

ICE Futures U.S.[®], Inc.

WORLD COTTON RULES

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ICE FUTURES U.S.®, INC.

WORLD COTTON RULES

FUTURES

Rule 12.00. Scope of Chapter; Calculation of Times

(a) The Rules in this Chapter govern Transactions in and deliveries under World Cotton Futures Contracts and Options on World Cotton Futures Contracts (each a “World Cotton Contract”). All Transactions and deliveries in World Cotton Contracts shall be subject to the Rules and applicable Clearing Organization Rules, including the terms and conditions set forth in this Chapter.

(b) In computing any period of time prescribed or allowed in this Chapter or in any procedural resolution adopted by the Board hereunder, (i) all times shall refer to New York Time, and (ii) the day of the act or omission from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the close of business on the next Business Day.

Rule 12.01. Conflict With The U.S. Cotton Futures Act, Subsection (f)

Every World Cotton Contract made pursuant to the Rules shall be deemed to fully incorporate the terms and conditions of, and shall be subject to, the United States Cotton Futures Act, subsection (f) and each and every such provision or condition therein; to the extent that such World Cotton Contract pertains to U.S. origin cotton (“U.S. Cotton”) irrespective of where U.S. Cotton is delivered. All provisions in the Rules shall be construed with respect to U.S. Cotton so as to be consistent with the United States Cotton Futures Act, subsection (f). In the event of any inconsistency between any provision of the Rules and any provision of the United States Cotton Futures Act, subsection (f), the provision of the United States Cotton Futures Act, subsection (f) shall prevail in respect of U.S. Cotton under the relevant World Cotton Contract.

Rule 12.02. Definitions

(a) In this Chapter and in all procedures and resolutions adopted by the Board hereunder, all references to “cotton” shall refer to cotton which meets the quality standards of the World Cotton Contract set out in Rule 12.03 and Resolution 2 and other standards that the Exchange may set out from time to time and the following terms shall have the meanings indicated, in each case unless the context otherwise requires:

(i) **Alternate Delivery**

The term “Alternate Delivery” shall mean a delivery made directly between the Deliverer and Receiver, rather than through the Clearing Organization, on such terms as may be mutually agreed to between the Deliverer and Receiver. All of the Rules shall continue to be applicable to a World Cotton Contract which is the subject of an Alternate Delivery, except to the extent that such Rules are altered by mutual agreement of the Deliverer and Receiver with respect to Alternate Delivery and except that the Clearing Organization is not liable for delivery performance or payment.

(ii) **Certified Cotton**

The term “Certified Cotton” shall mean cotton which has been classed by an Exchange-approved classing entity in accordance with Rule 12.03 and Resolution 2, as applicable, and found to meet the standards in Rule 12.03 and Resolution 2, as applicable.

(iii) **Container Lot**

The term “Container Lot” shall mean a delivery unit comprised of cotton for delivery in settlement of a World Cotton Contract, which collectively meets the Container Lot Standards of Rule 12.03(d) and is subject to the Sampling provisions of Rule 12.30(i)(2). Each bale in the Container Lot must be of the same Growth.

(iv) **Cotton EWR Provider**

The term “Cotton EWR Provider” shall mean an operator of a database containing records of EWRs, which operator has been appointed by the Exchange for such purpose.

(v) **Cotton Warehouse Operator**

The term “Cotton Warehouse Operator” shall mean a warehouse operator approved and licensed by the Exchange to issue EWRs and operate one or more Licensed Stores.

(vi) **Date of Delivery**

The term “Date of Delivery” shall mean the date five (5) Business Days following the date of issue of the Delivery Notice, except as the Rules may otherwise provide; provided, however, that if the Date of Delivery is a bank holiday, the Date of Delivery shall mean the next Business Day that is not a bank holiday.

(vii) **Deliverer**

The term “Deliverer” shall mean the Clearing Member making delivery under a World Cotton Contract.

(viii) **Delivery Notice**

The term “Delivery Notice” shall mean the notice of intention to deliver a specified quantity of cotton in the form prescribed by the Exchange, issued by a Clearing Member to the Clearing Organization.

(ix) **EWR**

The term “EWR” shall mean an electronic warehouse receipt record created by a Cotton Warehouse Operator on a database maintained and operated by a Cotton EWR Provider, with respect to cotton stored in one (1) of its Licensed Stores.

(x) **First Delivery Day**

The term “First Delivery Day” shall mean the first (1st) Business Day of the expiring month.

(xi) **First Notice Day**

The term “First Notice Day” shall mean the fifth (5th) Business Day prior to the First Delivery Day.

(xii) **Growth**

The term “Growth” shall mean the origin of the ginned cotton.

(xiii) **Last Delivery Day**

The term “Last Delivery Day” shall mean the seventh (7th) last Business Day of the expiring month.

(xiv) **Last Notice Day**

The term “Last Notice Day” shall mean the fifth (5th) Business Days prior to the Last Delivery Day.

(xv) **Last Trading Day**

The term “Last Trading Day” shall mean the tenth (10th) Business Day prior to the Last Delivery Day.

(xvi) **Licensed Store**

The term “Licensed Store” shall have the meaning given to it in Part 1 of the Rules provided that for this Chapter 12 of the Rules such Licensed Store is operated by a Cotton Warehouse Operator.

(xvii) **Notice Day**

The term “Notice Day” shall mean the Business Day the Delivery Notice is issued to the Receiver.

(xviii) **One Hundred Percent Classed Lot (hereafter, “100% Classed Lot**

The term “100% Classed Lot” shall mean a delivery unit in which each bale meets the standards of Rule 12.03(c) with respect to 100% Classed Lots. Each bale must be of the same Growth.

(xix) **Receiver**

The term “Receiver” shall mean the Clearing Member taking delivery under a World Cotton Contract.

Rule 12.03. Official Standards and Undeliverable Cotton

(a) The Official Cotton Standards of the United States existing on the Date of Delivery shall be used as the standards for the grade, staple, micronaire, strength, quality or value of all cotton delivered in settlement of a World Cotton Contract.

(b) Only such grades and staples of cotton as are permitted under the United States Cotton Futures Act and the regulations of the United States Secretary of Agriculture shall be delivered in settlement of any World Cotton Contract.

(c) Deliverable Qualities: In order to be eligible to be delivered as part of a 100% Classed Lot each bale must be classed according to the provisions of these Rules and must meet the following quality parameters:

Color: USDA color grades 11, 21, 31, 41, 12, 22 and 32;

Leaf: USDA codes 1, 2, 3 and 4, except that no Leaf 4 bales with a Color 41, 12, 22 or 32 may be delivered;

Staple: USDA code 35 and higher;

Strength: grams per tex reading of 26.0 and higher; and

Micronaire: 3.5 to 4.9.

(d) Notwithstanding paragraph (c) above, where a Container Lot in which each of the graded samples meets each of the applicable color, leaf, staple and strength quality parameters below and in which the graded samples collectively comply with the applicable micronaire parameters below, the Container Lot shall be eligible for delivery in settlement of a World Cotton Contract, and a Container Lot which does not comply with this paragraph (d) shall not be so eligible:

Color: USDA color grades 11, 21, 31, 41, 12, 22 and 32

Leaf: USDA codes 1, 2, 3 and 4, except that no Leaf 4 bales with a Color 41, 12, 22 or 32 may be delivered;

Staple: USDA code 35 and higher;

Strength: grams per tex reading of 26.0 and higher; and

Micronaire – no more than two (2) bales below 3.5 and/or above 4.9, and the average micronaire of the samples is between 3.6 and 4.8 inclusive.

(e) A Container Lot that fails to meet the quality parameters set out in paragraph (d) above may be submitted again for sampling and grading, and one or more bales in the originally created Container Lot may be replaced to create a Container Lot, but in each such case the sampling and classing process detailed in Rules 12.30 and 12.29 is carried out in its entirety, and removal of one or more bales from a Container Lot after sampling and inspection is complete will render a lot found to be deliverable based on grading results to lose its deliverable status.

(f) Bale Standards: Without prejudice to paragraphs (a) through (d), the following standards shall also apply to each bale of cotton:

(i) Weight: bales weighing less than the minimum net weight calculated in accordance with Rule 12.23(b) or more than the maximum net weight shown below for each Growth shall not be deliverable:

Bale Origin	Bale Net Weights (lbs.)	
	Minimum	Maximum
U.S.	400	650
Australia	408	573
Brazil	390	550
India	320	420
Benin	419	573
Burkina Faso	419	573

Bale Origin	Bale Net Weights (lbs.)	
	Minimum	Maximum
Cameroon	419	573
Ivory Coast	419	573
Mali	419	573

(ii) Bands and Bagging:

(A) For U.S. Cotton, six (6) or eight (8) bands and/or ties depending on the configuration and being of such material as approved for use by The Joint Cotton Industry Bale Packaging Committee shall be considered sufficient for each bale of cotton that is compressed to Gin Universal Density.

(B) For Australian-origin bales, six (6) to eight (8) bands and/or ties, in bagging and ties approved by the Australian Cotton Shippers Association and the Australian Cotton Ginners Association shall be considered sufficient for each bale of cotton.

(C) For Indian-origin bales, six (6) to twelve (12) band and/or ties, and for all other Origins six (6) to eight (8) bands and/or ties, and with bagging material being of polyethylene, polypropylene, cotton and/or jute, as per the custom of the trade for that origin, shall be considered sufficient for each bale of cotton.

Any excess shall, at the option of the Receiver, be removed from the bale or be deducted from the gross weight. If a bale has less than the prescribed number of bands and/or ties, such bands and/or ties are to be put on by the Cotton Warehouse Operator at the expense of the seller.

(iii) The standard tare weight as per Rule 12.19(1)(c), (weight of bagging and ties, and patches, if any) shall be deducted from the gross weight (scale weight) of the bale.

(iv) In the event of a disagreement as to the quantity of bagging on any bale of cotton submitted for inspection, the Exchange or its designated agent may require such bale to be stripped.

(v) Except for bales of Indian origin only, spiral bands are not permitted.

(vi) Compression: For U.S. Cotton, gin universal density bales shall be the minimum density of bales permitted for delivery. For Australian-origin bales, high density bales shall be the minimum density of

bales permitted for delivery. For cotton originating from any other jurisdiction, universal density bales shall be the minimum density of bales permitted for delivery.

(g) Cotton which has been classed of a color and a leaf grade eligible for delivery but which has been further classed with “remarks” shall not be eligible for delivery in settlement of a World Cotton Contract.

(h) Cotton that has been reginned or on fire shall not knowingly be offered for inspection or delivery in settlement of a World Cotton Contract.

(i) The cotton to be delivered in settlement of any particular World Cotton Contract shall be stored in a single Licensed Store which shall be understood to mean a single warehouse or building or a number of buildings grouped with the approval of the Exchange, comprising one (1) warehouse system under one (1) name, managed and operated by one (1) Cotton Warehouse Operator or other Person approved by the Exchange. A Licensed Store so grouped shall be required to equalize the cost of transportation to and from each such warehouse or building with the respective costs of transportation to and from the main plant.

Rule 12.04. Contract for Future Delivery

(a) All Transactions in World Cotton Futures and Options Contracts thereon shall be submitted for clearance to the Clearing Organization, which, upon acceptance thereof shall become by substitution a party thereto in place of the Clearing Members and thereupon the Clearing Organization shall become subject to the obligations thereof and entitled to all of the rights thereunder, assuming to the Clearing Member buyer the position of the seller and to the Clearing Member seller the position of the buyer; provided, however, that the Clearing Organization shall have no liability to any Person on any such contract after a Delivery Notice thereunder has been issued and stopped.

(b) All contracts for the future delivery of World Cotton shall be in the following form:

ICE FUTURES U.S.[®], INC.

World Cotton Contract

NEW YORK _____ 20____

A. B. have this day sold/bought and agreed to deliver to/receive from C. D. fifty-five thousand (55,000) pounds of cotton, growth of the United States, Australia, Brazil, India, Benin, Burkina Faso, Cameroon, Ivory Coast or Mali, at the price of _____ cents per pound for middling one and four thirty-seconds of an inch with additions or deductions for other growths, delivery locations and grades and with additions for grade and staple and leaf premiums or deductions for grade, leaf, staple, and strength discounts, deliverable from a Licensed Store at a permissible point of delivery as

provided in the Rules, between the First and Last Delivery Day of _____ inclusive, the delivery within such time to be at seller's option in one (1) Licensed Store, upon notice to buyer, as provided by the Rules of ICE Futures U.S. Inc. (the "Exchange"). The cotton dealt with herein or delivered hereunder shall be of, or within, the grades for which standards are established by the Secretary of Agriculture, except cotton prohibited from being delivered on a contract by the United States Cotton Futures Act, subsection (f)(1)(E), and shall be of no other grade or grades, and shall be subject to Exchange inspection.

This contract is made in view of, and in all respects subject to, the regulations made pursuant to the United States Cotton Futures Act and Rules applicable to the World Cotton Futures Contract which are not in conflict with said Act or said regulations.

Subject to the United States Cotton Futures Act, subsection (f).

(c) Delivery of cotton on contract may be made at delivery points designated by the Exchange.

(d) Grades and staples deliverable on contract shall be such as are listed in a Delivery Notice, as prescribed by the Exchange. In the event of a revision of the official cotton standards of the United States by the Secretary of Agriculture whereby a standard for any grade listed in the Delivery Notice is withdrawn, such grade shall become undeliverable on the contract as of the effective date of such withdrawal. In the event of a revision of the official cotton standards of the United States by the Secretary of Agriculture whereby a standard is promulgated for a grade which is within the range of deliverable grades listed in said Delivery Notice, the Delivery Notice may be amended to provide for the delivery of such grade effective on or after the date fixed by the Secretary of Agriculture as the effective date of such standard.

Rule 12.05. Contracts Binding Until Settled

All World Cotton Contracts shall be binding upon Clearing Members party thereto, and of full force and effect, and delivery obligations shall not be treated as having been satisfied by the parties, unless and until the quantity and qualities of cotton specified in such World Cotton Contract has been delivered in accordance with Rule 12.11, and the price specified in said World Cotton Contract has been paid. No contract shall be entered into with any stipulation or understanding between the parties, at the time of making such contract, that the terms of such contracts as specified in Rule 12.04 are not to be fulfilled, or that the cotton is not to be delivered and received in accordance with said Rule and Rule 12.11 unless the Clearing Members agree to an Alternative Delivery. The Exchange shall be notified of any Alternative Delivery.

Rule 12.06. Unit of Trading

The unit of trading shall be based on a net weight of fifty-five thousand (55,000) pounds.

Rule 12.07. Months Traded

Unless the Board otherwise directs, trading shall be limited to cotton deliverable in the months of March, May, July, October and December. World Cotton Futures Contracts shall not be recognized by the Exchange extending beyond a period of thirty-six (36) months, including the current month. Trading in a new delivery month shall, unless the Board otherwise determines, be initiated at the opening of trading on the first (1st) Business Day of the thirty-fifth (35th) month preceding any delivery month.

Rule 12.08. Quotation Basis

World Cotton Futures Contract bids and offers shall be quoted in cents and hundredths of a cent per pound. The minimum price fluctuation is one hundredth of a cent per pound, which is equivalent to five dollars and fifty cents (\$5.50) per futures contract.

Rule 12.09. Price Limits

(a) Futures

(i) There shall be no price limits in the current futures month on or after First Notice Day.

(ii) For the purposes of this Rule, a crop year shall mean the period beginning with the October futures delivery month of any calendar year and ending with the July futures delivery month of the following calendar year.

(iii) For the purposes of this Rule, the Front Month is the first listed futures delivery month that has not reached its First Notice Day, provided, however, that the October delivery month cannot be the Front Month. Also for purposes of this Rule, the Limit Reference Month that is to be used to determine the Initial Limit Amount on any day shall be the higher-priced futures delivery month that is either: (a) the Front Month, if such futures delivery month has the highest open interest, or (b) the Front Month and the futures delivery month with the highest open interest.

(iv) Subject to subparagraph (a)(v) of this Rule concerning the expansion of the price limit, there shall be no trading in a futures delivery month at a price more than the Initial Limit Amount above or below the previous day's Settlement Price. The Initial Limit Amount in effect for all such futures delivery months on any Business Day shall be determined based upon the prior day's Settlement Price of the Limit Reference Month futures delivery month as follows:

<u>Limit Reference Month Settlement Price Level:</u>	<u>Initial Limit Amount:</u>
Up to 80.00 cents per pound points)	3.00 cents per pound (300 points)

80.01 up to 110.00 cents per pound points)	4.00 cents per pound (400
110.01 up to 140.00 cents per pound points)	5.00 cents per pound (500
140.01 up to 170.00 cents per pound points)	6.00 cents per pound (600
170.01 cents per pound and above points)	7.00 cents per pound (700

(v) Notwithstanding the above, the daily price limit shall be subject to expansion by an additional 1.00 cent per pound (100 points) above the Initial Limit Amount on the Business Day following any day on which two (2) or more of the first five (5) futures delivery months that are subject to daily price limits or the remaining futures delivery months in a crop year close at limit bid or limit offer based upon the Initial Limit Amount then in effect. This expansion shall not apply when the Initial Limit Amount is 7.00 cents per pound; this means that the maximum daily price limit will be 7.00 cents per pound.

Rule 12.10. Reserved

Rule 12.11. Good Delivery

(a) To the fullest extent possible under applicable laws of the relevant jurisdiction (including the jurisdiction where the cotton which is the subject of an EWR is located and the jurisdiction where the relevant registry of EWRs is located), being named in an EWR as the holder of that EWR is intended and shall be deemed to constitute good title to the cotton referred to therein, thereby bestowing property or ownership rights to such cotton on the Person named therein as holder, to the exclusion of any rights of any other person (except as set out in paragraph (c)). Accordingly, subject to the preceding sentence, the Person with ownership of the cotton to which an EWR relates shall be the Person named in the relevant EWR as the holder of such EWR. In relation to any jurisdiction in which an EWR is not capable, under applicable laws, of constituting such title, the EWR is intended to, and shall be deemed to, evidence such title. To the fullest extent possible under applicable laws of any relevant jurisdiction, in the event of any inconsistency between an EWR and any other record or document concerning the ownership of or evidence to title to the cotton to which an EWR relates, the details set out in the EWR shall prevail, subject to any contrary decision made by the Exchange in accordance with the Rules.

(b) Subject to paragraph (c), to the fullest extent possible under applicable laws, the Exchange, Clearing Organization, Clearing Members, Members, Cotton Warehouse Operators, Cotton EWR Providers and all other Persons subject to these Rules are deemed to consent to the primacy and operation

of paragraph (a) in determining title to any cotton which is the subject of an EWR and agree;

(i) that an EWR shall be admissible in a court of law under applicable law;

(ii) to act in a manner consistent with paragraph (a) at all times;

(iii) subject to paragraph (vi) below, not to represent, assert, rely upon, purport to create or claim any right to the contrary or assert the primacy of any other document purporting to create or evidence title or other property rights to cotton (including any equitable or security interests) which is the subject of an EWR except as provided for under the Rules;

(iv) not to act on any instructions of any Person in relation to cotton which is the subject of an EWR except for any instructions provided by the Person named as the holder of the relevant EWR (or their duly appointed representative) or the Exchange or Clearing ;

(v) (without prejudice to any separate agreement to the extent such agreement is consistent with these Rules) not to transfer or deliver any cotton which is the subject of an EWR to any Person except in accordance with the instructions of such title-holder of EWRs and these Rules;

(vi) where, without prejudice to paragraph (a) or paragraph (iii) above, any rights are determined (by a governmental authority, by operation of law or pursuant to a legally binding dispute resolution process) to exist under applicable law or a governmental authority directs any Person to amend an EWR in a manner which is or would become inconsistent with paragraph (a):

(A) to notify the Exchange immediately upon becoming aware of such situation;

(B) to the fullest extent possible under applicable law, waive, and agree not to exercise, such rights; and

(C) where permitted under applicable laws, to hold such rights for the benefit of the Person referenced as the holder of the underlying cotton in the relevant EWR,

unless, in the case of paragraphs (B) and (C), the Exchange directs, in accordance with the Rules, the relevant Person to act otherwise.

(c) Notwithstanding paragraph (b) above:

(i) a Cotton Warehouse Operator may hold a lien or equivalent property right against a bale of cotton for unpaid charges or expenses due on that particular bale but not any other cotton or like goods as defined by the Uniform Commercial Code. Any such lien must be denoted (whether by stating the terms of the lien or the name of the relevant lien-holder as a sub-holder) on the EWR and must only refer to and apply over the particular bale of cotton represented thereon;

(ii) where a Clearing Organization is a holder of an EWR it acts solely as agent on behalf of the Deliverer pursuant to Rule 604 of the Clearing Organization Rules; and

(iii) a Clearing Member may act as agent or trustee for its Customer in relation to an EWR provided such agency or trust is denoted (whether by stating the terms of the agency or trust or the name of the relevant Customer as a sub-holder) on the EWR.

(d) A Deliverer under a World Cotton Contract will have its delivery obligation under such World Cotton Contract satisfied by the transfer of an EWR in its name, to the Clearing Organization, which shall hold such EWR solely as its agent pursuant to Rule 604 of the Clearing Organization Rules.

(e) Transfers of EWRs shall occur by changing the underlying name of the Clearing Member entitled to cotton under an EWR by electronic book entry in the EWR database operated by the Cotton EWR Provider. To the fullest extent permitted under applicable law, all risks in, and legal and beneficial title to, cotton tendered for delivery under an EWR in settlement of a World Cotton Contract shall transfer to the at the moment of such book entry transfer, notwithstanding any lien over the underlying cotton in favor of a Cotton Warehouse Operator or any other right set out in paragraph (c) above.

(f) The issuance and receipt of a Delivery Notice in accordance with the Rules shall constitute the consent of each Deliverer and Receiver, and due authorization granted by each such Person to the Exchange, the Clearing Organization, the Cotton EWR Provider and/or the Cotton Warehouse Operator, as applicable, to effect the electronic book entry transfer described in paragraph (d) above so as to deliver cotton (which is the subject matter of the relevant EWR) to the Clearing Organization and the Receiver.

(g) The issuance and receipt of a Delivery Notice in accordance with the Rules shall constitute the consent of each of the Exchange, Clearing Organization, Cotton EWR Provider and the Cotton Warehouse Operator to the electronic book entry transfer described in paragraph (d) above (subject to any right to withdraw consent provided in the Rules), and the book entry transfer described in paragraph (d) above shall constitute notice to such Persons of title being so transferred and any required acknowledgements needed by such Persons shall be deemed given, at the latest, upon such book entry transfer occurring.

(VII) EWR Requirements

(1) After cotton has been sampled, weighed, inspected and classed, as provided for in the Rules, an EWR shall be promptly issued by the relevant Cotton Warehouse Operator in respect of each bale. The EWR number and the number of the bale that it represents shall correspond. No two (2) outstanding EWRs issued by the same Cotton Warehouse Operator or Licensed Store shall have the same number.

(2) The Cotton Warehouse Operator shall input onto each EWR all relevant information required by the Exchange. Such information shall include the location of the bale, and, for the purposes of this provision, the term “location” shall mean the name of the Licensed Store.

(3) The EWR Provider shall not be liable for any Claim, loss, expense (including attorney’s fees) or other liability (collectively a “Loss”) incurred by a Member or Clearing Member that arises out of, or relates to, the EWR Provider’s performance of administrative services related to determining the year of Growth of any bales of cotton for which certification is sought, except for any Loss caused by the gross negligence or willful misconduct of the EWR Provider in connection therewith.

Rule 12.12. Designated Delivery Points

(a) The following are designated as points for delivery of cotton on the World Cotton Futures Contract as indicated:

(i) Galveston, Texas—The Galveston Delivery Point includes all areas within a fifteen (15) mile radius from the Galveston city limits.

(ii) Greenville, S.C.—Greenville S.C. delivery point includes Spartanburg S.C. and all areas within a fifteen (15) mile distance from the Greenville/Spartanburg city limits.

(iii) Houston, Texas—The Houston Delivery Point includes all areas within a fifteen (15) mile radius from the Houston city limits.

(iv) Memphis, Tenn.—The Memphis Delivery Point includes all areas within a fifteen (15) mile radius from the Memphis city limits.

(v) Dallas/Ft. Worth, Texas – the Dallas/Ft. Worth Delivery Point includes all areas within a fifteen (15) mile radius from the Dallas or Ft. Worth city limits.

(vi) Sydney, Australia – the Sydney Delivery Point includes all areas within a fifteen (15) mile radius from the Sydney city limits.

(vii) Melbourne, Australia – the Melbourne Delivery Point includes all areas within a fifteen (15) mile radius from the Melbourne city limits.

(viii) Brisbane, Australia – the Brisbane Delivery Point includes all areas within a fifteen (15) mile radius from the Brisbane city limits.

(ix) Port Klang, Malaysia Free Zone.

(x) Port Tanjung Pelepas, Malaysia. Free Zone

(xi) Port Kaohsiung, Taiwan Free Zone; and

(xii) Port Keelung, Taiwan Free Zone.

(b) Port Klang and Port Tanjung Pelepas, Malaysia and Port Kaohsiung and Port Keelung, Taiwan are each deliverable at par with no location premium or discount. Deliveries in each U.S. and each Australian delivery point are subject to a location discount as defined in Resolution No. 3 of these Rules.

Rule 12.13. Removal of Inspected Cotton

All orders for the removal of cotton from the certificated stock, for any purpose, must be submitted to the Exchange in a manner prescribed therefore by the Exchange before any action thereon may be taken by the Cotton Warehouse Operator.

Rule 12.14. Delivery Notices

(a) (i) On or before the time specified by the Clearing Organization on the Business Day prior to the Notice Day, a Clearing Member with an open short Position wishing to make delivery of cotton under a World Cotton Futures Contract shall present to the Clearing Organization a Delivery Notice.

(ii) With respect to Delivery Notices issued on the Last Notice Day, if the cotton identified in the Delivery Notice has not been classed, the issuer may state his own classification on the Notice; provided that this is accurate and he complies with the regulations of the Secretary of Agriculture issued under the United States Cotton Futures Act in regard thereto. Where the issuer uses his own classification as permitted above, he shall add a notation on the Notice stating “Delayed Certification”.

(b) All Delivery Notices shall be issued and tendered no earlier than the First Notice Day and no later than the Last Notice Day. In determining Delivery Notice dates and the Dates of Delivery the following limitations shall be observed:

(i) No Delivery Notices shall be issued and no deliveries shall be made on any day that is not a Business Day subject to exception as covered by subparagraph (ii) below.

(ii) When a special holiday is declared by the Board, the Board at the same time shall stipulate how Delivery Notices and deliveries affected thereby shall be handled.

(iii) Every Delivery Notice shall be tendered in accordance with the Rules and the Clearing Organization Rules.

(c) It shall be the duty of the Clearing Member holding short open Positions to tender the required Delivery Notice(s) and make arrangements for the fulfillment of all contracts in the current month which have not been liquidated upon the expiration of trading in the current month.

(d) When Delivery Notices are received from the Clearing Organization, they may be stopped only for an account previously long.

Rule 12.15. Notice Price

The notice price shall be the Settlement Price of the delivery month for the World Cotton Futures Contract as published by the Exchange on the Business Day previous to the Notice Day.

Rule 12.16. Receiver's Notification and Demand Letter to Issuer

On or before 4:00 pm on the Notice Day, the Clearing Member receiving a Delivery Notice must furnish the notices specified below:

(a) to the Clearing Organization, in a form prescribed by the Clearing Organization, notice of the Clearing Member's intentions with respect to the handling of the EWRs that will be delivered pursuant to the Delivery Notice. Such notification shall specify whether the Clearing Member (i) will accept delivery of the EWRs from the Clearing Organization, (ii) will be redelivering cotton during the delivery period and desires the Clearing Organization to hold the EWRs for that purpose or (iii) will accept the EWRs directly from the Deliverer in an Alternate Delivery; and

(b) to the Clearing Member that issued the Delivery Notice, a Demand Letter including the Deliverer's contract number, the Date of Delivery, the point of delivery, the number of bales in each contract, the notice price and where the documents are to be delivered.

The written notifications specified in this Rule shall be made by hand delivery, or facsimile transmission or E-mail. Failure on the part of the Clearing Member receiving a Delivery Notice to have a Demand Letter timely filed with the Clearing Member that issued the Delivery Notice, as above required, shall subject such Clearing Member to a penalty of ten dollars (\$10.00) per contract to be paid to the Deliverer of the cotton, the contract nevertheless to remain in full force.

Rule 12.17. Reporting Receipts and Deliveries of Cotton

A Clearing Member receiving cotton for account of Customers and delivering cotton at the same time for account of other Customers shall maintain records containing the information specified in Rule 12.16(b).

Rule 12.18. Reserved

Rule 12.19. Weighing

(1) In all Licensed Stores:

(a) All cotton submitted for inspection shall be tagged with a triplicate numbered tag (with at least 3 bale tag coupons attached) by the Cotton Warehouse Operator; such tag must be scannable and must contain the warehouse code and the bale number. Cotton in a Licensed Store located in the U.S. shall be weighed by the relevant Cotton Warehouse Operator and cotton located in a Licensed Store outside of the U.S. shall be weighed in accordance with paragraph (2)(a).

(b) Loose cotton taken from the bales in process of inspection shall not be weighed with the bale; such loose cotton, as well as the trimmings accumulated in the preparation of the samples, shall be the property of the owner ordering the inspection. Upon completion of the sampling and weighing, the weight of such loose cotton shall be ascertained by the weigher, and be noted by him in his report.

(c) The Cotton Warehouse Operator shall input onto the EWR the official weight ascertained by the weigher, i.e., the gross weight (scale weight), standard tare posted by the National Cotton Council of America as in effect at the time the weights are entered (weight of bagging and ties, and patches, if any), and the net weight.

(d) Whenever cotton is reweighed, the new weight and the date of the weighing shall be entered onto the EWR.

(e) Each Weigh Master shall maintain in strict confidence all information pertaining to weighing cotton and to the circumstances and nature of its activities in weighing, and shall not communicate such information to any Person other than a representative of the Exchange acting in their official capacity.

(f) A Person who submits a Weighing request shall pay the Weigh Master all fees in connection with services rendered in accordance with these weighing procedures and shall pay the Cotton Warehouse Operator any applicable fees.

(g) The Exchange shall not be liable in any way by reason of the fact that the cotton covered by the EWR Weight(s) was not weighed, or that the EWR Weight(s) was not prepared, in accordance with these procedures. The Exchange has no liability for any actions or omissions of its own employees or others in connection with weighing of the Exchange cotton.

(2) In Licensed Stores outside of the U.S.:

(a) Weighers

To be delivered under a World Cotton Futures Contract, cotton must be weighed in accordance with these procedures by an independent Weigh Master licensed by the Exchange. As used herein, the term "Weigher" means an employee or agent of a Weigh Master who weighs cotton. The failure of a Weigh Master and/or Weigher to comply with the requirements of these procedures will subject such Weigh Master to fines and penalties as provided in Part 7 of the Rules.

(b) Procedure:

(i) A Weigher shall act in a manner consistent with commercial practice as modified by these Rules.

(ii) The weighing of cotton shall be carried out at the same time or after the samples are drawn for classing.

(iii) The independent Weigh Master will only weigh cotton bales stored in a Licensed Store, and each bale must be weighed using an appropriate electronic scale provided by the Weigh Master.

(iv) Upon completion of weighing, the Weigh Master will provide an electronic file containing the measured weight of each bale to the Cotton Warehouse Operator.

(c) Weight Note: Upon receipt of the electronic file containing the measured weight of each bale, the Cotton Warehouse Operator shall enter the weighing data into EWR for the bale in the form prescribed by the Exchange, which shall at a minimum include:

(i) the date(s) on which the bale was weighed;

(ii) the name and location of the Licensed Store where the bale was weighed;

(iii) the bale marks, the PBI number and/or the World gin tag number;

(iv) the gross weight of the bale in pounds ; and

(v) the standard tare.

(d) Scales

(i) Scales must adhere to the specifications of the prevailing government agency located in the country of storage.

(ii) Scales must be annually inspected and certified by the relevant regulatory or independent authority, and so arranged that all

cotton, whether for storage or for non-storage purposes, can be weighed inbound and outbound of the relevant Licensed Store.

(iii) Scales having a weight capacity over one thousand (1,000) pounds/455 Kilograms, shall have a tolerance level of Two (2.2) pound/1 Kilogram plus or minus, per one thousand (1,000) pounds/455 Kilograms, and must be calibrated by the Weigh Master prior to and during Exchange weighing

(iv) The owner of the scales must produce evidence of the annual inspection by showing a card of identification upon which is recorded the number and make of the scale (s), the date when tested and the signature of the Weigh Master (or his substitute) and scale company technician who was present at the time.

(v) A copy of the annual inspection report must be submitted to the Exchange upon renewal of the weighers license.

(e) Impartiality

A Weigh Master may not, personally or through a representative, make inquiries about the prior weights of any cotton.

A Weigh Master must be impartial and unbiased. No Person may act as a Master Weigher or Weigher if such Person or any family member of such Person: (i) directly or indirectly has an ownership interest or is a partner or employee of a Firm which has an ownership interest in the cotton submitted for weighing; (ii) directly or indirectly, is a Deliverer or Receiver of cotton tendered under Exchange Futures Contracts or is a partner or employee of a Firm which is a Deliverer or Receiver of cotton tendered under Exchange Futures Contracts; (iii) directly or indirectly has an ownership interest in, or is an employee of, the Cotton Warehouse Operator in whose Licensed Store the cotton submitted for classing sampling is stored; or (iv) has any other business or personal relationship that poses a conflict of interest with respect to the weighing of cotton under Exchange Futures Contracts.

Rule 12.20. Labor, Storage and Other Charges

(a) (i) Labor into storage, weighing, sampling, compression and load out F.O.B. to cars and/or trucks shall be paid by the Deliverer prior to delivery.

(ii) Storage by bale per month incurred up to and including delivery day shall be paid or proper allowance thereof made in the Deliverer's invoice.

(b) When cotton is stored on a daily basis, the Deliverer shall allow the Receiver any accrued storage charges at the per diem rate. When cotton is stored on a monthly basis, the monthly charge shall be calculated at the per diem rate and

the Deliverer shall allow the Receiver any accrued storage charges at such per diem rate.

Rule 12.21. Reserved

Rule 12.22. Reserved

Rule 12.23. Contract Weight

(a) The official delivery weight of a bale shall be the weight input onto the EWR. The bale shall be sampled before weighing and the official delivery weight shall not include the weight of the sample.

(b) The net weight of a bale shall be the delivery weight of the bale minus the tare weight, as defined in Rule 12.19(c).

(c) The contract weight shall be the sum of the net weights of the bales, and shall be within a variation of three percent (3%) of fifty-five thousand (55,000) pounds.

(d) The invoice weight of a bale shall be the net weight minus the age of weight allowance and age of certification allowance.

(e) The age of weight allowance shall be one half pound per bale per month beyond the month of weighing. The first (1st) month to be counted, in computing this allowance, shall be the next month following the month in which the cotton was weighed.

(f) The age of certification allowance shall be calculated in accordance with this rule, where cotton remains under certification for:

(i) a period exceeding five (5) months following the month in which the cotton was classed pursuant to these Rules, shall carry a penalty of three (3) pounds per bale per month up to month twelve (12)

(ii) a period exceeding twelve (12) months following the month in which the cotton was classed pursuant to these Rules, shall carry an additional penalty of five (5) pounds per bale per month for each month after month twelve (12),

(iii) for container lots, the age of certification allowance for all bales shall be calculated as an average of the time the cotton has remained under certification based on all bales that have been sampled and classed for the container lot.

Rule 12.24. Invoicing and Grade, Staple and Strength Differences

(a) In the case of cotton being tendered against the World Cotton Futures Contract, it shall be invoiced by calculating in bale units the average value on or off color grade of middling white (31), leaf grade 3, staple length 1-4/32 inch (36) and adding or deducting such average premium or discount to or from the notice price and figuring the invoice weight of the total quantity being invoiced by the price ascertained in the manner outlined.

(b) The notice price shall be the invoice price for all cotton with a color grade of middling white (31), leaf grade 3, staple length of 1-4/32 inch (36 staple). For all origins other than Australia and the U.S., for which additions and deductions for other deliverable grades shall be made as per Resolution No. 3 of these Rules, additions and deductions for other deliverable grades shall be made at the average of the differences quoted on the sixth (6th) Business Day prior to the Date of Delivery for corresponding grades in the spot markets designated by the Secretary of Agriculture for the purpose of quoting grade differences in accordance with the United States Cotton Futures Act and the regulations issued thereunder. No additional premium may be given for delivery of bales with a staple greater than 1-5/32 inch (37 staple); to be clear, this means that bales delivered at a staple of 37 and higher shall receive the grade difference applicable to staple 37.

(c) For lots delivered as 100% Classed Lots, the invoice additions and deductions for other deliverable grades shall be calculated on a bale-by-bale basis.

(i) For Color, the maximum premium that can be earned is that applicable to one Color grade above the lowest Color grade bale in the lot;

(ii) For Staple, the maximum premium that can be earned is that applicable to one Staple above the lowest Staple bale in the lot; and

(iii) For Leaf, there shall be no premium for Leaf 1 and/or Leaf 2 if there are any Leaf 4 bales in the lot.

(d) For lots delivered as Container Lots, the invoice additions and deductions shall be calculated based on the average of the allowance parameter of the bales sampled and tested for the Container Lot; and the Container Lot shall be subject to an additional discount of two (2) cents per pound.

(i) For Color, the maximum premium that can be earned is that applicable to one Color grade above the lowest Color grade bale in the bales sampled and tested for that Container lot;

(ii) For Staple, the maximum premium that can be earned is that applicable to one Staple above the lowest Staple bale in the bales sampled and tested for that Container Lot; and

(iii) For Leaf, there shall be no premium for Leaf 1 and/or Leaf 2 if there are any Leaf 4 bales in the bales sampled and tested for that Container Lot.

(e) If delivery is made pursuant to delayed certification class, all premiums, discounts and weight allowances shall be based on the last regular delivery day not the date of physical delivery of the documents.

(f) For both 100% Classed and Container Lots, a deduction shall be made for each bale having a strength reading of 26.0 to 26.9 grams per tex, which shall be equal to five percent (5%) of the notice price.

(g) For both 100% Classed and Container Lots, a deduction shall be made for each bale where Cotton remains under certification for a period exceeding ten (10) months following the month in which the cotton was classed pursuant to these Rules, as determined by the notice price below:

(i) Notice Price of \$1.00 per pound or below – two (2) cents per pound-

(ii) Notice Price above \$1.00 at or below \$1.50 per pound – three (3) cents per pound.

(iii) Notice Price above \$1.50 per pound – four (4) cents per pound.

(h) For both 100% Classed and Container Lots, for all Growths other than the United States, an addition or deduction shall be made as a Growth premium or discount, as provided in Resolution No. 3 of these Rules.

(i) For both 100% Classed and Container Lots, for delivery in a Licensed Store in the United States or in Australia, a deduction shall be made as a delivery location discount, as provided in Resolution No. 3 of these Rules.

Rule 12.25. Location of the Cotton on Invoice

The name of the Licensed Store and the number of bales in the Licensed Store shall be shown on the invoice.

Rule 12.26. Time of Delivery of Invoice and Documents

(a) On or before 12:00 pm on the Business Day prior to the Date of Delivery, the Deliverer shall:

(i) transfer ownership of the EWRs to the Clearing Organization to hold in accordance with Rule 12.11 and Rule 6.04 of the Clearing Organization Rules; and

(ii) provide the Clearing Organization with an electronic summary of the invoice charges for each Receiver in a format prescribed by the Exchange.

(b) On the Business Day prior to the Date of Delivery before 2:00 pm or 2:30 pm if it is the Last Delivery Day, the Deliverer shall provide each Receiver with two (2) copies of the invoice and two (2) copies of the tag list.

(c) Delivery of the invoice and documents set forth in this Rule shall be made in accordance with the Demand Letter described in Rule 12.16(b).

(d) (i) The delivery of invoice and/or documents required by paragraphs (a) through (c) of this Rule, AFTER the times specified in paragraphs (a) through (c) but BEFORE 4:30 P.M. shall constitute LATE delivery and be subject to penalty of one hundred dollars (\$100) per contract, the contract nevertheless to remain in full force. In the event that permission is granted for late delivery of documents, said permission shall be in writing and agreed to by both Clearing Members.

(ii) Failure to deliver documents required by paragraphs (a) and (b) of this Rule without written permission by 4:30 P.M. shall constitute a default. The basis of settlement of such default is provided for in Rule 12.45

(e) Delivery of the documents required by paragraphs (a) and (b) of this Rule, and payment in accordance with Rule 12.17 of the invoice charges, shall be considered a liquidation of the futures contract against which such documents and payment are tendered and made, respectively.

Rule 12.27. Delivery and Payment

(a) Except in the case of a delivery made by Delayed Certification, delivery of World Cotton may be made on the First and Last Delivery Day and any Business Day in between the First and Last Delivery Day. Deliveries shall be made in accordance with Rule 12.11.

(b) Except in the case of an Alternate Delivery or a delivery made by Delayed Certification, on the Date of Delivery by 9:00 am, the Clearing Organization shall debit the account designated by the Receiver for delivery purposes and credit the account designated by the Deliverer for such purposes for the full amount of the invoice charges detailed in the invoice summary provided to the Clearing Organization pursuant to subparagraph (a)(ii) of Rule 12.26. In accordance with the Receiver's notification provided to the Clearing Organization as required by Rule 12.16, the Clearing Organization will either (i) transfer ownership of the EWRs to the Receiver, or (ii) hold the EWRs, in accordance with Rule 12.11 and Rule 6.04 of the Clearing Organization Rules, so that the Receiver

may, as a Deliverer under another World Cotton Contract, redeliver the EWRs during the delivery period.

Rule 12.28. Delayed Certification

(a) When the Deliverer delivers by “delayed certification” because it is unable to tender to the Receiver certificates of grade, staple and micronaire and strength determination classed by the USDA or other Exchange approved entity, on the Date of Delivery set forth in the Delivery Notice (the “stated delivery date”) as provided in Rule 12.14(b), the procedure for delivery set forth in Rule 12.14 shall be revised as follows and delivery shall take place on a later date (the “delayed delivery date”) as follows:

(i) Prior to the stated delivery date, the Deliverer shall deliver to the Exchange a confirmation, in a form prescribed by the Exchange, for the cotton to be delivered, stating lot numbers representing cotton weighed and sampled in a Licensed Store. A copy of the confirmations shall also be provided to the Receiver in accordance with subparagraph (a)(iii) of this Rule. The confirmations obtained by the Deliverer from the Cotton Warehouse Operator are not transferable and may only be used by the Deliverer making delivery under this Rule.

(ii) On the stated delivery date, the Deliverer shall deliver to the Receiver only the aforesaid confirmations. The Receiver shall make no payment for the cotton at that time.

(iii) Certification of grade, staple, micronaire and strength reading shall be issued to the Deliverer by the USDA or other Exchange approved classing entity promptly after classification, at which time they shall transmit to the Cotton Warehouse Operator their classification.

(iv) Notification shall be made to the relevant Cotton Warehouse Operator when the classing of cotton is completed. The relevant Cotton Warehouse Operator is required to promptly input EWRs from the information received from the USDA or other Exchange approved entity.

(v) Under this Rule, the Deliverer shall have seven (7) Business Days (including the day on which the Cotton Warehouse Operator issues notification that EWRs are available) to complete delivery in accordance with the following chart:

Days

- 1-2 Notification by Cotton Warehouse Operators that EWRs are available.
- 3-4 Deliverer must notify Receiver by express communication (i.e., fax, express mail, federal express, etc.) that Deliverer intends to deliver cotton within three (3) Business Days under delayed certification.

5-6-7 Deliverer must notify Receiver and the Clearing Organization by express communication twenty-four (24) hours prior to actual delivery of the dollar amount of cotton involved in this delivery.

Delivery of cotton must take place.

(vi) On or before 12:00 pm on the Business Day prior to the delayed delivery date, the Deliverer shall:

(A) ensure the relevant EWRs are amended so that the Clearing Organization is named as the holder; and

(B) provide the Clearing Organization with a written summary of the invoice charges for each Receiver.

(vii) On or before the delayed delivery date, the Deliverer shall provide each Receiver with two (2) copies of the invoice, two (2) copies of the tag list, and certificates of grade, staple, micronaire and strength determination issued by the USDA or other Exchange approved entity.

(b) All of the foregoing shall be in compliance with the Regulation for Cotton Classification of the United States Department of Agriculture.

(c) On the delayed delivery date, at 9:00 am, the Clearing Organization shall debit the account designated by the Receiver for delivery purposes and credit the account designated by the Deliverer for such purposes for the full amount of the invoice charges detailed in the invoice summary provided to the Clearing Organization pursuant to subparagraph (a)(vi) of this Rule, and transfer ownership of the EWRs to the Receiver.

Rule 12.29. Classing

All cotton tendered for delivery in settlement of a World Cotton Futures Contract must have been classed pursuant to the Regulations of the Secretary of Agriculture under the United States Cotton Futures Act by any Person on a list of approved classing entities published by the Exchange, which list shall include the United States Department of Agriculture, ICA Bremen and such other entities as specified by the Exchange.

Rule 12.30. Inspection and Sampling

(a) Requests for the inspection and sampling of cotton shall be given to the Exchange in a form prescribed by the Exchange stating the approximate number of bales, origin, marks, point of shipment, owner of the cotton and the place where such inspection is desired, which place shall be a Licensed Store. Cotton located in a Licensed Store in the U.S. shall be carefully examined by the Warehouse Operator and cotton located in a Licensed Store outside of the U.S. shall be carefully examined by the Warehouse Operator and the Sampler, jointly. If cotton so examined is found to be sound and merchantable it shall be

eligible for sampling. Bales covered with sisal bagging shall be considered unmerchantable. Where cotton contains moisture to an extent making it possible that damage might result from it being stored, the entity performing inspection may defer the completion of the inspection of such cotton until it is in proper condition

(b) The inspection and sampling of cotton offered for inspection shall be subject to and done in accordance with the Rules and the regulations promulgated by the Secretary of Agriculture in force at the time of such inspection and sampling. The original samples of all bales submitted for classing by the United States Department of Agriculture or any other Exchange-approved classing entity become the property of that classing entity.

(c) Inspected cotton shall be stored only in a Licensed Store. Inspected cotton may be transferred from one (1) Licensed Store to another in the same country. Such transfer shall be made only with the approval of the Exchange. Cotton so transferred must be moved from one Licensed Store to another Licensed Store via overland shipping only and shall be re-weighed and the new weight and the date thereof shall be input into a new EWR by the recipient Cotton Warehouse Operator.

(d) Samplers must be impartial and unbiased. Other than employees of Licensed Warehouses in the U.S., neither a Master Sampler nor a Sampler may sample cotton if such Person or any family member: (i) directly or indirectly has an ownership interest or is a partner or employee of a Firm which has an ownership interest in the cotton submitted for sampling; (ii) directly or indirectly, is a Deliverer or Receiver of cotton tendered under Exchange Futures Contracts or is a partner or employee of a Firm which is a Deliverer or Receiver of cotton tendered under Exchange Futures Contracts; (iii) directly or indirectly has an ownership interest in, or is an employee of, the Cotton Warehouse Operator of a Licensed Store in which the cotton submitted for classing sampling is stored; or (iv) has any other business or personal relationship that poses a conflict of interest with respect to the sampling of cotton under Exchange Futures Contracts.

(e) Each Master Sampler shall maintain in strict confidence all information pertaining to sampling cotton and to the circumstances and nature of its activities in drawing a sample, and shall not communicate such information to any Person other than a representative of the Exchange acting in his official capacity.

(f) A Member who requests a Sampling Order shall pay the Master Sampler a fee in connection with services rendered in accordance with these sampling procedures, whether or not a sample was actually drawn, and shall pay the Cotton Warehouse Operator any fees applicable to the sampling process.

(g) These sampling procedures have been designed to promote the integrity and impartiality of the sampling process, and do not constitute an

assumption by the Exchange in any respect of any responsibility or liability for sampling. All sampling of cotton continues to be the responsibility of the Person on whose behalf the cotton is sampled, and the Exchange shall have no liability for any acts or omissions in connection with such sampling. The Exchange shall not be liable in any way by reason of the fact that any sample was not drawn in accordance with these procedures, or was otherwise improperly drawn, or was not fair and representative of the bales.

(h) **General Sampling Provisions**

(i) Sampling of cotton stored in a Licensed Store in the U.S. will be performed by the relevant Cotton Warehouse Operator. Sampling of cotton stored in a Licensed Store outside of the U.S. will be performed by an independent Sampler licensed and assigned by the Exchange. As used herein, the term "Sampler" means an individual employee of the Cotton Warehouse Operator or an agent of a Master Sampler who samples cotton and the term "Master Sampler" means the Firm on whose behalf the Sampler is sampling the cotton. The failure of a Master Sampler to comply with these sampling procedures will subject such Master Sampler to fines and penalties as provided in the Licensing Rules of the Exchange.

(ii) Before drawing a sample, a Sampler shall compare the identifying marks which shall be the PBI number as used in the U.S. delivery points or the bale identification tags as used in non-U.S. delivery points to ensure they are all identical.

(iii) The Sampler shall not draw a sample if:

(A) if (A) the identifying marks / PBI number in the U.S. style appearing on the cotton bale differ , and /or (B) the Sampler has reason to suspect that the cotton he is about to sample is not from the same mark; and/or

(B) If cotton to be sampled is not located in a Licensed Store, the Sampler shall not draw cotton samples.

(i) **Sampling Procedures**

(i) Samplers will only perform their duties in a Licensed Store.

(ii) When sampling is being performed on U.S. origin cotton in a Licensed Store located in the United States, the Sampler shall perform sampling as required by USDA regulations.

(iii) When sampling is being performed on any other origin in any location, sampling shall be performed as specified below:

(A) In relation to a bale, samples shall consist of two portions drawn from two different sides of the cotton bale; each portion shall be at least three (3) ounces or 85 grams each for a total of six (6) ounces or 170 grams for each sample. Each of the samples drawn will be at least twelve (12) inches or 30.48 cm long and six (6) inches or 15.24 cm wide. In addition, in relation to a Container Lot, samples must be taken randomly from twenty percent (20%) of the bales in a Container Lot by an Exchange approved sampler under the procedures specified in this Rule and sent to an Exchanged approved testing laboratory for classing.

(B) When the appropriate sized sample has been drawn, the Sampler will place the sample directly into one of the following: (1) a woven polypropylene plastic sampling bag; (2) sealed Kraft paper; (3) a sampling bag of any other material which will protect the sample(s) from contamination. The Sampler shall immediately tie, seal, and tag the bag. Each sample will be appropriately tagged to show the bale number, mark, or identifier of the bale of cotton from which it was drawn. A maximum of one hundred (100) six (6) ounce samples will be allowed in a single sample bag, for a maximum approximate total weight of thirty eight (38) pounds or seventeen (17) Kilograms each. When samples are being drawn from a Container Lot, all samples drawn from a single Container Lot shall be packed in one sample bag and no other samples shall be packed in that sample bag, and if a Container Lot sample bag shall be delivered to the relevant Exchange designated classing office packed in a carton no other sample bags may be packed in the same carton.

(C) Once a sample has been drawn, and the sample bag has been tagged and sealed, such sample bag shall not be delivered to any Person other than an Exchange designated classing office. In the event that the Person delivering samples to the classing office is not licensed by the Exchange, such Person shall be deemed to be an agent of the Master Sampler.

(D) All Samples must be delivered by the Master Sampler or by courier service directly to the Exchange designated classing office.

Rule 12.31. Reserved

Rule 12.32. Reserved

Rule 12.33. Delivery of Documents

(a) The list of bale numbers (tag list) required under Rule 12.26 shall be produced in legible form, at least in triplicate, showing the name of the Licensed

Store, its location, contract number, bale numbers, deliverable weights, as well as grades and staples of cotton tendered. The original and at least one (1) copy of this list shall be presented to the Receiver with the original invoice, and other documents on the Date of Delivery.

(b) For the purpose of this Rule, it is permissible to list the cotton tendered in groups according to grades and staples, in which case the grade and staple need only be listed once as a heading for each group.

Rule 12.34. Handling of Certified Cotton

If any Certified Cotton is handled without the supervision of the Exchange, it shall lose its status as certificated cotton. No certificated cotton shall be reweighed or resampled without inputting the results on the EWR. If cotton is reweighed, the new weight and date thereof shall be input onto the EWR. If cotton is resampled, it must also be reweighed following such resampling.

Rule 12.35. Reserved

Rule 12.36. Damage Notification

(a) In the event of damage occurring in a Licensed Store, the Exchange's designated agent shall forward to the Exchange's Commodity Operations Department ("Commodity Operations"), for immediate posting on the web site of the Exchange, a list of the tag numbers of all certificated bales in the compartment or compartments wherein the damage occurs. Such bales shall not be deliverable on contract until they have been examined and declared tenderable by the Exchange or its designated agent. The result of such examination shall be posted on the web site of the Exchange.

(b) Bales found to be free of damage shall be declared tenderable. Bales found to have been on fire shall be declared untenderable. Bales subjected to any other kind of damage shall be declared tenderable only after they have been put in merchantable condition, reweighed, and accepted by the Exchange or its designated agent.

(c) The owner or owners at the time the damage occurs shall bear all expenses incurred.

(d) The decision of the Exchange in all cases that may arise in respect to handling and determining the condition of the cotton under this Rule shall be final.

Rule 12.37. Question of Delivery

Any question affecting the handling or delivery of cotton on a futures contract, which is not specifically covered by these Rules, may be referred to the Cotton Delivery

Committee, and all such questions must be made in writing to the Exchange and to the Clearing Members involved in the handling or delivery of the cotton.

Rule 12.38. Reserved

Rule 12.39. Claim Procedures

(a) As used in this Rule, the term “Claim” shall refer to the assertion of a default in delivery or the delivery of non-conforming cotton.

(b) All Claims shall be specified in a written Notice of Claim submitted to the opposite Clearing Member with a copy to the Exchange, and set forth the Date of Delivery, contract numbers, the amount of money claimed, including penalties, the Rule allegedly violated and a detailed explanation of the Claim. All Claims must be submitted to the opposite Clearing Member no later than fifteen (15) Business Days from the Date of Delivery.

(c) A Clearing Member may dispute a Claim by service of a written Response upon the opposite Clearing Member and the Exchange no later than ten (10) Business Days from the receipt of a Notice of Claim.

(d) Any Claim that is not disputed in accordance with Paragraph (c) of this Rule shall be deemed a non-disputed Claim. Payment for non-disputed Claims must be made in accordance with Rule 12.41.

Rule 12.40. Defaults in Delivery and Delivery of Nonconforming Cotton

(a) For the purposes of this Rule, the term “Default” shall mean any non-performance as specified in this Chapter and Chapter 7 of the Rules with respect to the terms of payment and delivery including the delivery of cotton which cannot be retendered. Defaults include, but are not limited to, the following:

(i) the failure to issue a Delivery Notice by Last Notice Day and/or a failure to make delivery against a Delivery Notice as required in the Rules, in fulfillment of any sales contracts outstanding in its name after trading in the current month has ceased;

(ii) the failure to tender to the Clearing Organization, before 4:30 P.M. as in the case of Late Delivery authorized under Rule 12.26(d)(i) or 12:00 P.M. in all other cases on the Business Day prior to the Date of Delivery, EWRs with the appropriate classing memorandum representing the minimum net weight (after taking into account tolerances) of fifty-three thousand three hundred fifty (53,350) pounds of cotton;

(iii) the failure to pay in full the amount of the invoice in accordance with Rule 12.27;

(iv) delivery of cotton which:

(A) includes bales with a color grade, leaf grade, staple length, micronaire, or strength not permitted under these Rules;

(B) includes bales with a further classification of “remarks”;

(C) contains bales that have been reginned or subjected to fire;

(D) contains bales with a net weight of less than the minimum weight specified for the relevant Origin or more than the maximum weight specified for the relevant Origin as per Rule 12.03(f);

(E) for U.S. origin cotton only, is a Growth other than Far Western upland Growth or Eastern/Memphis/Orleans/Texas (EMOT) upland Growth;

(F) contains bales of more than one Growth or origin;
and

(v) the tendering of a Delivery Notice which commingles Far Western upland Growth with Eastern/Memphis/Orleans/Texas (EMOT) upland Growth; and/or

(b) Default Penalty – If any of the conditions described in paragraph (a) of this Rule occur and apply to a Delivery Notice or invoice that has been tendered for delivery against the World Cotton Futures Contract, the Receiver shall have the following options:

(i) accept the contract with a mutually agreed settlement without applying penalties;

(ii) accept the contract with a penalty of four cents (4¢) per pound applied on the unadjusted net invoice weight;

(iii) invoice the contract back to the Deliverer in accordance with paragraph (e) of this Rule with the four cents (4¢) per pound penalty added to the invoice; or

(iv) claim the actual amount of any additional losses that the Receiver sustained as a result of the Deliverer’s Default and is able to document; the amount of the award shall be determined by the Cotton Delivery Committee and, if the Cotton Delivery Committee determines that an actual loss was sustained, the Receiver shall be entitled to reimbursement for the actual losses incurred and a penalty of four cents (4¢) per pound.

(c) For the purposes of this Rule, the term “Delivery of Nonconforming Cotton” shall mean the tender of EWRs, invoice, or tag lists which do not conform to the cotton set forth in the Delivery Notice. The error(s) must be easily correctable, and the tender must otherwise meet all of the requirements for a good delivery pursuant to the Rules. Once the error(s) has been corrected, the Receiver must be able to retender said cotton without penalty. The Delivery of Nonconforming Cotton includes, but is not limited to, the following:

(i) tendering of EWRs which do not conform to the cotton set forth in the Delivery Notice with respect to color grade, leaf grade, staple, micronaire, or strength (“Nonconforming Description”);

(ii) tendering of EWRs which do not conform to the cotton set forth in the Delivery Notice with respect to Growth (“Nonconforming Growth”);

(iii) tendering of EWRs for cotton stored at a Delivery Point other than the Delivery Point set forth in the Delivery Notice, provided that all cotton tendered is stored in one Licensed Store (“Nonconforming Delivery Point”); and/or

(iv) tendering of EWRs for a greater or lesser number of bales than the number set forth in the Delivery Notice (“Bale Variance”).

The provisions of this paragraph (c) shall not apply with respect to grade, staple or type (rain grown or non-rain grown) to a Clearing Member who issued a Delivery Notice on delayed certification in accordance with the Rules; provided the grade, staple and type set forth in said Delivery Notice is in accordance with the Clearing Member’s best information and belief.

(d) Delivery of Nonconforming Cotton Penalty - If any of the conditions described in paragraph (c) of this Rule occur with respect to a Delivery Notice, the Deliverer shall pay the following penalties to the Receiver:

(i) for any Nonconforming Growth – five dollars (\$5.00) per bale;

(ii) for any Nonconforming Description - five dollars (\$5.00) per bale;

(iii) for any Nonconforming Delivery Point - five hundred dollars (\$500) per contract; and

(iv) for any Bale Variance - five dollars (\$5.00) for each bale which constitutes the Bale Variance.

The Receiver also may claim the actual amount of any additional losses that the Receiver sustained as a result of the Delivery of Nonconforming Cotton and is able to document. The amount of the losses shall be determined by the Cotton Delivery Committee.

(e) Settlement

(i) The basis of settlement and invoicing back for Defaults shall be the value of the basis for color grade middling white (31), leaf grade 3, staple length 1-4/32 Inch (36), micronaire 3.5 to 4.9, and Grams Per Text of twenty-seven (27.0) minimum in deliverable form in the delivery market and at the closing Settlement Price on the first (1st) Business Day following notification to the Deliverer by the Receiver that a Default has occurred.

(ii) When a Default arises from the failure to properly deliver a Delivery Notice, the basis for settlement shall be an average of the value of the basis for color grade middling white (31), leaf grade 3, staple length 1-4/32 Inch (36 staple), micronaire 3.5 to 4.9, and gram per text of twenty-seven (27.0) minimum in deliverable form in the delivery market as determined by the Cotton Delivery Committee. If the Deliverer disputes a Claim of Default by a Receiver, a panel of the Cotton Delivery Committee shall make a determination with regard to the disputed Claim. If the panel of the Cotton Delivery Committee makes the determination that the Receiver filed a Claim for Default in error, the basis for settlement and invoicing back for the redelivery of the cotton, the refund of the four cents (4¢) per pound penalty and the compensation for any interest expense or any other additional expense that has been incurred by the Deliverer shall be determined by the panel of the Cotton Delivery Committee.

(f) The determinations made by the panel of the Cotton Delivery Committee in accordance with this Rule shall be made in writing and served on each Deliverer, Receiver and each Clearing Member involved in the Default or Nonconforming Delivery.

Rule 12.41. Payment of All Non-Disputed Claims

(a) All non-disputed Claims penalty or invoice must be paid within ten (10) Business Days upon receipt of written notification. If the non-disputed Claim remains unpaid, for each Business Day following such ten (10) Business Day period, the payer will be assessed a late payment fine of fifty dollars (\$50) per Business Day per contract until such Claim is paid; provided, however, the fine for each individual unpaid contract within such Claim shall not exceed five hundred dollars (\$500) per contract. Any non-disputed Claim which is not paid within twenty (20) Business Days upon receipt of written notification shall be referred to the Compliance Staff for disciplinary investigation and proceeding.

- (b) Late payment fines are assessed by, and payable to, ICE Futures U.S., Inc.

Rule 12.42. Payment of Invoicing Errors

Invoicing errors must be paid within five (5) Business Days upon receipt of written notification. After five (5) Business Days, interest at prime plus three percent (3%) shall be assessed. All disputes regarding invoicing errors will be ruled on by the Commodity Operations and said decision shall be deemed final.

Rule 12.43. Levels of Authority for Adjudication of Claims

- (a) The following levels per contract will be established for ruling on all disputed Claims:

- (i) Level One: Claims up to and including four hundred fifty dollars (\$450.00) per contract will be determined by Commodity Operations and approved by the President and/or Chairman of the Cotton Delivery Committee, and upon approval, the determination shall be final and may not be appealed to any committee or the Board.

- (ii) Level Two: Claims over four hundred fifty dollars (\$450.00) to one thousand nine hundred fifty dollars (\$1,950.00) per contract will be determined by a panel of the Cotton Delivery Committee, whose determination shall be final and may not be appealed to any committee or the Board.

- (iii) Level Three: Claims in excess of one thousand nine hundred fifty dollars (\$1,950.00) per contract will be ruled on by a Panel of the Cotton Delivery Committee and may be appealed to a panel of the Cotton Committee. If a Level Three Claim is appealed to the Cotton Committee, the Exchange shall invoice the Claimant an administrative fee of three hundred seventy-five dollars (\$375) per contract, provided, however, that no administrative fee shall be less than one thousand dollars (\$1,000.00).

- (b) Notwithstanding the above, any Claim by any one (1) Customer during a delivery period in excess of fifty thousand dollars (\$50,000) may be appealed to the Cotton Committee.

Rule 12.44. Time Period for Payment of Disputed Claims

- (a) Five (5) Business Days after receipt of written notification of final disputed Claim determination, interest at prime as quoted by [Bank] plus three percent (3%) shall be assessed. Payment shall be made within twenty (20) Business Days. On the twentieth (20th) Business Day, payment must be wired by 3:00 p.m. (New York Time) or an Official Teller's check or similar instrument issued by a

bank or such other financial institution acceptable to the Exchange must be delivered by hand by 4:30 p.m. to the Claimant. If payment is not made in twenty (20) Business Days, the Claim payment due becomes doubled. Interest at prime plus six percent (6%) shall apply to the original Claim. The Claimant will receive the original Claim money plus interest. The Exchange will receive the penalty money from the doubled Claim. If payment is not received as outlined above, the matter shall be referred to the Compliance Staff for disciplinary proceedings.

(b) Final disputed Claim determination shall mean a decision by Commodity Operations and approved by the President and/or the Chairman of the Cotton Delivery Committee, in the case of Level One, or a Panel of the Cotton Delivery Committee if Level Two or by the Cotton Committee if Level Three or Claims by any one (1) Customer in excess of fifty thousand dollars (\$50,000).

Rule 12.45. Penalties for Frivolous Claims

Any Claims submitted to the Exchange which are determined by a panel of the Cotton Committee to be frivolous in nature shall subject the Claimant to a penalty payable to the Exchange of two thousand dollars (\$2,000.00) per contract.

Rule 12.46. Force Majeure

The term “Force Majeure” shall mean any circumstance (including, but not limited to a strike, lockout, national emergency, governmental action, computer malfunction causing loss of EWRs or data, or act of God) which is beyond the control of a Clearing Member making or taking delivery of a contract in the manner provided for in the Rules.

WORLD COTTON RESOLUTIONS

Resolution No. 1 - Warehouse Requirements for the Storage of Exchange Cotton

RESOLVED, THAT the following are the minimum acceptable standards and procedures to be followed by Cotton Warehouse Operators in connection with the storage of Exchange Cotton.

(I) Location and Physical Structure of a Licensed Store

(1) The physical property of a Licensed Store shall be subject to examination by the Exchange.

(2) The physical property of Licensed Store must be properly safeguarded and patrolled.

(3) Any cotton subject to weather exposure must be placed on skids and entirely covered with tarpaulins and cotton under eaves which leave part of the cotton exposed to weather must be covered entirely.

(4) A Licensed Store shall be equipped to handle cotton submitted for certification without unreasonable delay. Cotton shall be handled in the order in which its instructions are received.

(5) A Licensed Store shall comply with the applicable laws, customs and other requirements of each jurisdiction which any licensed store is located, including any pertinent fire regulations and have sufficient floor load limits.

(6) A Licensed Store shall have light sufficient to permit weighing and sampling to be performed efficiently.

(7) A Licensed Store shall be free of leaking pipes

(8) A Licensed Store shall have signs clearly visible at all entrances, prohibiting smoking, eating or drinking in the warehouse except in designated areas which are closed off and separated from the storage areas

(9) A Licensed Store shall have signs or postings clearly visible throughout the warehouse, marking storage locations within the building.

(10) A Licensed Store shall be weather tight and rodent proof as to roof, walls, doors and windows. Any hole or opening which allows access to weather must be sealed.

(II) Duties of Cotton Warehouse Operators

(1) A Cotton Warehouse Operator shall not handle certificated cotton at the request of the owner without the surrender of the EWR.

(2) A Cotton Warehouse Operator is required to promptly input EWRs from the information received from the USDA or other Exchange approved entity.

(III) Transfer of Cotton

(1) Cotton may not be transferred from one Licensed Store to another without notification to, and approval by, the Exchange. Such notification shall be furnished to the Exchange at least ten (10) days prior to the transfer. When transferred, the Cotton Warehouse Operator of the original Licensed Store shall promptly cancel the original EWR, and, upon confirmation that the original EWR has been cancelled, the Cotton Warehouse Operator of the recipient Licensed Store shall promptly issue a new EWR.

(2) If a Cotton Warehouse Operator ceases to operate a Licensed Store because of either a voluntary or Exchange-mandated cancellation, the Cotton Warehouse Operator shall transfer the cotton to another Licensed Store and shall be liable for the expenses of such transfer. Said transfer shall take place no later than sixty (60) days after the effective date of the cancellation.

(A) Notice of the transfer stating the Licensed Store to which the cotton is to be transferred shall be given to the owner and the Exchange. The owner has five (5) Business Days after receipt of the notice to notify the outgoing Cotton Warehouse Operator and the Exchange that his cotton should be transferred to a Licensed Store other than the one (1) selected by the outgoing Cotton Warehouse Operator, and the outgoing Cotton Warehouse Operator shall be liable only for those expenses that would have been incurred if the cotton had been transferred to the Licensed Store it had originally selected (with any additional expenses being incurred by the owner).

(3) The outgoing Cotton Warehouse Operator shall ensure that all cotton in his Licensed Stores are covered by insurance, at his expense, while such cotton is in transit and at the new Licensed Store until such time as a new EWR is issued reflecting the new Licensed Store.

(IV) Tariffs

(1) At the time a Cotton Warehouse Operator applies for a license and renewal, it shall submit to the Exchange its Terms and Conditions, including its tariff listing in detail the maximum rates applying to the handling and storage of cotton during the term of its proposed license or renewal. Upon approval of the license or renewal application by the Exchange, the tariff shall be posted at the Licensed Store and published by the Exchange.

(2) Reductions in storage rates on certificated cotton, which are lower than those published by the Exchange, may be granted by the Cotton Warehouse Operator to an owner of certificated cotton, provided, however, that (A) the reduction is not contingent on the quantity of cotton stored for such owner by the Cotton Warehouse Operator, (B) the reduction is published by the Exchange and (C) the reduction is granted to any other owner of cotton in the same Licensed Store on the same terms.

(3) Storage rates may not be increased during the term of a Cotton Warehouse Operator's license except as provided for by the USDA or the Exchange.

(V) Load-Out Obligations

All Cotton Warehouse Operators are required to load-out cotton within nine (9) weeks from the date of receipts of a valid load-out order. A load-out order will only be considered valid for the purposes of this Resolution when an EWR Decertification record, accompanied by instructions for prompt shipment, has been transmitted to the Cotton Warehouse Operator and the Exchange. Failure to comply with this provision of the Resolution shall be either reduction of the licensed capacity of the Cotton Warehouse Operator or cancellation of the Cotton Warehouse Operator's license.

(VI) Financial Condition

The Cotton Warehouse Operator shall furnish to the Exchange its financial statement as of the end of its last fiscal period certified by an independent public accountant and, further, shall furnish to the Exchange within four (4) months after the end of each subsequent fiscal period a similar certified financial statement.

(VII) Record Retention

The following records relating to Exchange Cotton shall be kept and maintained by the Cotton Warehouse Operator for at least the indicated periods of time after the Cotton has been removed from a Licensed Store, its EWR has been cancelled or otherwise no longer identified as Exchange cotton:

<i>Category of Document</i>	<i>Time Period</i>
Delivery Orders.....	5 years
Receiving Reports.....	5 years
Stock Record Cards.....	5 years
EWRs	5 years
Storage Report	5 years
Documents reflecting any movement of Exchange Cotton into/from licensed store	5 years
Weight Notes	5 years

(VIII) Violations

Violations of the standards and procedures set forth in this Resolution shall not be grounds for a Receiver to reject a delivery or to hold a Deliverer in default, provided, however, that nothing in this Resolution shall alter or abridge the rights of a Receiver under any other provision of the Rules to reject a delivery or to hold a Deliverer in default.

Resolution No. 2 - Use of Original Smith Doxey Classing Data to Register United States Origin Bales As Tenderable

In addition to the inspection, sampling and classing procedures as provided in Exchange Rules 12.29 and 12.30 United States origin cotton stored in a Licensed Store in the U.S. may be submitted to USDA for registration as tenderable against the World Cotton Futures Contract at any time between the Original Smith Doxey classing date of the bale and the close of business on the one hundred and eightieth (180th) calendar day after the classing date of the bale, subject to the quality limitations and administrative procedures below. In the event of any inconsistency between this Resolution and any other provision of the Rules, this Resolution shall prevail.

Once a bale has been registered as tenderable based upon its Original Smith Doxey classing data pursuant to this Resolution, it shall be considered to be cotton eligible for delivery under an ICE Cotton Contract for purposes of deliveries under the Rules.

Limitations:

In order to be eligible for registration as tenderable based upon Original Smith Doxey classing data, a bale must be stored in a Licensed Store, and must meet the quality, weight, packaging bands, bagging and the compression requirements of Rule 12.22.

In addition, the USDA Original Smith Doxey classing data for the bale must meet the following standards for each of the respective qualities below:

- Color – White Grades, USDA codes 11, 21, 31 and 41
- Leaf – USDA codes 4, 3, 2 and 1
- Micronaire – 3.7 to 4.7, inclusive
- Strength – 27 grams per tex and higher
- Fiber Length – 1.09 dig and longer

No bale may be submitted for registration as tenderable based upon Original Smith Doxey classing data on and after the 181st calendar day after the date of Original Smith Doxey classing by the USDA, and a bale may only be submitted for such registration once.

Procedures:

In order to seek registration of a bale as tenderable based upon Original Smith Doxey classing, the Cotton Warehouse Operator must first submit to the Exchange a request for a lot number, and subsequently submit to the USDA a request for registration of the bale, in a form prescribed by the Exchange and the USDA, stating the number of bales included in the request for registration, the Exchange lot number and the gin code/gin tag number of each such bale and such other information as may be required by the Exchange and/or the USDA.

Upon confirmation by the USDA that a bale for which registration as tenderable based upon Original Smith Doxey classing has been made meets the quality standards above for

such registration , the EWR record for the bale shall be marked as tenderable as of the date of such registration, and the bale shall be included in certificated stock.

Weighing:

The official delivery weight for bales that qualify for certificated classification based upon Original Smith Doxey classing data shall be the most recent weight determined by the Cotton Warehouse Operator input into the EWR. Such bales shall be subject to weight allowances and the weight penalties provided for in Rule 12.24. Weight allowances and Penalties will accrue using the certification registration date (inclusive).

Delayed Certification:

Bales entered into certificated stocks based upon Original Smith Doxey classing data may not be used to issue Delivery Notices under the delayed certification provisions of Rule 12.14 and Rule 12.28.

Invoicing:

For purposes of calculating invoices under Rule 12.24 for bales entered into certificated stocks based upon Original Smith Doxey classing data only, the staple length of the bale shall be determined based upon the USDA calculation of the length of the fiber expressed in dig terms, as shown below:

Dig Measurement From:	Invoiced as Staple:
1.09 to 1.11	35 (1 and 3/32nds of an inch)
1.12 to 1.14	36 (1 and 4/32nds of an inch)
1.15 and higher	37 (1 and 5/32nds of an inch)

In the interest of clarity, for all other certified cotton the Staple used for invoicing shall be the staple as shown in the EWR record for the bale based upon USDA certified classing of the bale.

Resolution No. 3 – Country Specific Provisions

Delivery Points

Malaysia and Taiwan

Port Klang and Port Tanjung Pelapas, Malaysia, and Port Kaohsiung and Port Keelung, Taiwan, shall be the par delivery locations for the World Cotton Contract.

Australia

Delivery in Australian delivery points shall be subject to a discount determined by the Exchange.

For all Australian delivery points, a location differential shall be calculated based upon the difference between observed freight and handling charges from the Australia delivery points to the Malaysia and Taiwan par delivery points.

The Exchange shall determine and publish the applicable location differential for Australia delivery points no later than December 1 of each calendar year, which location differential shall be applicable commencing with the May contract of the following calendar year and through the March contract of the next following calendar year.

U.S.

Delivery in U.S. delivery points shall be subject to a discount determined by the Exchange.

For all U.S. delivery points a location differential shall be calculated based upon the difference between observed freight and handling charges from the U.S. delivery points to the Malaysia and Taiwan par delivery points.

The Exchange shall determine and publish the applicable location differential for U.S. delivery points no later than July 1 of each calendar year, which location differential shall be applicable commencing with the December contract that same year and through the October contract of the following calendar year.

Growths

For deliveries under the World Cotton Contract the U.S. shall be the par Growth, and each other Growth will be subject to a Growth Differential that is determined and published by the Exchange. For each Growth other than the U.S., a Growth Differential shall be published no later than July 1 of each calendar year, and shall be applicable commencing with the December contract of the next calendar year.

Deliveries of U.S. cotton shall be for only Eastern/Memphis/Orleans/Texas (EMOT) Upland Growth cotton or Far Western Upland Growth cotton. Far Western Upland Growth shall be defined as cotton ginned in Arizona, California, Nevada, New Mexico

(except Lea County), and the El Paso and Pecos Valleys of Texas. All Upland cotton produced in the states or areas not designated as Far Western shall be described as Eastern/Memphis/Orleans/Texas (EMOT) Growth.

Australia Quality Premiums and Discounts

For delivery of Australian Growth only, the Exchange shall determine a schedule of quality premiums and discounts no later than December 1 of each calendar year, which schedule of quality premiums and discounts shall be applicable commencing with the May contract of the following year and through the March contract of the next following calendar year.

In determining the schedule of quality premiums and discounts for Australian cotton the Exchange shall consider par to be as follows:

- Color – middling white (31)
- Leaf – 3
- Staple – 1 inch and 4/32nds of an inch (36)

For each delivery lot, the maximum color premium or discount invoiced shall be for one color grade higher than the lowest color grade in the delivery lot.

There shall be no additional premium for delivery of staple above 37 (one and five thirty-seconds of an inch), and in any delivery lot the maximum premium invoiced shall be the premium for one (1) Staple unit above the lowest Staple bale in the delivery lot.

There shall be no premium or discount for micronaire or for strength (other than the 5% discount for strength from 26.0 to 26.9 gpt, as specified in Rule 12.24(g)0).

There shall be no premium for Leaf if there are any Leaf 4 bales in the delivery lot.

Other Provisions

Australia

Where a Cotton Warehouse Operator located in Australia receives cotton and issues an EWR in respect thereof, the Cotton Warehouse Operator shall hold the cotton as bailee only for the Deliverer (or Receiver) specified therein. Such Cotton Warehouse Operator agrees and acknowledges that in respect of such cotton the Deliverer or Receiver (as applicable) will retain full legal and beneficial title to such cotton, subject to any other rights permitted under Rule 12.11.

Further to Rule 12.11(g), a Cotton Warehouse Operator located in Australia shall be deemed, upon receipt of a Delivery Notice, to agree to hold cotton which is the subject of an EWR on behalf of a Receiver from the time that the name of such Receiver is entered onto the EWR.

Where delivery under a World Cotton Contract results in a taxable supply for the purposes of the Australian GST, the price payable for the delivery apart from this paragraph, must be increased by an amount equal to the GST payable in connection with the delivery. The Receiver agrees to pay such additional amount to the Deliverer, or to a third party at the Deliverer's direction, at the same time, and in the same manner, as payment is made pursuant to Rule 12.27(b) in settlement of a World Cotton Contract. The Deliverer (or the Deliverer's agent but not both) must issue a tax invoice for that taxable supply to the Receiver.

Terms and expressions used in these paragraphs dealing with Australian GST that are defined for the purposes of the A New Tax System (Goods and Services Tax) Act 1999 have the meanings provided by that Act unless the context requires otherwise.