September 27, 2013

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Mr. Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
U.S. Department of Commerce
1401 Constitution Avenue, NW
Room 21013
Washington, DC 20230

Re: Waiver Request

Dear Mr. ~~McGilvray~~ ANDREW:

I am glad to submit the enclosed application for waiver on behalf of the Huntsville Foreign-Trade Zone Corporation (Huntsville FTZ Corporation) and the Foreign-Trade Zone Corporation. Please regard this letter as "Other information" pursuant to Item 7 of the waiver request questionnaire. Also note that the waiver application is submitted on behalf of both the Huntsville FTZ Corporation and the Foreign-Trade Zone Corporation because the shareholders and principals for each are the same individuals – that is, Craig Pool and Greg Jones.

I am writing because I want to give you a more in-depth understanding of the points I tried to convey to you during our meeting at your office. I think it is very important for you to understand the overall context in which our Zone project fits within our overall mission, and our approach to fulfilling our mission. I should perhaps begin with the mission statement of the Huntsville-Madison County Airport Authority (HMCAA), also known as the Port of Huntsville. It is as follows:

"The mission of the Port of Huntsville is to provide quality *multi-modal* transportation services to a diverse regional customer base and to stimulate the *economic* growth and *development* of the Tennessee Valley *region*."

As you and I have discussed, the HMCAA provides a number of services and infrastructure amenities to the Tennessee Valley region. Take a look at our website and you will quickly see that, "HMCAA is overseen by a board of directors

and governs all of the Port of Huntsville operating entities, including: Huntsville International Airport (HSV), International Intermodal Center (Air Cargo and Rail Cargo), Jetplex Industrial Park, Signature Flight Support, Four Points by Sheraton Hotel, Sunset Landing Golf Course, and Foreign Trade Zone #83." By now you are aware that the day-to-day management of our fixed-base operations, on-site hotel, golf course, and Foreign-Trade Zone are contracted to private entities; but make no mistake, HMCAA governs all of them. You will also note that since our complex opened at its present location in 1967, "What used to be miles and miles of cotton fields has transformed into an economic development engine for the Tennessee Valley Region." It is in this context that our Foreign-Trade Zone project is one of a number of services and amenities that we offer in order to function as an economic engine.

Essential to our expansion of services and physical infrastructure over the past 45 years has been the principle that each operating entity must cover its own cost. Part of our success in this regard has been the recruitment of entrepreneurs who have been willing to provide services to the public under our umbrella and governance, but at their own financial risk. You may recall my relating to you that HMCAA has paid a couple of FTZ consultants in the past – yet it has never paid a dime to the Huntsville FTZ Corporation or to the Foreign-Trade Zone Corporation. From the beginning of HMCAA's relationship with the Huntsville FTZ Corporation 23 years ago, this has been the case.

Part of HMCAA's operating philosophy is that the public should enjoy the option of one-stop shopping. This has motivated us to have a hotel within our own terminal building, to offer on-site intermodal facilities – including our own intermodal yard rail service – on-site international air cargo facilities, and even the on-site location of the U.S. Customs Port office.

I should at this point tell you that, like the FTZ project, other amenities and services -- such as on-site Customs service, the intermodal rail yard, and our international air cargo center – are no accidents. When I started my career at HMCAA in 1978, our Executive Director (and my mentor), the late J.E. (Ed) Mitchell Jr., had a long-range vision for transforming the cotton fields of western Madison County into the economic engine that the Port of Huntsville is today. I have heard Ed described as a "visionary" – and also as an "egocentric visionary" – but one thing is certain: he was able to presage the economic future of Madison County and the Tennessee Valley region and foretell the needs of its business community. In many respects, Ed Mitchell and those that followed in his footsteps, made his vision a self-fulfilling prophesy.

The stage for Ed Mitchell's vision was set when, after World War II, Huntsville became the base of some of NASA's finest minds. When, in 1962, President Kennedy established the goal of landing a man on the moon, the Tennessee Valley region's fortunes were forever redirected from cotton, watercress, textile mills, railroads, and military weapons storage towards interplanetary flight and high-tech electronics development and research and development for space and missile defense.

Under Ed Mitchell's leadership, HMCAA sought to create the means by which high tech manufacturing businesses could lower their ongoing operating costs. Its aim in doing so was and

is simple: competitive industry is required for a community to create and retain jobs, capital investment, and economic development and security.

From the time of the relocation of Huntsville's Airport to its present site (1967), HMCAA's aim has been to serve as part of the infrastructure that makes a successful community. From that time it has been understood that the world (and indeed the universe) is becoming a smaller place, and that each individual community has the choice of positioning itself for the future – or paying the price for living in the past. Nearly two decades before NASA landed a man on the moon, the institution now known as the University of Alabama at Huntsville (UAH) was founded as an important part of the local infrastructure necessary to provide the brainpower to accomplish that mission. (As a note of interest, the University's graduate program was established before its undergraduate program.) Just as importantly, HMCAA and the rest of the community's leadership understood that the sure way to underemployment and a poor local economy was to be in the business of selling relatively cheap, semi-skilled labor; whereas the way to achieve growth and prosperity was to create a community in which high value-added activity could be conducted profitably and efficiently. As a transportation leader, HMCAA not only concentrated on upgrading what might be regarded as airport infrastructure, it spent no small amount of effort in the 1970s and 80s in developing infrastructure and services that would enhance the competitiveness of companies in the Tennessee Valley region compete in an environment that was becoming increasingly global. Given the relatively early trend towards global supply chains in the electronics and other high-tech industries that were developing in the Tennessee Valley region, the need to act was apparent.

In terms of economic development infrastructure, HMCAA focused on five areas:

1. Customs Port-of-Entry status;
2. The development of an International Intermodal Center;
3. The development of an International Air Cargo Center;
4. The creation of a Foreign-Trade Zone project; and,
5. The attraction of service providers to facilitate the development and operation of logistics, manufacturing, and research and development activities.

The 1970s saw the real development of the commercial electronics industry in Huntsville. The impetus was easy to spot: Having landed a man on the moon, a number of former NASA engineers were looking to apply their skills in creating new, high-tech products in the commercial sphere.

As the area's electronics industry developed, it soon became clear that it relied upon a global supply chain for many electronic components. HMCAA realized that importations of various components entering the U.S. at various Ports-of-Entry had the potential to add significant costs to electronics manufacturers located in the Tennessee Valley region. Like the proverbial "slowest camel in the caravan," the release and entry of electronic parts from various ports of entry meant that the efficiency of the inbound supply chain for each local manufacturer was dictated by the Customs Entry processes of the least efficient Port of Entry for its imported components. HMCAA determined that adding Huntsville to the list of U.S. Customs Ports-of-Entry would give local manufacturers the choice of having their goods quickly released for in-

bond movement to Huntsville, then deal with local Customs officials in obtaining the release of their parts and making Customs Entry. In 1978, HMCAA began its earnest effort at Port-of-Entry designation for Huntsville. In 1980, its efforts resulted in a two-year "Temporary" Port-of-Entry designation, followed by the granting of a one-year extension. Midway through this extension period, the threshold for permanent Port-of-Entry designation was reached, and Huntsville's designation as a Customs Port-of-Entry was secured. It should be noted that a great part of the challenge in meeting the entry volume threshold for permanent Port status involved our efforts to educate local industry members about the advantages of filing Customs entries locally. Once they tried, they liked it. As the result of increasing regional demand for Customs Entry related service, a number of Customhouse Brokers have migrated to Huntsville. The effect of Port-of-Entry status for our local industries is one that was later mimicked in the Foreign-Trade Zones program when the 1986 Customs regulations for FTZs were promulgated. Zone users realized what we already knew and had acted upon – manufacturing costs are reduced when imported components are released in-bond at the first port of unlading, then dealt with by interaction involving a local U.S. Customs office.

Three other services aimed at enhancing the competitiveness of area industry were dependent on Port-of Entry status: our International Intermodal Center, our International Air Cargo Service, and our Foreign-Trade Zone project.

With the growth in the development of steamship containerization during the 1970s and 80s, it became apparent that without some sort of intervention, the Huntsville area would become a casualty of that trend. As you know, containerization offers many cost-reducing features, including the ability to augment steamship transportation with rail and highway transportation. As Huntsville's electronics and high-tech industries grew, another supply-chain pattern became apparent. Many components from the Far East were landing on the west coast, being railed to Memphis, then offloaded onto trucks and trucked to Huntsville. This might sound rather straightforward; however, there was a problem. There was no Interstate Highway connection between Memphis and Huntsville. This remains so today. In fact, the most direct highway connection (U.S. Highway 72) is characterized by a number of stops in smaller towns with limited capacity for vehicular traffic. Obviously, the long-term outcome of this situation would be the migration of high value-added activity to communities with Interstate Highway access to Memphis. Although HMCAA did not have the resources to build an Interstate Highway between Memphis and Huntsville it did find a solution: use the rail link that has existed between Memphis and Huntsville since 1855. In order to do so, two things were necessary – a rail spur from the main line of the Norfolk Southern Railway, and the construction and operation of an intermodal rail yard. HMCAA took the bull by the horns and got it done. In 1986, HMCAA's International Intermodal Center opened for business. Today it handles more than 25,000 containers per year, and because we operate our own switching locomotive, our efficiency is so good that we have some manufacturing customers who, although they are closer to Memphis than to Huntsville, at times rail their containers to us rather than to the intermodal center in Memphis.

Although our international Air Cargo operations developed after we had developed a successful Foreign-Trade Zone project, there was some interrelationship between the two. When Greg Jones and Craig Pool began working with our local industry, they did more than simply convey the

benefits of the FTZ program to the business community. They dove deep into the detailed operations of potential Zone users in an effort to better integrate Zone procedures into the manner in which each company operated. They even visited foreign suppliers and customers of Zone users. At the same time, members of HMCAA's board and staff were traveling internationally to learn more about air cargo operations and to solicit air cargo business. While we were successful in learning about the air cargo business, our efforts at realizing actual air cargo operations were, for a time, stalled. Then, one day Mr. Greg Jones suggested, "You won't find air freight overseas. You need to look in your own back yard. Go see the' lean' manufacturers whose supply chain has an international air flight, then do what you've already done with steamship containers. Eliminate the domestic warehousing and trucking leg." We got to work; and in the end, we borrowed from our International Intermodal Center model (by demonstrating the economics of eliminating the domestic warehousing trucking leg) and our FTZ model (by collaborating with private service providers) in creating regular air cargo services to and from Europe, the Far East, Mexico and South America. Our efforts proved worthwhile. Today, the Port of Huntsville ranks 14th in tonnage volume among the nation's international air cargo operations. (Essential to this growth and development is the recognition by businesses in the Tennessee Valley region that the use of our international air cargo services enables them to lower their ongoing operational costs and improve the efficiency of their supply chains.)

An inquiry from an industrial prospect spurred our early efforts to establish a Foreign-Trade Zone project. We landed that industrial prospect (Goldstar), and although it never implemented Zone procedures, HMCAA's initiative in providing professional services at a local level was instrumental in helping another important electronics manufacturer operate under an FTZ cost structure until the Uruguay Round Agreements solved its fundamental tariff problem.

As you may be aware, Subzone 83A was established on behalf of Chrysler Corporation in 1988. At that time, Chrysler operated a large automotive electronics manufacturing facility directly adjacent to our Jetplex Industrial Park, which is part of our General-Purpose Zone. As approval of the subzone application approached, we were aware of some key operational challenges that would need to be overcome. We knew that the Chrysler plant did not directly import any components used in its automotive electronics manufacturing operation. We knew that its suppliers within our Jetplex Industrial Park were the importers. Two things became readily apparent to us: 1) If Customs paperwork was required for each movement between GP Zone suppliers and the Chrysler subzone, Chrysler's manufacturing operations would, on a fairly regular basis, be disrupted or halted, and, 2) Chrysler's manual inventory control methods, which might be sufficient for tracking the in-plant throughput of 200,000 engines per year in an automobile assembly plant, would be utterly insufficient for tracking the throughput of the hundreds of millions of electronic components per year in Chrysler's Huntsville Electronics plant. We needed someone to transform the theoretical benefits of the FTZ program into a reality. We needed real experts, operating under our governance (and at their own expense) to see that we delivered real FTZ benefits to Chrysler, its local suppliers, and other members of our trade community. The Huntsville FTZ Corporation was our solution.

The Huntsville FTZ Corporation worked with Customs at the Port, District, and Headquarters level to obtain approval for the local control system that made paperless, Just-In-Time Zone-to-

Zone transfers from Chrysler's Just-In-Tine suppliers a reality. (I, myself, participated in the meeting with Mr. John Holl of Customs Headquarters during which Mr. Holl provided his assent on two critical questions.) The Huntsville FTZ Corporation also worked with local Chrysler and local supplier representatives in designing and implementing the automated inventory control systems enhancements necessary to track and properly report Zone-related movements and transactions. These enhancements were subsequently validated by a thorough audit on the part of Customs Regulatory Audit personnel. The work done by the Huntsville FTZ Corporation enabled the Chrysler electronics plant and a number of its key suppliers to enjoy the competitive benefits of both the FTZ program and Just-In-Time manufacturing techniques until such time as the Uruguay Round Agreements rationalized the duty rate relationships between various electronic components and Chrysler Electronics' end products, thereby solving those companies' fundamental tariff problems. Before that happened, however, three events of significance occurred.

First, my colleague from Mississippi, Noel Guthrie, asked the principals of the Huntsville FTZ Corporation to solve the same sort of problem that we had anticipated and solved in Huntsville. His Zone project (FTZ 158) had received grants of authority for two companies that manufactured electronic products, but had not yet activated. They needed help and guidance in developing the in-house procedures and automated inventory control processes needed to actually enjoy Zone benefits. The principals of the Huntsville FTZ Corporation asked me if I thought it acceptable for them to do work for companies located in Mississippi. I not only gave them my blessing, I gave them the name under which their consulting and software company now operates – Foreign-Trade Zone Corporation. At about this time, my former Airport Manager, Dirk Vanderleest (who is now CEO of the Jackson, Mississippi Airport Authority), needed someone to help FTZ 158 avoid the "lapse" provisions of the FTZ Board regulations. The Foreign-Trade Zone Corporation was his solution. In the fall of 1993, Mercedes-Benz announced that it would build an automotive assembly plant between Birmingham and Tuscaloosa. As you can imagine, the recruitment process for Mercedes-Benz included a number of entities and people within the State who were involved in economic development. HMCAA and the principals of Huntsville FTZ Corporation were among those who worked to bring Mercedes-Benz to Alabama. One of my first responses to the Mercedes-Benz announcement was to invite officials from the City of Birmingham to tour our Zone, talk with our users, and get a sense of the importance of local expertise in delivering the FTZ program to the trade community. Thus commenced the successful relationship between Mercedes-Benz, the City of Birmingham, and what is now known as the Birmingham FTZ Corporation. You might wonder why I, HMCAA, and my friends and colleagues in Mississippi adopted the policies and took the actions that I have just described. The answer, I think, is important: The interests of Grantees, our contracted experts, and our members of the trade community operate <u>in concert</u>, not conflict. Why? Because delivery of the FTZ program to one's trade community is and ought to be a collaborative effort.

A few years after the Foreign-Trade Zone Corporation was formed, it had acquired the resources to solve a problem that was readily evident in our local project with Chrysler Electronics and in the work that the Foreign-Trade Zone Corporation's principals had done in Mississippi and with Mercedes-Benz. The problem was that all too often (nearly three years in Chrysler Electronics' case) companies that had a grant of authority did not actually enjoy Zone benefits because they

could not or would not devote the internal resources necessary to create an FTZ-compliant automated inventory and recordkeeping system. The Foreign-Trade Zone Corporation's answer to this problem was the development of a FTZ management software package specifically designed to be an affordable bolt-on system that essentially pays for itself by enabling a more immediate activation and realization of Zone savings. The product that the Foreign-trade Zone Corporation developed is today regarded as one of the two most robust FTZ management systems that are available to Zone users nationwide.

Finally, the last bit of history that I would like to relate to you involves the effect of the Uruguay Round Agreements and the responses to it. As you can imagine, the Uruguay Round solved the fundamental tariff problem of the Chrysler Electronics plant and its suppliers. Therefore, the plant and its suppliers no longer needed Zone procedures. They deactivated. The revenue stream of Huntsville FTZ Corporation dried up. Did the Huntsville FTZ Corporation go away? No. For a decade and a half it has continued to provide Zone-related marketing services to HMCAA, and educational services to the local trade community at its own expense. As was the case from the establishment of its relationship with HMCAA, the Huntsville FTZ Corporation's income is entirely dependent on User Fee income.

I have mentioned all of this to you because several things are readily evident to me:

- HMCAA is an organization that is willing and able to take the bull by the horns. It is in no way what might be considered an "absentee grantee." At the same time, HMCAA makes use of private as well as public resources to achieve objectives that enhance the economy of the Tennessee Valley region.

- As a public entity that is not dependent on tax revenue, HMCAA must adhere to a fiscal discipline in which each of its services and amenities is financially self-sufficient.

- As a Zone grantee, HMCAA is responsible for delivering the U.S. FTZ program to the Tennessee Valley region.

- HMCAA's Zone operations must be self-sufficient.

- HMCAA must establish and maintain minimum operating standards for Zone Operators and Users. It must be able to determine that those minimum standards are met.

- A third-party Administrator represents a solution that maximizes delivery of the FTZ program to as many members of the trade community as possible at no expense to HMCAA.

- HMCAA is in the business of making the operations of businesses in the Tennessee Valley more efficient, not less so. Accordingly, HMCAA will not permit any of its contractors – including its Zone Project Administrator – to act in any manner that might result in more cost and/or less efficiency

- Direct liability to HMCAA can be minimized if the Zone Project Administrator is a party to HMCAA's FTZ Operator Agreements.

- Zone Operators and Users must have freedom of choice when hiring FTZ consultants and software providers.

- Members of the trade community ought to have the option of one-stop shopping for Zone-related services. This includes consulting, management and FTZ management software.

You and I are in the same business. We both try to facilitate value-added activity. You do so on a national basis; I do so on regional basis. As noted above, I'm not about to allow anyone who works for HMCAA – in-house or contractor – to do anything that flies in the face of facilitation. As you and I have discussed, neither the Huntsville FTZ Corporation nor the Foreign-Trade Zone Corporation have provided any Zone-related service or product to participants of the FTZ No. 83 Zone project in recent years. However, in order for future Zone participants to have complete freedom of choice with regard to FTZ consultants – and any real choice for a robust FTZ management system – a waiver from your office is required. I hope the additional information that I have provided makes your decision to grant such a waiver readily apparent. If you have any questions regarding the contents of this letter, please feel free to contact me. My direct telephone number is (256) 258-1955. If you have any questions regarding the contents of the attached Questionnaire, please contact Mr. Greg Jones of the Foreign-Trade Zone Corporation. His direct telephone number is (251) 445-1372.

Thank you for your consideration of this matter.

Sincerely,

Richard Tucker
Executive Director

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Attachments:
1. Questionnaire – Application for Waiver under 15CFR 400.43(f)
2. Foreign- Trade Zone Subzone Operator Agreement

Questionnaire – Application for Waiver under 15CFR 400.43(f)

Identity of Applicant and Affected FTZ

1. State your name (individual or organization, as appropriate) as the applicant for a waiver.

This application is made by the Huntsville-Madison County Airport Authority on behalf of the Huntsville Foreign-Trade Zone Corporation and the Foreign-Trade Zone Corporation.

2. State the specific FTZ (zone number and city/state) to which your application pertains.

This application pertains to activities of Foreign-Trade Zone No. 83, located in Huntsville, Alabama. The grantee of the Zone project is the Huntsville-Madison County Airport Authority, a public corporation organized under the laws of the State of Alabama.

Key Functions (15 CFR 400.43(d)(1))

3. If your application for a waiver is approved, do you propose to:

a. Take action on behalf of the grantee of the FTZ identified in your response to Question 2, or make recommendations to that grantee, regarding the disposition of proposals or requests by zone participants pertaining to FTZ authority or activity (including activation by CBP)? If yes, explain fully. Explain the specific actions you propose to take, or the specific types of recommendations you propose to make, regarding the disposition of zone participants' proposals/requests.

No. While the Huntsville Foreign-Trade Zone Corporation reviews requests by Zone participants pertaining to FTZ authority or activations, its function is to ascertain whether those requests meet the minimum standards required by the federal agencies involved. While the Huntsville Foreign-Trade Zone Corporation may provide relevant information to Zone participants and the Grantee, it does not make recommendations to the Grantee *per se*. It is the sole decision of the Huntsville-Madison County Airport Authority as grantee to act upon participants' proposals/requests. (To date, all such requests have been approved by the grantee. Moreover, it is the duty of the Huntsville Foreign-Trade Zone Corporation to make sure that the Huntsville-Madison County Airport Authority does what it is supposed to do for members of the business community in keeping with the grantee's responsibilities under the Foreign-Trade Zones Act.)

b. Approve, or be a party to, a zone participant's agreement with the grantee of the FTZ identified in your response to Question 2 (or person acting on behalf of that grantee) pertaining to FTZ authority or activity (including activation by CBP)? If yes, explain fully. Explain the specific types of agreement that you propose to approve, or to which you propose to be a party.

Yes. The Huntsville Foreign-Trade Zone Corporation is a party to all User/Operator Agreements. As a party to such Agreements, the Huntsville Foreign-Trade Zone Corporation is directly bound by certain provisions that are designed to protect the interests of the Zone Operator or User. Please see the attached Operator Agreement.

c. Oversee zone participants' operations on behalf of the grantee of the FTZ identified in your response to Question 2? If yes, explain fully. Explain the specific oversight activities that you propose to conduct.

No. The Huntsville Foreign-Trade Zone Corporation exercises a monitoring function; however, it does not oversee Zone participants' operations – that is, it does not direct or police Zone participants' operations. Each participant that is an Operator or User conducts its own Zone operations, and is directly and solely responsible for operational compliance. When the Huntsville Foreign-Trade Zone Corporation is made aware of non-compliance, it serves as a resource available to the Operator or User in order to enable the Operator or User to make educated decisions about corrective action. Should a case arise in which Operator or User non-compliance rises to the level of fraudulent or criminal actions, then upon discovery, the Huntsville Foreign-Trade Zone Corporation would be expected to help the grantee meet its responsibilities to encourage corrective action. Any enforcement responsibilities of the Huntsville Foreign-Trade Zone Corporation would be on an as needed basis as determined by consultation with, and at the direction of, the Grantee.

Key Categories of Persons (15 CFR 400.43(d)(2))[1]

4. For the FTZ identified in your response to Question 2, do you currently engage in, or have you during the preceding twelve months engaged in a) offering/providing a zone-related product/service to or b) representing a zone participant? If yes, explain fully. Describe the type of zone-related product/service you offered or provided, or the type of representation of zone participant(s) you undertook. How often have you done so? Also explain the importance – in terms of income derived and resources committed – of offering/providing zone-related products/services, or representing zone participants, for the FTZ identified in your response to Question 2.

No. However, it is understood that an application for a waiver may be submitted even though no actions that would otherwise require a waiver have occurred. The Foreign-Trade Zone Corporation, whose shareholders, Craig Pool and Greg Jones, are also the shareholders in the Huntsville Foreign-Trade Zone Corporation, has provided consulting services in two instances in which the Zone participant requested specific Zone-related services. The services consisted of FTZ applications; one on behalf of MagneTek, Inc. and the other on behalf of Onan Engine Company. These services were provided in 1995. Obviously, consulting and software services

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[1] Although the questions in this section are written in the present tense, if you are seeking a waiver because you at some point in the future intend or expect to fall within one of the key categories of persons, then please answer these questions in the context of your intent or expectation.

within the FTZ No. 83 Zone project have been of no importance in terms of income derived and resources committed by either the Huntsville Foreign-trade Zone Corporation or the Foreign-Trade Zone Corporation. Nevertheless, approval of this waver request will be required if prospective Zone Operators who require a robust FTZ management software system capable of processing large volumes of data at sufficient speed are to have more than a single choice of software providers. Likewise, approval of this waiver request will be required in order for members of the local and regional trade community who desire to do so may avail themselves of Zone-related services by a firm that has an established, long-term commitment to the Tennessee Valley region. With regard to the importance of providing Zone-related services or products, such services and/or products are, in terms of the Huntsville Foreign-Trade Zone Corporation's services as the Zone Project Administrator, entirely distinct and separate. If the Foreign-Trade Zone Corporation derives income from providing consulting and software services to participants within the FTZ No. 83 Zone project, then the income derived from those services and products is to its benefit. Likewise, the resources – including personnel, expenses, and overhead – are entirely the responsibility of the Foreign-Trade Zone Corporation. With regard to the services of the Huntsville Foreign-Trade Zone Corporation as the Zone Project Administrator, those remain the same whether or not the Foreign-Trade Zone Corporation has any clients from among the population of FTZ No. 83 Zone participants. Accordingly, the Huntsville Foreign-Trade Zone Corporation remains entirely responsible for providing the resources necessary to serve the Zone project. Under the Zone Project Administration Agreement between the Huntsville Foreign-Trade Corporation and the Grantee, the Huntsville Foreign-Trade Zone Corporation's income is entirely dependent on its success in seeing that members of the Tennessee Valley trade community successfully utilize Zone procedures. The Foreign-Trade Zone Corporation's income from its consulting and software product is entirely dependent on it success in seeing that members of the U.S. trade community successfully utilize Zone procedures, regardless of which Zone project sponsors their participation. With regard to Huntsville's Zone project, the offer of a complete set of services and products by a firm whose principals also have a responsibility to local and regional public entities is seen as an asset. At the same time, individual Zone participants are free to use Zone-related services and products from whomever they may choose.

5. Do you stand to gain from a person's offer/provision of a zone-related product/service to, or representation of, a zone participant in the FTZ identified in your response to Question 2? If yes, explain fully (including an explanation of the nature and extent of the gain you may receive).

The Foreign-Trade Zone Corporation would stand to gain when it provides consulting or software services to Zone participants of FTZ No. 83. The Foreign-Trade Zone Corporation stands to gain in exactly the same manner as it does when it provides similar services to participants of other Zone projects in which it provides no services to the grantee that are considered "key functions" under the Board's regulations. Likewise, the resources – including personnel, expenses, and overhead – it must devote to providing those services are one and the same as those devoted to clients that are participants of other Zone projects.

6. With respect to the FTZ identified in your response to Question 2, are you related (within the meaning of 15 CFR 400.43(e)) to a) any person that currently engages in, or has during the preceding twelve months engaged in, offering/providing a zone-related product/service to or

representing a zone participant or b) any person that stands to gain from a person's offer/provision of a zone-related product/service to or representation of a zone participant? If yes, explain fully.

Yes. As noted above, Messrs. Craig M. Pool and Gregory Jones are the sole shareholders of both the Huntsville Foreign-Trade Zone Corporation and the Foreign-Trade Zone Corporation. Each of the two companies is organized as a regular corporation under the laws of the State of Alabama. Neither the Huntsville Foreign-Trade Zone Corporation, the Foreign-Trade Zone Corporation, nor their shareholders have any relationship or stake of ownership to any person or firm that provides Zone-related products or services, or representation of, Zone participants within FTZ No. 83.

7. Please provide any other information that you would like the FTZ Board to consider in evaluating your request.

Please see the letter of transmittal from Mr. Rick Tucker, Executive Director of the Huntsville-Madison County Airport Authority, Grantee of the FTZ No. 83 Zone project. This letter should provide some much-needed description of the context in which services to the trade community and the Grantee are provided.

Also, please consider a rather simple matter of reason: Even if the Huntsville Foreign-Trade Zone Corporation is mistakenly regarded as what has sometimes been referred to as the "Gatekeeper" of the Zone project, neither it nor the Foreign-Trade Zone Corporation stand to gain anything unless the "gate" is open. Any action aimed at excluding or in any way discouraging a Zone participant would be self-defeating.

FOREIGN-TRADE ZONE SUBZONE OPERATOR AGREEMENT

THIS AGREEMENT is made and entered into on this the 21st day of June, 2013, by and among the Huntsville-Madison County Airport Authority, hereinafter referred to as "Grantee", the Huntsville Foreign-Trade Zone Corporation, hereinafter referred to as "Administrator", and VF Jeanswear LP, hereinafter referred to as "Operator."

WITNESSETH:

WHEREAS, Grantee has received a grant from the U.S. Foreign-Trade Zones Board, hereinafter referred to as the "FTZB", which authorizes it to establish, operate, and maintain a foreign-trade zone project, which said zone is designated as Foreign-Trade Zone No. 83, hereinafter referred to as "the Zone;" and,

WHEREAS, Grantee has authorized Administrator by contract to undertake the development, management, and administration of foreign-trade zone activities within the Zone and any subzone sites; and,

WHEREAS, certain facilities of Operator, hereinafter referred to as the "Subzone Site," are to be or have been designated as a foreign trade subzone of Foreign-Trade Zone Zone No. 83 by a grant of authority issued by the FTZB;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

I. AUTHORITY GRANTED/ACCEPTED

1.1 Authority Granted: Grantee hereby grants to Operator the right to utilize the Subzone Site as a foreign-trade zone subzone, subject to all terms and conditions of this Agreement, and for the term specified herein and any extension thereof.

1.2 Authority Accepted: Operator hereby agrees to accept foreign-trade zone subzone status for the Subzone Site and hereby agrees to operate the Subzone Site in accordance with the terms and conditions of this Agreement, the effective Zone Schedule, and any applicable standards of operation, rules or regulations which now exist, or which may in the future be instituted or amended by Grantee, Administrator, United States Customs and Border Protection hereinafter referred to as "CBP", the FTZB or any other federal, state, or local authority with jurisdiction over foreign-trade zone operations. Operator hereby agrees to maintain and enforce a security plan which complies with standards approved by the Port Director of CBP.

II. EFFECTIVE DATE AND DURATION OF AGREEMENT

2.1 This Agreement shall be effective as of the _____ day of _____, 20__, and shall continue in effect for a term of five (5) years and automatically renew for successive terms of five (5) years, on the same terms and conditions, unless terminated as herein provided. However, should this Agreement automatically renew, Operator will be bound by any increase or decrease in published Operator Fees at the time renewal takes place. Notwithstanding the foregoing, one (1) year from the effective date of this Agreement, any party hereto shall have the absolute right and authority to terminate this Agreement, without cause and without liability to any other party hereto, upon giving ninety (90) days advance, written notice of such termination to all parties.

III. STANDARDS OF OPERATION

3.1 Operational Management Procedures: Operator shall establish and maintain Foreign-Trade Zone operating procedures and standards for the Subzone Site. All such operating procedures and standards shall be in compliance with all applicable requirements of federal and state law, including CBP rules and regulations.

3.2 Right of Entry: Grantee, Administrator, CBP, the FTZB, and any other federal, state, or local authority, or their authorized agents or representatives, shall have the right to enter the Subzone Site at all reasonable times, upon reasonable advance notice, to inspect the Subzone Site and to ensure that all activities conform to the operating standards set forth in the Zone Schedule and the requirements of this Agreement. Any such entry shall be limited to normal working hours and shall be made in accordance with the established security procedures of Operator.

IV. RECORD KEEPING

4.1 Annual Reporting: Within sixty (60) days after the close of each calendar year during the term of this Agreement, or the expiration hereof, Operator shall submit to the FTZB, via its online electronic interface, such reports as may be required by the FTZB. Said reports shall include, but not be limited to, all information required for the annual report to the FTZB. Administrator or Grantee, at their discretion may require Operator to submit any such reports in electronic or hard-copy form to Grantee or Administrator, either of which may edit such reports in filing the Grantee's overall Annual Report to the FTZB.

4.2 Activity Reports: Within fifteen (15) days after the end of each month during the term of this Agreement, or the expiration of this Agreement, Operator shall, if requested by Grantee or Administrator, submit financial statements or activity reports containing such information as may be required by Grantee to comply with requests of the FTZB, CBP, or any other authorized federal, state, or local agency. All such statements or reports shall be signed by an authorized employee of Operator, certifying that said statements or reports are accurate to the best of his/her knowledge. All such information obtained from Operator shall be kept confidential, except for such information which is required to be made public by the FTZBor CBP, or which shall be determined to be public information under applicable federal, state, or local laws.

4.3 Notification: Operator shall notify Administrator within two (2) working days of any communication of any type, whether written or verbal, with CBP or

the FTZB that results in Operator being notified that it is in violation of CBP or FTZB regulations. Operator agrees to furnish to Administrator, upon its request, copies of all aforementioned written communications, together with any response thereto. In the event Operator fails to comply with the aforementioned notifications two or more times in any given three year period, Operator shall pay to Administrator a fee of TWO HUNDRED DOLLARS ($200.00) per day for each day that Operator fails to comply with the aforementioned notifications.

4.4 Audit: Grantee, or its designated representatives reserve the right, at their own expense and upon reasonable advance notice, to audit Operator's books, financial statements, and records for the purpose of verifying Operator's compliance with this Agreement and the accuracy of information provided by Operator.

4.5 Conformance: In the event it is determined that the operations of Operator are not in conformance with the requirements of Grantee, Administrator, CBP or the FTZB, Operator agrees to take whatever steps are necessary to immediately remedy the situation. In the event the deficiency cannot be corrected within fifteen (15) days after notification, Operator shall prepare a written plan of performance outlining the measures to be taken to ensure conformance with said requirement and the time period required to implement said plan, which shall be subject to approval by Grantee and/or Administrator. Said approval will not be unreasonably withheld or delayed.

4.6 Retention: Operator shall retain all receiving, shipping, financial, and accounting records concerning foreign-trade zone operations for five (5) years after the date of the act or occurrence. All such records shall be made available for inspection and audit by any appropriate governmental agency, Grantee, Administrator, or their designated representatives during normal business hours, upon reasonable advance notice and at such party's expense.

V. ADVERTISING

5.1 Grantee and Administrator reserve the right to advertise the fact that Operator is a foreign-trade zone operator in general promotions for Foreign-

Trade Zone No. 83. No representations will be made in such promotions concerning Operator's satisfaction or opinion of Zone operations without the prior written approval of Operator.

VI. USER FEES

6.1 Operator Fees: Operator agrees to pay Administrator certain operator fees in accordance with the terms of Exhibit "A", which is attached hereto and incorporated herein by reference. In addition, within thirty (30) days of receipt of invoice, Operator agrees to reimburse Administrator at cost for all CBP fees paid by Administrator that are incurred as a result of Operator's operations within Foreign-Trade Zone No. 83. Such CBP fees shall include, but not be limited to, activation fees, deactivation fees, alteration fees, transaction fees, annual fees, and bond fees. Operator agrees to pay to Administrator interest at the rate of one and one-half percent (1½%) per month on all sums not received by the due date. In addition, any sums not received by Administrator within thirty (30) days of the due date shall constitute a breach of this Agreement and shall give rise to any of the remedies provided herein.

VII. INDEMNIFICATION

7.1 Hold Harmless: It is an express condition of this Agreement that Operator shall protect, defend, indemnify, and hold harmless Grantee, Administrator and their directors, officers, agents, representatives, and employees, from and against any and all liabilities, costs, charges, demands, suits, claims, losses, fines, expenses or judgments arising by reason of the injury, disability or death of any person, or loss of or damage to any property arising out of, or incidental to the utilization of the Subzone Site as a Foreign-Trade Zone Subzone, except to the extent caused by the sole negligence of Grantee or Administrator. The provisions of this section shall survive the expiration or earlier termination of this Agreement.

Further, Operator agrees to indemnify and hold Grantee, Administrator, and their directors, officers, agents, representatives, and employees harmless

from any fines, fees, penalties, damages, claims, expenses, or causes of action of any nature whatsoever to the extent arising out of any act, omission or incident of Operator or their officers, representatives, agents, employees, contractors, subcontractors, licensees or invitees, including but not limited to, such fines, duties, liquidated damages or penalties as might be assessed by the CBP. The provisions of this section shall survive the expiration or earlier termination of this Agreement.

Operator shall post and maintain for the duration of this Agreement a customs bond, at Operator's sole expense, in such amount as shall be determined by CBP.

VIII. INSURANCE

8.1 Operator agrees to obtain and continuously maintain in effect during the term of this Agreement and any extension thereof, insurance against such risks as are customarily insured against by businesses of like size and type, paying as the same come due all premiums with respect thereto. Any such policies shall be obtained and maintained in generally recognized, responsible insurance companies qualified under the laws of the State of Alabama to assume the risks undertaken. Operator shall obtain and continuously maintain in effect during the term of this Agreement comprehensive public liability insurance with respect to its use and occupation of the Subzone Site with limits sufficient to reasonably cover all activities of Operator, but in no event less than One Million ($1,000,000.00) Dollars per occurrence as to bodily injury, including death, and damage to property, with an aggregate limit of Three Million ($3,000,000.00) Dollars. Any such policies shall name as additional insureds, to the full extent of the coverage, Grantee and its directors, officers, agents, and employees. Upon request, Operator shall provide a certificate of insurance to Grantee or Administrator, and the insurance carrier shall be required to give Grantee thirty (30) days advance, written notification of any cancellation or modification of the policy.

IX. TERMINATION

9.1 Default: In the event of Operator's breach of any of the provisions of this Agreement, Grantee or Administrator shall give to Operator written notice of default. In the event said default is not remedied within fifteen (15) calendar days from the date of notice of default, Grantee or Administrator shall have the right to terminate this Agreement. Grantee and Administrator reserve the right to assert whatever remedies are available, in equity or at law, to collect any sums due hereunder, to enforce any provisions of this Agreement, to collect damages for breach of contract, or to effect or obtain any other available remedy. An assignment for the benefit of creditors, the appointment of a receiver, any proceedings in bankruptcy, whether voluntary or involuntary, or any act of Operators insolvency shall be deemed to be a breach of this Agreement.

9.2 Attorneys' Fees: Operator agrees to pay reasonable attorneys' fees and all costs of legal proceedings if it becomes necessary for Grantee or Administrator to employ an attorney or legal process to collect any amounts due hereunder or to enforce any provisions of this Agreement upon default by Operator.

9.3 Withdrawal of Grant: If the Foreign-Trade Zone grant to Grantee should be revoked or canceled, this Agreement shall terminate upon notification by Grantee, and Operator shall have no claim against Grantee or Administrator by reason of such revocation or termination, and Operator shall have no further interest in the subject matter of this Agreement, except to remit to Administrator or Grantee such sums as may be due pursuant to this Agreement, by virtue of services provided before the date of such revocation or cancellation. Should such revocation occur, Grantee and Administrator will make reasonable efforts to see that Operator secures subzone status with another grantee.

X. NOT JOINT VENTURER

10.1 Grantee, Administrator, and Operator are not, and shall never be considered as, joint venturers, partners, or agents of each other, and none shall have the power to bind or obligate the other except as set forth in this Agreement.

During the term of this Agreement, and two (2) years after its termination date, Operator, its employees, agents, or contractors agree not solicit or seek to employ, either directly or on the behalf of any other entity, employees of Administrator. Operator will inform its employees, agents, or contractors of this provision.

XI. MISCELLANEOUS

11.1 Waiver: No failure of any party hereto to exercise any right or power given it hereunder, or to insist upon strict compliance by any other party hereto of any obligations hereunder, and no custom or practice at variance with the terms hereof, shall constitute a waiver of any party's right to demand exact compliance with the terms hereof.

11.2 Integration: This Agreement contains the entire agreement of the parties, and no representation, inducement, promise, or agreement, oral or otherwise, not embodied herein shall be of any force or effect, and cannot be altered or amended except in writing and signed by all parties hereto. The terms of this Agreement take precedence over any conflicting provisions contained in the Zone Schedule issued by Grantee.

11.3 Binding Effect: This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns. Provided, however, that this paragraph is in no way to be construed as granting to Operator the right to assign this Agreement or any interest herein without the express prior written approval of Grantee, which may be withheld for any reason.

11.4 Nonassignability: Operator shall not assign this Agreement or any interest hereunder to any other party without the prior written approval of Grantee, which may be withheld for any reason.

11.5 Construction: This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, except where federal law has preempted such application. If any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect by a court of competent

jurisdiction, such holding shall not affect the validity of any other provision of this Agreement which shall continue in full force and effect.

11.6 Notices: All notices required or permitted by this Agreement, unless otherwise provided, shall be mailed to Grantee by first class mail at the following address:

Huntsville-Madison County Airport Authority
1000 Glenn Hearn Boulevard, Box 20008
Huntsville, Alabama 35824

All notices required or permitted by this Agreement, unless otherwise provided, shall be mailed to Administrator by first class mail at the following address:

Huntsville Foreign-Trade Zone Corporation
2062 Old Shell Road
Mobile, AL 36607
Attn: Legal

All notices required or permitted by this Agreement, unless otherwise provided, shall be mailed to Operator by first class mail at the following address:

VF Jeanswear LP
Attn: Chief Financial Officer
400 North Elm Street
Greensboro, NC 27408

11.7 Confidentiality: Grantee and Administrator hereby acknowledge and agree that they and their respective directors, officers, agents, representatives, and employees are subject to the Trade Secrets Act as it relates to confidentiality of information concerning Operator's operations at the Subzone Site.

IN WITNESS WHEREOF, the parties hereto set their hands on the date first written above.

GRANTEE:

THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY

By: _____ (SEAL)
RICHARD TUCKER
Its: Executive Director

ATTEST:

By: Paul Kelly
Its: Finance Director

ADMINISTRATOR:

HUNTSVILLE FOREIGN-TRADE ZONE CORPORATION

By: _____ (SEAL)
CRAIG POOL
Its: PRESIDENT

ATTEST:

By: _____
GREGORY JONES
Its: SECRETARY

OPERATOR:

VF JEANSWEAR LIMITED PARTNERSHIP

By: _____ (SEAL)
RUSTIN E. WELTON
Its: VP/CFO

ATTEST:

By: Sharon Ingram
Sharon Ingram
Its: Notary Public

EXHIBIT "A"

SCHEDULE OF OPERATOR FEES

SUBZONE OPERATOR FEES

I. START-UP FEE

Amount: $10,000

Payable: Upon execution of Foreign-Trade Sub-Zone Operator Agreement

For: Review of Foreign-Trade Zone inventory control system, systems and procedures manual, and activation application to U.S. Customs and Border Protection.

II. ANNUAL OPERATOR FEE

All Primary Manufacturers and their First Tier Suppliers	Second Tier Suppliers of Primary Manufacturers	Third Tier Suppliers of Primary Manufacturers or Distribution Facilities
$30,000	$25,000	$20,000

Payable: Operator Fee is due and payable annually commencing upon activation. Operator Fee may be made in equal quarterly payments.

For: Routine Foreign-Trade Zone operations.

Note: The term "Primary Manufacturer" refers to a Zone or Subzone manufacturer whose products are of the highest value within FTZ 83 production sequence.