

**Annual Report – Foreign Trade Zone #176
Rockford, IL**

**ANNUAL REPORT - October 1, 2006-September 30, 2007
FOREIGN TRADE ZONE #176 - ROCKFORD, ILLINOIS**

PART I. SUMMARY OF ACTIVITY – ZONE PROJECT

FTZ status has helped Nissan Forklift by eliminating and delaying duty payments of foreign supplied materials used in finishing forklifts and part distribution. Import costs are reduced. Therefore, forklift production continues to occur domestically rather than overseas like many of Nissan's competitors. Employment levels have been maintained here.

Nissan experienced a 5% sales increase for 2007. That was due in part to our competitiveness in the market which was partly driven by FTZ savings.

Nissan Forklift Corporation

Some of our competitors are locating in Puerto Rico, due to the many pharmaceutical manufacturers on the island. By establishing the FTZ in Rockford, Anderson Packaging is able to offer the same marketing advantage of packaging at the customer's direction and risk, prior to the product receiving the final approval from the FDA. In an arena when the delay of a single day to market of a product can be \$1 million per day, this represents a significant advantage.

Anderson Packaging, Inc. (Chad Spatz, Warehouse Manager)

FTZ #176 HISTORY – The Greater Rockford Airport Authority (GRAA), Grantee to Foreign Trade Zone No. 176 (FTZ #176) reports foreign merchandise activity at two (2) subzone and two (2) sites in the general-purpose FTZ #176 during the period beginning October 1, 2006 through September 30, 2007. At this time, the activity at the two sites in the general-purpose zone is pharmaceutical packaging; the subzone activity reflects two divisions of the same international firm, Nissan. One company assembles engines from foreign, pre-manufactured components; the other, forklifts. As of the date of this report, no manufacturing or processing activity was recorded within the General Purpose Zone (GPZ) of FTZ #176 as it is not approved under the original Grant of Authority. That may well change within the coming fiscal year with new partners emerging.

The original grant was issued in 1991 to cover 1,972 acres at the site of the Chicago Rockford International Airport. Expansions of 1,056 acres in Rochelle (near the Global III Intermodal Hub) and 74 acres in Woodstock were granted in 2005 and 2006. The Union Pacific Railroad/City of Rochelle/Global III Intermodal Hub requested the expansion of the Port of Entry (POE), moving the southern boundary approximately 10 miles from Illinois Route 72 east and west, to a point Interstate 88 east and west. CBP approved this expansion effective February 16, 2006. We note this expansion request met the adjacency requirement prior to the proposed POE boundary change. Over the past year, we worked with our consulting firm, PointTrade Services, to prepare an Expansion & Reorganization Application (Application) submitted in November 2007.

FTZ #176 SITE/SUBZONE COMPOSITION – At this time, FTZ #176 consists of five (5) approved subzones and seven (7) approved general-purpose zone sites. The status of subzones today: two (2) subzones have been de-activated; one of these has written to request disaffiliation with the FTZ program. Of the other three (3) subzones, one (1) is lapsed the other two (2) are activated and reporting foreign merchandise activity. We have a number of subzone prospects and will turn our attention to them as soon as the Application process is complete.

As for the GPZ sites, one has been disaffiliated and another has turned back their acreage which is now zoned residential. Of the remaining, two (2) are activated and the other three (3) are Greenfield sites owned by large developers. One Greenfield site changed hands (from DP Partners to ProLogis) this past summer. With three sites/subzones (Murphy-Leek Warehouse/Site #2, Black Earth/Site #5 and Milk Specialties/#176A) leaving the Zone, we are left with four (4) activated and an additional five (5) approved for a total active membership of nine (9). The Zone Schedule is currently available at the Greater Rockford Airport Authority offices (60 Airport Drive) and at US Customs & Border Protection (50 Airport Drive), Rockford, IL.

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RFD BACKGROUND – The Greater Rockford Airport benefits from having U.S. Customs and Border Protection (CBP) Port of Entry offices located at the Airport. As a Port, inspectors assist daily with U.S. Customs clearances generated by local companies importing goods and materials as well as assisting with international, corporate aircraft clearances. Customs inspectors from RFD also provide inspection services to the Global III Intermodal facility located in Rochelle, IL. The increase of traffic in Rochelle has resulted in a marked increase in customs entries. The average in 2005 was 450; in Dec 2006, entries totaled 2,907 and in Jan 2007, they were 3,321. This represents nearly an 8-fold increase!

While the Rockford Port does not currently utilize the E-214, that day is coming. We are meeting with the incoming new Port Director (Adam Rottman) to discuss the expected growth of International passenger service and the expanding FTZ program participation.

The federal presence at RFD includes FIS (federal immigration services), enabling Rockford Airport to provide international passenger service. In time for the 2007 holiday rush, we had a new jet bridge at our international terminal (and 2 more at the main terminal to accommodate growth in domestic service).

In January 2007, CBP awarded permanent CES (centralized examination station) status to Todd Transit/Todd Special Services which is located within a mile of the airport. The potential to clear freight through Customs in Rockford rather than Chicago is attractive to local business. Supply chain savings will be substantial with a CES which can now break container seals and sometimes deliver freight the same day it is cleared.

Several years ago, the Greater Rockford Airport Authority changed its public name to Chicago Rockford International Airport (RFD). During 2006 passenger service grew by 9% and produced a record for RFD: 172,200 passengers. Currently ranked as 220st largest passenger service airport (2006), we expect to move up based on the final numbers for 2007. RFD surpassed the 2006 totals in the fall and added 2 additional routes in November. Cargo service is also growing, in part as a result of the opening of the new UPS facility to handle heavy freight. We currently stand as 22nd largest air cargo airport. With the 2008 construction of Phase I of Tandem Development cargo building construction (72,000 square feet with parking for 13 large cargo planes), we anticipate cracking the top 20 within the next year or two.

Employment at industrial and aviation businesses at RFD is growing among aviation and industrial tenants at the airport. There is also considerable activity in the development arena. With over 1,000 prime acres of airfield-side property available, RFD provides an attractive alternative to O'Hare with congestion, massive reconstruction projects and high cost of land. Major developers are turning westward inside the Chicago basin. This fall we announced the partnership with Tandem Development. In addition, several other major development deals are in the work. Smaller prospects are also emerging for new construction and leases on the limited existing inventory at the airport.

Additional factors driving development in the region: new entrepreneurial political leadership and award of a new government program (RERZ–Rivers' Edge Redevelopment Zone) which is similar to an Enterprise Zone. We continue to take advantage of the City of Rockford 7,000 acre Global Trade Park that incorporates a Tax Incremental Finance (“TIF”) district. While the Rockford Airport/FTZ #176 is located within the epicenter of the designated TIF District, it represents a significant portion of the Global Trade Park. The availability of the TIF, the third largest UPS Hub, Global Trade Park, Global III Intermodal Hub, an International-grade airport and FTZ #176 will significantly enhance the marketing capabilities of the Midwest region.

FTZ #176 GROWTH & DEVELOPMENT – In addition to a newly-activated subzone, FTZ #176 has experienced increased interest in new FTZ applications and neighboring FTZ activity. As a result, a half-time position (FTZ Specialist) has been created. With Board approval, staff engaged a consulting firm, PointTrade Services, Inc. to assist with a thorough repositioning of the program for success.

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In the fall of 2006, Operating Agreements were rewritten and executed with the four (4) activated sites and subzones. The new Tariff Schedule #3 fee structure includes charges to inactivated sites and developer greenfield sites, in an effort to encourage developers to activate available acreage to discourage 'land-banking' of FTZ approved property without activation. In addition, the new fees (see attached schematic) acknowledge the partnership of other economic development entities which will not pay an annual fee after approval; when the land is acquired (purchase or lease) by a for-profit firm, this new partner will then owe the annual fee. Additional income has been reinvested in the program to cover expenses for staff travel and education, marketing materials, consulting fees and costs to cover education and meetings with partners and prospects.

The major push over the past 12 months has been to market the Zone to prospects and the general public and unearth the demand for program services. The first step was a two-day workshop presented by Tommy Berry of PointTrade Services. The invitation list was developed by staff; it included 150 current import/exporters, FTZ #176 partners, government and quasi-government staff focused on economic development, attorneys, GRAA staff and Board. The first day (Jan 17) included a 6-hour seminar for decision makers attended by 55 representatives of 17 prospective partners plus economic development partners, RFD tenants and interested citizens. The next day, Mr. Berry presented to 20 economic development partners, realtors and FTZ Greenfield site partners on marketing the program. On subsequent visits to Rockford, Berry has reprised his marketing presentation. He returned six weeks after the January presentations, meeting with 12 firms in only two days and has continued to put Rockford on his travel schedule to continue to work with our prospects.

Promotion efforts include website coverage (www.flyrfd.com) and preparations of marketing literature (brochure and PowerPoint presentation). Between June 1, 2006 through Nov 21, 2007, we generated 79 bona fide prospects with 2 dozen still active beyond the incoming partners. Of these leads, 20 have come from economic development partners (RAEDC/Rockford Area Economic Development Council, City of Rockford Dept of Community Development, Winnebago County, GREDCO (economic development agency in Rochelle), several mayors and the U.S. Dept of Commerce) and a dozen from media coverage. The print and electronic coverage resulted from the January 2007 workshop and subsequent development in preparation for the late fall Application. As for the economic development officers: we actively courted these partnerships with private meetings, briefings, dinners and educational offerings. They have contributed greatly to the development of FTZ #176. The Rockford Area Economic Development Council, Northern Illinois University, US Dept. of Commerce and several other presenting sponsors are hard at work with GRAA staff to prepare a two-day Global Trade Seminar during Global Trade Week (May 12, 2008).

Marge Bevers attended the 2006 NAFTA Annual Meeting in Phoenix, AZ along with representatives of Nissan Forklift and incoming partner, Greenlee. She presented a workshop with the working title of "Extreme Makeover" on marketing for growth of a static Zone project. In November, she was appointed as co-chair of the Grantee Committee of the NAFTA.

CONCLUSION – With the anticipated approval of the Application in the summer of 2008, FTZ #176 is positioned for rapid growth. Active sites/subzones will double from the current nine (9) to 18. New partners are the Abilities Center/their facility and Counselor Scale, Alhark Corp/Mallquist Butter & Egg building, Amphenol-Antel, City of Rockford/Logistics Park, Greenlee/3 buildings, Hendricks Development Group/Essex Wire, Target Corp (inside Park 88, DeKalb), Venture One (3 industrial parks: Loves Park Corporate Center, Park 88 in DeKalb and Rock 39 in Cherry Valley) and 4500 Kishwaukee/former National Lock complex. We anticipate two incoming partners to activate during calendar 2008, increasing our activated members by 50%. We project a 400% growth of product moving through the Zone sites/subzones between 2006 and 2008, and doubled annual fee revenue to the Grantee in 2007 to cover the increased cost of operating the program. All of these measurement tools indicate a bulls-eye as we strive to fulfill the GRAA mission *to increase wealth, retain or create jobs and enhance the quality of life in the region.*