



FTZ Program Overview

What could you be missing?

Presented by:
Curtis D. Spencer
CEO of IMS Worldwide, Inc.

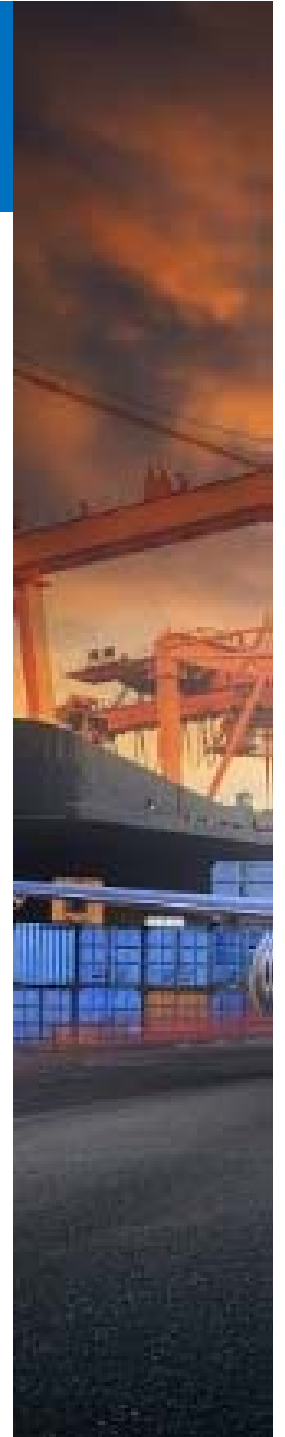


Agenda

- IMSW Overview
- Benefits of Implementing an FTZ at a Texas or Louisiana Facility.
- Others who are using FTZs and Why?
- Process and Costs
- Operational Functionality
- Questions and Answers

About IMS Worldwide Inc.

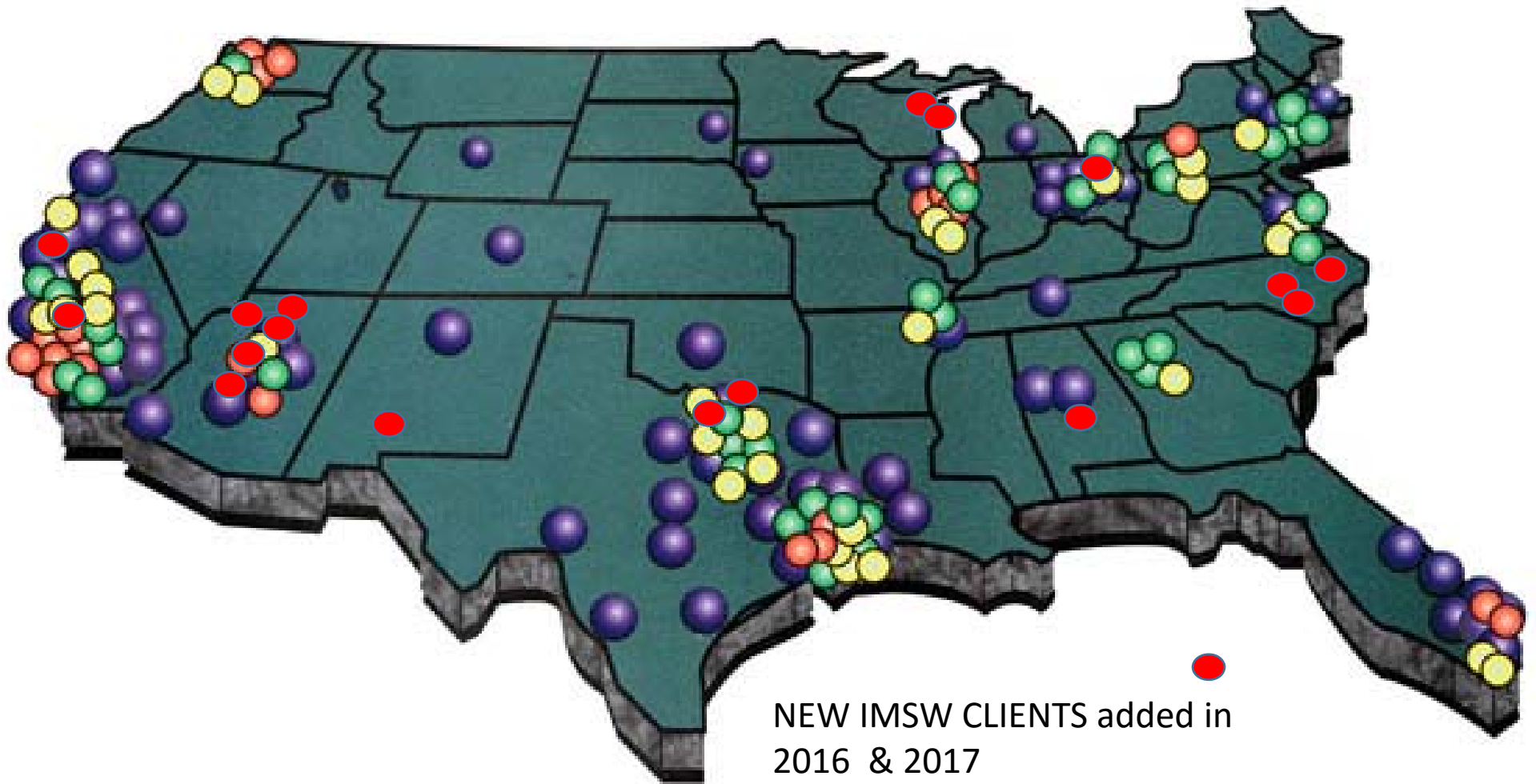
- IMSW has completed over 350 FTZ Projects during 40 years. We have conducted 40 Logistics/Drayage studies for Industrial RE firms, RRs and land-owners.
- We work with Large Gateway Zones (Houston, LA, Miami, Dallas, Chicago, PHX, El Paso and NJ)
- We work with Fortune 1000 companies: Target, The Limited, Dell, Home Depot, Abbott Labs, TJX, Dicks Sporting Goods, Apple, Amazon, REI.
- **We work with the largest CHBs and FF's in the Industry: BDP, CEVA, K&N, UPS, FEDEX, etc.**



IMSW's FTZ Users – Total = 350



IMS Worldwide – 40 Years of FTZ Services throughout the USA



Benefits of Implementing an FTZ

- Immediate access to the Duty Avoidance and MPF Benefits
- Reduction in delays for goods moving to and from rigs/offshore
- Immediate Cost Reduction by eliminating Customs Fees (MPF Fees) that begin Week One!
- Much better track and trace on components, better inventory management, and better compliance.
- **Total NET Benefit is \$MILLIONS PER YEAR**

Key Benefit Metrics

- **TAX BENEFITS:** Sites in TEXAS are allowed to Eliminate \$Millions per year in Texas inventory taxes (not all inventory taxes but most locations receive 25-50% reduction). Same for Louisiana.
- **CUSTOMS BENEFITS:** Direct import relief of 95% of current Customs User Fees (MPF)!
- Indirect Customs Duty relief on parts sent to rigs where Customs charges Company “again” when those parts are returned to the Mainland for repair, refurbish or inventory.
- **SUPPLY CHAIN RELIEF:** Reduces the risk of parts/spares to and from Rigs being held up (and supply boats being delayed) due to the current “Customs Compliance/HTS Verification process” that plagues OIL & GAS Service companies.

Companies using FTZs in TEXAS

- NOV in two 3PL locations
- FMC's new 150 acre Campus.
- Noble Drilling.
- Agility Project Logistics, Palletized Trucking
- Hydrill, Drillquip, Vopak
- Multiple 3PL facilities along the ship channel, North Houston
- **FTZs are in use in all 50 states!**

Process Required to Secure FTZ Status

- Tax Work for TX or LA Site:
 - FTZ Board will require taxing jurisdictional support letters due to the inventory tax exemption in Texas or LA; have to negotiate.
- Zone Applications
 - 90 day process
 - Federally Approved (Dept of Commerce)
- Zone Activations
 - 180 day process starts with Application
 - Locally approved by Customs – Includes Start-up Inventory Process
- Zone Operations via Managed Services Contract (optional)
 - Full-Time, Zone Manager either onsite or from HQ.
 - Includes the costs of FTZ Software
 - Includes Sr. Manager Oversight by Contractor, who reports to Import Compliance Team.

Risks with the FTZ Program

- Customs Risk: Any Importer's current non-FTZ operation is **more at risk** than an FTZ operation, because, by nature an FTZ is a "real-time" Importer Compliance process, vs. a "look-back" process such as reconciliation and/or audit risk. FTZs Reduce potential for Fines/Penalties.
- Supply Chain Risk: The current supply chain as it relates to the need to get parts on and off the Rigs faster, **is better with FTZ**,
- Tax Risk: Selecting "freeport exemption" without proper records could be risky. By utilizing the FTZ, Importers have "Customs records" that prove FTZ tax exemption status. Virtually 75%-90% of O&G merchandise will qualify under FTZ.

FTZ Operational Functionality

- **SPEED:** FTZs offer companies “Direct Delivery” which means on all imports, even parts returned from off-shore, receipt of those FTZ goods is 1-2 days faster using the FTZ.
- **IT:** Zone Software is Tier 1 WMS effective. After 20 years in process, most Tier 1 FTZ Systems are more sophisticated, more user-friendly than Enterprise WMS and TMS systems today.
- **REGS MANAGEMENT:** Since 2012, FTZs are much simpler to operate, allow for more flexibility than any other Customs procedure, and all forms, reports, etc. are done online. NO MORE PAPER IN FTZ’s.

FTZ Operational Functionality

- **3RD PARTY OPS:** FTZs may be managed in-house or by the use of 3rd Party Zone Managed Services firms. They take the onus off of Zone Users, they take the bond risk, the IT software costs/implementation effort and also the knowledge mountain out of the “start-up” equation.
- **ACE implementation:** FTZs will be completely integrated into ACE in Q1 of 2018. This will include all PGA issues.
- **NO MORE DRAWBACK!:** Drawback is the bane of MOST IMPORTERS/EXPORTERS! With the FTZ you won't need to use DBK unless there is a unique way to combine DBK and FTZ, which is totally allowed.

NEXT STEPS

- IMSW has agreed to offer a free FTZ Cost Benefit Analysis, including sensitivity analysis or an analysis showing more than one location.
- Contact us at www.imsw.com for the Analysis and free consultation to determine if your firm qualifies.
- **FTZs are the fastest and easiest way to Cut Supply Chain Costs! Find out if it can work for you.**



FTZ Program Overview QUESTIONS?

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