

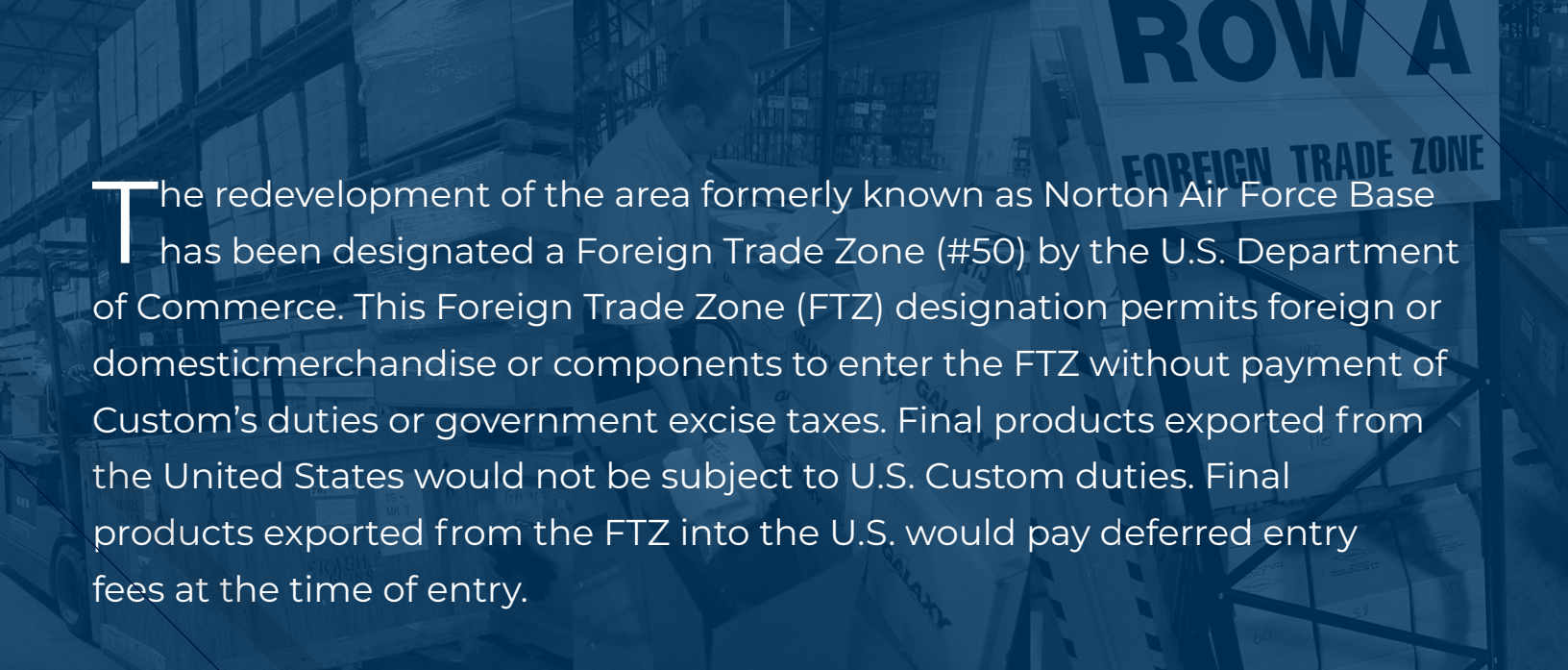
FOREIGN
TRADE
ZONE

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The redevelopment of the area formerly known as Norton Air Force Base has been designated a Foreign Trade Zone (#50) by the U.S. Department of Commerce. This Foreign Trade Zone (FTZ) designation permits foreign or domestic merchandise or components to enter the FTZ without payment of Custom's duties or government excise taxes. Final products exported from the United States would not be subject to U.S. Custom duties. Final products exported from the FTZ into the U.S. would pay deferred entry fees at the time of entry.

BENEFITS INCLUDE:

- **Merchandise Processing Fee:** Even on non-dutiable imports, brokers and/or importers must pay a fee for each line item entry into customs. Currently, this fee is set at \$485 per entry. In a FTZ, a company can make weekly entries vs. line item entries.
- **Duty Deferral:** Duty on goods stored in a FTZ may be deferred indefinitely until the product leaves the FTZ and is entered for consumption into the U.S.
- **Lower Duty Rates:** A manufacturer in the FTZ may elect to pay duty on the imported components either at the duty rate applicable to the components or at the duty rate applicable to the finished products. Moreover, the duty rate on the finished product may be lower than that of the imported components.
- **Made in USA Label:** Since U.S. added value is not subject to duty, a manufacturer that adds U.S. content to the foreign product at a rate of 51% or more may qualify for the "Made in USA" label, thus eliminating any duty payment.
- **Quota Restrictions Avoidance:** Quota merchandise may be stored in a FTZ duty-free until the next quota period reopens, thus saving time to market.
- **Export Savings:** U.S. domestic goods may be shipped into a zone and considered exported for the purpose of duty drawback and excise-tax rebates.
- **Tax Savings:** Some savings are available through the preclusion of local or state laws that are not applicable in a FTZ due to federal preemptions. As an example, state and local ad valorem tax on inventory is not applicable to foreign origin of foreign destination goods held in a FTZ.