

GREATER KNOXVILLE FOREIGN TRADE ZONE #148

ZONE SCHEDULE 2

**FEES AND CHARGES APPLICABLE AT
FOREIGN TRADE ZONE #148**

Operating under Grant of Authority of
the Government of the United States of America to
The Industrial Development Board of Blount County
and the Cities of Alcoa and Maryville, Tennessee

(Board Order No. 384, 53 F.R. 26095, 7/11/88)

And administered under contract by

The Community Reuse Organization
Of East Tennessee

1020 Commerce Park Drive, Suite L
Oak Ridge, TN 37830

Effective

February 20, 2013

Cancels and replaces former Schedule titled

Foreign Trade Zone #148 Tariff No. 1A

adopted August 26, 1994

Original Tariff No. 1

Adopted March 27, 1989

Prepared by Jeff Deardorff

ADMINISTRATIVE INFORMATION

GRANTEE

THE INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES
OF ALCOA AND MARYVILLE, TENNESSEE
201 South Washington Street
Maryville, Tennessee 37804-5728

GREATER KNOXVILLE FOREIGN TRADE ZONE ADVISORY COUNCIL

Brad Sayles, Chairman

Bill Biloski	Tim Thompson
Peter Jones	David Swanner
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ADMINISTERED BY

THE COMMUNITY REUSE ORGANIZATION OF EAST TENNESSEE

Jeff Deardorff

Zone Manager

1020 Commerce Park Drive, Suite L

Oak Ridge, TN 37830

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Section 100: Knoxville Zone Description

101. Definitions. A list of the terms (and acronyms) used in this Zone Schedule are defined in Appendix A.

102. Grantee. The Grantee of the Greater Knoxville Foreign Trade Zone is the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee. This organization, with concurrence from the Knoxville zone application's sponsors, agreed to assume this responsibility on behalf of the region in the process of successfully recruiting and siting Denso (formerly Nippondenso Tennessee) in Maryville, Tennessee. The Grantee is provided regional guidance, technical and administrative assistance and recommendations regarding the Knoxville FTZ's management and administration from the Greater Knoxville Foreign-Trade Zone Advisory Council (See Section 201).

103. Zone Operating Framework. The Greater Knoxville Foreign Trade Zone is a multi-site Zone Project organized and administered in accordance with the FTZ Board's Alternative Site Framework (ASF). The Greater Knoxville Zone Program was authorized to operate under ASF protocols on July 23, 2012 (FTZ Board Order 1841).

104. Knoxville Port-of-Entry. The Knoxville Zone Project operates adjunct to the Knoxville Port-of-Entry which consists of Anderson, Blount and Knox Counties. The Customs and Border Protection offices are located at the John Duncan Federal Building, 710 Locust Street, Room 435, Knoxville, Tennessee, 37802.

105. Service Area. The Greater Knoxville Foreign-Trade Zone Service Area includes the three counties comprising the Knoxville Port-of-Entry (Anderson, Blount and Knox), and the surrounding counties including Campbell, Claiborne, Cocke, Cumberland, Grainger, Jefferson, Loudon, Monroe, Morgan, Roane, Scott, Sevier and Union Counties. A map more clearly defining this geographical area is provided in Exhibit B, and is hereby incorporated as part of this Zone Schedule. All sixteen counties are compliant with Customs and Border Protection adjacency requirements.

106. Zone Sites. FTZ #148 Zone Project, as of the date of adoption of this Zone Schedule 2, consists of seven (7) zone sites comprising a total of 327.7 acres:

- Site 2 Usage-driven 42 acre Site located in Crossville, Tennessee (Cumberland County), and operated by CoLinx
- Site 3 Permanent Magnet Site consisting of 190 acres within the Partnership Park South Industrial Park on U.S Highway 321, Maryville, Tennessee (Blount County), owned by Grantee.
- Site 4 Magnet Site of 13 acres located in Oak Ridge, Tennessee (Roane County), and currently owned by the U.S. Department of Energy (DOE).
- Site 5 Magnet Site consisting of 71 acres located in Eagle Bend Industrial Park, Clinton, Tennessee (Anderson County), and privately owned.
- Site 6 Usage-driven 6 acre Site located in Crossville, Tennessee (Cumberland County), and operated by CoLinx.
- Site 7 Usage-driven 5.7 acre Site located in Crossville, Tennessee (Cumberland County), and operated by CoLinx.
- Site 1 This former McGee Tyson Airport zone site was removed from the Knoxville FTZ pursuant to the FTZ Board's approval for the Knoxville Zone Project to operate under ASF.
- FTZ #148A This was a special purpose subzone approved by the Board and located in Bristol, Virginia, owned by Smith-Kline Beecham, but never activated. Its authority to operate has lapsed under the Board's sun-set provisions, and it now lies outside the Zone Service Area under the Knoxville Zone's ASF.
- FTZ #148B This is a special purpose sub-zone site located in Forks of the River Industrial Park (Knoxville) operating adjunct to to the Greater Knoxville Foreign Trade

Zone. It is owned and operated by KEMET Foils Manufacturing, LLC (formerly known as Cornell Dobilier Foil, LLC).

107. Types of Zone Sites. Operating under ASF, the following types of Zone Sites are available within the Knoxville Zone Project:

Magnet Sites. Magnet sites are intended to serve or attract multiple operators or users under the ASF. These sites contain acreage that may be leased or sold in various sizes to companies that wish to undertake operations while utilizing FTZ procedures. The owner of any such site may lease or sell the property (structures or land) to potential Zone Operators. Any company may locate within any Magnet Site and operate under Zone procedures pursuant to approval by the FTZ Board and activation approval by CBP.

Usage-driven Sites. A usage-driven site is tied to a single operator or user under the ASF. These sites may be located virtually anywhere within the FTZ Service Area and are operated by companies seeking FTZ advantages, but whose operations are not appropriate or economically feasible to conduct at the Magnet Sites.

Subzone. Subzones are sites (or groups of sites) established for a specific use; special-purpose zones, approved for a specific company/use. This type of site is not really defined any differently under ASF. However, under ASF and within the Service Area, Subzones can be approved under a less formal application which, under certain conditions, can be approved within 30-days of an application, and are not subject to the Board's application fees. Subzone established outside the Zone Service Area require additional information, take 3-5 months to process once accepted by the Board, and are subject to the Board's fee structure.

Section 200: Zone Administration

201. FTZ Advisory Council As a multi-site, multi-county zone project, the Grantee receives recommendations and policy guidance from the Greater Knoxville Foreign Trade Zone Advisory Council (Council). This seven-member Council is comprised of delegates from the economic development organizations that represented their respective counties in the establishment of the Knoxville Zone Project. These include two appointees each from The Industrial Development Board of Blount County (Grantee), the Knox County Industrial Board, one from the Oak Ridge Industrial Board, one from the Anderson County Economic Development Association (formerly the Melton Hill Industrial Development Agency), and one from the Community Reuse Organization of East Tennessee (CROET), the contracted zone manager. Thus each of the port-of-entry counties (Anderson, Blount and Knox) are represented on the Council. The Grantee receives recommendations from the Advisory Council prior to taking actions that would affect the region served by the Knoxville Zone Project.

202. Zone Manager. The Zone Manager is the individual responsible for the overall administration of the Knoxville Zone Program pursuant to the FTZ Board Regulations and the adopted Zone Schedule. This individual also supports the region's governments and economic development professionals in the recruitment of zone users and provides oversight of any Grantee-sponsored FTZ applications. The Zone Manager serves the Knoxville FTZ Advisory Council, but is ultimately accountable to the Grantee. Historically, the Zone Manager's services have been contracted to regional economic development organizations where FTZ administration has been performed adjunct to that agency's primary economic development mission. This arrangement provides significant economies not otherwise available if the Knoxville Zone Program were operated as a separate stand alone organization. The Grantee's contactor for zone administration is the Community Reuse Organization of East Tennessee (CROET).

203. Zone Site Operator. Sometimes referred to as the User/Operator, this is the corporate entity that is directly and solely responsible for the management and administration of a specific

Zone Site. The authority to operate each Zone Site is provided by the Grantee through a Grantee-Operator Agreement that defines the roles, rights and responsibilities of each of the parties to the Agreement. Each Agreement contains standard contractual provisions to assure uniform treatment for all zone participants as prescribed by the FTZ Board's Regulations. The Grantee of FTZ #148 does not serve as a Zone Site Operator for any Zone Site.

204. Landlord. For the purpose of Zone Administration, the Landlord is defined as the owner (person or business entity) of the property and/or building or facilities located within the boundaries of each Zone Site. Some Zone Sites may have multiple property owners. The use and occupancy arrangement (e.g. lease) and terms under which Zone Operator occupies and utilizes said property, buildings and facilities is considered a business relationship and agreement between those two parties and not the Grantee or Zone Manager. The arrangement shall not conflict with or supercede the provisions of Sections 301, 302, and 303 of this Zone Schedule.

205. Public Utility Principles. The Greater Knoxville Foreign Trade Zone is administered under public utility principles, and all rates and charges for all services or privileges within the zone shall be fair and reasonable with uniform treatment of all Zone Users. All Zone Operators of public warehouse facilities (if established) at any Zone Site are required to perform with this mandate pursuant to the FTZ Act for the federal privilege of use of zone procedures.

206. Grantee-Operator Agreement. All companies or individuals who request the Grantee to apply for authority to establish a Zone Site or Subzone must first agree to enter into an Agreement with the Grantee detailing the terms and conditions under which such authority is granted, and the rights and responsibilities of the parties. When the Operator of an approved Zone Site is the exclusive user of the Site, this Agreement is referred to as the Grantee-User/Operator Agreement. This agreement contains certain standardized provisions assuring "uniform treatment" of all Operators, but also contain provisions specific to the circumstances of the User/Operator. This agreement is normally prepared during the application process but not signed until an application has been approved by the Board.

207. Application Process. The Zone Manager is available to respond to any and all inquiries regarding applications for establishment of Zone Sites at no cost to the prospective user. A pre-application meeting is arranged if prospective user and the Manager believe the application would be cost-effective, and to review the role and responsibilities of the respective parties engaged in the application approval process.

(A) The prospective user actually “prepares” the application often with the assistance of a 3rd party consultant expert in international trade and familiar with the FTZ Board’s Regulations. This is because most of the critical data required by the Board is generated and provided by the prospective user. The consultant used by the prospective user cannot perform certain key FTZ functions for the Grantee as prescribed by Section 400.43.d of the FTZ Board Regulations, or otherwise present (or appear to present) a conflict of interest between its services to the prospective user and any services provided to the Grantee.

(B) The Zone Manager provides oversight to the application process and assists the prospective user (and its consultant) by providing local and regional demographic and economic data required for the Board’s analysis, supporting documentation (e.g. charters and enabling legislation), and otherwise performing the administrative tasks for the Grantee (e.g. advising, correspondence, resolutions, etc.) in support of the application. The Council (Section 201) reviews the draft of the application, considers the counsel and advice of the Manager, and then makes recommendations to the Grantee. The Zone Manager’s substantive engagement in the application process begins pursuant to the prospective user’s payment of the Application Fee (Section 403). It is during this process that a draft of the Grantee-Operator Agreement (sometimes referred to as the Grantee-User/Operator Agreement) is prepared. This agreement is not executed however until the application is approved by the Board and all fees are paid.

(C) Upon considering the recommendation of the Council, the Grantee officially acts on the prospective user’s request and “submits” the application to the FTZ Board on behalf of the

prospective user. Note that the prospective user “prepares” the application with the assistance of the Grantee’s Manager, but the application can only be submitted to the FTZ Board by the Grantee. The Grantee-Operator Agreement is approved by the Grantee at this point, but not executed until approved by the Board, and all fees have been paid.

(D) Once approved, the Zone Site Operator must gain approval from CBP for activation of the new Board-approved Zone Site. The Manager, on behalf of the Grantee will support the User’s activation of the new site after the Board’s approval. However, gaining CBP approval to activate is solely the responsibility of the new Zone Operator.

Section 300: Rules and Regulations

301. Zone Regulations. The rules, policies and regulations stated herein for utilizing zone procedures within Foreign Trade Zone #148 are intended to be consistent with and supplementary to the Foreign-Trade Zones Board's Regulations and as they may be amended from time to time, as well as the United States Laws and Regulations relating to Ports-of- Entry as are applicable to foreign trade zone operations.

302. Zone Rules and Procedures. All persons and merchandise of every description entering or leaving FTZ #148 for any purpose whatsoever shall be bound by the lawful regulations of the Foreign-Trade Zones Board and the Greater Knoxville Foreign Trade *Zone Schedule* adopted and issued by the Grantee, The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee.

303. Laws of Government Agencies. All lawful regulations regarding government agencies in or about ports of entry must be complied with insofar as they are not in conflict with the FTZ Act, Customs and Border Protection Regulations, and any other governmental regulations issued thereunder.

304. Insurance Requirements. Zone Operators shall obtain and keep in force during the Term of the Grantee-Operator Agreement the following policies of insurance, naming Grantee as additionally insured:

(A) Comprehensive general liability insurance and personal injury liability insurance, insuring Operator against liability for injury to persons or damage to property occurring in or about the Zone Site or arising out of the alteration, maintenance, use or occupancy thereof. This insurance shall specify a single occurrence policy limit of at least \$1,000,000;

(B) Worker's Compensation insurance insuring Operator from all claim for personal injury, disease and/or death under the worker's compensation law of the State of Tennessee in the amounts required by law.

(C) Insurance required to be obtained by Operators hereunder shall be in companies rated A+, AAA or better in "Best's Insurance Guide", and licensed to do business in the state of Tennessee. Operators shall furnish Grantee proof of insurance policies upon execution of the Grantee-Operator Agreement. Such policies shall provide that coverage may not be canceled or reduced without at least ten (10) days written notice first being given to Grantee.

305. Public Interest, Health and Safety. No operation or process will be permitted in the Zone that, in the judgment of the Zone Manager or Landlord, is detrimental to the public interest, health and safety.

306. Confidentiality. The Zone Manager will take precautions to avoid divulging confidential information regarding merchandise and services thereon performed in the Zone. This confidentiality will also be provided with respect to the Annual Report to the FTZ Board if so requested in the Zone Operator's Annual Report draft submitted to the Zone Manager through OFIS (See Section 308).

307. Admittance to The Zone. Persons desiring admittance to any activated area of any Zone Site shall be required to abide by the protocols adopted by each Zone Operator and as otherwise provided for in the CBP - approved Cargo Security Plan for the Zone Operator and FTZ Board Regulations. All persons conducting business in any of the Zone Sites shall enter and exit at the entrance specified by the Zone Site's respective Zone Operator.

308. Annual Reports. The Zone Site Operator shall provide, by February 15th of each year, all data and information to the Zone Manager as may be necessary to enable the Grantee to file its Annual Report, such information is specified by the FTZ Board. Additionally, the FTZ Board

requires the Operator to submit annual reports online, using the FTZ Board OnLine FTZ Information System (OFIS) – As required by the FTZ Board, Grantee will provide access and codes to the OFIS website. The FTZ Board requires grantees and operators to use the OFIS site to transmit required data (i.e., annual report data). Grantee does not warrant security of the FTZ Board’s website and is not responsible or liable for the site’s maintenance or security.

309. Construction or Renovation of Structures in Zone Sites. Construction of any structure in any designated Zone Site must meet the Zoning laws and Building Code adopted by the respective City and County having such jurisdiction for the property in which the Zone Site is located. In addition, each Zone Operator must have the written permission of the Landlord and abide by any restrictive covenants that may be recorded and applicable to the Landlord’s property or the Zone Operator’s property if purchased from the Landlord. The Grantee is not a party to any lease or property purchase between a Landlord and Zone Operator unless the property is located in the Magnet Site (Site 3) which is owned by the Grantee.

310. Physical Limitations. Zone Services at public facilities (if established) in a Zone Site may be limited due to the size and/or configuration of the Site. Where such limitations apply, Zone Operators shall provide and make services and facilities available on a “first come-first served” basis.

311. Responsibility for Costs. Zone Users (including Zone Operators) are responsible for the payment of all CBP charges and fees as well as all other costs applicable to any and all government agencies. Neither the Grantee or Zone Manager shall be responsible for said costs.

312. Hazardous Commodities. All Zone Sites shall not be required to accept for storage any commodity that will affect the rate of insurance or the rate of insurance for other merchandise in storage at a Zone Site. Otherwise, Zone Users shall comply with all Federal, State and local laws regarding the possession and storage of materials considered hazardous. Landlords and Zone Operators may have additional requirements with respect to storage of hazardous materials.

313. U.S. Customs Bond Requirement. As a condition of zone use, Zone Operators are required to obtain and maintain throughout the timeframe in which a Zone Site is activated, a U.S. Customs Bond in an amount sufficient to cover loss of revenues to the United States in the event of any error, impropriety or fraudulent act committed by the Zone User. The amount of this bond is set by CBP . The Zone Operator's failure to acquire this bond or Operator's failure to renew the bond prior to expiration shall provide cause for termination of the Grantee-Operator Agreement and zone privileges and services.

314. Indemnification of Grantee and Zone Administrator. All Zone Operators and Zone Users shall agree to indemnify and hold harmless Grantee and its contracted Zone Manager (The Community Reuse Organization of East Tennessee) from any and all liability, loss, damage, attorney fees and costs, whether insured or not, arising from any claim, cause or causes, including duties owed to the United States as a result of any impropriety or fraudulent act of the Operator or User while in, upon, or adjacent to, or in any way connected to the Greater Knoxville Foreign Trade Zone.

315. Operations and Procedures Manual. Pursuant to the Customs and Border Protection and FTZ Regulations, each Zone Operator is required to develop and maintain an Operations and Procedure Manual as specified in the Regulations and to make this document available as required. This requirement is also specified in all Grantee-Operator Agreements.

316. Zone Schedule. All Zone Operators conducting public warehouse operations (if any) under zone procedures are required to develop and maintain a Zone Schedule pursuant to the FTZ Board Regulations, and to post the Zone Schedule as required by the Regulations. The Zone

Operator's Zone Schedule (for public warehousing zone-related services) shall be appended to the Grantee's Zone Schedule prior to activation of the Zone Site.

317. Interpretation. Ultimate interpretation of the Zone Schedule is reserved completely and exclusively by the Grantee who, when consulted by and after receiving the recommendation of the Knoxville Foreign Trade Zone Advisory Council, shall provide the final decision on interpretation and applicability of the charges, rates, rules and regulations in this Zone Schedule.

Section 400: Charges and Fees

401: Fees. Administrative fees are charged by the Grantee of FTZ #148 to help offset the costs associated with Zone establishment, maintenance and administration. These fees are structured to be consistent with the provisions of 15 CFR 400.42, wherein all rates and charges are reasonable, and there is uniform treatment under like circumstances among all Zone Users.

402. Payment. Zone charges and fees are due and payable as prescribed in each Grantee-Operator Agreement. Charges are applied uniformly under public utility principles, and payments are made in advance annually or quarterly. There is a 5% surcharge on payments that are invoiced and paid quarterly. This surcharge may be prorated and paid quarterly or in advance.

403. Application Fee. Applications for approval are submitted to the FTZ Board by the Grantee on behalf of the prospective user. Companies or individuals seeking approval for their operations must first remit to the Grantee an application cash deposit of \$2,500.00 prior to Grantee's initiation of grant application procedures. An application cannot legitimately be filed with the Board independent of the Grantee. Any unused portion of the application cash deposit remaining subsequent to the FTZ Board's action on the application shall be returned to the prospective User within five (5) working days of the Grantee/Operator receipt of written notification of such action from the FTZ Board Secretary. Upon notice of the FTZ Board's approval of any application, and at the request of the prospective User, the entire \$2,500 Application Fee may be applied by User to offset the Annual Administrative Fee (See Section 404). In the event of approval or denial by the Board, no charges for application procedures, nor Grantee's retention of any application cash deposit subsequent to action by the FTZ Board shall exceed actual, documented costs associated with Grantee's or its Manager's participation in preparation and filing of the subzone application. Application Fees apply to all zone types (i.e. Magnet, User-driven and Subzones) as well as boundary modification requests and other

applications (excluding production authority/notification) the Grantee may submit to the Board (on behalf of the User/Operator) if such applications include substantial Grantee participation. Application fees charged by the U. S. Department of Commerce may also apply and are the responsibility of the prospective Zone User or Operator (See 406).

404. Administrative Fee. This fee is due in advance annually to offset the expenses of maintaining the zone in accordance with the FTZ Board's Rules and regulations and otherwise allow the User to operate under approved Zone procedures. The Administrative Fee is \$18,000/year/site for each Zone Site Operator. For sites outside the Service Area (See Appendix B), the annual Administrative Fee is \$25,000. Zone Operators may make a one-time election to pay the Annual Administrative Fee in quarterly installments, always in advance on the first day of each quarter starting on the anniversary date and as specified in their Grantee-Operator Agreement. There is an additional 5% upcharge for paying Administrative Fees in quarterly installments. Administrative Fees for public warehousing operations (if any) are predicated on the number of square feet activated at a Zone Site as prescribed in Appendix C, *Warehousing Fee Schedule*. Based on the current administrative overhead rate of the Zone Manager, the minimum Administrative Fee for any public warehousing operation is set at 200,000 square feet. For public warehousing Zone Site Operators managing non-contiguous sites or warehouse facilities, the Administrative Fee is determined by the net cumulative total of activated square feet for all the sites or facilities. A group of individuals or companies, or an industry consortium of companies warehousing collectively under a contract with a Zone Site Operator who has entered into a Grantee-Operator Agreement are considered public warehouse operations for the purpose of determining the Administrative Fee under this Section.

405. Late Fees. Failure to pay the Administrative Fee, or any other fee pursuant to this Section, when due shall result in a penalty known as Late Fee. The Late Fee is calculated as a percentage of the fee due, and is specified in each Grantee-Operator Agreement. Late fees also apply to Zone Operator's failure to provide to the Zone Manager the requisite information for the

Grantee's Annual Report to the FTZ Board in a timely manner (Section 308). The Late Fee for failure to provide said information is \$100 per day (24-hour period beginning at midnight) from the stated deadline until the Zone Operator's draft report is accepted by the Zone Manager. The deadlines for submitting data to the Zone Manager for the Grantee's Annual Report is February 15th unless otherwise prescribed in each Grantee-Operator Agreement.

406. Fees Charged by FTZ Board. Application Fees and any other fees required by the U.S. Department of Commerce, FTZ Board or CBP, or any other agency, are the responsibility of the prospective User or Operator and shall not be paid by the Grantee. These fees may change over time at the discretion of those agencies. Accordingly, these fees are not published as part of this Zone Schedule.

407. Uniform Application of Fees. Grantee shall apply the fees and charges set forth in this Zone Schedule uniformly and equitably to all Zone Users. Where such fees and charges are not applicable or inappropriate to a specific operation, the provisions of the Grantee-Operator Agreement shall govern.

408. Fees Shall Not Be Waived. It is a goal of the Greater Knoxville Zone Program to be self-sustainable. Accordingly, any fees listed in this Section shall not be waived or any costs absorbed by the Grantee or its Zone Manager by virtue of any incentive package offered by any governmental jurisdiction or its respective economic development entities (public or private) within or outside the Knoxville Zone's Service Area. Any such jurisdiction or entity offering or providing commitment of exemptions or waivers from FTZ Program Fees shall be fully responsible for compliance with the fee payment policies and penalties as stated herein. Any such commitment and related financial responsibility shall be memorialized, notarized and filed at the jurisdiction's courthouse as a matter of public record.

409. Failure to Pay Fees. The Grantee shall not concur with the activation of an approved Zone Site without an executed Grantee-Operator Agreement, or if the Prospective Zone User has not paid any fees or documented charges for expenses incurred by the Grantee per Section 403. A

failure of an established Zone Operator to pay the Annual Administrative Fee (Section 404) or any other applicable fee under this Section shall provide grounds for termination of the Grantee-Operator Agreement and the Grantee recinding it's concurrence for activation of that Operator's Site.

410. De-Activated Zone Sites. The Grantee reserves the right to uniformly charge an annual fee of \$5,000 for any formerly activated site that has been de-activated if it is the Operator's intent to re-activate such site prior to the Board's sun-set provision. Any Operator wishing to re-activate without having paid the De-Activated Site annual fee shall be denied Grantee concurrence unless and until the Annual Administrative Fee as well as all arrears have been paid. Arrears are prorated monthly.