the sunset date. For Magnet Sites, the default sunset period is 5 years (with variation possible based on circumstances, including possible permanent designation for one Magnet Site). Usage-Driven Sites have a three-year sunset period. FTZ activity at a Site during the sunset period resets the sunset date for an additional 5 years (Magnet) or additional 3 years (Usage-Driven).

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

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

Usage-Driven. Sites which are designated to meet a specific Operator/User's present need for FTZ designation (rather than to attract potential future Operators/Users). A Usage-Driven Site is tied to the specific Operator/User for which it was designated and could not be used by any other entity. However, a Site vacated by one Operator/User could easily be designated as a Usage-Driven Site for another Operator/User through simple Minor Boundary Modification (MBM) action.

User. An entity using a Zone or Subzone for storage, handling, or processing of merchandise.

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DEFINITION OF TERMS
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Zone Lot Number (ZLN). Merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a Zone by lot and lot number.

Zone Project. All of the Zone and Subzone Sites under the jurisdiction of Grantee.

Zone Restricted Merchandise (ZR). Merchandise that cannot be entered for consumption into the CBP territory but may be transferred to the CBP territory only for entry for exportation, for entry for transportation and exportation, for warehousing pending exportation, for destruction (except destruction of distilled spirits, wines and fermented malt liquors), for transfer to another FTZ, or for delivery to a qualified vessel or aircraft or as ground equipment of a qualified aircraft, unless the FTZ Board has ruled that the return of the merchandise to the CBP territory for domestic consumption is in the public interest.

Zone Site. The physical location of a Zone or Subzone. A Zone Site available for use by companies other than Operator is referred to as a "Multi-User Zone Site." When Operator is the sole User of the Zone Site, including Operators of Subzone Sites, the Zone Site is referred to as a "Single-User Zone Site."

Zone Status. The status of merchandise admitted to an FTZ, i.e., Domestic, Non-Privileged Foreign (NPF), Privileged Foreign (PF), or Zone Restricted (ZR) status.

Zone Status – Domestic. Merchandise which is: (1) U.S. product on which all internal revenue taxes, if applicable, have been paid, or (2) previously imported merchandise which has been properly entered into CBP territory, or (3) previously entered merchandise which is free of duties and taxes.

Zone Status - Non-Privileged Foreign Status Merchandise (NPF). Imported merchandise which has not cleared CBP and for which the User does not wish said merchandise to retain its identity, from a CBP classification standpoint. Therefore, if said merchandise is altered from a CBP classification standpoint, it will become classifiable in its condition when it ultimately enters the CBP territory of the United States.

Zone Status - Privileged Foreign (PF). Foreign merchandise which has the tariff and applicable taxes determined at the time status is approved. The determined tariff rate and taxes are not subject to future fluctuation. Once established, privileged foreign status cannot be changed. Should merchandise be admitted into the Site under non-privileged status, PF status may be obtained with an application for PF on CBPF 214, and the subsequent approval by CBP. Applications for this status must be filed prior to manipulation or manufacture. Commercial or pro forma invoices (two copies) must be filed with the CBPF 214 or be available for PF status to be acceptable to CBP. All merchandise which is subject to antidumping or countervailing duties, orders or reviews, must be admitted into a Zone in privileged foreign status.

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

Zone Week. The Zone Week is defined by the Zone Operator.

Zone Year. The Zone Year is defined by the Zone Operator.

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DEFINITION OF TERMS
(Continued)**Foreign-Trade Zone Forms:**

CBPF 214. Document prepared by the User, signed by Operator and approved by CBP, which authorizes the admission of merchandise into a FTZ and designates the status of the merchandise.

CBPF 216. Document prepared by Operator and approved by CBP, which authorizes the User to engage in certain activities within the FTZ such as manipulation, repair, destruction and manufacture.

CBPF 301. All CBP bonds utilize this form. The FTZ Operator's bond provisions are set forth at 19 CBPFR 113.73.

CBPF 349. Document prepared by the User that accompanies the payment of the Harbor Maintenance Tax (HMT). This form and the requisite HMT must be filed with CBP in Los Angeles/Long Beach on a quarterly basis. It lists the total value of all foreign status merchandise that was shipped by ocean from a foreign country to a United States port of unloading and was admitted into the Zone during the previous quarter.

CBPF 3461. Document prepared by the User that must be approved by CBP and furnished to Operator prior to the physical removal of any merchandise from the FTZ into the CBP territory of the United States.

CBPF 7501. Document prepared by the User that must be filed with CBP within 10 working days of the approval of the CBPF 3461.

CBPF 7512. Document prepared by the User, that must be approved by CBP and furnished to Operator prior to the physical removal of any merchandise from the FTZ for exportation of merchandise from the United States.

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METRIC CONVERSION TABLE

The following table is published for convenience and as a guide for measurement conversion when necessary.

To Find	Given	Multiply
Metric Tons	Short Tons	Short Tons by 0.907
Short Tons	Metric Tons	Metric Tons by 1.102
Metric Tons	Long Tons	Long Tons by 1.016
Long Tons	Metric Tons	Metric Tons by 0.984
Kilos	Pounds	Kilos by 2.2046
Cubic Meters	Measurement Tons (40 cubic feet)	Measurements Tons by 1.333
Measurement Tons (40 Cubic feet)	Cubic Meter	Cubic Meters by 0.883
Cubic Meters	MBdFt	MBdFt by 2.36
MBdFt	Cubic Meters	Cubic Meters by 0.424

Metric Equivalents

1 Kilo	2.2046 Pounds
1 Metric Ton	1,000 Kilos
1 Pound	0.4536 Kilos
1CWT (US – 100 Pounds)	45.359 Kilos
1 CWT (British – 112 Pounds)	50.802 Kilos
1 Bushel Grain (US – 60 Pounds)	27.216 Kilos
1 Cubic Meter	35.315 Cubic Feet
1 Cubic Feet	0.0283 Cubic Meters
1,000 MBdFt	83.33 Cubic Feet
1 Cubic Meter	423.792 MBdFt
1 Barrel (US – 42 Gallons)	158.987 Liters

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ABBREVIATIONS

\$	Dollars (US)
%	Percent
Art	Article
Bbl	Barrel
Bdle	Bundle
BM	Board Measure
CR	Customs Regulations of the United States
CBPF	Customs Forms (e.g., CBPF 214, CBPF 216, CBPF 3461, CBPF 7501, CBPF 7512)
CFR	Code of Federal Regulations
CBP	U. S. Customs and Border Protection
Doz	Dozen
Ea	Each
Eg	For Example
Etc	Et Cetera
FF	Folded Flat
FIFO	First-In-First-Out
FOFI	Foreign First
FTZ or Zone	Foreign-Trade Zone
FTZ Board	Foreign-Trade Zones Board

ABBREVIATIONS
(Continued)

Gal	Gallon
Grantee	Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles, FTZ No. 202
HTSUS	Harmonized Tariff Schedules of the United States of America
ICRS	Inventory Control and Recordkeeping System
Inc	Inclusive
KD	Knocked Down
Lbs	Pounds
LCL	Less-than-Carload
MDR	Manifest Discrepancy Report
No	Number
NOS	Not Otherwise Specified
NPF	Non-Privileged Foreign Status Merchandise
NSPF	Not Specifically Provided For
Par	Paragraph
Pc	Piece
Pkg	Package
PF	Privileged Foreign Status Merchandise
QP/WP	In-bond Processing of Electronic Documents
Qt	Quart

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ABBREVIATIONS
(Continued)

Sec	Section
SqFt	Square Feet or Square Foot
SU	Set Up
T/L	Truck Load
TAUSA	Tariff Schedules of the United States Annotated
UIN	Unique Identifier Number
US	United States
Yd	Yard
ZLN	Zone Lot Number
ZR	Zone Restricted Status Merchandise
Zone Schedule	Tariff No. 2

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FOREIGN-TRADE ZONE NO. 202
ZONE SITES

Information listed below are based off of the approved ASF Application Board Order 1838.

- Site 1:** (2,775 acres) The City of Los Angeles Harbor Department (Magnet)
- Site 2:** (1.5 acres) Customs Air Warehouse Inc. (Usage-Driven)
- Site 4:** (353.6 acres) Carson Dominguez Technology Center South (Magnet)
- Site 5:** (6.13 acres) 3Plus Logistics (Usage-Driven)
- Site 7:** (93 acres) Pacific Gateway Center (Magnet)
- Site 9:** (15.61 acres) California Cartage Company (Usage-Driven)
- Site 10:** (325.5 acres) Watson Industrial Center South c/o Watson Land Co. (Magnet)
- Site 11:** (153.79 acres) Watson Corporate Center c/o Watson Land Co. (Magnet)
- Site 12:** (8 acres) Schafer Brothers Distribution Center, Inc. (Usage-Driven)
- Site 14:** (88 acres) Port Distribution Center, Inc. (Magnet)
- Site 15:** (4 acres) ASK Marine Inc. (Usage-Driven)
- Site 19:** (18.5 acres) Young's Market Company (Usage-Driven)
- Site 20:** (141.79 acres) Park Mira Loma West (Magnet)
- Site 22:** (84 acres) Redlands Business Center (Magnet)
- Site 25:** (665.5 acres) LAXFUEL Corporation (Usage-Driven)
- Site 27:** (0.3 acres) Howard Hartry (Usage-Driven)
- Site 28:** (8 acres) California Cartage Company (Usage-Driven)
- Site 29:** (1.92 acres) NNR Global Logistics USA, Inc. (Usage-Driven)
- Site 30:** (7.01 acres) CEVA Logistics LLC (Usage-Driven)
- Site 31:** (7.26 acres) CTSI Logistics, Inc. (Usage-Driven)

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SECTION FIVE

GRANTEE
FOREIGN-TRADE ZONE NO. 202
TARIFF NO. 2

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FOREIGN-TRADE ZONE NO. 202
ZONE SITES
(Continued)

FTZ No. 202 Subzone Sites

The FTZ No. 202 Administrator will, upon request, provide the name of the contact at each of the aforementioned Sites. FTZ No. 202 also includes three Subzones:

Subzone 202B, established by a grant issued by the FTZ Board on March 6, 1998 (Board Order 959), is operated by Chevron Products Company. Subzone 202B is a 1,000 acre refinery located at 324 W. El Segundo Blvd., El Segundo, CA.

Subzone 202C, established by a grant issued by the FTZ Board on March 19, 1999 (Board Order 1032), is operated by ConocoPhillips Company. Subzone 202C consists of four (4) Sites totaling 727 acres housing a refinery and storage facilities located in the Los Angeles, CA area.

Subzone 202E, established by a grant issued by the FTZ Board on November 30, 2006 (Board Order 1491), is operated by Sony Electronics Inc. Subzone 202E consists of five (5) Sites totaling 65.23 acres.

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FOREIGN-TRADE ZONE NO. 202 ZONE SITES
SERVICE AREA MAP
(Continued)



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PRINCIPAL REGULATIONS AND
AGREEMENTS GOVERNING

FOREIGN-TRADE ZONES ACT

Foreign-Trade Zone No. 202 is governed by the Foreign-Trade Zones Act, 19 United States Code §§ 81a – 81u, as amended. Copies of the Act are maintained at the office of Foreign-Trade Zone No. 202, located at:

Los Angeles Harbor Department
425 South Palos Verdes Street
P.O. Box 151
San Pedro, CA 90731

FOREIGN-TRADE ZONES BOARD REGULATIONS

Foreign-Trade Zone No. 202 is regulated by the Foreign-Trade Zones Board, Washington, D.C., under U.S. Code of Federal Regulations, Title 15, Part 400, as amended. Copies of these regulations are maintained at the office of FTZ No. 202 for reference.

U.S. CUSTOMS AND BORDER PROTECTION SERVICE REGULATIONS

Foreign-Trade Zone No. 202 is subject to the regulations of the CBP under U.S. Code of Federal Regulations, Title 19, Part 146, as amended. Copies of these regulations are maintained at the office of FTZ No. 202 for reference.

FOREIGN-TRADE ZONE NO. 202 TARIFF

All entities operating within activated Zone space are subject to this Tariff No. 2. The FTZ Grantee shall be the sole judge to interpret and determine the applicability of any of the rates, rules, regulations or services provided for in this Tariff. However, any matter involving interpretation of action by CBP or other agency of the U.S. Government will be determined by the Port Director of CBP as the resident representative of the FTZ Board. One (1) copy of this Tariff will be provided to each Operator. Updates will be provided as revisions occur. Additional copies of this Tariff are maintained at the office of FTZ No. 202 for reference.

FOREIGN-TRADE ZONE OPERATING AGREEMENTS

Every entity seeking to operate a Zone Site (including a Subzone) within FTZ No. 202 must enter into an Operating Agreement with the Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles as Grantee. Copies of the Operating Agreements are maintained at the office of FTZ No. 202 for reference. If any conflict with this Tariff and any Operating Agreements occur, the Operating Agreement shall prevail.

PRINCIPAL REGULATIONS AND
AGREEMENTS GOVERNING
(Continued)**FOREIGN-TRADE ZONE DEVELOPER AGREEMENTS**

A Developer Agreement is a standard legal agreement between the Grantee and the Developer that determines the responsibilities of each party regarding the marketing and development of a Zone Site within the Zone. Copies of the Developer Agreements are maintained at the office of FTZ No. 202 for reference. If any conflict with this Tariff and any Developer Agreements occur, the Developer Agreement shall prevail.

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OVERVIEW OF ZONE OPERATIONS AND ZONE
BENEFITS**AVAILABILITY OF ZONE**

All rates and charges for all services and privileges within the Zone meet the requirements of 15 CFR Section 400.42 and Grantee shall afford to all who may apply for the use of the Zone and its facilities, uniform treatment as a public utility under like conditions, as defined in 15 CFR Section 400.45, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments. All Zone services and facilities shall be administered fairly and reasonably. In addition, the availability of all said services and facilities is subject to the physical limitations of FTZ No. 202, with said services and facilities available on a "first-come, first-served" basis.

MERCHANDISE PERMITTED IN A ZONE

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

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

First Class. 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

Second Class. 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.

CBP is 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 right to transfer to CBP territory pursuant to the applicable quota provisions.

Grantee has new guidelines on sensitive merchandise. These guidelines are attached to this Tariff as Attachment A.

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OVERVIEW OF ZONE OPERATIONS AND ZONE
BENEFITS
(Continued)**ACTIVITIES PERMITTED IN 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 stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured into new articles of commerce.

STATUS OF MERCHANDISE IN A ZONE

All merchandise within a Zone, except merchandise in transit through a Zone and merchandise temporarily transferred to a Zone, shall be given a Zone Status as:

1. Privileged Foreign Merchandise
2. Non-Privileged Foreign Merchandise
3. Zone-Restricted Merchandise
4. Domestic Merchandise

The Zone Status of merchandise determines how the merchandise will be treated by CBP, including the rates of duty and excise taxes applicable to the merchandise.

DISPOSITION OF MERCHANDISE IN A ZONE

In general, merchandise lawfully brought into a Zone may be exported, scrapped, destroyed or sent into CBP territory of the United States therefrom, in the original package or otherwise.

ZONE BENEFITS

The types of benefits that can be obtained from use of the Zone, include:

Cash Flow. CBP duties are paid only when merchandise is entered into the CBP territory. The inventory on-hand can be held in the FTZ without CBP duty payment - a temporary but often significant savings of carrying costs.

Exports. No CBP duties are paid on merchandise exported from an FTZ. While the drawback law allows the recovery of most CBP duty previously paid after exportation, the law is complex and repayments may be delayed. In an FTZ, the duties are simply never paid. If duties have already been paid, merchandise may be admitted to an FTZ in Zone restricted status, which allows an immediate claim for drawback, even though the merchandise is still in the U.S.

Defects/Damage/Obsolescence/Waste/Scrap. CBP duties are not paid on merchandise subject to these accountable losses (except for limited types, where the duty is substantially less).

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OVERVIEW OF ZONE OPERATIONS AND ZONE
BENEFITS
(Continued)

Inverted Tariff Savings. In an FTZ, the importer may elect to pay the duty rate applicable to either the raw material/parts or the finished article. Many articles have different duty rates for parts and finished units, offering substantial CBP duty savings.

International Returns. A number of firms that export have a percentage of the exports returned to the United States. CBP duties are owed a second time on the returned product if it is of foreign origin. By being returned to an FTZ, no CBP duties are paid upon return.

Spare Parts. To service many products, spare parts must be on-hand in the United States for prompt shipment. However, it is impossible for most firms to know their requirements for spare parts. Spare parts may be held in the FTZ without CBP duty payment, generating cash flow savings. If it is determined that the spare parts are not needed, they may either be returned to the foreign vendor free of duty or destroyed, avoiding CBP duty payment.

Quality Control. The FTZ may be used for quality control to insure that only merchandise that meets specifications is imported and duty paid. All other materials may be repaired, returned to the foreign vendor, or destroyed under CBP supervision.

Country-of-Origin Marking/Labeling. Depending upon the merchandise, the level of activity, and use of U.S. sourced goods and processes, merchandise may be "substantially transformed" into a product considered to be of U.S. origin. FTZ Board approval is needed prior to engaging in the manufacturing operation within the Zone.

Security. The FTZ is subject to CBP supervision and security requirements. Unauthorized withdrawal of merchandise, such as employee pilferage or stealing, is a violation of 18 U.S.C. 549, carrying a penalty of two (2) years in a federal penitentiary and a \$5,000 fine per offense. Many firms have found the security requirements and the federal penalty provisions to be of substantial benefit in reducing inventory losses.

Inventory Control. Operations in an FTZ require accuracy of receipt, processing and shipment of merchandise. Firms have found that the increased accountability cuts down on inaccurate inventory and requirements for emergency air freight shipments from overseas of necessary merchandise. It also allows for identification of particular problem areas in production

Entireties Provision. An importer can choose whether or not the entireties provision is applicable to merchandise admitted to a FTZ.

Exhibition. Merchandise can be held as exhibition for customers without CBP duty payment.

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OVERVIEW OF ZONE OPERATIONS AND ZONE
BENEFITS
(Continued)

Zone-to-Zone Transfer. An increasing number of firms are making use of the ability to transfer merchandise from one Zone or Subzone to another. If the transfer of the merchandise is In-bond, CBP duty is not owed until the product is finally entered into the CBP territory. A number of suppliers of components store or produce a product in one Zone and ship it to their customer who incorporates the merchandise into a final product. In many instances these Operators are taking advantage of a lower duty rate than the duty rate of the components produced in the first FTZ. It is also possible to pay duty on the price of the component to the first User and not on the transfer price to the second User.

Temporary Removal Procedure. Merchandise may be removed from an FTZ into the CBP territory In-bond for certain activities and returned to the FTZ without CBP duty payment.

Compliance with Federal Laws. Merchandise can be admitted into an FTZ without being subject to a wide array of Federal laws that would otherwise prohibit the importation. Such government agencies as the FDA, DOT, EPA, and USDA have laws that do not apply to merchandise in an FTZ.

Generalized System of Preferences. Merchandise to be deleted from the GSP may be admitted to an FTZ in privileged foreign status, and all such merchandise in that status will retain the GSP duty-free status even after the effective date of the change.

Military Duty-Free Certification Program. It is possible to admit merchandise into an FTZ and sell a portion to the military under its duty-free program. At the time of importation and admittance to the FTZ, the precise merchandise to be sold to the military need not be identified.

Transfer of Title. Title to merchandise may be transferred in an FTZ as long as there is not a "retail" sale.

Nondutiability of Labor, Overhead and Profit. CBP duties are not owed on labor, overhead and profit from production operations in an FTZ. If the same procedure were done overseas, the value of the labor, overhead and profit would be subject to CBP duty.

Accounting Systems. Specific identification is not required in an FTZ. FIFO inventory accounting has been approved by CBP for Zone operations. In addition, FOFI has also been approved for some Zone operations.

Changing Circumstances. As U.S. laws and especially CBP laws change, location in an FTZ allows a firm greater flexibility in addressing these changing circumstances.

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GENERAL RULES AND REGULATIONS

SECURITY AND SAFETY REQUIREMENTS IN THE ZONE

All FTZ Sites, in order to be approved for their initial Activation by CBP, must meet certain security and safety requirements. These requirements may include, but are not limited to, locking warehouse doors, adequate fencing, personnel screening, security guards, proper lighting in warehouses, absence of debris or other safety hazards, etc. Each Zone Site will be considered separately to determine what CBP may require to protect the revenue of the United States, based on the specific conditions of each Zone Site.

After a Zone Site has been activated, all security and safety measures required to achieve the initial Activation must be maintained at all times. Spot checks may be conducted by CBP and Grantee and notices may be issued and/or liquidated damages may be assessed if these requirements are found to be insufficiently met in any way.

No operation or process of treatment will be permitted in the Zone that in the judgment of the FTZ Board, CBP, or Grantee, is detrimental to the public interest, health, and safety.

After September 11, 2001, CBP has issued additional security guidelines which the Grantee strongly recommends each Operator implement at its Zone facility. A copy is attached to this Zone Schedule as Attachment B.

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. Operator must notify Grantee, prior to approval of the CBPF 214, for receipt of any hazardous commodity into the Zone.

INVENTORY CONTROL AND RECORDKEEPING SYSTEMS

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

1. 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 a Zone;
2. Producing accurate and timely reports and documents as required by the CBP Regulations;

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GENERAL RULES AND REGULATIONS
(Continued)

3. Identifying shortages and overages of merchandise in the Zone in sufficient detail to determine the quantity, description, tariff classification, Zone status, and value of the missing or excess merchandise;
4. Providing all information necessary to make entry for merchandise being transferred to the CBP territory; and
5. Providing an audit trail to CBP forms from admission through manipulation, manufacture, destruction or transfer of merchandise from the Zone by a CBP authorized inventory method.

Inventory methods approved by CBP are as follows: FIFO and Lot (Specific Identification). Other inventory methods will require prior approval by Grantee and the CBP. An Operator shall maintain a Manual detailing the inventory control and recordkeeping procedures employed at the Zone Site, which shall be available at all times for review by Grantee and CBP.

PROPRIETARY INFORMATION

Proprietary information contained on CBP forms or in the inventory control and recordkeeping systems of Operators will not be disclosed to unauthorized persons. The CBP Regulations provide for liquidated damages for unauthorized disclosure of proprietary information. As Operators will have CBP entry data in their records, Operators are required to devise an appropriate methodology to assure confidential treatment of the proprietary User information.

RESIDENCE WITHIN 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 FTZ Board.

HOLIDAYS

As applied within the Tariff, the term "holidays" includes the following named days: (1) New Year's Day, (2) Martin Luther King's Birthday, January 15, (3) Lincoln's Birthday, February 12, (4) Washington's Birthday, the third Monday in February, (5) Cesar E. Chavez's Birthday, March 31, (6) Memorial Day, the last Monday in May, (7) Independence Day, July 4, (8) Labor Day, the first Monday in September, (9) Columbus Day, the second Monday in October, (10) Veteran's Day, November 11, (11) Thanksgiving Day, the fourth Thursday in November, (12) Christmas Day, December 25, (13) every day proclaimed by the President of the United States or Governor of the State of California to be a legal holiday. Holidays falling on Sunday will be observed the following Monday.

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GENERAL RULES AND REGULATIONS
(Continued)**HOURS OF BUSINESS AND SERVICES**

The Zone shall be available for business activities during regular or normal business hours.

The Zone may be opened at other times, on an irregular or regular basis, upon Application and with approval of Grantee, Operator of the Zone Site and CBP.

INSURANCE

Insurance on merchandise at the Zone must be carried by and at the expense of Operator, or owner of the merchandise. Merchandise stored, manipulated or transferred within the Zone is not insured by Grantee and the Tariff rates do not include insurance on merchandise.

LIABILITY OF GRANTEE

Grantee shall not be liable and shall not assume responsibility for any loss or damage to freight, cargo or merchandise or to any person or property within the Zone, or for any loss or damage arising from acts of commission or omission of Operators, tenants, occupants, or Users of the Zone.

RECORD RETENTION

Operators are required to retain records for five (5) years after merchandise is removed from the Zone. Records must be readily available for CBP review at the Zone Site(s).

MERCHANDISE PROCESSING FEE

In 1986, a schedule of fees was established and charged to Users of various services provided by the CBP in connection with the processing of persons, aircraft, vehicles, railroad cars, vessels, broker permits and mail arriving in the U.S. Separate fees were established for formal entries, informal entries, facilities, and passengers. Surcharges were established for manual entries, and several exemptions are available.

The MPF is reported on each entry (CBPF 7501) from an FTZ. Payment is made at the same time as duty payment. Payment should be based on the foreign value only (PF and NPF) of the merchandise being entered.

HARBOR MAINTENANCE FEE

In 1986, a fee was established on port use by vessels carrying waterborne commercial cargo. The Harbor Maintenance Fee (HMF) applies to port use associated with imports and movements of cargo between designated ports.

Merchandise admitted to FTZs from a designated port is subject to the HMF. The fee is paid on a quarterly basis and reported on CBPF 349. The fee and report are due within 31 days following the close of each calendar quarter. CBPF 350 is used to request refunds of overpayment or to make supplemental payments.

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GENERAL RULES AND REGULATIONS
(Continued)**ADMISSION OF MERCHANDISE TO THE ZONE**

Upon arrival at the first port of unloading, Operator, User, or its customhouse broker will arrange for foreign merchandise to be transferred In-bond to the Zone. Before foreign merchandise may be admitted into the Zone, an Application on CBPF 214 must be submitted to and approved by the Zone Site Operator and CBP. The Application shall describe the merchandise fully, including the applicable Harmonized Tariff Schedule numbers.

Operator's dock personnel will receive all paperwork from the carrier on arrival at the Zone Site. The merchandise will be unloaded, inspected by Operator's dock personnel and quantities verified against the manifest and cartage documents. Any damage or discrepancy must be noted on the CBPF 214. The carrier must sign the CBPF 214 to confirm the damage or discrepancy. CBP must be immediately notified of any refusal by a carrier to sign for the damage or discrepancy. If the cartage documents have already been signed and the carrier released, damage or discrepancy will be reported to CBP on a manifest discrepancy report.

Merchandise received without complete CBP documentation or which is unacceptable to Operator's inventory control and recordkeeping systems will be recorded in the admission suspense account. When sufficient information or documentation becomes available, Operator will complete the admission procedures and relieve the admission suspense account accordingly.

A Zone lot file will be created by the Zone Site Operator for each admission, which shall contain the fully signed CBPF 214, an examination invoice, and all other documentation necessary to account for merchandise covered by each CBPF 214. The Zone lot files will be maintained in sequential order by using the unique CBPF 214 number as the file reference number. If a UIN system is used, no Zone lot file is required. However, Operator is required to maintain all CBPF 214s in sequential order in a UIN file.

Direct delivery procedures may be available for Operators when: operations are predictable and stable over a long term and are relatively fixed in variety; merchandise is not restricted or of a type requiring CBP examination before or on its arrival, and CBP has no reason to believe the merchandise will be inaccurately described in admission documents; and when Operator is the owner or purchaser of the merchandise.

CBP INSPECTION OF ZONE MERCHANDISE

Operator shall make merchandise subject to CBP inspection immediately available and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following the inspection.

STORAGE OF MERCHANDISE

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

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GENERAL RULES AND REGULATIONS
(Continued)**MANIPULATION OF MERCHANDISE**

Before foreign merchandise may be manipulated within the Zone, the Operator shall make Application on CBPF 216 to CBP for approval. On approval by CBP, the contemplated manipulation may occur. A yearly, blanket CBPF 216 may be allowed by CBP.

MANUFACTURING IN THE ZONE

The only manufacturing that may occur in the Zone shall have been approved in writing by the FTZ Board prior to the commencement of any manufacturing activity. A CBPF 216 will also be required to be filed with CBP prior to the manufacturing and a yearly, blanket CBPF 216 may be allowed by CBP.

EXHIBITION OF MERCHANDISE

Any merchandise admitted to the Zone may be exhibited. Operator must obtain permission from CBP to exhibit merchandise by obtaining approval on a CBPF 216. Note: Retail sales are not permitted.

RETAIL TRADE IN THE ZONE

No retail trade shall be conducted within the Zone unless written approval has been received from the Port Director, subject to the concurrence of the FTZ Board.

CHANGE IN ZONE STATUS

The Zone status of merchandise may be changed in the Zone. Merchandise in NPF status may be changed to PF status, if done prior to manipulation or manufacture effecting a change in tariff classification of the merchandise. PF status may not be changed to NPF status. Merchandise in PF or NPF status may be changed to ZR status. Operator will submit a CBPF 214 to CBP for approval of a Zone status change.

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ZONE FEES, CHARGES AND RATES

APPLICABILITY

The following fees, charges and lease rates apply to Property Owners and Operators of Zone Sites, not to individual Users. Users of Multi-User Zone Sites [meaning Sites available for use by companies other than just Operator] will be charged in accordance with rates established by the Zone Site Operator and as approved by Grantee to ensure the charges are fair, reasonable and provide Zone use on an equitable basis to all similarly situated. Multi-User Zone Site rates are available from Grantee upon request.

APPLICATION FEE

An Application Fee will be charged whenever Grantee must file a request with the FTZ Board:

1. To expand FTZ No. 202 so as to include a new Zone Site.
2. To modify the boundaries of FTZ No. 202 so as to either alter an existing Zone Site or add a new Zone Site.
3. To obtain authorization to engage in production/manufacturing or seek a scope determination.
4. To obtain Subzone designation.

The fee will cover Grantee expenses for obtaining the necessary approvals/resolutions of the Application, submission to the FTZ Board and support services required during the approval process. The fee does not include actual preparation of Applications or requests. The fee is based on the following schedule:

- | | |
|---|----------|
| 1. Expansion Application to establish a new Magnet Site | \$ 2,500 |
| 2. Minor Boundary Modification Usage-Driven Sites | \$ 2,500 |
| 3. Manufacturing/Production Authority and Scope Determination Request | \$ 5,000 |
| 4. Subzone Application | \$15,000 |

All fees are payable in advance of Application request.

The Property Owner or Operator will also be responsible for paying any Application or filing fees required by the FTZ Board for such an Application.

ACTIVATION FEE

An Activation fee will be charged to an Operator when seeking to activate a Zone Site upon execution of the Operating Agreement. The fee will cover Grantee expenses for the preparation and processing of the Operating Agreement, providing Grantee concurrence letter to CBP, and review of Activation and operation's procedures. The fee does not include preparation of actual Activation request, procedures manual, or other documents that may be required by CBP regulations.

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ZONE FEES, CHARGES AND RATES
(Continued)

Activation Fee is \$5,000, payable in advance of requesting Activation from CBP. Operator will also be responsible for paying any Activation Fees required by CBP for such a request.

ANNUAL FEE

The Annual Fee will cover the administration of the Zone by Grantee, preparation of the Annual Report to the FTZ Board, and support services from Grantee staff.

Upon execution of the Operating Agreement, an Operator shall be charged an Annual Fee. Annual Fees are:

1. GP Operators within a Magnet Site or Usage-Driven Site \$ 7,750
2. Subzones or Single Usage-Driven Operators \$10,000

The Annual Fee is payable upon execution of an Operating Agreement and annually thereafter on the anniversary of the effective date of the Operating Agreement, as long as the Operating Agreement remains in effect.

Any Operator within two or more Magnet Sites pays the Annual Fee for every Site. Any Subzone/Single User Usage-Driven Site Operator with two or more Sites pays the Annual Fee of \$10,000; if they apply for Subzone/Single User Usage-Driven Site status all at the same time.

FEES SUBJECT TO MODIFICATION

The above fees are subject to periodic review by Grantee and may be modified as necessary to ensure that Grantee is fairly and reasonably compensated for its services. All modifications to the fee schedule will become effective 60 days from the date this Tariff is modified.

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ZONE FEES, CHARGES AND RATES
(Continued)**CHARGES FOR SPECIAL ZONE STAFF SERVICES**

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 Tariff. Zone staff services rendered at other hours or during holidays at the specific request of an Operator or User will be at the following rates for a four (4) hour minimum:

1. Supervisory Personnel - \$90.00 per hour or portion thereof.
2. Non-Supervisory Personnel - \$60.00 per hour or portion thereof.

CBP FEES

At the time of this Tariff's issuance, no fees are charged by CBP for Zone services. Should any fees or charges be imposed in the future, all such fees and charges shall be payable by Operator of the affected Zone Site. However, CBP does charge for overtime and other special services provided at the request of an Operator. Such fees and charges shall be payable by Operator of the affected Zone Site. Under no circumstances will Grantee be liable or responsible for any such CBP fees or charges.

FTZ BOARD FEES

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

OTHER GOVERNMENT AGENCY FEES

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

FINES, PENALTIES AND LIQUIDATED DAMAGES

CBP fines, penalties, or liquidated damage claims affecting Zone merchandise or Zone activities will be paid by Operator 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 Grantee be liable or responsible for any fines, penalties, forfeiture or liquidated damage claims.

Further, Grantee may charge an Operator or User up to \$200 per day for violation or failure to correct any violation of the FTZ Act, Zone Regulations, CBP Regulations, the Tariff, or the requirements of the Zone Site operations and procedures. Grantee will issue a written Notice of Violation to Operator or User with a written response required from them 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 by Operator or User to reply to the Notice of Violation shall cause the Notice of Violation to be in effect without further review.

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ZONE FEES, CHARGES AND RATES
(Continued)

These charges are in addition to any penalties or liquidated damages imposed by any governmental agency.

ENFORCEMENT OF CHARGES

Zone fees and charges are due and payable when invoiced. All fees and charges are non-refundable. Any and all amounts required to be paid by Operator to Grantee, or which are to be paid "with interest" or which Grantee advances on behalf of Operator, which are not paid when due, shall bear interest at the following rate: the legal rate provided by law for judgments in California plus three percent (3%), or the posted announced prime rate of the Bank of America, Los Angeles, California, on the date payment is due, plus one percent (1%), whichever is greater. The interest rate shall be per annum from the due date until paid, unless otherwise specifically provided but the rate shall be modified from time to time as the legal rate or prime rate change. Failure to pay fees and charges on a timely basis may also result in cancellation of Operating Agreement, deactivation of the Zone Site, eviction, or other remedies deemed appropriate by Grantee.

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ACTIVATION, DEACTIVATION, ALTERATION
AND EXPANSION PROCEDURES**ACTIVATION**

Activation of a Zone Site or a portion thereof shall be initiated by following the Procedures for Activation of Zone Sites outlined in Attachment D. To activate, according to 19 CFR Part 146, the Operator shall submit to CBP, with a copy to the Grantee:

1. Blueprints - Two blueprints detailing the Zone space for which Activation is desired. The blueprint shall correctly note all openings and buildings; all outlets, inlets, and pipelines to any tank for the storage of liquid or similar product; and all other features required by CBP regulations. The exact space for which Activation is sought should be outlined in red.
2. Purpose of Activation - A letter describing in detail the proposed use of the activated Zone space.
3. Application Fee - A check in the amount of the Activation Fee made payable to Grantee.
4. Gauge Table - A gauge table, when appropriate, showing the capacity in the appropriate metric unit of any tank certified to be correct by Operator of the tank.
5. Procedures Manual - A copy of the procedures manual established specifically for the Zone Site operation and certified by a duly authorized official of Operator to meet the requirements of Subpart B of the CBP Regulations governing FTZs.
6. Background Investigation - In order to permit CBP to perform a background investigation on the qualifications, character, and experience of key employees and principal officers, who will be involved in the operation of Zone Site, a list of these people (including full names, addresses, social security numbers and birthdates).
7. Security Inspection - A description of the Zone Site security system.
8. FTZ Operator's Bond - An FTZ Operator's Bond in the amount of \$100,000 or as otherwise requested by CBP.
9. Request to Manufacture - A description of any proposed manufacturing activity and a copy of the FTZ Board approval of this activity.
10. Operating Agreement - A duly executed copy of the Operating Agreement between Operator and Grantee covering the Zone Site for which Activation is sought.
11. Tariff – GP Operators must file their own FTZ Operator's Tariff with the Grantee.

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ACTIVATION, DEACTIVATION, ALTERATION
AND EXPANSION PROCEDURES
(Continued)**DEACTIVATION**

An Operator may deactivate the Zone Site by notifying Grantee pursuant to the terms of the Operating Agreement between Operator and Grantee.

ALTERATION

An Operator may increase or decrease the amount of activated space at a Zone Site by giving advance notice to Grantee and to CBP. An Operator may increase or decrease the amount of the activated space at an already activated Zone Site by submitting to Grantee two (2) new blueprints and a letter detailing the reasons for seeking adjustment of the activated space. No fee is required.

EXPANSION AND BOUNDARY MODIFICATION

If an Operator desires to expand its operations to a new Zone Site or into areas not previously approved for Zone operations by the FTZ Board, Grantee will provide an outline for Application (Attachment C) to Operator upon payment of the applicable fee to Grantee. Following approval by the FTZ Board, Operator shall seek Activation pursuant to the procedures above.

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OPERATOR'S RESPONSIBILITIES

EXPECTATION OF OPERATORS

An Operator of a Zone Site or Subzone under the jurisdiction of FTZ No. 202 will be responsible for all operational aspects of the Zone Site or Subzone. This includes, but is not limited to:

- Supervision of all Zone admissions, transfers, withdrawals, recordkeeping, inventory procedures and balances, manipulations, manufactures, exhibitions, destructions, warehousing, transportation and bonding.
- Payment of all Zone fees and charges, CBP duties and taxes, and fines, penalties and liquidated damages assessed against the Zone Site or Subzone, or a User thereof.
- Preparation of all Applications and Activation Requests relating to the Zone Site or Subzone.
- Signing of all Zone documentation, including CBPF 214s and CBPF 216s.
- Development of inventory control and recordkeeping systems for the Zone Site or Subzone and reflecting such procedures in a manual acceptable to Grantee and CBP.
- Assure that all inventory control and recordkeeping systems for the Zone Site or Subzone are functioning correctly; account for theft, overages and shortages of merchandise; perform annual audits of Zone inventory and internal systems reviews; and, meet all annual reporting requirements to Grantee, FTZ Board and CBP.
- Maintain User Agreements with all Users of the Zone Site.
- Assist Grantee with marketing of the Zone and cooperate with Grantee in all respects.
- Develop the professional knowledge to operate a Zone Site or Subzone by attending Zone training and maintaining adequate staff knowledge regarding Zone operations to properly carry out the responsibilities to Grantee, FTZ Board, CBP, and Users.
- Agreement to participate with PierPASS or extended hours of service whenever commercially viable for the Operator.
- Multi User GP Operators will be required to maintain an updated Zone Operator's Tariff with the Grantee.

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SPONSORSHIP OF NEW ZONE
SITES/SUBZONES BY GRANTEE

All firms desirous of obtaining/operating a Zone Site or Subzone must make a Request to Grantee for sponsorship of such status (See Attachment C & D). The Grantee, in order to maintain control over the Zone's growth and provide the Zone services needed in the Greater Los Angeles area, will decide on a case-by-case basis whether or not it has the jurisdictional authority to support such a request and whether it is in the public interest. Due to the important delegation of responsibilities that accrues to Operators, Grantee recommends that applicants seek professional assistance in the preparation of the sponsorship and qualification statement.

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ATTACHMENT A
Foreign-Trade Zone Guidelines on “Grey Market”
Merchandise

This guideline is intended to offer FTZ General-Purpose, Third-Party Operators within the jurisdiction of the Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles, FTZ No. 202 guidelines on handling merchandise considered sensitive by CBP. This guideline is in direct response to concerns expressed by CBP for merchandise that is commonly known as “Grey Market” merchandise, especially where the Operator is not the owner of the goods. CBP and the Grantee wish to minimize the risk for the Operator, the Grantee and CBP, in regards to the potential admission of “Grey Market” or suspect merchandise into a Zone Operation in FTZ No. 202.

When admitting any of the type of merchandise listed below, in any Zone Status (domestic or foreign), the Operator will review whether the merchandise can be classified as “Grey Market” or as falling under any other Government Agency’s restrictions. This review should include each of the following:

1. A full disclosure from the Zone User as to the true (original) country of origin of the merchandise.
2. The manufacturer of the merchandise.
3. If admission is sought for “domestic goods,” make sure a copy of the entry summary is provided.
4. The ultimate destination of the merchandise.

Understanding each of these four elements will assist the Zone Operator in maintaining a full knowledge of the merchandise and the Zone User, each of which is crucial in order to answer questions that may be raised on such merchandise by CBP. Homeland Security is of paramount concern and “Grey Market” merchandise may be a supply chain which could be compromised.

The merchandise in question is related to the following categories of goods:

1. Cigarettes
2. Cigars
3. Watches
4. DVD/VHS movies
5. Automobiles

Each of these categories of merchandise is closely watched by CBP to determine the overall entry and sales status, as it relates to the merchandise. Failure to implement the guidelines outlined herein may result in further action from CBP.

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ATTACHMENT B
Enhanced Security Initiative

Enhanced Security Initiative of Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles, FTZ No. 202, and the Department of Homeland Security, CBP Agency.

1. **Review your facility's security system and procedures.** Are the physical security features and monitoring of security sufficient to prevent your facility from being a target? Do locks, fences or cameras need to be improved or added?
2. **Know who is in your facility at all times.** Access should be restricted to persons who have passed through a screening process. All visitors to your facility should have valid identification, a legitimate purpose for being there and should be escorted whenever possible. Employees should challenge unknown persons in the bonded area.
3. **Know your employees.** New employees should be chosen and screened carefully. Any changes in your work force should be reported to CBP as soon as possible (within 10 days according to the regulations). Employees who have access to bonded merchandise need to be trustworthy.
4. **Know your merchandise.** Merchandise should be what you expect to receive. You should receive the same amount and type of merchandise that is on the shipping bills. If shipments are placed in a Zone on a temporary deposit it should be scrutinized for the safety of the merchandise and accuracy of the shipping documents.
5. **Know your CBP Inspectors.** Contact CBP if anything does not "seem right." You know what shipments should look like and what visitors should act like. Feel free to report any suspicions you might have to CBP, as it can make all the difference.

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ATTACHMENT C
Procedures for Sponsorship of Applications to the
Foreign-Trade Zones Board

Submitting an Application to the FTZ Board involves a three-step process.

- First, a request must be submitted to the Grantee/Administrator.
- Second, the request must be reviewed for Grantee sponsorship.
- Third, the Application must be prepared and submitted, and preparation for Activation must begin.

Step 1: The Request

Requests to submit any kind of Application to the FTZ Board, including requests for Subzone sponsorship, Manufacturing/Production Authority, Magnet Site Expansion, or Minor Boundary Modification Usage-Driven Site designation must be made to the Grantee in a simple, letter format, including the following information:

1. Name of applicant, address, phone number, email address, facsimile number, and name and title of person responsible and authorized for the Application preparation, including a statement indicating the applicant's financial ability to make Application and sustain active Zone operations.
2. Type of designation sought, i.e., Subzone, Manufacturing/Production Authority, Magnet Site Expansion, or Minor Boundary Modification Usage-Driven Site designation.
3. Brief description of proposed Site (acreage, square footage, number of buildings). Include an electronic and hard copy layout/diagram of Site.
4. For Subzones and Manufacturing/Production Authority requests, provide a short description of the company, including number of years in existence, product lines, imported items, manufactured goods, number of employees, and prior experience with FTZ and staff resources to be devoted to Zone activity.

For Expansion Applications and Minor Boundary Modifications Usage-Driven Site a description of the initial activity at or planned for the Site, level of marketing committed to develop Operator(s) and/or User(s) which are committed/intend to use the Site(s), and a statement as to why this Site adds any unique characteristics to the current Zone.

5. Completed Cost-Benefits Analysis or an explanation of definitive benefits company or Site will yield from Zone status. (Not necessary for Expansion Site and GP Operator Sites).
6. The letter should include a statement by the applicant that all fees for Application shall be paid promptly, and that the applicant fully intends on activating, executing an Operating or Developer Agreement, whichever is applicable.

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ATTACHMENT C
Procedures for Sponsorship of Applications to the
Foreign-Trade Zones Board
(Continued)**Step 2: The Review**

All requests to submit Applications will go through a review and approval process which uses the following criteria:

1. Operation “qualifies” to become a Zone Site or Subzone under FTZ Board Regulatory criteria.
2. Applicant demonstrates ability and commitment to comply with applicable regulations and activate and operate a Zone Site/Subzone.
3. Operation demonstrates a clear FTZ need and for Subzones/Manufacturing/Production Authority requests, the activity meets the public interest criteria, as outlined by the FTZ Board Regulations.
4. Operations involving trade-sensitive merchandise must show how FTZ benefits outweigh other trade considerations on a national and local scale. Any operations with trade sensitive merchandise may not be viable (as outlined by the FTZ Board Regulations) and may not qualify for sponsorship.
5. Other criteria as may be set forth by the Grantee’s Administrator.

The review process will take approximately 30 days and the Sponsorship Request will be approved by the Board of Harbor Commissioners as required. This approval process may add another 90-120 days. The description of the process is as follows:

1. Applicant submits letter request (Step 1 above) for sponsorship to FTZ administrator’s office for staff review.
2. Staff reviews are completed within 30 days, applicant contacted with results and if positive, the Grantee will issue an appropriate Agreement (Operating, Developer, or Subzone Agreement). Once the Agreement is returned to the Grantee ready for signature by the applicant, as submitted or with changes, the sponsorship “item” is placed on the agenda for the Board of Harbor Commissioners as required. MBM/Usage-Driven Site does not require Board of Harbor Commissioners approval.
3. Board of Harbor Commissioners’ approval results in a Resolution to support Subzone, Manufacturing and Expansion for a new Magnet Site Application.
4. Once the Sponsorship is approved by the Zone Administrator an invoice for the applicable fee is submitted to the applicant.

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ATTACHMENT C
Procedures for Sponsorship of Applications to the
Foreign-Trade Zones Board
(Continued)**Step 3: Application Submission**

Submission of an Application to the FTZ Board and Activation preparation is a complex process and close attention must be paid to the relevant Regulations.

1. The Application must be prepared consistent with FTZ Board Regulations. The Application should be professionally prepared according to the guidelines established by the FTZ Board. The Grantee recommends that applicants have experienced staff to complete the Application or to seek professional expertise in preparation. This will save time and expense.
2. Grantee provides Resolution in support of Application. (See Step 2 above)
3. Administrator reviews and, if complete, submits Application to FTZ Board in Washington, D.C. on behalf of the applicant. If a technical and/or legal review is required, the Grantee will inform the applicant of said cost. If Application is not complete, Administrator will return the Application to the applicant for revision to meet FTZ Board guidelines or strengthen justification arguments.
4. Approval and designation by FTZ Board.
5. Company prepares for Activation. (See Attachment D)

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ATTACHMENT D
Procedures for Activation of Zone Sites

In the interest of making Activation as easy as possible for all involved parties, the Grantee established the following procedures for Activation of a Zone Site or Subzone. The procedures involve three steps; Request to the Grantee, Approval by the Grantee and Approval by CBP

I. Request Letter to the Grantee for Activation

Before an Activation request can be made to CBP, the Operator must have the Grantee's permission for Activation.

1. Request permission through a Request Letter to Administrator, including:
 - (a) Facility size and location.
 - (b) Description of the area to be activated.
 - (c) Activities to be conducted, specifying product.
 - (d) Statement that Operator has or will have a system in place to manage the Zone inventory according to CBP regulations.
 - (e) Statement that Operator will comply with the enhanced Security Guidelines from CBP.
 - (f) The letter should include a statement that all fees for Activation shall be paid promptly, and that an Operating Agreement will be executed.
 - (g) GP Operator Site must provide its proposed Operator Tariff.

2. The Administrator reviews the request and if the Operator appears to meet the qualifications, the Grantee will issue an Operator's Agreement to the applicant. Once returned to the Grantee ready for signature, as submitted or with changes, the Grantee will provide a conditional letter to the applicant, so that the Operator can begin the Activation process of submitting the background investigation forms to CBP. Grantee will issue an invoice for the Activation fee. If the request is rejected for cause, Administrator will advise of the reason(s).

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ATTACHMENT D
Procedures for Activation of Zone Sites
(Continued)**II. Approval by Grantee of Grantee/Operator Agreement**

The process for executing the Operating Agreement takes approximately 90-120 days. The process for having an Operating Agreement executed and approved by the City, which results in a final Grantee concurrence letter as well as the signed Operating Agreement is as follows:

1. Applicant submits Request Letter (Step 1 above), executes the Operating Agreement.
2. Staff review completed within 45 days and placed on the agenda for the Board of Harbor Commissioners.
3. Board of Harbor Commissioners and staff recommendation to City Council on next available agenda.
4. City Council approves staff and Board of Harbor Commissioners' recommendation, resulting in execution of the agreement.
5. Once the agreement is finalized by the Grantee an invoice for the initial Annual Fee is submitted to the applicant.

III. Application to Customs for Activation

1. The applicant must submit an Application to the Port Director for Activation, which includes:
 - (a) A description of all Sites included.
 - (b) A description of any operation to be conducted therein.
 - (c) A statement of the general character of the merchandise to be admitted.
 - (d) Completed CBPF5106's (background check forms) on all officers and managing officials.
 - (e) Customs bond form 301.
 - (f) Physical and procedural security survey.
 - (g) A detailed blueprint of the FTZ Site with the area to be activated outlined in red.
 - (h) A procedures manual detailing the inventory control and recordkeeping system that will be used in the Zone, including a description of any special procedures.
 - (i) Grantee concurrence letter.
 - (j) Special Request Letter, for any approvable procedures sought.
2. The complete Application requesting Activation of a Site in Foreign-Trade Zone No. 202 should be forwarded to the Port Director of CBP. Submit a copy to the Zone Administrator.

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