

FOREIGN TRADE ZONE OF CENTRAL TEXAS, INC.
c/o Joseph L. Vining, FAICP
Round Rock Chamber of Commerce
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Round Rock, Texas 78664
512-255-5805 Phone
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June 11, 2009

The Honorable Dan A. Gattis
County Judge
Williamson County
710 South Main, Suite 101
Georgetown, TX 78626

Re: New Foreign Trade Zone Program

Dear Judge Gattis,

The Foreign Trade Zone of Central Texas, Inc. is a non-profit corporation established by the Cities and Chambers of Commerce in Georgetown, Round Rock, Austin, and San Marcos to administer the foreign trade zone serving the Central Texas region. We are writing to invite Williamson County to participate in a new initiative just announced by the U.S. Department of Commerce which will make foreign trade zone designation easier and faster. The initiative, known as Alternative Site Management, will allow select established foreign trade zone grant holders, like the Foreign Trade Zone of Central Texas, expedited approval for new foreign trade zone projects within a pre-designated "service area." With your approval, we will request that Williamson County be part of the designated service area for the Foreign Trade Zone of Central Texas, so that expedited approval procedures rules can be applicable to future projects which might arise in Williamson County.

Foreign Trade Zone Program

A foreign trade zone is a location designated by the federal government and treated as outside of the Customs territory of the United States. Businesses which operate within the foreign trade zone may achieve customs treatment equivalent to operating outside the U.S., and in that way the foreign trade zones "level the playing field" for U.S. businesses competing with foreign operations. Additionally, inventory in a foreign trade zone which has been imported or will be exported is treated as in international commerce, and consequently is exempt from state or local property taxes by federal law. As a result, particularly in areas where there is no Freeport Exemption, foreign trade zones can sometimes be used as a targeted economic development incentive for some businesses.

Foreign trade zones are administered through "grantees" designated by the federal government. FTZCTI received its grant in 1990. Several Central Texas companies have used the foreign trade zone extensively, including Dell, Samsung, Westinghouse, Dresser, and Seiko Instruments. More companies in the area could likely benefit from the foreign trade zone, but the rules are complicated and the process cumbersome. As explained below, the new program will eliminate some of the complexity.

Current Rules

Under the current rules, obtaining foreign trade zone designations, is time consuming, and can be expensive. Our most recent effort, which obtained foreign trade zone designation for Samsung, took about 15 months. If a business in Williamson County was interested in obtaining foreign trade zone designation today, it would likely have to wait more than a year for approval, and spend over \$50,000 in application preparation and associated fees.

New Program

With the Alternative Site Management designation, FTZCTI would be entitled to simplified procedures and expedited processing for any foreign trade zone request for a business within the designated service area. We expect that foreign trade zone status can be achieved in less than 90 days, and estimate total costs for the business to be less than \$10,000.

The new program does not change any of the required approvals. Each of the impacted local taxing jurisdictions (county, city, and school district) must concur with the designation of the foreign trade zone property. FTZCTI must approve the property, U.S. Customs must approve the property, and the federal Foreign Trade Zones Board must approve the property. The process to obtain the federal approvals, however, is substantially simplified.

The new program will work as follows:

1. The business seeking participation in the foreign trade zone program requests FTZCTI to provide foreign trade zone designation.
2. FTZCTI confirms that the local government authorities (county, city, and school district) support the request.
3. FTZCTI evaluates the foreign trade zone eligibility requirements, and if the requirements are met, requests U.S. Customs' approval of the designation.
4. FTZCTI submits a simplified application containing its assessment to the Foreign Trade Zones Board.
5. Foreign Trade Zones Board approval should be obtained within 30 days of the request.

How to Participate

FTZCTI must file an application with the Foreign Trade Zones Board to be approved to use the Alternative Site Management plan. We anticipate filing that application this summer, and therefore we would appreciate your response by July 10th. We will request that Williamson County be part of the designated service area with your approval, which should be documented in a letter similar to the attached sample.

With Williamson County in the approved designated service area, FTZCTI will be enabled to use the new expedited process for Williamson County projects. There is no cost to Williamson County, and we believe no downside. Each specific project will still require

County support before it proceeds; in fact, as noted above, all required approvals remain the same. The only difference is that with your concurrence to be included in the designated service area, the procedure to be followed by the federal government for approving foreign trade zones in Williamson County will be substantially streamlined.

We believe this is a great opportunity for Williamson County to add a timely and cost effective foreign trade zone alternative to your economic development portfolio, at no cost.

Please let us know if you have any questions or if we can provide any additional information. I can be reached at (512) 255-5805. We look forward to the opportunity to work with you on foreign trade zone projects in the future.

Sincerely,

Joseph L. Vining, FAICP
c/o Foreign Trade Zone of Central Texas, Inc.
Sr. Vice President – Economic Development
Round Rock, Texas

Enclosure

cc: Bill Methenitis, Ernst & Young, LLP – Dallas, Texas