

Assumptions Used in FTZ Distribution-Only Cost-Benefit Analysis
LARGE IMPORTER NEW TARIFFS 300,000 SF Distribution Center / Square Foot Cost Differential

Annual cost, dutiable imports		\$125,000,000
Weighted average duty rate (1% normal rate + China 54% add-on tariff)		55.00%
Percent reject or scrap imported merchandise		0.50%
Percent of imported merchandise re-exported		2.00%
Percent of imported merchandise sold to the military		0.00%
Inventory turns per year		6
Opportunity cost of capital		7.0%
Drawback system in place?		No
FTZ cost advantage (FTZ differential) over drawback		100.0%
Average "Merchandise Processing Fee" per entry		\$289
Average number of entries per year		1500
Annual growth rate, FTZ operating expenses, etc.		3.0%
Annual growth projections from current year		
	Year 2	10.0%
	Year 3	10.0%
	Year 4	10.0%
	Year 5	10.0%
Application and Activation expense (estimated)*		\$95,000
Increased operating expenses (accounting/tracking/reporting/systems mod.)		\$325,000
Grantee fees (estimated)		\$8,000
Warehouse footage - used for net rent differential savings calculation		300,000

* Application preparation, Customs activation, and Operator training.
 Actual cost will depend on the sophistication of existing systems and other variables.

This is a preliminary analysis, which is only as accurate as the assumptions used to generate the following results.
 The analysis should not be relied upon until the assumptions, calculations, and results contained herein have been verified.

Prepared by IMS Worldwide, Inc., Houston, Texas

Calculation of Estimated Savings:

LARGE IMPORTER NEW TARIFFS 300,000 SF Distribution Center / Square Foot Cost Differential

Year 1

A. DUTY SAVINGS AS A RESULT OF RE-EXPORTS*

\$1,375,000

(annual cost, dutiable imports) X (% re-exported) X (weighted average duty rate) X (100% if no drawback in place, FTZ differential if drawback)

B. DUTY SAVINGS ON REJECT OR SCRAP; MILITARY SALES

\$343,750

(annual cost, dutiable imports) X (% reject or scrap + % sold to military) X (weighted average duty rate)

***** Note: re-exports + rejects + military sales = tariff eliminated (TE)

C. ONE-TIME BENEFIT: "LONG-TERM DUTY DEFERRAL"

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[annual cost, dutiable imports X (1 - TE) » inventory turns per year] X (weighted average duty rate)

D. SAVINGS FROM ONGOING DUTY DEFERRAL

\$782,031

[annual cost, dutiable imports X (1 - TE) » inventory turns per year] X (weighted average duty rate) X (opportunity cost of capital)

E. MERCHANDISE PROCESSING FEE (MPF) SAVINGS UNDER WEEKLY ENTRY PROCESS

\$400,000

(average "Merchandise Processing Fee" per entry X entries per year) - (52 weeks per year X \$634 maximum MPF per entry)

* Note: Export benefits to Canada and/or Mexico subject to applicable free trade agreements.

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**Foreign-Trade Zone Cost-Benefit Projections:
LARGE IMPORTER NEW TARIFFS 300,000 SF Distribution Center / Square Foot Cost Differential**

FTZ Benefits & Expenses By Type	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total
FTZ Benefits						
Re-Exports ¹	\$1,375,000	\$1,512,500	\$1,663,750	\$1,830,125	\$2,013,138	\$8,394,513
Reject, scrap, & military sales	343,750	378,125	415,938	457,531	503,284	2,098,628
One-time benefit ²	---					
Ongoing duty deferral	782,031	860,234	946,258	1,040,884	1,144,972	4,774,379
Merchandise Processing Fee savings	400,000	440,000	484,000	532,400	585,640	2,442,039
Total FTZ Benefits	\$2,900,781	\$3,190,859	\$3,509,945	\$3,860,940	\$4,247,033	\$17,709,558
FTZ-RELATED EXPENSES						
Internal FTZ Operation Expenses	\$325,000	\$334,750	\$344,793	\$355,136	\$365,790	\$1,725,469
Grantee fees	8,000	8,240	8,487	8,742	9,004	42,473
TOTAL FTZ-RELATED EXPENSES	\$333,000	\$342,990	\$353,280	\$363,878	\$374,794	\$1,767,942
NET FOREIGN-TRADE ZONE BENEFITS	\$2,567,781	\$2,847,869	\$3,156,665	\$3,497,061	\$3,872,239	\$15,941,616
NET RENT DIFFERENTIAL/FOOT VIA FTZ (SAVINGS)	\$8.56	\$9.49	\$10.52	\$11.66	\$12.91	

¹Export benefits to Canada and/or Mexico subject to applicable free trade agreements.

Totals may vary, due to rounding.

Application and activation expense	\$95,000
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² One-time benefit available after 9 weeks	\$11,171,875
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