

CIMBAR FTZ Overview

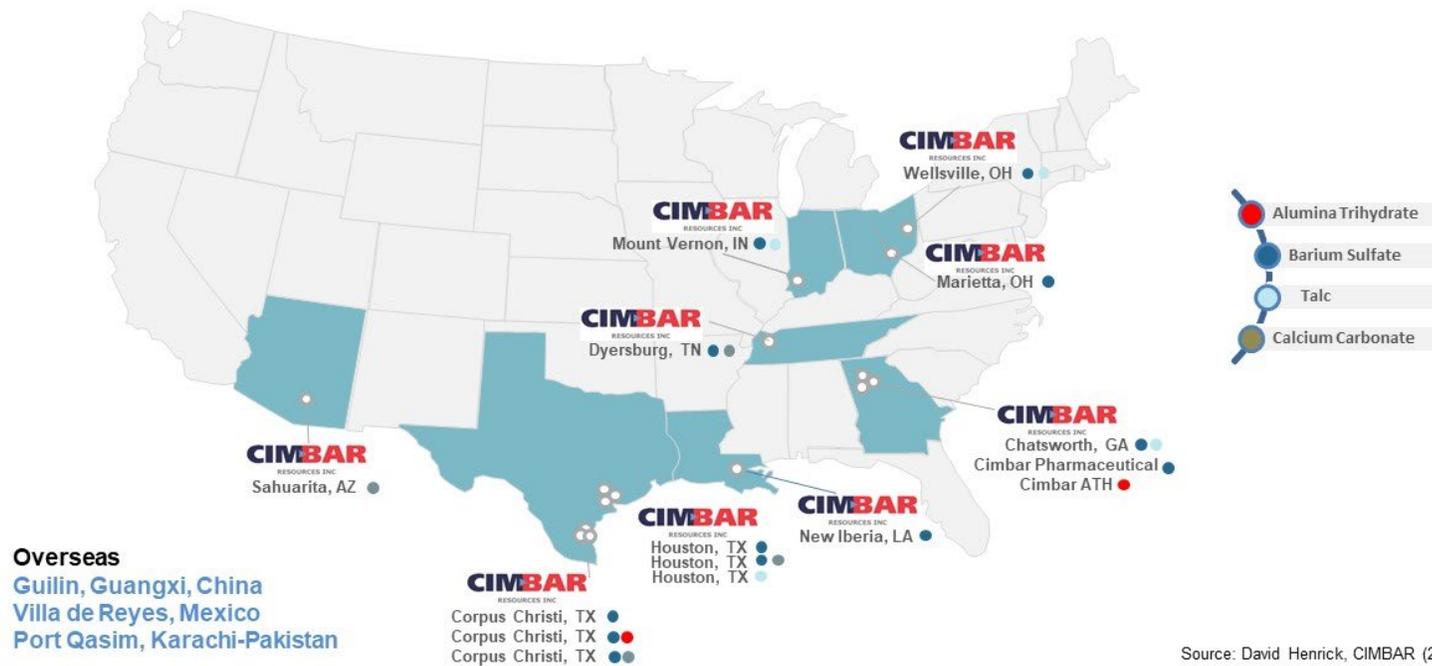


Presented by:

POCCA: Danielle Converse, FTZ Manager
CIMBAR: David Henrick, President

About CIMBAR

Cimbar is a leading supplier of barium sulfate. Established in 1914, Cimbar is globally recognized as a critical minerals supplier and produces industrial minerals at twelve production sites in the U.S. The Cimbar plant in Corpus Christi produces ground barite suitable for use in oil field applications.



Source: David Henrick, CIMBAR (2023)



CC Rentals

N Clarkwood Rd

Bronco Rail Road Terminal

BRRT

Coast Heating & Conditioning

Tyson Insulation

Mobley Safeway Solutions, Corpus Christi

Cimbar Performance Minerals

H & H Oil

WATER REPAIR

Agnes St

44

44

44

44

US Coast Guard Air Station Corpus Christi

Carr's Delivery Services

National Weather Service Office-Corpus Christi

Avis Car Rental

Atlantic Aviation CRP

Long Term Parking

Southwest

Enterprise Rent-A-Car

Corpus Christi International Airport

Joe Mireur Rd

763

Joe Mireur Rd

Google



Overview

- Sept. 2020: Acquired Baker Hughes Facility at 322 Manning Road
- Baker Hughes operated as FTZ subzone, but designation was terminated after acquisition
- Cimbar is reapplying for subzone status to access the available benefits under the FTZ program

Foreign-Trade Zones

Safeguarding American Jobs and Business

DANIELLE CONVERSE | FOREIGN TRADE ZONE MANAGER

Presented by



PORTCORPUSCHRISTI®

What is a Foreign-Trade Zone (FTZ)?

A Foreign-Trade Zone is a geographic area within the United States, in or near a U.S. Customs port of entry, where foreign & domestic merchandise is considered outside U.S. Customs territory.

Goods in FTZs remain in International Commerce.

Being outside Customs Territory is the legal position that provides FTZ benefits.

Normal tariff & Customs regulations apply *only* when goods enter U.S. commerce.



Key Players

Department of
Commerce
15 CFR 400



U.S. Foreign Trade
Zones Board
(FTZ Board)



Department of
Homeland Security
19 CFR 146



U.S. Customs & Border
Protection
(CBP)



Grantee
(Port of Corpus Christi)



FTZ Operators/ Users

Benefits of The Foreign Trade Zones Act

- **Exempts certain tangible personal property (inventory) from state and local ad valorem taxation.**

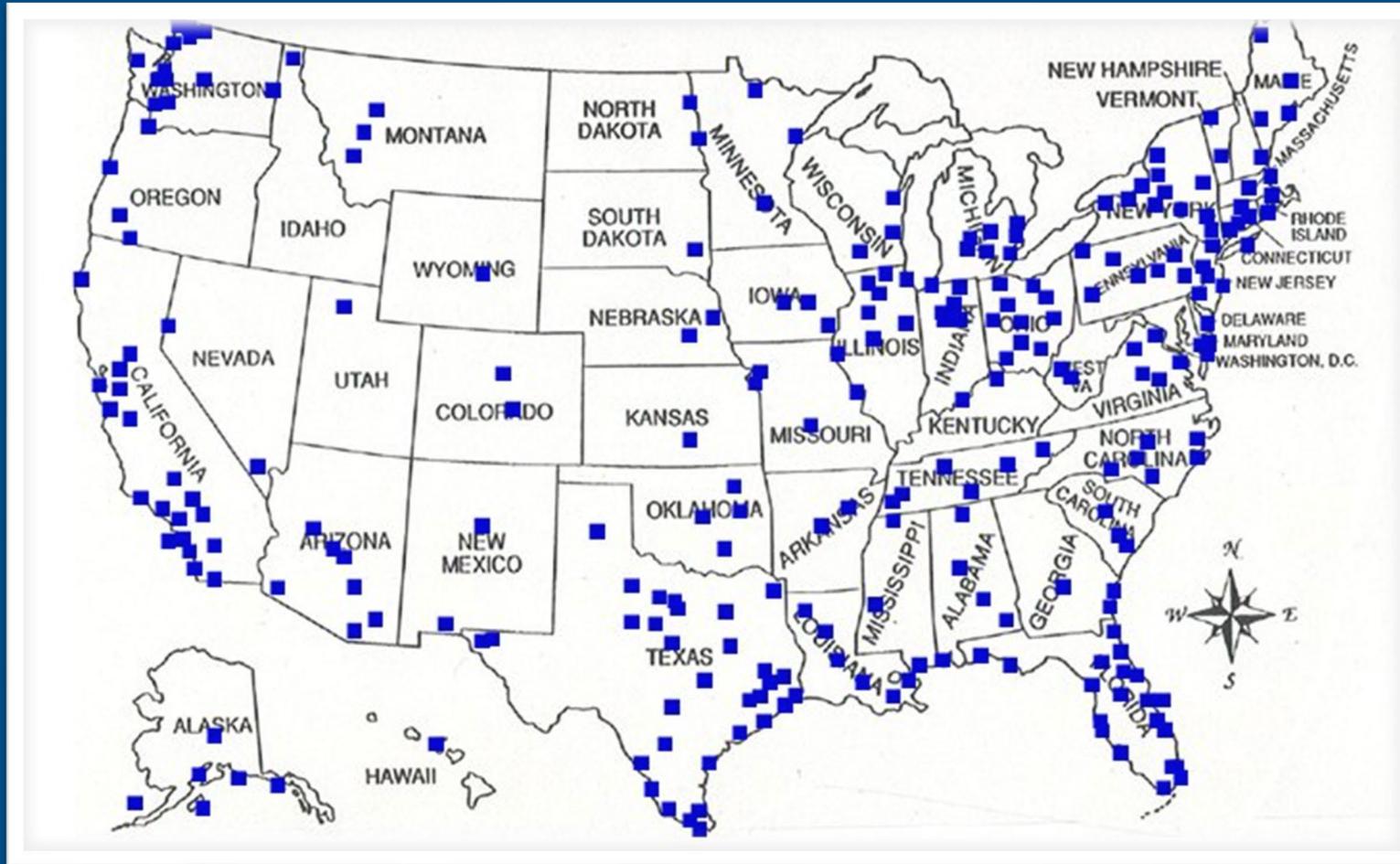
19 U.S.C. 81o(e) Tangible personal property imported from outside the United States and held in a zone for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, and tangible personal property produced in the United States and held in a zone for exportation, either in its original form or as altered by any of the above processes, shall be exempt from State and local ad valorem taxation.

Benefits of the FTZ Act



Import duties & Federal excise tax are not paid until, and unless, the goods enter the commerce of the United States

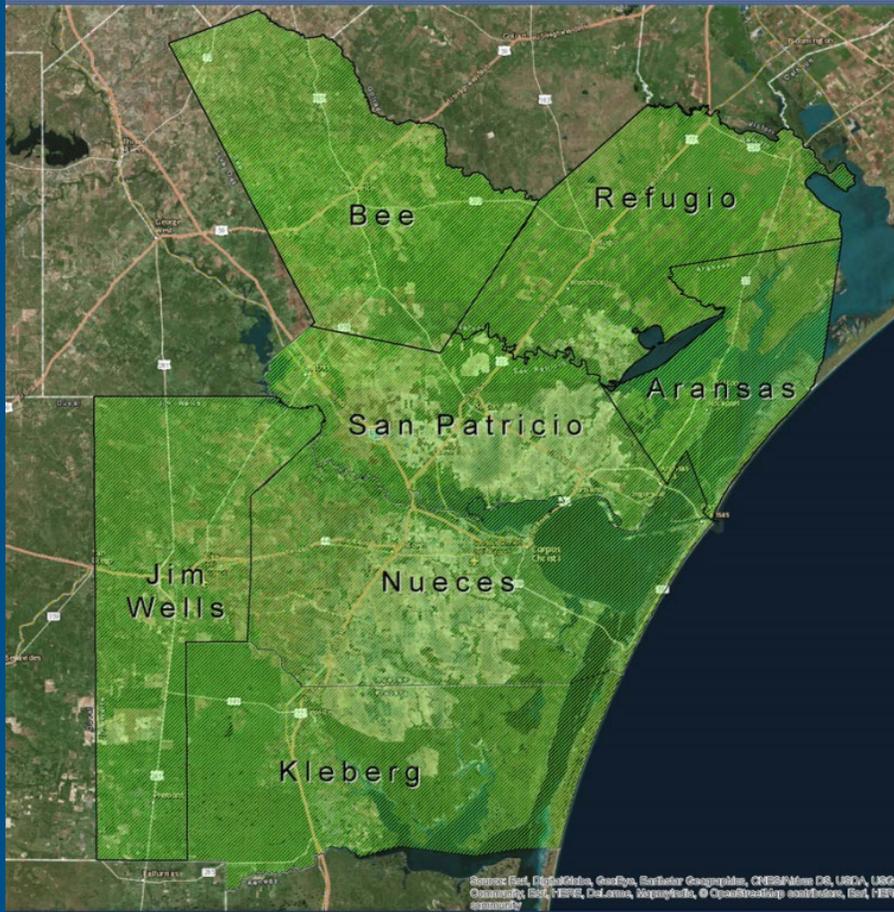
U.S. Foreign-Trade Zones



259 Approved/197 Active

Foreign-Trade Zone No. 122

Seven County Service Area



- **San Patricio County:**
 - Gulf Coast Growth Ventures (Polymers)
 - ArcelorMittal (Hot Briquetted Iron)
 - Cheniere Energy (Liquified Natural Gas)
 - Kiewit (Offshore Drilling Platforms)
- **Nueces County**
 - Citgo (Petroleum)
 - Valero (Petroleum)
 - Corpus Christi Polymers (Polymers)
 - MacroSource (Fertilizer)
 - Cimbar Resources (Barite)
 - Superior Weighting (Barite)
 - Halliburton (Barite)
 - Tex Isle Supply (Steel Tubular Goods)

Foreign-Trade Zone 122 Impacts

2022 Annual Report to Congress

Create Jobs & Investments

\$20.9 B 

Merchandise received

Retain U.S. Manufacturing

8 

Active Production Operations

Retain U.S. Employment

> 5,700 

Full time direct employees

Attract U.S. & Foreign Investment

12 Companies

FTZ Board Policies Regarding Local Tax Impacts

- If a state (TX, KY, AZ, LA, P.R.) has one or more taxes for which collections will be affected by the proposed FTZ designation of the new site(s) there are several items that must be included with the application for FTZ designation to be considered:
 - From Grantee – correspondence that lists all affected parties (local tax authorities) with a statement of certification that this is a complete list of all parties that would be affected by this request.
 - Grantee certification letter must be signed by an official of the grantee organization
- Correspondence from each of the affected parties indicating their concurrence (or non-objection) regarding the proposed FTZ designation



CIMBAR Project

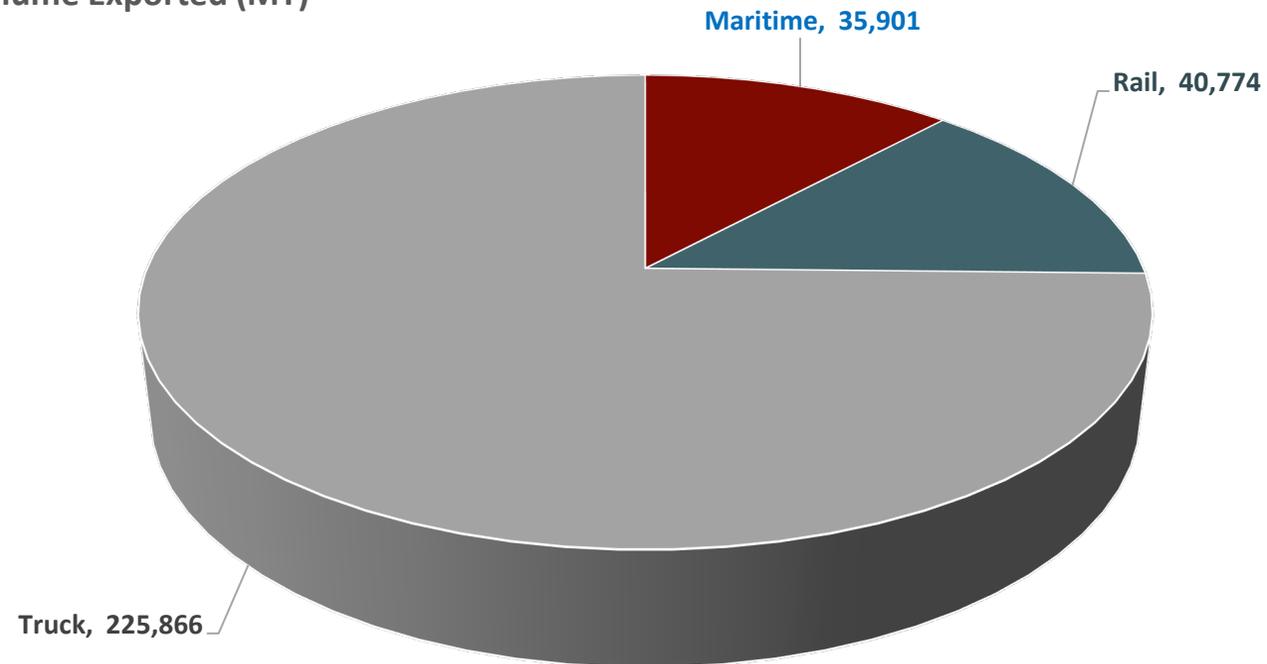
- Cimbar operates in a competitive industry facing pressures from imported finished goods primarily manufactured in Mexico
- Exports from Mexico have continued to rise, negatively impacting demand at Cimbar and overall production requirements
- Cimbar's ability to defer duty payment on imported raw materials, and manufacture goods under FTZ procedures to take advantage of the inverted tariff benefit afforded by the program assists Cimbar in maintain competitiveness and supports manufacturing in the U.S.
- The ability to leverage the federally available exemption from ad valorem tax on tangible personal property would further support Cimbar's competitiveness and future viability of Cimbar's operation at the site



Mexico Exports Spotlight

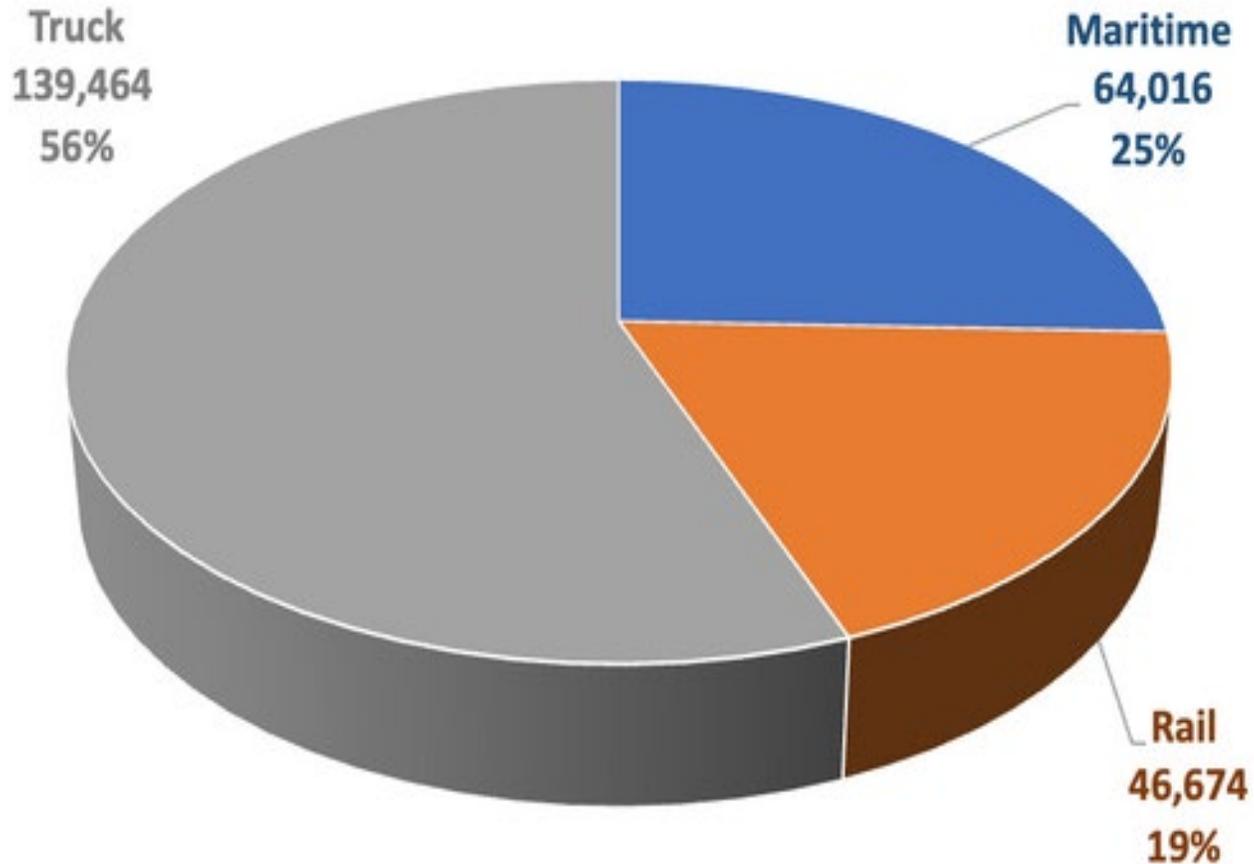
- **302,540 MT in 2022**
- 88% to USA
- Truck and Rail to South & West Texas
- Maritime to US GoM

Volume Exported (MT)



Source: Mexico Customs Data

Mexico Barytes Exports to US JAN-JUL 2023



Mexico's significance continues to grow
January to July YTD Exports 250,154 MT
On pace to set a new high of - 428,836 MT

Up 126,296 MT YOY (40%)

Maritime	64,016
Rail Truck	46,674
Truck	139,464
TOTAL YTD	250,154
Annualized	428,836

Source: Mexican Customs



Project Background

- Primary FTZ benefits available to Cimbar under the FTZ act are:
 - Duty deferral while goods are stored in the FTZ
 - Inverted tariff benefit on goods manufactured in the FTZ with approved production authority
 - Exemption from state and local ad valorem taxes from certain tangible personal property (i.e. inventory)



Project Background

- The exemption from state and local ad valorem taxes is permitted by the Foreign Trade Zones Act
- While the exemption is permitted under the ACT, for the limited states that continue to maintain an inventory tax, the FTZ Board requires a letter of concurrence or support from each of the impacted taxing authority in support of the project and acknowledging the exemption

Impact Report



IMPACT REPORT

CIMBAR

IDS Scenario w/o Inventory

Business Retention & Expansion
 Advanced Manufacturing

Nueces County Hospital District



NET BENEFITS		\$15,940
Present Value		\$12,232
BENEFITS		
Real Property Taxes		\$9,325
FF&E Property Taxes		\$6,615
Inventory Property Taxes		\$0
New Residential Property Taxes		\$0
Benefits Subtotal		\$15,940
COSTS		
None Estimated		\$0
Costs Subtotal		\$0

NET BENEFITS OVER 10 YEARS	
CITY	\$201,709
COUNTY	\$39,139
SCHOOL DISTRICT	\$173,010
OTHER	\$112,738

JOBS

26.3 Total
 12.0 Direct
 14.3 Spin-off

SALARIES

\$45,276 Avg
 \$59,500 Direct
 \$33,342 Spin-off

CAPITAL INVEST.

\$825,986
 FF&E

RESIDENTIAL DEV.

0 Homes
 0 Relocations

Request

Seeking “Letter of Concurrence” from taxing entities in support of FTZ application to receive designation as a Subzone by the U.S. Foreign-Trade Zones (FTZ) Board in FTZ # 122



Sample Concurrence Letter

Sample Letter of Concurrence

DATE

Ms. Danielle Converse
FTZ Manager
Port of Corpus Christi Authority
400 Harbor Drive
Corpus Christi, TX 78401

Dear Ms. Converse:

The purpose of this letter is to document the support of *(Taxing Entity)* for Cimbar Resources, Inc.'s application to establish and operate under Foreign Trade Zone designation under the auspices of the Port of Corpus Christi Authority, Grantee of Foreign-Trade Zone #122.

We believe the economic benefit this company brings to our area make it a valuable asset and will have a positive impact upon the local economy, local employment, and economic development in the region.

We understand that imported inventory and inventory held for export in the foreign-trade zone will be exempt from ad valorem tax.

(Taxing Entity) is fully supportive of the proposed FTZ designation for Cimbar Resources, Inc. and recommends expedited review and approval of the application.

Sincerely,

Name
Title

cc: Nueces County Appraisal District



Questions?

