

IMPORTANT INFORMATION ABOUT ZONE SCHEDULES

This zone schedule is being made available pursuant to 15 CFR 400.44(e), which states: “The Board shall make copies of zone schedules available on its Web site.”

Availability of this zone schedule on the FTZ Board’s website does not imply that the FTZ Board has approved any rate/charge, policy or other content of this zone schedule. In particular, while the FTZ Board staff intends to conduct spot checks over time, zone schedules are not reviewed for compliance with the public utility requirement (19 U.S.C. 81n, 15 CFR 400.42) prior to making the zone schedules available via the Board’s website.

Pursuant to 15 CFR 400.44(b)(4), a grantee may not assess any specific rate or charge for which the amount – or formula for calculating the amount – does not appear in the zone schedule that the grantee has submitted to the FTZ Board.

Complaints about a grantee’s compliance with statutory and regulatory requirements related to public utility and uniform treatment – including rate or charge amounts/formulas, a grantee assessing a rate or charge amount/formula that does not appear in its zone schedule, and a grantee not affording uniform treatment under like conditions – may be presented to the FTZ Board under 15 CFR 400.45 (which also allows for complaints to be made on a confidential basis, if necessary).

Questions or concerns may be addressed to the FTZ Board staff at (202) 482-2862 or ftz@trade.gov.

WASHINGTON DULLES FOREIGN-TRADE ZONE INC.

ZONE SCHEDULE NO. 5

RULES, REGULATIONS, RATES, AND CHARGES

APPLYING AT:
FOREIGN-TRADE ZONE NO. 137
DULLES, VIRGINIA

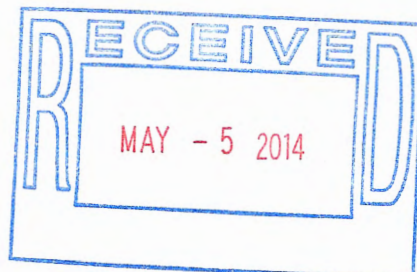
Operating Under Grant of Authority
Of the United States Foreign-Trade Zones Board

To:

Washington Dulles Foreign-Trade Zone Inc.

ISSUED: February 20, 2012 EFFECTIVE: February 28, 2012

ISSUED BY: WASHINGTON AIRPORTS TASK FORCE



**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

FTZ No. 137

ZONE SCHEDULE

GRANTEE: WASHINGTON DULLES FOREIGN-TRADE ZONE, INC.

GRANTEE ADMINISTRATOR: WASHINGTON AIRPORTS TASK FORCE

Grantee Office:

44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166
Contact Person: Ms. Peggy Dyer
(703) 572-8714
Fax: (703)572-8418

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Page | 1

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

TABLE OF CONTENTS

| | |
|--|-----------|
| DESCRIPTION OF FOREIGN-TRADE ZONE NO. 137 | 5 |
| Foreign-Trade Zone #137 Arms Policy | 8 |
| FTZ No. 137 Operator Criteria | 9 |
| Section I Definition of Terms..... | 10 |
| SECTION II - OVERVIEW OF FOREIGN-TRADE ZONES | 21 |
| SECTION III - APPLICATION OF RULES, REGULATIONS AND RATES | 23 |
| Section III.0 - Operation of Zone to be Fair and Equitable | 23 |
| Section III.1 - Application and Interpretation of FTZ No. 137 Zone Schedule | 23 |
| Section III.2 - Regulations - Foreign-Trade Zones Board..... | 23 |
| Section III.3 - Regulations - United States Customs and Border Protection..... | 24 |
| SECTION IV - OPERATION OF ZONE | 25 |
| Section IV.0 - Activation..... | 25 |
| Section IV.1 - Deactivation..... | 25 |
| Section IV.2 - Lapse/Sunset Provision..... | 25 |
| Section IV.3 - Grant Sale/Conveyance, Transfer, Assignment, Etc. | 26 |
| Section IV.4 - Construction of Buildings and Facilities Within a Zone | 26 |
| Section IV.5 - Merchandise Permitted in Zone | 26 |
| Section IV.6 - Status of Merchandise in a Zone | 28 |
| Section IV.7 - Disposition of Merchandise in Zone | 28 |
| Section IV.8 - Manipulation, Manufacture and Exhibition of Merchandise..... | 28 |
| Section IV.9 - Subsequent Importation of Zone Merchandise | 29 |
| Section IV.10 - Use of Zone by Carriers | 29 |
| Section IV.11 - Exclusion from Zone of Goods or Process of Treatment/Grant Restrictions | 30 |
| Section IV.12 - Hours of Business and Service | 30 |
| Section IV.13 - Independent Contractor Status | 30 |
| Section IV.14 - Retail Trade Within Zone | 31 |
| Section IV.15 - Scope of Authority | 31 |

ISSUED: February 20, 2012

EFFECTIVE: February 28, 2012

Issued By:
**WASHINGTON AIRPORTS TASK FORCE, grantee administrator
For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

| | |
|--|-----------|
| Section IV.16 - Sponsor of New Zone or Subzone | 31 |
| Section IV.17 - Termination-Accrued Obligations/Survival | 32 |
| Section IV.18 - Termination-Bankruptcy..... | 32 |
| Section IV.19 - Termination-Conviction/Abandonment | 33 |
| Section IV.20 - Yearly/Annual Reporting Requirements..... | 33 |
| SECTION V - GENERAL RULES AND REGULATIONS..... | 35 |
| Section V.0 - Agreements..... | 35 |
| Section V.1 - Communication, Audits, Inspections and Requests for Information | 35 |
| Section V.2 - Confidential Relationship | 35 |
| Section V.3 - Foreign-Trade Zone Usage..... | 36 |
| Section V.4 - Government Agencies | 36 |
| Section V.5 - Governmental Licenses | 36 |
| Section V.6 - Insurance | 37 |
| Section V.7 - Public Interest, Health and Safety | 37 |
| Section V.8 - Regulations - General | 38 |
| Section V.9 - Regulations - Zone | 38 |
| SECTION VI - SPECIAL RULES PERTAINING TO MERCHANDISE | 39 |
| Section VI.0 - Abandonment, Arrearage, or Insolvency | 39 |
| Section VI.1 - Bureau of Census Reporting | 39 |
| Section VI.2 - Customs Bond..... | 40 |
| Section VI.3 - Customs Inspection of Merchandise While in Zone..... | 40 |
| Section VI.4 - Customs Permit | 40 |
| Section VI.5 - Grantee Knowledge | 40 |
| Section VI.6 - Handling of Merchandise..... | 41 |
| Section VI.7 - Harbor Maintenance Fee..... | 41 |
| Section VI.8 - Hazardous/Objectionable Commodities | 41 |
| Section VI.9 - Indemnification..... | 42 |
| Section VI.10 - Marking..... | 42 |
| Section VI.11 - Merchandise Processing (User) Fee | 42 |
| Section VI.12 - Permission to Manipulate, Manufacture, Exhibit, Repack or Destroy..... | 43 |
| Section VI.13 - Record Deficiencies | 43 |
| Section VI.14 - Record Retention..... | 43 |
| Section VI.15 - Reports to Governmental Agencies..... | 44 |
| Section VI.16 - Right of Entry | 44 |

ISSUED: February 20, 2012

EFFECTIVE: February 28, 2012

Issued By:
WASHINGTON AIRPORTS TASK FORCE, grantee administrator
For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

| | |
|---|-----------|
| Section VI.17 - Temporary Removal | 45 |
| Section VI.18 - Trucking and Lighterage | 45 |
| SECTION VII - CHARGES..... | 46 |
| Section VII.0 - Charges | 46 |
| Section VII.1 - Uniform Pricing..... | 46 |
| GRANTEE CHARGES | 47 |
| THIRD PARTY PROVIDER / PUBLIC WAREHOUSE ACTIVATED SPACE..... | 50 |

ISSUED: February 20, 2012

EFFECTIVE: February 28, 2012

Issued By:
**WASHINGTON AIRPORTS TASK FORCE, grantee administrator
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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
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**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

DESCRIPTION OF FOREIGN-TRADE ZONE NO. 137

The Washington Dulles Foreign Trade Zone was organized under Articles of Incorporation which state:

“The purpose or purposes for which the corporation is organized is to encourage the creation and maintenance of new economic activity and employment in the Washington, D.C., metropolitan area by stimulating and assisting in the establishment of export-generating and import substitution and import displacement activities through the establishment, operation and maintenance, at and/or near Dulles International Airport, of a foreign-trade zone, for the purpose of conducting business operations that would otherwise be carried on outside of the United States for customs cost reasons, such foreign-trade zone to be established, operated and maintained in accordance with an act of Congress approved June 18, 1934, entitled “An act to provide for the establishment, operation and maintenance of foreign trade zones on ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes,” published in volume forty-eight of United States statutes at large, chapter 590, and in accordance with Title 62.1, sections 161 and 162, of the Code of Virginia. The Corporation shall have any and all powers, rights and privileges to conduct all lawful affairs necessary or appropriate to accomplish the above purpose or purposes and which are not required to be specifically stated in these Articles of Incorporation which a corporation organized under Chapter 2, Title 13.1 of the Code of Virginia, 1950, as amended, may now or hereafter have or exercise and which are not inconsistent with the limitation set forth in Article VI below.”

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 5

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Foreign-Trade Zone No. 137 is operated as a public utility pursuant to Foreign-Trade Zones Board Regulations and has its office located at 44701 Propeller Court, Suite 100, in Dulles, Virginia.

Foreign-Trade Zone No. 137 is operated in cooperation with the Foreign-Trade Zones Arms Policy of July 1995.

Foreign-Trade Zone No. 137 is operated under its listed Operator Criteria.

This Zone Schedule (dated February 28, 2012) is issued pursuant to Foreign-Trade Zone regulations (15CFR 400.42) and supersedes four (4) previously issued zone schedules dated 2000, 1996 and 1987).

Any communications and questions can be directed to:

Attn: Ms. Peggy Dyer
Washington Airports Task Force
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166
Phone: (703) 572-8714
Fax: (703)572-8418

Foreign-Trade Zone No. 137 was established pursuant to a Grant issued by the Foreign-Trade Zones Board, Washington D.C., as Board Order No. 350 on April 17, 1987. The Grant was expanded on March 12, 1999 (Board Order 1029), and on April 5, 2001 (Board Order 1152). On October 12, 2011, under Board Order #1787, the Dulles Foreign Trade Zone was re-organized under the Alternative Site Framework. Under provisions of the Foreign-Trade Zones Act (19 U.S.C. 81a-81u),

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Washington Dulles Foreign Trade Zone Inc. has issued the following Zone Schedule containing the rules, regulations, rates and charges of FTZ No. 137.

Foreign-Trade Zone No. 137 consists of 7 zone sites.

| Site Number | Site Name and Address | Acreage w/in Current Site Boundaries | Type of Site |
|-------------|--|--------------------------------------|-----------------------|
| 1 | Washington Dulles International Complex | 243 Acres | Magnet (permanent) |
| 2 | Cargo Warehouses | 3.5 Acres | Magnet |
| 3 | Arcola Complex, cargo warehousing | 141.66 Acres | Magnet |
| 4 | Ft. Collier Industrial Park/Stonewall Industrial Park Stonewall Industrial Park | 169 Acres | Magnet |
| 5 | Winchester Airport Industrial Parks | 64 Acres | Magnet |
| 6 | Wrights Run US Rt. 522 & Route 624 (Tasker Rd.) Winchester, VA | 155 Acres | Magnet |
| 7 | Stonewall Industrial Park | 14 Acres | Usage-Driven |

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 7

Foreign-Trade Zone #137 Arms Policy

Adopted July 1995

WHEREAS, it is the considered opinion of the Board of Directors of Foreign-Trade Zone #137 that any and all zone activities involving the storage, assembly, disassembly, repackaging, manufacture, processing, or other manipulation of firearms, ammunition, armaments, and components thereof manufactured outside the United States and destined for sale outside the United States by organizations other than an agency of the United States government, are not consistent with the objectives of the Zone, nor the public interest, health or safety of the community served by the Zone. Accordingly, it is hereby RESOLVED that it is the policy of Zone #137 to prohibit use of Zone #137 for the activities enumerated above with respect to firearms, armaments, ammunition or related components. It is, further, the policy of Zone #137 that any and all firearms, armaments, ammunition, and related components admitted to the Zone for the above purpose prior to the promulgation of this policy be removed therefrom, consistent with legal and regulatory requirements.

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Foreign-Trade Zone #137
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Dulles International Airport
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FTZ No. 137 Operator Criteria

Adopted July 7, 1999

Companies seeking to become operators of FTZ #137 must be able to demonstrate their ability to meet the following criteria.

1. Possess relevant facilities and expertise
2. Be willing to accept the zone's standard contract and schedule and be able to implement the contractual requirements
3. Be acceptable to U.S. Customs and Border Protection
4. Possess a good reputation as a company – or as individuals if it is a startup – for:
 - Integrity;
 - Service quality;
 - Fulfillment of obligations in business dealings;
 - Good reputation with clients.

Section I Definition of Terms

Act—The Foreign-Trade Zones Act of 1934 (48 Stat. 998 - 1003; 19 U.S.C. 81a-81u), as amended. (15 C.F.R. §400.2(a))

Activation – Approval by the Grantee and the U.S. Customs and Border Protection Port Director permitting operations to begin which allow the admissions and handling of merchandise in zone status.

Admission to Zone – The physical arrival of goods into a zone in a specified zone status with the appropriate approvals of the zone grantee and U.S. Customs and Border Protection. The term “admission” is used instead of “entry” to avoid confusion with Customs entry processes under Parts 141-144 of the Customs Regulations.

Alteration—A change in the boundaries of an activated zone or subzone; activation of a separate site of an already-activated zone or subzone with the same operator at the same port; or the relocation of an already-activated site with the same operator.

Alternative Site Framework (ASF) - The “framework” to manage FTZ sites that gives much greater flexibility to use simple minor boundary modifications (instead of more complicated and time-consuming procedures) to bring FTZ designation to locations where a company is ready to pursue using FTZ procedures. The Washington Dulles Foreign Trade Zone Inc. maintains and operates FTZ No. 137 under the ASF.

Applicant of Record—The person, firm or corporation in whose name the application to admit merchandise into the zone (CBPF 214) is made, recognized by U.S. Customs and Border Protection

FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5

as having the legal right to make the application. Evidence of this right of the applicant is the same as would be required to establish the right to apply for release of the merchandise from U.S. Customs and Border Protection with the right to make entry. (19 C.F.R. §146.32(b)(2)).

Board—The Board means the Foreign-Trade Zones Board created by the Act to carry out the provisions thereof. The Board consists of the Secretary of Commerce, who is the chairman and executive officer, and the Secretary of the Treasury, or their designated alternates. (15 C.F.R. §400.2(b)).

Conditionally Admissible Merchandise—Merchandise which may be admitted to the zone or be imported into the U.S. under certain conditions. Merchandise subject to antidumping and countervailing duty, subject to Foreign-Trade Zones Board Grant Restrictions, or merchandise transferred from a bonded warehouse, are examples of conditionally admissible merchandise for admission to the zone. Merchandise which is subject to permits or licenses (i.e. FDA controlled merchandise, certain firearms, motor vehicles, etc.), and merchandise which must be reconditioned to bring it into compliance with the laws administered by various federal agencies are examples of conditionally admissible merchandise for import. See Sections 6.3, 6.7(h), and 11.4, U.S. Customs and Border Protection FTZ Manual.

Constructive Transfer - A legal fiction that permits acceptance of a Customs entry for merchandise in a [foreign-trade] zone before its physical transfer to the Customs territory. If the entry is thereafter rejected or cancelled, the merchandise will be considered at that time to be constructively transferred back into the zone in its previous zone status.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Customs Form 214 (CBPF 214)– Application and permit to admit merchandise into a Foreign-Trade Zone, permit to transfer merchandise through the Customs territory to Zone and Customs officer's return thereon, and Customs report of merchandise received at Zone.

Customs Form 216 (CBPF 216)– Application and permit for the manipulation, manufacture, exhibition or destruction of merchandise within a Foreign-Trade Zone.

Customs Territory– The territory of the U.S. in which the general tariff laws of the U.S. apply. “Customs territory of the United States” includes only the States, the District of Columbia, and Puerto Rico.

Domestic Merchandise–Domestic sourced or foreign sourced previously duty paid merchandise. See Status of Merchandise herein.

Foreign Merchandise–Imported merchandise that has not been properly released from the U.S. Customs and Border Protection custody in the Customs territory of the United States. See Status of Merchandise herein.

Fungible Merchandise–Merchandise that for commercial purposes is identical and interchangeable in all situations.

Grantee–The Grantee of Foreign-Trade Zone No. 137 is the Washington Dulles Foreign-Trade Zone Inc., an organization to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted by the Foreign Trade Zone Board.

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44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 12

FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5

Harmonized Tariff Schedule of the U.S. (HTSUS) Number—The ten-digit number used to identify all imported and exported merchandise. The complete text is available from the U.S. International Trade Commission, Publication 2831.

Inventory Control System - A system of inventory control, manual or automated, based on records maintained by a Zone Operator or tenant rather than by the U.S. Customs & Border Protection. An operator shall maintain the inventory control and recordkeeping system of the zone in accordance with the provisions of 19 CFR Part 146. An operator shall maintain either manual or automated inventory control and recordkeeping systems or a combination of manual and automated systems.

Inventory Records—

- A. Zone Lot Number (ZLN)**—A number assigned to the unit or units of goods (zone lot) for which a separate record and account is to be kept by the Zone Operator or Zone User. The merchandise must be physically segregated and marked by lot at all times. (19 C.F.R. 146.37(a)(1) and (d)).

- B. Unique Identifier Number (UIN)**—Numbers, letters, or combination of both (alphanumeric) that identify merchandise admitted to a zone. It is fungible material typically identified by a part number, model number, style number, SKU, etc. This number may be used for control and accounting of the goods. FIFO (First In, First Out) and FOFI (Foreign First) inventory relief methods have been authorized by the U.S. Customs and Border Protection. (19 C.F.R. 146.37(a)(2) and (d)). Generally, a FIFO system is used for UIN activity.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
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Dulles, VA 20166

Page | 13

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Lease—The document of agreement entered into between the owner or lessor of the property and the lessee for use of space within the Foreign-Trade Zone.

Magnet Site – Type of ASF site intended to attract multiple potential FTZ operators/users

Manipulation—As defined in Section 562 of the Tariff Act, processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted, graded or otherwise changed in condition. The precise distinction between manipulation and manufacturing is subject to interpretation and enjoys a long history of case law.

Manufacturing—As defined by the Foreign-Trade Zones Board Regulations, manufacturing means activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use. U.S. Customs & Border Protection determines what constitutes manufacturing on a case-by-case basis, distinguishing it from other operations such as manipulation, processing, production, and blending. The Foreign-Trade Zones Board definition is much broader and the agency requires that specific prior authorization be obtained for manufacturing operations in the activated zone.

Merchandise—Merchandise includes goods, wares and chattels of every description except prohibited merchandise. (Building materials, production equipment, and supplies for use in operation of a zone may not be considered “merchandise.”)

Operating Agreement—The agreement between the Zone Operator and the Zone User, or the Zone Grantee and the Zone Operator describing rights, responsibilities, and financial considerations.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 14

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Port Director, U. S. Customs—The Port Director of the U.S. Customs and Border Protection located in Dulles, Virginia or his representative.

Prohibited Merchandise—Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise which is excluded from a zone by order of the Foreign-Trade Zones Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of prohibited merchandise. Also, certain operations involving the following merchandise are prohibited: Tobacco, cigars, cigarettes and cigarette papers and tubes (26 U.S.C. 5701-5706); Firearms (26 U.S.C. 4181-4182/5811); Distilled spirits, alcohol, wine and beer (26 U.S.C. 5001-5008/5010); Sugar (26 U.S.C. 4501-4503); Watch movements (19 U.S.C. 1367-1368); Bicycle parts were prohibited for a limited time period (19 U.S.C. 81b(c)) until December 31, 1992; and retail sales in a zone (19 U.S.C. 81 (o)(d) & CR 146.14). Detailed information on exactly what merchandise is prohibited from being admitted to the foreign-trade zone is available from the Zone Operator.

Quantity – The numerical count of the units composing a shipment of merchandise.

Re-Exports or Reshipments—Merchandise from one foreign country initially destined to the United States which, after being unladen, stored, and/or manipulated or manufactured in this country, is transported under a new bill of lading or other new documentation to another foreign country. Generally, it includes all merchandise of foreign origin which has not been so manipulated or manufactured as to be deemed a product of the United States, and which has not been released from Customs custody into Customs territory.

Regulations—All operations within the foreign-trade zone are subject to the Foreign-Trade Zones Board Regulations, 15 C.F.R. Part 400; and U.S. Customs and Border Protection Regulations, 19

ISSUED: February 20, 2012

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Foreign-Trade Zone #137
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Dulles, VA 20166

Page | 15

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

C.F.R. Part 146. Imports and exports may also be governed by the Regulations or Guidelines of other Federal Agencies. All products to be admitted to a foreign-trade zone must be reviewed for potential compliance issues.

Restricted Merchandise/Operations—Merchandise which may not be authorized for delivery from Customs custody without a special permit, or a waiver thereof, by an agency of the U.S. Government. Contact the Zone Operator for a list of Restricted Merchandise. Also, the Foreign-Trade Zones Board and U.S. Customs and Border Protection have restricted certain operations involving the following products: steel, apparel/textiles, television tubes, auto parts, milk, and sugar, orange juice, printers ink, alcohol/gasohol, oil refining, tires, chain saws and golf carts. The restrictions may vary on a case-by-case basis. Contact the Zone Operator for a current list of Foreign-Trade Zones Board Grant Restrictions. (15 C.F.R. §400.31).

Service Area – The geographical area (such as specific counties) where FTZ No. 137 is able to sponsor and serve FTZ sites. Sites located outside the service area may be served as subzones. The FTZ No. 137 Service Area under the Alternative Site Framework consists of the following counties: Frederick, Clarke, Loudoun, Fairfax, Fauquier, Prince William and Arlington Counties and the City of Alexandria.

Status of Merchandise—

- A. Domestic Merchandise**—Merchandise produced in the U.S., not exported therefrom, and on which all internal revenue taxes, if applicable, have been paid; and, imported merchandise properly released from Customs' custody on which all applicable duties and taxes have been paid. (19 C.F.R. §146.43).

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**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

- B. Non-Privileged Foreign Status Merchandise (NPF)** – Foreign merchandise subject to tariff classification according to its character, condition and quantity as constructively transferred to Customs territory at the time the entry or entry summary is filed with U.S. Customs & Border Protection. In other words, a status of merchandise for tariff purposes that provides for classification and appraisement in accordance with the condition of merchandise when constructively transferred to the Customs territory of the United States.
- C. Privileged Foreign Merchandise**– Foreign Merchandise subject to tariff classification according to its character, condition and quantity at the rate of duty and tax in force on the date of filing the CBPF 214. In other words, a status that, upon proper application and approval anytime preceding manufacture or manipulation within a zone, is granted to an imported input, allowing the zone user the privilege of treating the input, for tariff purposes, as remaining in its original condition at the time of admission to the zone. Once established, Privileged Foreign Status cannot be changed except in the case of recoverable waste (see 19 CFR § 146.42).
- D. Zone-Restricted Merchandise**–Merchandise taken into a zone for the sole purpose of exportation, destruction (except destruction of distilled spirits, wines, and fermented malt liquors), or storage may be given zone-restricted status on proper application. ZR status can be requested at any time that the merchandise is located in the zone but cannot be abandoned once granted. Merchandise in zone-restricted status may not be removed to Customs territory for domestic consumption except where the FTZ Board determines the return to be in the public interest.

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FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5

Storage—The keeping of merchandise in or upon the premises within the Foreign-Trade Zone. Covered storage means keeping within a covered and enclosed structure affording weather protection. The term “storage”, without other designation, ordinarily implies covered storage.

Subzone—A special purpose zone established as part of a zone project for a limited purpose, that cannot be accommodated within an existing zone. The term "zone" also applies to a Subzone, unless specified otherwise.

Sunset Limits - FTZ designation self-removes if there is no FTZ activity at the site before the sunset date. For Magnet sites, the default sunset period is 5 years. Usage-Driven sites have a 3-year sunset period. FTZ activity at a site during the sunset period resets the sunset date for an additional 5 years (Magnet) or additional 3 years (Usage-Driven).

Unit of Quantity – The customary groupings of a commodity as a unit to indicate the medium or method of measure. The unit of quantity in zone records will be consistent with those annotated in the Harmonized Tariff Schedule of the United States.

United States - The several States, District of Columbia and Puerto Rico. The term "United States" includes all territories and possessions of the United States, except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam.

Usage-Driven Site – Sites designated to meet a specific operator/user’s present need for FTZ designation (rather than to attract potential future operators/users). A usage-driven site is tied to the specific operator/user for which it was designated and could not be used by any other entity. However, a site vacated by one operator/user could easily be designated as a Usage-Driven site for another operator/user through an additional simple minor boundary modification (MBM) action.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Warehouse—A covered and enclosed structure, affording weather protection, used primarily for short or long term storage of merchandise, and often containing business offices. In a Foreign-Trade Zone it also is used for manipulation, manufacture, and exhibition of merchandise.

Weight—Means the gross weight of the merchandise including all containers, except as noted to the contrary.

Zone Administrator – The Administrator of FTZ No. 137 as appointed by the Washington Dulles Foreign-Trade Zone Inc.

Zone Admission Number—The control number or sequential number on the CBPF 214 in block #6.

Zone Operator—The foreign-trade zone may be managed by the Grantee, a firm that oversees one or multiple zone users, or each firm may be its own foreign-trade Zone Operator. For the purposes of this Schedule, the term Zone Operator shall apply to both general-purpose zones and subzones. The Zone Operator may be an organization, corporation, partnership, or person that operates under the terms of an agreement with the Zone Grantee. There may also be multiple Zone Operators operating under the terms of agreement with the Zone Grantee.

Zone User—A person or firm using a zone for storage, handling or processing of merchandise. The Zone Operator may authorize a Zone User to maintain its individual inventory control and recordkeeping systems and procedures manual; however, the Zone Operator will remain responsible to Customs and be liable under its bond for supervision, defects in, or failures of the systems unless the Zone User posts its own FTZ Operator's Bond and becomes a Zone Operator.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 19

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Zone Year—Each Zone Operator may choose its own zone year. December 31 is the year-end for Foreign-Trade Zones Board Annual Report purposes.

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For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 20

SECTION II - OVERVIEW OF FOREIGN-TRADE ZONES

A foreign-trade zone is a designated site licensed by the Foreign-Trade Zones Board at which special customs procedures may be used. These procedures allow domestic activity involving foreign items to take place prior to formal customs entry. Duty-free treatment is accorded items that are re-exported and duty payment is deferred on items sold in the U.S. market, thus offsetting customs advantages available to overseas producers who compete with producers located in the United States. Subzones are special-purpose zones, usually at manufacturing plants. A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.

Foreign-trade zones (zones) are restricted-access sites in or near ports of entry, which are licensed by the Foreign-Trade Zones Board and operated under the supervision of the U.S. Customs and Border Protection (see, 19 C.F.R. Part 146). Authority for establishing these facilities is granted to qualified corporations. Applications submitted to the Foreign-Trade Zones Board for grants of authority must show the need for zone services and a workable plan that includes suitable facilities and financing.

Zones are operated under public utility principles. Zone Grantees usually contract with private firms to operate facilities and provide services to zone users. Zones have as their public policy objective the creation and maintenance of employment through the encouragement of operations

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

in the United States which, for Customs reasons, might otherwise have been carried on abroad. The objective is furthered particularly when zones assist exporters and re-exporters, and usually when goods arrive from abroad in an unfinished condition for processing here rather than overseas.

Foreign and domestic merchandise may be moved into zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacture or other processing. The usual formal Customs entry procedure and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer ordinarily has a choice of paying duties either on the original foreign material or the finished product. Quota restrictions do not normally apply to foreign goods stored in zones, but the Foreign-Trade Zones Board can limit or deny zone use in specific cases on public interest grounds. Domestic goods moved into a zone for export may be considered exported upon entering the zone for purposes of excise tax rebates and drawback. Subzones are a special-purpose type of ancillary zone authorized by the Foreign-Trade Zones Board, through grantees of public zones, for operations by individual firms that cannot be accommodated within an existing zone when it can be demonstrated that the activity will result in a significant public benefit and is in the public interest. Foreign merchandise and domestic merchandise for export in a zone are exempt from state and local ad valorem taxes. (15 C.F.R. §400.1(c)).

More detailed information is contained in the Foreign-Trade Zones Act - 19 U.S.C. 81a-u; Foreign-Trade Zones Board Regulations - 15 C.F.R. Part 400; and U.S. Customs and Border Protection Regulations - 19 C.F.R. Part 146.

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For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 22

SECTION III - APPLICATION OF RULES, REGULATIONS AND RATES

Section III.0 - Operation of Zone to be Fair and Equitable

All rates and charges for all services and privileges within the zone shall fair and reasonable, and the Grantee and Operator shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments. (19 USC § 81n).

Section III.1 - Application and Interpretation of FTZ No. 137 Zone Schedule

The rules, regulations and rates of this Zone Schedule shall apply at Foreign-Trade Zone No. 137, its subzones, usage-driven sites and magnet sites, unless otherwise provided for. The Zone Grantee/Operator, shall be the sole judge to interpret and determine the applicability of any of the rates, regulations or services provided for in this Zone Schedule. However, any matter involving interpretation or action by the U.S. Customs and Border Protection or other agency of the U.S. Government will be determined by the Port Director of Customs, with the concurrence of the Foreign-Trade Zones Board. Where applicable, the Foreign-Trade Zones Board and U.S. Customs and Border Protection Regulations shall prevail should any conflict arise with this schedule.

Section III.2 - Regulations - Foreign-Trade Zones Board

Foreign-Trade Zone No. 137 is regulated by the Foreign-Trade Zones Board, Washington, D.C., special regulations as defined in the U.S. Code of Federal Regulations, Title 15, Chapter IV, Part 400-

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 23

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Regulations of the Foreign-Trade Zones Board. These regulations are available at <http://ia.ita.doc.gov/ftzpage/grantee/regs.html>.

Section III.3 - Regulations - United States Customs and Border Protection

Foreign-Trade Zone No. 137 is subject to special U.S. Customs and Border Protection regulations as defined in U.S. Code of Federal Regulations, Title 19, Chapter I, Part 146-Foreign-Trade Zones.

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EFFECTIVE: February 28, 2012

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

SECTION IV - OPERATION OF ZONE

Section IV.0 - Activation

Pursuant to regulations of the U.S. Customs and Border Protection, all or any portion of the zone approved by the Foreign-Trade Zones Board may be approved by the Zone Grantee and the Port Director of Customs for foreign-trade zone operations and for the admission, handling, and shipment for import or export of merchandise in zone status. All procedures of the U.S. Customs and Border Protection shall be followed. (19 C.F.R. §146.6).

Section IV.1 - Deactivation

A Zone Operator may file a request with the Customs Port Director to deactivate all or a portion of an existing activated zone or subzone and shall cease to admit merchandise into the zone site in zone status. Final action and disposition of the merchandise must be made with the concurrence of the Customs Port Director.

Section IV.2 - Lapse/Sunset Provision

The grant of authority for every magnet site may lapse if it is not activated and in operation within five years of the initial Foreign-Trade Zones Board Order issued after November 7, 1991 or after the date November 7, 1991. A usage-driven site may lapse after a three year period. Detailed provisions apply. Contact the Zone Grantee for a complete explanation. (15 C.F.R. §400.28(a)(5)).

Section IV.3 - Grant Sale/Conveyance, Transfer, Assignment, Etc.

The Foreign-Trade Zone Grant of Authority may not be sold, conveyed, transferred, set over, or assigned (FTZ Act, Section 17; 19 U.S.C. 81q). (15 C.F.R. §400.28(a)(8)). Application may be made to the Foreign-Trade Zones Board to reissue a Grant under certain conditions.

Section IV.4 - Construction of Buildings and Facilities Within a Zone

The Zone Grantee may, with the approval of the Foreign-Trade Zones Board, permit other persons, firms, or corporations to erect buildings and other structures within the zone as will meet their particular requirements. The Foreign-Trade Zones Board statute and regulations contain certain requirements. All security related construction should be in accordance with U.S. Customs and Border Protection requirements and the building activated by the U.S. Customs and Border Protection prior to use. The Foreign-Trade Zones Board must be notified of all such construction in a general purpose foreign-trade zone that was not approved in the original Application. Notification will occur with the Annual Report to the Board. In a foreign-trade subzone, all such construction not approved in the original Application must be approved by an Expansion Application to the Foreign-Trade Zones Board in advance of any zone activity. (19 U.S.C. §81m)(15 C.F.R. §400.28(a)(6)).

Section IV.5 - Merchandise Permitted in Zone

Foreign and domestic merchandise of every description, except such as is specifically prohibited by law, may without being subject to the Customs laws of the United States, except as otherwise provided in the Act and the regulations made thereunder, may be brought into a Zone.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

- (a) Merchandise that is specifically and absolutely prohibited by law shall not be admitted into a zone. Any merchandise so prohibited by law, which is found within a zone shall be disposed of in the manner provided for in laws and regulations applicable to such merchandise. A distinction is made between:
- (1) Merchandise that is specifically and absolutely prohibited by law on the grounds of policy and morals, such as immoral or subversive literature, obscene articles, or lottery matter, and
 - (2) Merchandise that is subject to conditional prohibition only, for protection of economic or national security or which may be reconditioned to bring them into compliance with the laws administered by various Federal agencies.

The Port Director of Customs is required to exclude the first class of articles and may not permit them to be transferred to a zone if he is aware of the prohibited status, except that the Port Director may permit the temporary deposit of any such merchandise in the zone pending final determination of its status.

The transfer of articles of the second class to a zone is subject to any requirements of the Federal agency concerned. There is no prohibition against placing over-quota merchandise in a zone pending its right to transfer to the Customs territory pursuant to the applicable quota provisions.

- (b) The application for the admission of merchandise into a zone shall be approved or disapproved by the Port Director of Customs as the representative of the Board, where the merchandise is not excluded by any other Federal agency having jurisdiction over the merchandise

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For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Section IV.6 - Status of Merchandise in a Zone

For the purposes of the Act and the regulations relating to this Section, all merchandise within a zone, except merchandise in transit through a zone as provided in the U.S. Customs and Border Protection Regulations, and except merchandise temporarily transferred to a zone for manipulation under Customs supervision pursuant to Section 562, Tariff Act of 1930, as amended, shall be given a zone status on a CBPF 214 document. Any changes to the zone status must be made on a CBPF 214 and approved by the U.S. Customs and Border Protection. For definitions see Section I.

Section IV.7 - Disposition of Merchandise in Zone

In general, merchandise lawfully brought into a zone may, in accordance with these and other regulations made under the provisions of the Act, be exported, destroyed or sent into Customs territory of the United States therefrom, in the original package or otherwise; but when foreign merchandise, and domestic merchandise whose identity has been lost, is so sent from a zone into Customs territory of the United States, it shall be subject to the laws and regulations of the United States affecting imported merchandise.

Section IV.8 - Manipulation, Manufacture and Exhibition of Merchandise

In general, merchandise lawfully brought into a zone may, in accordance with these and other regulations made under the provisions of the Act, be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured except as otherwise provided by the Act.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

- (a) Permission for any manipulation or exhibition in a zone shall be obtained from the Port Director of Customs, as the representative of the Board, subject to such application and procedure prescribed by the Secretary of the Treasury for the protection of the revenue.
- (b) In the event of the denial of any application by the Port Director of Customs for any reason, the applicant, the Grantee, or the Operator of the zone may appeal the adverse ruling to the Board. If any revenue protection considerations are involved in such an application, the Board shall be guided by the determinations of the Secretary of the Treasury with respect to them.

Section IV.9 - Subsequent Importation of Zone Merchandise

Articles produced or manufactured in a zone and exported therefrom shall, on subsequent importation into the Customs territory of the United States, be subject to the import laws applicable to like articles manufactured in a foreign country, except that articles produced or manufactured in a zone exclusively with the use of domestic merchandise, the identity of which has been maintained in accordance with the Second Proviso of Section 3 of the Act, as amended, may, on such importation, be entered as American goods returned. (19 C.F.R. §146.67(e)). Contact the Zone Operator for more detailed information on this topic.

Section IV.10 - Use of Zone by Carriers

The docking facilities, and loading or unloading stations of a zone are intended primarily for the use of vehicles, for unloading merchandise from the zone, and their use for other purposes may be terminated by the Secretary of the Treasury if found to endanger the revenue, or by the Board if found to interfere with the primary uses of the zone.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Section IV.11 - Exclusion from Zone of Goods or Process of Treatment/Grant Restrictions

When it shall be reported to the Foreign-Trade Zones Board that any goods or process of treatment is detrimental to the public interest, health, or safety, the Foreign-Trade Zones Board shall cause such investigation to be made as it may deem necessary. No operation or process of treatment will be permitted in the zone that in the judgment of the Foreign-Trade Zones Board or the Zone Operator is detrimental to the public interest, health, or safety. (15 C.F.R. §400.31). Normally, the Foreign-Trade Zones Board issues a Grant Restriction by means of a Board Order governing such activity. Grant Restrictions are restrictions or conditions placed in a Grant or other approval by the Foreign-Trade Zones Board which may limit the zone status allowed, the kind of operation or the merchandise in a zone, the entry of merchandise into the commerce, the life of the Grant, or the amount of acreage allowed to be activated. See also the definition of Restricted Merchandise/Operations.

Section IV.12 - Hours of Business and Service

The Zone Operator shall prescribe hours of business and service, for U.S. Customs and Border Protection purposes.

Section IV.13 - Independent Contractor Status

Zone Grantee, Zone Operator, and Zone User are not and shall not be considered as joint ventures, partners, or agents of each other, and neither shall have the power to bind or obligate the other except as set forth in any written agreements. Zone Grantee, Zone Operator, and Zone User agree

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

not to represent to anyone that they are agents of one another or have any authority to act on behalf of one another except as set forth in any written agreements.

Section IV.14 - Retail Trade Within Zone

No retail trade shall be conducted within a zone except under permits issued by the Foreign-Trade Zones Board. Duty paid and domestic merchandise may be sold in a foreign-trade zone under certain circumstances. Contact the Zone Operator for more detailed information.

Section IV.15 - Scope of Authority

The Foreign-Trade Zones Board must authorize all production and manufacturing activity that results in a change in the imported material's Harmonized Tariff Schedule of the United States classification. Any change in imported materials and finished products for such activity must also be authorized to only undertake those activities approved by the Foreign-Trade Zones Board. Zone Operator/User shall promptly notify the Zone Grantee of any activity requiring Foreign-Trade Zones Board notice and authorization.

Section IV.16 - Sponsor of New Zone or Subzone

The Zone Grantee may in its sole discretion decide to sponsor a new magnet site, usage- driven site, or subzone, and forward an Application to the Foreign-Trade Zones Board. In order to make its determination, the interested party must submit, in letter form to the Grantee, sufficient data in summary form as required in an Application to the Foreign-Trade Zones Board. (15 C.F.R. §400.24, 400.25) If the Zone Grantee decides to sponsor the proposed project, the Application must be prepared at the cost of the applicant.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Section IV.17 - Termination-Accrued Obligations/Survival

All Zone Operators/Users will specifically acknowledge and agree that, upon termination or expiration of tenancy in the foreign-trade zone for any reason whatsoever, Zone Operator/User shall not be released or relieved from fulfilling any and all of its obligations or duties which arose or accrued during the term of its zone usage, and Zone Operator/Users will specifically represent and warrant to Zone Grantee that upon termination or expiration of its zone usage for any reason whatsoever, Zone Operator/User shall completely perform and fulfill any and all of its obligations or duties which arose or accrued during the term of its zone use including the immediate preparation and filing of all necessary reports with the Grantee and the U.S. Customs and Border Protection. Specifically, the Zone Operator/User's indemnity obligations, bond obligations, and record and record retention obligations shall survive the termination or expiration of any Agreement and/or zone activity for any such reason. Zone Grantee may require the tender of all such records for safekeeping.

Section IV.18 - Termination-Bankruptcy

The Foreign-Trade Zone activity or any rights hereunder shall not be subject to involuntary assignment, transfer or sale, or to assignment, transfer or sale by operation of law in any manner whatsoever, and any such attempted involuntary assignment, transfer or sale shall be void and of no effect. Without limiting the generality of the foregoing, Zone Operator/User agrees that in the event any proceedings under the Bankruptcy Act or any amendment thereto be commenced by or against Zone Operator/User, and, if against Zone Operator/User, said proceedings shall not be dismissed before either an adjudication in bankruptcy or the confirmation of a composition, arrangement or plan of reorganization, or in the event Zone Operator/User be adjudged insolvent

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

or make an assignment for the benefit of its creditors, or if a writ of attachment or execution be levied against any real or personal property owned or leased by Zone Operator /User within the Zone and be not released or satisfied within 15 days thereafter, or if a receiver be appointed in any proceedings or action to which Zone Operator/User is a party with authority to take possession or control of the business conducted thereon by Zone Operator/User and such receiver be not discharged within a period of 15 days after his appointment, any such event or any involuntary assignment shall constitute a termination by the Zone Grantee of the use of the Zone without notice or any other action and also shall terminate all rights hereunder.

Section IV.19 - Termination-Conviction/Abandonment

Foreign-Trade Zone usage may be terminated if Zone Operator/User shall be convicted under any law of a felony as defined by such law; if the Foreign-Trade Zones Board or U.S. Customs and Border Protection should suspend or terminate Zone Operator/User or the activated status of the zone; or if the Zone Operator/User shall voluntarily abandon, desert, or vacate the premises or discontinue its operations. Zone Operator/User shall immediately provide all records and reports for Zone Grantee, the Foreign-Trade Zones Board, and the U.S. Customs and Border Protection.

Section IV.20 - Yearly/Annual Reporting Requirements

Operator shall provide by February 15 of each year such information to Grantee or its representative as may be necessary to enable Grantee to file its annual report, such information to be specified in a questionnaire prepared by the FTZB and any other reports which may be required by FTZ Board. Additionally, the FTZ Board requires the Operator to submit annual report 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

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Board requires grantees and operators to use the OFIS site to transmit required data (i.e., annual report data). The OFIS site, and FTZ Board guidelines can be accessed at the following web site: <http://ia.ita.doc.gov/Ftzpage/index.html>

Grantee does not warrant security of the FTZ Board's website and is not responsible or liable for the site's maintenance or security.

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EFFECTIVE: February 28, 2012

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For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

Page | 34

SECTION V - GENERAL RULES AND REGULATIONS

Section V.0 - Agreements

All firms using the services of a Foreign-Trade Zone Operator must enter into an operating agreement. All Foreign-Trade Zone or Subzone Operators must enter into an agreement with the Zone Grantee. If there is a conflict between the operating agreement and this Schedule, the agreement will prevail. Copies of the agreements are available from the Zone Grantee/Operator(s).

Section V.1 - Communication, Audits, Inspections and Requests for Information

Zone Operator/User shall inform Zone Grantee of any written or oral communication with the U.S. Customs and Border Protection, the Foreign-Trade Zones Board, and any other Federal Agency that affects the activated and/or designated status of the zone site or its operations. Zone Grantee shall make all written submissions to the Foreign-Trade Zones Board with respect to the Foreign-Trade Zone designation and granted authorities.

Section V.2 - Confidential Relationship

All foreign-trade zone documentation contains confidential business information that may not be copied or disclosed without the express written permission of the particular party in interest. All information shall be kept confidential except that which is required to be made public by the Foreign-Trade Zones Board or U.S. Customs and Border Protection. The Zone Operator is specifically required by 19 C.F.R. 146.4(d)(3) to maintain all transaction records confidential. This document contains trade secrets and commercial and financial information relating to the

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

confidential business of private parties. The Trade Secrets Act (18 U.S.C. 1905) provides penalties for disclosure of such information.

Section V.3 - Foreign-Trade Zone Usage

Zone Operator agrees to place the following language in all lease agreements involving the referenced property:

The Premises are within Foreign-Trade Zone No. 137. If a purchaser, lessee, or tenant wishes to utilize the foreign-trade zone, it must enter into an appropriate Agreement with the Foreign-Trade Zone Grantee or Zone Operator as appropriate.

Section V.4 - Government Agencies

Zone Operator/User must comply with all lawful regulations regarding U.S. or state government agencies. Besides the U.S. Customs and Border Protection, many U.S. agencies have specific laws that apply to the import and export of merchandise. The Zone Operator/User and its Customs Broker, if applicable, are responsible for assuring compliance. See also Regulations definition in Section 1.

Section V.5 - Governmental Licenses

Zone Operators/Users are responsible to obtain, maintain, and keep current any and all licenses, permits, certificates or other authorizations required by any Federal, State, or local government that are or may be necessary in the conduct of business in or from the zone.

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Section V.6 - Insurance

All Zone Operators/Users shall secure and maintain throughout the term of their zone tenancy insurance with requirements and limits as required by the Zone Grantee. Zone Operators/Users must furnish certificates of insurance evidencing the required coverage ten (10) business days prior to the commencement of operations. As appropriate, insurance shall include statutory workmen's compensation, automobile liability, and general liability.

Zone tenancy may be terminated if, at any time, a Zone Operator/User fails to maintain the required insurance for any period of time or fails to comply with any of the insurance requirements. Detailed insurance requirements may be secured from the Zone Grantee/ Operator. Insurance is carried by Zone Operator on its own property only and does not include insurance on the contents stored therein. Zone User is obligated to put nothing within the zone which will cause the cancellation or forfeiture of the insurance or affect the premium rate thereof on the building or buildings of which the leased premises forms a part. A list of such materials is available in the office of the Zone Operator. Insurance on commodities or other property stored on the leased premises must be carried by and at the expense of Lessee or owner of the commodities or other properties. Merchandise stored, manipulated, or transferred within the zone is not insured by the Zone Operator, and the Zone Schedule rates do not include insurance on merchandise.

Section V.7 - Public Interest, Health and Safety

No operation or process of treatment will be permitted in the zone that, in the judgment of the Foreign-Trade zones Board, Zone Grantee or Zone Operator, is detrimental to the public interest, health and/or safety. Zone management reserves the right to refuse merchandise that would, in

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Foreign-Trade Zone #137
44701 Propeller Court Suite 100
Dulles International Airport
Dulles, VA 20166

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

the opinion of the zone management, pose unusual or unacceptable problems or hazards to the zone. See also Restricted Merchandise/Operations in Section I. (15 C.F.R. §400.31(a))

Section V.8 - Regulations - General

All persons and merchandise of every description entering or leaving Foreign-Trade Zone No. 137 for any purpose whatsoever shall be bound by the lawful regulations of the Foreign-Trade Zones Board and by the Board Order issued thereunder, and the U.S. Customs and Border Protection and actions of the Port Director of Customs.

Although zones are outside the Customs territory, most Federal laws apply in zones. The extent to which they apply or do not apply depends on their precise wording, their relationship to the Foreign-Trade Zones Act, and the interpretation thereof by the particular Federal Agency affected. State and local laws apply in zones except to the extent they are preempted or modified by Federal laws. The Foreign-Trade Zones Board and the Port Director of Customs cooperate with Federal, State, and local government authorities in the administration of their laws, regulations, and ordinances. The Zone Grantee, Zone Operator, and Zone Users shall allow such authorities access to the zone to carry out their duties. They are, however, subject to admission and departure requirements as noted herein.

Section V.9 - Regulations - Zone

The following rules governing procedure within Foreign-Trade Zone No. 137 are issued in conformity with and supplementary to the Foreign-Trade Zones Board and U.S. Customs and Border Protection regulations and such other United States laws and regulations relating to the Port of Entry as are applicable to Foreign-Trade Zone Operations.

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For WASHINGTON DULLES FOREIGN-TRADE ZONE INC.**

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Dulles International Airport
Dulles, VA 20166

SECTION VI - SPECIAL RULES PERTAINING TO MERCHANDISE

Section VI.0 - Abandonment, Arrearage, or Insolvency

If merchandise has been abandoned in the zone, or the person in whose account the merchandise is held in the zone apparently has absconded, is insolvent, or is in serious arrears in payments owed to the operator, the operator must take legal action under the laws of the state in which the zone is located to dispose of the merchandise. If the operator is authorized to sell the merchandise in public auction to recover a debt, the buyer will have title in the goods to dispose of them at his or her option. If the merchandise is to be entered for consumption the owner or purchaser will be held liable for any duties, taxes and deficiencies due. Auction sales will be conducted by the zone operator or representative thereof, and not by Customs or a Customs contractor.

Section VI.1 - Bureau of Census Reporting

Certain statistical information is necessary to be provided to the Bureau of the Census on all FTZ admission receipts. Under E-214 filing procedures Bureau of Census data is transmitted directly to the department of Census. The Washington Dulles Foreign Trade Zone Inc., as grantee of Foreign-Trade Zone #137 requires that all operators file their admission data, and their Census data electronically via E-214.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Section VI.2 - Customs Bond

A Customs Form 301, Activity Code 4, is utilized for the foreign-trade zone Operator's Bond. Provisions are set forth at 19 C.F.R. §113.73.

Section VI.3 - Customs Inspection of Merchandise While in Zone

The Zone Operator/User or his agent shall at all times be immediately available to make the merchandise subject to inspection required by the U. S. Customs and Border Protection and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following the inspection.

Section VI.4 - Customs Permit

Merchandise will not be delivered to or through Customs territory unless the delivery order is accompanied by a CBPF 3461/7501 (entry for consumption) or a CBPF 7512 (entry of transportation or transportation and exportation) or appropriate alternate procedures.

Section VI.5 - Grantee Knowledge

The Zone Grantee is not obligated to, and does not intend to, monitor the day-to-day activity of the Foreign-Trade Zone. The Zone Grantee shall have no knowledge, actual or constructive, of the quantity, character, status designation, identification, or time of admission, transfer, or release of goods into or from the Foreign-Trade Zone.

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**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Section VI.6 - Handling of Merchandise

Zone Operator/User will be responsible for the receipt and verification of all merchandise admitted to the Zone on the proper Customs Forms and for handling of all merchandise having activity being performed under the proper Customs Forms. Zone Operator/User will perform all these functions according to all Customs Regulations that apply to these activities. Zone Operator/User will not allow removal of any merchandise located within the Zone without prior approval from Customs under the applicable laws, rules and regulations of the U.S. Customs and Border Protection.

Section VI.7 - Harbor Maintenance Fee

The Water Resources Act of 1986 provides for a Harbor Maintenance Fee to be imposed for commercial use of Ports in the United States. All merchandise arriving at deep-water ports is subject to a fee of .125%. The Applicant for admission is liable for payment of the fee and the filing of the CBPF 349 quarterly is the responsibility of the Zone Operator/User or its Customs broker. The CBPF 350 is used for amendments or refunds.

Section VI.8 - Hazardous/Objectionable Commodities

The zone will not be required to accept for storage any commodity that will affect the rate of insurance on other merchandise in storage. Products will not be stored except in locations or areas that are not restricted in the acceptance of any commodity for storage under the insurance rate established on contents stored therein. The Grantee reserves the right to not allow certain merchandise to be stored, processed, or manufactured in the zone.

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Page | 41

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

Section VI.9 - Indemnification

Zone Operator/User will protect, indemnify and hold harmless Zone Grantee and its respective Boards, officers and employees from and against any and all actions, suits, proceedings, claims, demands (including attorneys' fees and costs), whether insured or not, arising out of or incident to Zone Operator/Users obligations and operations hereunder. Zone Grantee/Zone Operator may require a bond at any time Zone Grantee/Zone Operator deems it necessary to adequately protect the parties indemnified hereby.

Section VI.10 - Marking

All merchandise handled in the zone, before entry to Customs territory, must be marked in accordance with U.S. Customs and Border Protection regulations as to the country-of-origin and in accordance with all other government regulations. No merchandise will be permitted by Customs to be transferred from the zone for any purpose that is not properly labeled or carries any false or misleading label or mark. A CBPF 216 must be filed and approved by the U.S. Customs and Border Protection prior to any repacking and labeling which may occur in the zone.

Section VI.11 - Merchandise Processing (User) Fee

The current Customs Merchandise Processing (User) Fee of .3464 % ad valorem is generally applicable only to the value of foreign non-duty paid merchandise entered into the U.S. from a foreign-trade zone. The MPF is collected on a Customs entry CBPF 7501. Merchandise that is exported, scrapped, etc. from the zone is not subject to the Merchandise Processing Fee. The fee has a minimum of \$25 and is capped at \$485 per entry.

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44701 Propeller Court Suite 100
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Page | 42

Section VI.12 - Permission to Manipulate, Manufacture, Exhibit, Repack or Destroy

Before merchandise may be manipulated, repacked, manufactured, exhibited, or destroyed within the zone application on CBPF 216 must be presented to the Zone Operator for concurrence. The Zone Operator will then forward the application to U.S. Customs and Border Protection. On approval by the U.S. Customs and Border Protection, the contemplated activity will then be permitted.

Section VI.13 - Record Deficiencies

In the event that any audit, inspection, or examination by U.S. Customs and Border Protection, the Foreign-Trade Zones Board, Zone Grantee or Zone Operator discloses that books, records or operational procedures of Zone Operator/User are not in conformance with the requirements of Federal, State and/or local law and the Operator's Agreement, the U.S. Customs and Border Protection, the Foreign-Trade Zones Board, Zone Grantee or Zone Operator may order the immediate correction of the documents or procedures. In the event that it is anticipated that such correction will take in excess of five (5) working days, a plan of performance will be submitted to responsible party(s) for the correction of such discrepancy which shall be approved if necessary, by the Foreign-Trade Zones Board and the U.S. Customs and Border Protection, and shall proceed with all due diligence to correct the deficiency as described in the approved plan.

Section VI.14 - Record Retention

All financial and accounting records of Zone Operator/User concerning zone operations shall be retained for five (5) years after the act or occurrence recorded or after the merchandise covered by

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

such records has been forwarded from the Zone, whichever is longer, and all such records shall be available for inspection and audit by any appropriate government agency and by Zone Grantee during normal business hours.

Section VI.15 - Reports to Governmental Agencies

The Zone Operator is required to submit periodic reports to the Grantee and the U.S. Customs and Border Protection, or may be required to perform other acts as the Zone Operator of the zone in compliance with governmental regulations. Zone Users are required to and shall cooperate with the Zone Operator in the creation and maintenance of procedures, systems, regulations, or programs, and provide information and statistics that the Zone Operator considers necessary to ensure compliance with governmental requirements. The Zone Grantee must file an Annual Report as of December 31 of each year to the Foreign-Trade Zones Board. Each Zone or Subzone Operator and Zone User must cooperate in providing the necessary data (15 C.F.R. §400.46(d)). An Annual Reconciliation and Annual Internal Review is required of each Foreign-Trade Zone Operator. (19 C.F.R. §146.25, 146.26). A letter notification must be forwarded to the Customs Port Director within ninety (90) days of the end of the Operator's zone year.

Section VI.16 - Right of Entry

Representatives of the Zone Grantee, Zone Operator, Zone User, the Foreign-Trade Zones Board, the U.S. Customs and Border Protection and other authorized U.S. Government officers, shall have the right of access to enter the Zone for the authorized and lawful purpose of examining same, conferring with Zone Operator/User, its agents, invitees, and employees on such premises, inspecting and checking operations, supplies, equipment and merchandise, and determining

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**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

whether the business is being conducted in accordance with the procedures established for the operation and management of the zone.

Section VI.17 - Temporary Removal

Merchandise held in the zone may be temporarily removed from the zone for the limited purposes of repair, restoration, or any incidental operation which would not constitute a “manufacture or production” under drawback law, 19 U.S.C. 1313, and then returned to the zone. Application on a CBPF 216 must be presented to the Zone Operator and then to the U.S. Customs and Border Protection for concurrence. See Customs Headquarters Ruling 214189 (August 31, 1982), Ruling 218458 (January 27, 1986), Customs Directive 3260-20 (August 4, 1986) and Section 9.2 of the U.S. Customs and Border Protection FTZ Manual for a more detailed description of this limited provision.

Section VI.18 - Trucking and Lighterage

Transfer of foreign merchandise from the first Port of arrival through Customs territory to the zone and from the zone to the port of export must be made by Customs bonded trucks, rail cars, airplanes, lighters or other carriers and subject to U.S. Customs and Border Protection regulations. Alternate procedures for transfer of merchandise under the Foreign-Trade Operators Bond (see 19 C.F.R. §146.40(b)), not on bonded carriers, may be available with Customs approval.

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SECTION VII - CHARGES

Section VII.0 - Charges

Each General Purpose Zone Operator that makes its facilities available to multiple zone user firms is responsible for preparing and submitting to the Grantee an Appendix which sets out the rules, rates and charges at the zone site. Each Zone Operator assumes responsibility for maintaining a complete and current Zone Schedule. Each Zone Operator will provide an Appendix of their charges to the Grantee and any changes and/or revisions to the Appendix upon implementation. Additionally, firms utilizing the General Purpose Zone may act as their own Zone Operator. No other charges will be levied other than those set forth in this Zone Schedule. Under these circumstances, the zone sites will operate under the Rules and Regulations and Grantee Rates and charges as set out herein.

Section VII.1 - Uniform Pricing

All customers having similar volume and circumstances will be afforded the same contractual terms.

GRANTEE CHARGES

APPLICATION, ACTIVATION, AND ANNUAL FEES—

(a) Foreign-Trade Zones Board Application Fees—Zone Applications submitted to the Foreign-Trade Zones Board must be accompanied with a check in the following amount, as required by 15 C.F.R. §400.29:

- (1) Additional General Purpose Zones (15 C.F.R. §400.24 and 400.21(a)(2))\$3,200
- (2) Special Purpose Subzones (15 C.F.R. §400.25)
 - (i) Non-manufacturing/processing or less than three products\$4,000
 - (ii) Manufacturing/processing three or more products\$6,500
- (3) Expansions (15 C.F.R. §400.26(b))\$1,600

These fees are payable by the Zone Operator or Applicant of the appropriate site as described in 1, 2, and 3 above directly to the Foreign Trade Zones Board. The Zone Grantee will not be liable for any such fees.

Note that Foreign Trade Zone #137 is structured under the Alternative Site Framework. As such, any new sites (with an appropriate activation plan) can be added as a usage driven site with a Boundary Modification. There are no fees payable to the Foreign-Trade Zones Board for Boundary Modifications under the Alternative Site Framework.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

- (b) U.S. Customs and Border Protection Activation and Annual Fee—These fees were suspended pursuant to the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203).
- (c) The Zone Grantee charges each Zone Operator fees based upon services rendered. Fees may be adjusted from time to time by the Grantee by issuance of a correction to the Schedule.

(1) Annual Fee/Firms Acting as their own Operator

An administrative annual fee is charged by the Zone Grantee for each activated zone site or subzone. The annual zone fee will become due upon execution of the Operations Agreement and each January 1 thereafter. The annual service charge may be prorated to December 31 from the date the Agreement is first executed. Upon sixty (60) days written notice from Grantee to Operator, the annual service charge may be modified.

The fee will be charged based on the following:

| | |
|--|----------|
| Activated space of 250,000 square feet or less | \$5,000 |
| Activated space of over 250,000 square feet | \$10,000 |
| Activation with manufacturing authority | \$10,000 |
| (2) Application Fee | \$2,500 |

An administrative fee is charged by the Zone Grantee to prepare grantee-required documents and to review a prepared Application for FTZ designation to be filed with the Foreign-Trade Zones Board.

**FOREIGN-TRADE ZONE NO. 137
ZONE SCHEDULE NO. 5**

(3) Activation Fee\$1,500

An administrative fee is charged by the Zone Grantee for each Activation filed with the U.S. Customs and Border Protection.

(4) Designation/Non-Activated Status Fee\$2,500

An administrative fee is charged by the Zone Grantee for each designated area that is not activated in the first year of designation.

If the area is activated within the year, the \$2,500 will be applied to the Annual Zone Fee.

THIRD PARTY PROVIDER / PUBLIC WAREHOUSE ACTIVATED SPACE

Currently FTZ#137 does not have activated third party and public warehouse activated space

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