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The Texas Cotton Association Rules

DUES AND FEES

RULE A MEMBERSHIP DUES

Clause 1 The **membership dues** in the Association, as provided in Article 4, Section 1, of the By-Laws, shall be **one hundred dollars (\$100)** per annum (except as herein-after provided) payable in advance on each August First.

RULE B FEES

Clause 1 Per Bale Fees-In addition to the annual membership dues as provided in Rule A, each **Merchant Member** of the Association **who effects payment for cotton and/or ships cotton in his name, whether for his account or for the account of another, shall pay fees of two (2-1/2) cents per bale:**

- A. **On all cotton** for which any merchant member effects payment or is shipped by him or his representative **in the State of Texas;**
- B. **On all cotton** for which any merchant member effects payment or is shipped by him or his representative **in other states,** unless such fees are paid to another Association affiliated with the American Cotton Shippers Association;
- C. **On all foreign cotton** (not grown in the United States) when any merchant member effects payment on purchases subject to Texas Cotton Association Rules or foreign cotton shipped through the State of Texas;
- D. **On all cotton** for which any merchant member effects payment on **purchases from governmental agencies** and all cotton released by the Commodity Credit Corporation on purchases of **producers' equities** for which any member effects payment;
- E. **On all cotton** on which any merchant member takes up on **futures contracts,** provided credit shall be allowed on all cotton tendered on futures contracts if such tenders are effected within six months following receipt;
- F. **On all cotton** for which any merchant member effects payment or ships by **subsidiary firms** owned or controlled by the member firm. Owners of subsidiary firms shall register the names of their subsidiary firms with the Association.

Clause 2 Per bale fees shall be due and payable in **calendar quarterly installments,** to-wit: On the First day of January, April, July and October of each year. On August First of each year, all merchant members whose purchases made since the previous August First have not exceeded five thousand (5000) bales shall pay a **minimum per bale fee** equivalent to fees due on five thousand (5000) bales.

Clause 3 In addition to annual membership dues as provided in Rule A, each **Primary Marketing Member** shall pay:

A. Primary Marketing Members shall pay per bale fees as stipulated in Clauses 1 and 2, on any cotton for which they effect payment on purchases or is shipped in their own names.

B. Primary Marketing Members shall pay **one and one quarter (1-1/4) cent per bale** on all bales handled as stipulated in Clause 1 and 2 for which they do not effect payment

Clause 4 Associate Members shall pay annual membership dues as provided in Rule A.

Clause 5 New Members taken in during the year shall pay the prorata share of the minimum cost of their respective class of membership, based upon the number of months remaining in the current year expiring on August first following. For the purpose of this Rule any part of a month shall be considered as a full month.

Clause 6 In addition to the annual membership dues, as provided in Rule A, any member who requests more than one mailing to be placed on the mailing list of the Association, shall pay an annual mailing fee of fifty (\$50) dollars for each and every **additional mailing** requested.

RULE C INDEBTEDNESS

Clause 1 To every member becoming **indebted** to the Association for any amount, due notice thereof shall be mailed by the Secretary, and if at the expiration of thirty (30) days therefrom the amount remains unpaid, another notice, together with a copy of this Rule, shall be mailed to such member, and if at the expiration of ten (10) days thereafter the said indebtedness and any other subsequently accrued, shall not have been fully paid, then the name of such member shall be placed on the list of delinquents, and all membership standing in his or their name shall be suspended, subject to the action of the Board of Directors.

The Texas Cotton Association Rules

SECTION I LOCAL RULES

RULE 1 CONTRACTS

Clause 1 Contracts Final-A contract for the sale of cotton shall be deemed final when the price, quality, quantity, time and place or places of delivery and all conditions and terms effecting the transaction have been agreed upon between the buyer and the seller, and no contract can be rescinded without the mutual consent of both parties thereto, and unless otherwise provided for at the time of sale, merchantable and deliverable cotton, and correct weights shall be understood as guaranteed by the seller.

Clause 2 Contracts Made Between Buyer and Seller Only-A contract of this Association is made between the buyer and seller only, and it would not be incumbent on either the seller and/or the buyer to receive and/or tender cotton from or to any other person; nor in the case of uncalled transactions should it be incumbent on either party to fix the price with any other person unless acquiescence to such should have been duly approved in writing.

RULE 2 FULFILLMENT OF CONTRACTS

Clause 1 Failure to Complete Contract Within Time Limit-On purchase contracts containing a specified date of delivery, seller must give the buyer sufficient notice of time and place of contemplated delivery to enable the buyer to take physical delivery of the cotton, distance being considered, and in no event notice of less than forty-eight (48) hours before contract date of delivery.

In the event of failure to give such notice, and/or in event of failure to deliver according to contract the buyer shall have the option of filling such purchase in the open market, and shall charge or credit the seller with the difference between the price paid by him in the open market and the original contract price, in addition to any expenses, or other losses incurred; or when contract provides for Bills of Lading from interior by specified dates, the buyer shall have the option of closing out the contract as provided above, if seller cannot furnish, on demand, within seventy-two (72) hours after such contract dates, proof that Bills of Lading have been signed, according to the contract.

Likewise, if the buyer, after being notified by the seller of the time and place of delivery, shall fail to receive the cotton tendered him, as per the terms of the contract, on or before the delivery date specified in the contract, then the seller shall notify the buyer, by telegram, of his intention to resell the cotton, and shall extend the time for taking up the cotton forty-eight (48) hours (Saturdays, Sundays and Holidays excepted) after dispatching such telegram. At the expiration of forty-eight (48) hours, if the cotton has not been taken up, then the seller must, within three (3) business days thereafter, exercise his right to resell the cotton in the open market and shall charge or credit the buyer with the difference between the price received by him in the open market and the original contract price in addition to any expenses or other losses incurred, and when this is done the contract shall be considered fulfilled.

In each case, party in default shall pay to the party not in default three dollars (\$3.00) per bale. Provided, however, that should defaulting party give the party not in default forty-eight (48) hours notice of his inability to deliver or accept cotton as per terms of contract due to conditions beyond his control, supported by substantiating affidavits, then, the penalty of three dollars (\$3.00) shall be

waived.

It shall be the buyer's option to pay or not to pay for cotton presented for payment after regular banking hours. However, no late penalty may be imposed if cotton is presented for payment on final day of contract deadline after regular banking hours.

Clause 2 Basis of Qualities and Differences to Apply-All contracts, unless otherwise provided for at the time of sale, shall be understood to have been made upon the basis of strict low middling 1-1/16 inch, micronaire 3.5 to 4.9, and at agreed differences between qualities. In case of arbitration, unless such differences are expressly agreed to by both parties to the contract, differences as interpreted by the Arbitration Committee shall govern.

Clause 3 Receiving at the Bale: Samples to be drawn from each side of bale, lower side to govern-The buyer shall have the privilege of receiving all cotton at the bale, but in case it is mutually agreed that the buyer will take up the cotton from samples submitted to him by the seller, then it shall be mutually agreed and understood that the seller guarantees the integrity of his samples, which samples shall be drawn from each side of the bale, the lower side to govern. If upon arrival at the press of concentration within the State in which the purchase is made the cotton is found not equal to the samples on which sold, the seller shall reimburse the buyer for the difference in value, but the buyer shall have the right to require replacement of the bales in default or reject the bales in default based on the market fixed between buyer and seller.

Clause 4 Purchases Made on Actual Samples-When purchases are made on actual samples, the buyer shall have the right to have the bales resampled by the compress, warehouse or yard in which the cotton is stored, and sent directly to him. If upon examination of the resamples it is determined that they are not equal to the original samples, the buyer shall have the following rights:

- A. **To require the seller to replace** failing bales with bales equal to the original samples.
- B. **To reject** the failing bales and the same to be invoiced back on the basis of the market fixed between buyer and seller.
- C. **To take** the failing bales **at the difference in value**, the seller to immediately reimburse the buyer for such difference. The expense of resampling shall be borne by the buyer on bales found equal the original samples and the seller shall reimburse the buyer for the expense of resampling bales found to be in default and rejected.

Clause 5 Purchases Made on Government Class-When cotton is sold on government class for delivery by a specified date, contract shall be considered to be fulfilled if seller deposits in bank, draft for the cotton supported by correct invoice and proper collateral on or before specified delivery date.

Clause 6 Purchases Made Subject to Laboratory Specification- When purchases are made subject to laboratory specifications, the buyer shall have the right to test, or have tested, the cotton delivered by the seller and reject any bales which do not come up to the specifications subject to the right of the seller to appeal for a check on the laboratory readings to any independent laboratory agreed upon between the two parties. If there is no agreement between the two parties, the Association will designate a laboratory.

Clause 7 Compress Weight Sheets-When contracts specify compress weights, whether the cotton originates at compress or non-compress points, it shall be the duty of the seller to attach to his draft compress weight sheets free from damage. If original weights are agreed upon, the weight sheet furnished by the seller must show the date of weighing of each bale and that it was sampled since originally weighed. It is understood that the seller authorizes the compress where the cotton is weighed to recondition damaged bales and put the cotton in merchantable condition before weighing.

Clause 8 Compress Reweights-When contracts specify compress reweights, either at time of delivery FOB cars or at time of shipment, it is understood that compress reweight sheets must be attached to the invoice. In the event buyer does not furnish shipping instructions in time for the seller to make the delivery specified in the contract, then the seller may reweigh the cotton on range, in which

case the cost of ranging will be borne by the buyer as well as actual carrying charges from date due until the date the cotton is finally paid for by the buyer.

Clause 9 Demurrage-Demurrage caused by delay or negligence of the seller shall be for his account

Clause 10 Payment-Buyer shall pay for cotton drafts no later than the next business day following notification by his bank. Notification to buyer shall be considered made on the business day the bank acknowledges receipt of documents by their signature to transmittals of the US mail or other carriers. If buyer fails to pay for draft two (2) business days after notification, seller may reclaim his draft, declare the sale void, and debit buyer for any market loss which occurred plus one hundred (100) point penalty. If seller elects not to reclaim his overdue draft, or if buyer does not pay for draft on the next business day after notification by his bank, the buyer must pay seller interest based on prevailing bank prime rate from the day following notification by his bank through the date the draft is actually paid.

RULE 3 BANK EXCHANGE

Clause 1 Seller Pays Bank Exchange-On purchases made subject to these rules the seller shall be required to pay the bank exchange, except in cases where drafts are drawn on banks located outside of Texas, in which event the seller shall pay no exchange in excess of the amount that would have been required had reimbursement been obtained through a bank located within the State of Texas.

RULE 4 MERCHANTABLE AND DELIVERABLE COTTON

Clause 1 Qualifications-Cotton which is merchantable and deliverable under the rules of this Association must conform to the following qualifications, in the absence of anything in the contract to the contrary:

- A. Qualities**-All qualities that are eligible for the US Government Loan, the low side of the bale to govern.
- B. Government Classification**-Where cotton is bought or sold on government classification, cotton reduced in grade account preparation or reduced in grade, for this or any other reason, or any bales carrying any added designation such as grassy or baky, may be rejected unless bought as such.
- C. Condition**-The cotton shall be free from damage, sand and dust and must be in condition for immediate shipment.
- D. Bagging**-Bales tendered in fulfillment of contracts under these rules must be wrapped in a sufficient quantity of acceptable bagging to properly protect their contents and have at least two (2) marking spaces on each side of the bale that will retain the shipping marks. All bales not conforming to these requirements shall be put in proper condition for immediate shipment at the expense of the seller.
- E. No Patch**-However, when "no patch" is stipulated in the contract, the seller is obliged to provide at least two (2) marking spaces on each side of the bale, but the responsibility of the retention of the marks is for the account of the buyer.
- F. Patches**-All bales carrying patches which have been treated with paint or any other chemical or foreign substance shall be rejected.
- ¹**G.** Cotton offered for sale is presumed to be Gin Universal Density, current crop, unless otherwise specified by the Seller.

Clause 2 Rejection of Unmerchantable Cotton-The buyer shall have the right to reject and refuse to receive, unless bought as such, and so stated in contracts between buyer and seller, reginned cotton, rebaled, plated, fraudulently or false-packed, cotton of perished staple, badly gin cut, scorched, smoky, damaged, water packed, seedy, sandy, dusty, or oily cotton. Bales not in proper condition for immediate shipment, and also mixpacked bales when the lowest cotton therein is under Good Ordinary in value or less than 13/16 inch in staple may also be rejected by the buyer. The seller shall be held liable for all losses, penalties and costs of whatever character subsequently accruing against the buyer, if the seller fails to show in his contract that the cotton was sold as such.

Clause 3 Prosecution of Fraud-Whenever cotton is discovered by any member of the Association to be fraudulently packed, or where substitution shall have been made by changing marks or otherwise, it shall be his duty to report the same promptly to the Board of Directors, whose duty it shall then be to take measures to discover the guilty parties and to assist in prosecuting the same to conviction.

RULE 5 PACKAGE AND TARE

Clause 1 Package-The cotton shall be pressed or packed in what is commonly known as "square bales," covered or wrapped with one layer of sound bagging, approved by the Commodity Credit Corporation and the Joint Industry Bale Packaging Committee, and in the case of uncompressed bales, shall be bound with six flat metallic bands of regulation weight and size which have not been spliced; the combined weight of bagging and ties not to exceed twenty-one (21) pounds per bale.

¹ Added new sub-section (G) adopted at the 87th Annual Convention, May 1, 1998, Dallas, Texas

Clause 2 Penalties, Gin Box Dimensions-Any bale pressed in a gin box that has not been made or modified to produce a bale of true universal density dimensions may be penalized. The amount of any penalty is subject to negotiation between buyer and seller. A bale of such dimensions that can be compressed to true universal density with outside pressure at the compress will be accepted without penalty.

RULE 6 WEIGHTS

Clause 1 Weight-All contracts for sales and deliveries of cotton (Upland and American Pima) contemplate a total net weight of fifty thousand (50,000) pounds per one hundred (100) bale contract to the average with five (5) percent variance permitted. This rule applies in the same ratio to cotton sold in smaller lots. Should the total weight of the number of bales contracted for exceed the allowance of five (5) percent either way, the buyer shall be entitled to the difference in the market on such excess weight or short weight, said difference to be the difference between the contract price and the market value of the cotton on the last day of the delivery period. However, on all spot transactions, the number of bales contracted for shall be delivered regardless of weight.

Clause 2 Lightweight and Overweight Bales-In the delivery of cotton under these rules, bales weighing less than three hundred eighty (380) pounds or as much as five hundred fifty-one (551) pounds (net weight) may be penalized. Bales weighing less than three hundred thirty (330) pounds or more than five hundred seventy-five (575) pounds (net weight) may be penalized or rejected. The amount of any bale weight penalty is subject to negotiation between buyer and seller.

These penalties shall apply to equity purchases and to all characters of cotton, including irregular cottons described in Clause 2 of Rule 4.

Clause 3 Yard Weights-When Yard Weights are specified in a contract and unless otherwise agreed, correct weights shall always be understood as guaranteed by the seller, and the buyer shall have the option of either accepting original yard weights, provided the cotton has not been removed from said yard, or reweighing the cotton, and in the event of such reweights being unsatisfactory to the seller, it shall be his privilege to engage, at his own expense, a disinterested weigher, acceptable to the buyer, to weigh and determine the weight on which payment shall be made.

Clause 4 Compress Weights-When Compress Weights are specified in a contract, and unless otherwise agreed, the weights shown by the compress upon receipt of the cotton at the compress shall apply. The buyer shall have the privilege to demand reweights at the time of delivery, in which case the expense of reweighing shall be borne by the buyer upon receipt of bill for weighing either direct from the weigher, compress or seller, unless otherwise provided for at the time of sale. Weights of warehouses operated by and for a compress shall be understood as compress weights unless otherwise specified in the contract.

Clause 5 Buyer Reweight-it is expressly understood that the buyer shall have the option of receiving his purchases on the reweights of a recognized public weigher who is not in the employ of any compress or other private agency when taking delivery of cotton.

Clause 6 Seller Reweights-If seller wishes reweights, he must so state at time of trading and specify in his contract of sale, in which case the expense of reweighing shall be borne by the seller.

Clause 7 Texas Mill Weights-When sold on mill weights to Texas mills, the buyer must weigh all cotton as promptly as possible, but not later than seventy-two (72) hours after receipt at destination, unless unavoidable delay such as act of God, riot, strikes, etc., before samples or bands are removed, unless too damp or wet to be weighed with reasonable accuracy, in which event seller must be notified so that he may send representative to inspect cotton if he so desires. Buyer must furnish seller promptly with statement, certified and signed by the weigher showing mark and weight of each bale by tag numbers invoiced, except in cases where impossible to do so on account of bales having lost tags.

Clause 8 Texas Mill Weight Claims-When sold on mill weights to Texas mills, claims for loss in weight must be made within seven (7) business days from receipt of the cotton, or of the last portion of the shipment. This time may be extended to ten (10) business days where conditions render such extension necessary. Sworn certificates from buyer's weigher shall be furnished when requested by seller.

Clause 9 Texas Mill Weight Claim Reweight-When sold on mill weights to Texas mills, cotton shall be kept intact by buyer for five (5) business days after notice of claim for loss in weight, and shall be reweighed within said time in the presence of the representative of each party upon the demand of the seller, and the entire lot shall be reweighed unless the parties shall mutually agree upon some satisfactory method of averaging the weight of a representative portion of the lot. If the reweights of the cotton show a gain in weight in excess of two (2) pounds per bale over the buyer's receiving weights, the buyer shall pay the actual cost of reweighing, otherwise seller pays same.

RULE 7 LANDED TERMS

Clause 1 Landed Flat Terms-"Landed Flat" as used in this rule shall mean that the cotton must be delivered by the seller to the destination designated by the buyer at time of sale free of all charges incurred prior to arrival, except that compression shall be for buyers account. Seller shall not be responsible for any charges incurred after arrival of cotton at the agreed destination. It is expressly understood that the actual freight rate charged by the carrier, as well as any detention penalties and increases due to the application of higher rates, shall be for the account of the seller; furthermore, any demurrage at the port caused by delay or negligence on the part of the seller shall be for his account. "Landed Standard," "Landed High Density," or "Landed Universal Density" shall mean that compression is for sellers account.

Clause 2 Landed Shipside-"Landed Shipside" as used in this rule means that the seller shall deliver the cotton to the dock in proper order for immediate shipment free of all charges, except wharfage, resampling and reweighing. Patches or any other special services ordered by the buyer shall be for the account of the buyer. It is expressly understood that the actual freight rate charged by the carrier, as well as any detention penalties and increases due to the application of higher rates, shall be for the account of the seller; furthermore, any demurrage at the port caused by delay or negligence on the part of the seller shall be for his account.

RULE 8 DELIVERY AND SHIPMENT

Clause 1 Delivery-"Delivery" shall mean tender at compress, warehouse or yard.

Clause 2 Shipment-"Shipment" shall mean that the cotton be placed under bill of lading.

Clause 3 Prompt Delivery or Shipment-When no time for delivery or shipment shall have been specified at the time of sale, "Prompt" delivery or shipment shall be understood, and "Prompt" shall mean within ten (10) days from date of contract, Saturdays, Sundays and Holidays not excluded.

Clause 4 Immediate Delivery or Shipment-the terms "Immediate Delivery" or "Immediate Shipment" shall mean delivery or shipment within three (3) days from date of contract, Saturdays, Sundays and Holidays excluded.

RULE 9 FOB TERMS

Clause 1 FOB Compress or Compress Point-FOB Compress or FOB Compress Point shall mean that seller is to pay all charges assessed by the compress except marking, patching, shipping and/or picking out by tag number and compression or flat

removal charge. Charges for the seller shall include receiving and storage. Seller is to order compression and patches according to buyer's instructions. Seller shall furnish buyer signed railroad bill of lading or warehouse receipts. If cotton is invoiced on warehouse receipts, seller shall allow the buyer five (5) days time free of any storage charge starting with the day after the date seller deposits his draft in a bank for collection, or from date of payment to seller by buyer, whichever is earlier. In the case of compress which states in its tariff that storage shall not be stopped until a specified number of days after receipt of shipping order, seller shall allow the buyer this specified number of days in addition to five (5) days free of any storage as set forth in the preceding sentence.²

Clause 2 FOB CARS/³TRUCKS at Compress Point-FOB cars/trucks at Compress or Compress Point shall mean that seller is to pay all charges assessed by the compress except compression, flat removal charge, patching, and special services ordered by the buyer. Charges for the seller shall include receiving, storage, standard five letter mark, shipping and/or picking out by tag number, and loading, including any additional tariff charges for truck loading. Seller is to order compression and patches according to buyer's instructions. If the terms should read FOB Cars/Trucks Standard, FOB Cars/Trucks Universal Density, or FOB Cars/Trucks High Density, then compression shall be for account of seller. Seller shall furnish buyer signed railroad or truck bill of lading or warehouse receipts. If cotton is invoiced on warehouse receipts, seller shall allow the buyer (5) days time free of any storage charge starting with the day after the date seller deposits his draft in a bank for collection, or from date of payment to seller by buyer, whichever is earlier. In the case of a compress which states in its tariff that storage shall not be stopped until a specified number of days after receipt of shipping order, seller shall allow the buyer this specified number of days in addition to five days free of any storage as set forth in the preceding sentence.²

Clause 3 FOB Noncompress Point-FOB Noncompress Point shall mean that the cotton shall be loaded into railroad cars free of all expenses to the buyer.

Clause 4 FOB Noncompress Point to be Compressed in Transit-FOB noncompress points moving to final destination to be compressed in transit shall mean free to the buyer of all noncompress points charges incurred in obtaining bill of lading and loading into cars and free to the seller of all charges at transit compress points, except that if cotton is weighed in transit, weighing charge shall be for account of seller. If there is no specific weighing charge in the tariff, then the prevailing rate at the majority of compresses shall be the charge assessed against the seller.

Clause 5 Buyer's Right to Route or Direct Shipment-The buyer reserves the right to route or direct the shipment of cotton he buys at non compress points; also to designate the compress or warehouse to which all cotton he buys will be moved for concentration; also to designate the compress at which his purchases of transit cotton will be compressed, when such designation is not in conflict with railroad regulations.

Clause 6 Valid Freight Bills-The cost of any expense bills, may it be truck allowance, truck substitution or direct rail movement from a gin to a compress and/or warehouse point will not be borne by buyers.

A. The **adjustment** of valid expense bills resulting from movements from compresses and/or warehouses to compresses and/or warehouses should be agreed upon, at time of sale, between buyer and seller. In all cases where seller requires copy of outbound railroad bill of lading to protect valid inbound expense bills, it shall be the obligation of the seller to notify the buyer of necessary routing instructions, and such notice shall be given to the buyer at the time of sale.

B. In the event **buyer and seller agree at time of sale that adjustment will be made** for valid expense bills, the buyer will pay for such valid expense bills at their refund value only, based on reshipment value of identical cotton, on one outbound routing to Texas points, New England or the Southeast at buyer's option. **If agreement is not made**

² 09/06/77 & 10/22/92 Board interpretation of total business day is: 1=3; 5=7; 7=10; 9=12; 10=14; and 5 days added to total that compress continues storage charges after receipt of shipping orders and warehouse receipts. If warehouse has no storage cut-off policy, 21 total days is charged to the Seller.

³ Add Trucks to FOB Cars, adopted at the 86th Annual Convention, May 1, 1997, Galveston, Texas

between buyer and seller at the time of sale regarding adjustment of valid expense bills, then buyer shall not be obligated in any way to the seller for the expense bill or copy of outbound railroad bills of lading.

C. Where cotton is sold **FOB cars, buyer shall have no concern with the refund of expense bills** except when he elects to pay for such cotton against warehouse receipts, in which case Clause 6 and/or paragraph (a) shall apply.

Clause 7 Wire Ties-Additional charges assessed by a compress as a result of the use of wire ties in lieu of conventional steel bands at the gin shall be for the account of the seller.

Clause 8 Warehouse Liens-For transactions (including contracts) entered into on or after April 1, 1991, the warehouse receipts shall contain no language asserting a lien for unpaid charges or expenses for cotton previously deposited and shipped by the holder of the receipt. Should such language be printed on the receipt, buyer has the option to cancel sale or require at seller's expense that cotton be moved to warehouse location issuing receipts on which language asserting lien is not printed, and that such receipts be issued for said cotton.

RULE 10 QUALITY DESCRIPTION

Clause 1 Average Receipts-The term "average receipts" shall be understood to mean "gin run" or wagon receipts in the order received at the point of origin and without culling, during the term of contract.

Clause 2 Description of One Grade to Another-The description of one grade to another shall mean nothing below the lowest grade specified and nothing above the highest grade specified, and a shipment of the lowest grade specified shall be deemed to fulfill the contract and all arbitrations shall be held accordingly.

Clause 3 Description of One Length of Staple to Another-The description of one length to another length of staple shall mean nothing below the lowest length specified and nothing above the highest length specified, and a shipment of the lowest length specified shall be deemed to fulfill the contract, and all arbitrations shall be held accordingly.

RULE 11 DAMAGED COTTON

Clause 1 When cotton is bought either with port or interior compress weights to govern, it is understood that damaged cotton shall be reconditioned at the expense of the seller. When bought subject to interior compress weights it shall, if possible, be reconditioned at the interior compress, but if the cotton is not reconditioned in the interior, it shall be reconditioned at the port on arrival under the supervision of public weigher. When bought subject to port weights, it shall be reconditioned at the port likewise under the supervision of a public weigher. The time of damage must be ascertained, and the party holding title to the cotton at that time must assume the responsibility of damage; it being understood that this party shall be entitled to the damaged cotton that is salvaged. In case the cotton is found to be damaged, the party may deduct from the invoice an approximate amount to cover, pending final settlement based on reweights after reconditioning. It is expressly understood that nothing in this rule shall be construed to abrogate the party's right to recover damages from compress or warehouse facilities who fail to remove damage from cotton before shipment or who compress cotton while wet or damaged, unless specifically authorized in writing by seller.

RULE 12 SHIPMENTS BY MOTOR TRUCK

Clause 1 Unless otherwise stated, when cotton is bought landed and/or shipped to destination by

the seller, or for seller's account, by motor truck, the following terms shall apply:

- A. **Landed weights** at destination shall govern.
- B. **Payment shall only be made** against compress delivery order or compress receipts, duly endorsed, and acceptable to the compress for transfer to the buyer, accompanied by a public weigher's certificate, pending final reweights. Where exceptions are noted on the public weigher's certificate, the buyer may deduct from the invoice an approximate amount to cover, pending final reweight settlement.
- C. **If the cotton is wet or damaged** on arrival at destination, it shall be reconditioned before weighing as provided in Rule 11, and, unless otherwise agreed, payment shall only be made on weights after the cotton has been properly conditioned.
- D. **Payment shall not be made** against truck bill of lading.
- E. **Buyers insurance shall attach** only on delivery of cotton at the receiving warehouse.
- F. **If buyer buys on terms of FOB cars and requests the seller to ship via motor truck to destination for account of the buyer**, Clauses A, B, C, D, and E of this rule do not apply.

RULE 13 ON CALL TRADE-SELLER'S CALL

Clause 1 When under these rules spot cotton is bought and/or sold on seller's call, it shall be understood that:

A. **The price must be fixed on or before delivery and/or shipment of the cotton**, but in any case not later than the day preceding the first notice day of the month on which the contract is based, and if this day should fall on Saturday, Sunday or on a Holiday the price shall be fixed on the preceding trading day unless by mutual agreement the fixation is postponed beyond this date. If the fixation has not been postponed by mutual agreement, the buyer shall have the right to fix the price on the close of the market on the day preceding the first notice day of the month on which the contract is based, or shall have the option of transferring the call to the following active trading month at the difference prevailing at the close of the market on the day prior to first notice day. The seller shall be charged with futures commission.

It is understood that the right of fixation contemplates the ability of the buyer to execute futures. In cases where the market has declined or advanced the daily limit and the buyer is unable to execute futures, the seller, after giving due notice to the buyer, shall have the right to wire a nonmerchant handler of his choice and execute the order, if possible, for the account of the buyer, giving up the contract to a futures house designated by the buyer.

B. **If by mutual agreement the price has not been fixed at the time of delivery or shipment**, the cotton shall be invoiced provisionally and the buyer shall retain as original margin five percent (5%) of such invoice value. In the absence of special arrangement to the contrary, it shall be understood that mutual margin call of one hundred (100) points shall apply.

C. **If the call is transferred to a later month by mutual consent or at the option of buyer**, as provided under Section A, either party shall have the right to call for margins at the time of transfer, and also afterwards at any time they desire to meet advances or declines from the price at which the cotton was transferred, provided always that the buyer shall retain a minimum margin of five percent (5%) of invoice value per bale. Both parties shall remit margins immediately by telegraph. The minimum cost of transfer shall be the nonmember rate of commission as specified by the

Exchange on which the contract is based.

D. Whenever and as often as the original margin has been impaired by decline in the market from the price at which the cotton was invoiced, the buyer shall have the right to demand of the seller such monies as may be necessary to restore said original margin. Where such margin is not received, as specified, then without any further notice, the buyer shall have the option at any time thereafter to fix the price at the market as though the seller had ordered the price fixed, and an immediate settlement shall thereupon be had between the parties as so determined and fixed.

E. The seller shall have the right to demand of the buyer the return of any accumulated margin in excess of the original margin.

F. It is specifically agreed by the seller, however, that the **buyer shall have the right to apply margin funds to the payment of any indebtedness due the buyer by the seller,** provided that no such margin funds may be so applied during the life of the call cotton contract or until price fixing has been completed and contract closed.

RULE 14 ON CALL TRADES-BUYER'S CALL

Clause 1 When under these rules spot cotton is bought and/or sold on buyer's call, it shall be understood that:

A. The price must be fixed on or before delivery and/or shipment of the cotton, but in any case not later than the day preceding the first notice day of the month on which the contract is based, and if this day should fall on Saturday, Sunday or on a Holiday, the price shall be fixed on the preceding trading day unless by mutual agreement the fixation is postponed beyond this date. If the fixation has not been postponed by mutual agreement, the seller shall have the right to fix the price on the close of the market on the day preceding the first notice day of the month on which the contract is based, or shall have the option of transferring the call to the following active trading month at the difference prevailing at the close of the market on the day prior to first notice day. The buyer shall be charged with futures commission.

It is understood that the right of fixation contemplates the ability of the seller to execute futures. In cases where the market has declined or advanced the daily limit and the seller is unable to execute futures, the buyer, after giving due notice to the seller, shall have the right to wire a nonmerchant handler of his choice and execute the order, if possible, for the account of the seller, giving up the contract to a futures house designated by the seller.

B. If by mutual agreement the price has not been fixed at the time of delivery or shipment, the cotton shall be invoiced provisionally and the seller shall retain as original margin five percent (5%) of such invoice value. In the absence of special arrangement to the contrary, it shall be understood that mutual margin call of one hundred (100) points shall apply.

C. If the call is transferred to a later month by mutual consent or at the option of seller, as provided under Section A, either party shall have the right to call for margins at the time of transfer, and also afterwards at any time they desire to meet advances or declines from the price at which the cotton was transferred, provided always that the seller shall retain a minimum margin of five percent (5%) of invoice value per bale. Both parties shall remit margins immediately by telegraph. The minimum cost of transfer shall be the nonmember rate of commission as specified by the Exchange on which the contract is based.

D. Whenever and as often as the original margin has been impaired by decline in the market from the price at which the cotton was invoiced, the seller shall have the right to demand of the

buyer such monies as may be necessary to restore said original margin.

Where such margin is not received, as specified, then without any further notice, the seller shall have the option at any time thereafter to fix the price at the market as though the buyer had ordered the price fixed, and an immediate settlement shall thereupon be had between the parties as so determined and fixed.

E. The buyer shall have the right to demand of the seller the return of any accumulated margin in excess of the original margin.

F. It is specifically agreed by the buyer, however, that the **seller shall have the right to apply margin funds to the payment of any indebtedness due the seller by the buyer**, provided that no such margin funds may be so applied during the life of the call cotton contract or until price fixing has been completed and contract closed.

RULE 15 OFFSETTING MARGINS

Clause 1 On cotton sold for forward shipment, buyer's or seller's call, and the price has been fixed but the cotton has not been shipped, with a variation in the market of one (1) cent per pound either way, it is the privilege of either the buyer or the seller to call for margins to offset.

RULE 16 INDEMNITY AND IMBURSEMENT

Clause 1 Claims, Where Payable-Unless otherwise provided for at the time of sale: It shall be the privilege of the buyer or the seller, or both, to require of the other a deposit or bank guarantee sufficient at all times, or until completion of a contract, as indemnity against loss by failure of the other to faithfully perform his part of the contract.

Clause 2 All contracts made under these rules are made with the understanding and agreement that **all claims for loss in weight, class and/or failure to fulfill contracts, are payable** in the town or city, in the State of Texas, in which the head office of the buyer is located.

Clause 3 Attorney's Fees-It is specifically agreed by the buyer and seller, if any claim accruing under a contract made subject to these rules is placed in the hands of an attorney for collection or is collected by suit through the courts, that ten percent (10%) additional on the principal and interest then owing on such claim will be added as attorney's fees.

RULE 17 PROVISIONAL SETTLEMENTS AND MARGINS

Clause 1 Unless otherwise agreed, all purchases shall be made on interior compress weights or port weights, and signed weight sheet shall be attached to the draft. In case the seller prefers to draw for cotton on gin or yard weights, without waiting to attach a signed compress weight sheet or port weight sheet to the draft, he may do so provided that he shall deduct a margin of two percent (2%), pending final weight settlement. For cotton bought directly from producers, yard weights or gin weights may be accepted and used as basis for settlement.

RULE 18 "OFF" BALE DIFFERENCES

Clause 1 Whenever cotton is bought or received on samples furnished by the seller, it shall be the duty

of the buyer to preserve such samples and to compare same with redrawn samples furnished directly by the interior compress or the port warehouse, at the buyer's expense, before authorizing the seller to draw or before paying for the cotton. Any differences on "off" bales between the buying samples and the redrawn samples shall be deducted from the invoice. If the seller prefers, he may, with the approval of the buyer, draw before the buyer has examined the redrawn samples, but in that case a margin of three percent (3%) must be deducted from the invoice.

RULE 19 BUYER'S OUTTURN MARGIN

Clause 1 Unless otherwise agreed, when cotton is bought with the understanding that final settlement for either grade or staple, or both, is to be made on "buyer's outturn," a margin of three percent (3%) shall be deducted from the invoice.

RULE 20 FINAL SETTLEMENT

Clause 1 Unless otherwise agreed, the buyer shall render final settlement on all shipments on which margins have been deducted as soon as the redrawn samples have been examined and/or compress weight sheets have been received, at which time he shall also remit to the seller any balance due him or draw on him for any difference in excess of margins deducted.

RULE 21 MARGINS

Clause 1 The margins provided for in Rules 18, 19 and 20 to cover weight or quality differences, shall be in addition to the margins stipulated in Rules 13 and 14 for cotton on which the price has not been fixed.

The Texas Cotton Association Rules

SECTION II GENERAL RULES

RULE 1 FRAUDULENT PRACTICES

Clause 1 Foreign Cotton-The shipment of nonUSA cotton against any contract specifying USA growth is hereby declared to be a fraudulent practice and a violation of the rules of this Association.

Clause 2 Reginned, Blended or Recleaned Cotton-The shipment of reginned, blended or recleaned cotton, which reginning, blending or recleaning shall have taken place after its' original baling, unless specified and described as such in the contract, is hereby declared to be a fraudulent practice and a violation of the rules of this Association.

Clause 3 Irrigated or Raingrown Cotton-The shipment of raingrown cotton against a contract for irrigated cotton or of irrigated cotton against a contract for raingrown, except by mutual consent, is hereby declared to be an unfair trade practice and a violation of the Rules of this Association. Cotton should be described by specific territories of growth, but as used herein and where the terms "raingrown" or "irrigated" are used without more detailed growth specification, the first shall be interpreted to mean all cotton of USA growth other than that grown in California, Arizona, New Mexico (excepting cotton grown Lea County, New Mexico,) and the Pecos and El Paso Valleys of Texas, which shall be regarded as irrigated. Where cotton is sold on type, actuals or description, when no growth is specified in the contract, it shall be understood that USA growth is required. Where USA growth is specified in the contract, any cotton grown in the USA, except reginned cotton, may be shipped.

Clause 4 Removal of Bale Tags-The removal of any bale tag indicating origin or growth, the failure to replace any such tag on recovered bales and the failure to report to the Secretary a request to remove tags or otherwise to obscure origin or growth shall constitute unfair trade practices and violate the Rules of this Association. This shall not apply to metal band tags removed in the compression process nor to mill tags.

Clause 5 Penalties-Upon request of the buyer, the seller shall immediately supply to the Fair Practices Committee of American Cotton Shippers Association all evidence available that the cotton was not shipped in violation of Clauses 1, 2, 3, and 4. Unless the committee shall find that no such rule has been violated, the buyer shall be awarded a penalty of two (2) cents per pound in addition to any other rights he may have or damages he may recover under arbitration and appeal procedure otherwise provided for in the applicable rules.

Clause 6 Responsibility of Seller-Where cotton is sold by one firm or individual to another firm or individual in violation of these rules, it is understood and agreed that the seller shall be responsible to the buyer for any penalties, damages or arbitration claims subsequently imposed or assessed in accordance with the provisions hereof.

Clause 7 A member shall be fully responsible for any violation of these rules by any subsidiary, affiliated, financed or controller shipper; or by any nonmerchant handler, agency, or intermediary of any kind acting for or at the request of such member or financed by such member.

Clause 8 The seller shall, upon request of the buyer, **furnish to the buyer adequate proof that the cotton**

shipped was of the contract origin or growth specified and was not reginned or nonUSA cotton. The seller may present his evidence to this Association or to a recognized cotton exchange, at his option, and the certificate of this Association or such exchange that it has examined such proof and regards it as sufficient shall constitute such adequate proof.

RULE 2 GUARANTEED THROUGH TERMS-DOMESTIC AND FOREIGN

Clause 1 Under "Guaranteed Through" terms the seller assumes all the terms of the contract under the rules and regulations of the market or landing port to which the cotton is destined.

Clause 2 For the filing of claims, the time limit as stipulated by the rules of the market at point of landing shall govern, but the buyer, in order to enable him to obtain the necessary papers, shall be allowed an additional thirty (30) days time to present claims to the seller except in cases of cotton going to the Orient, on which he shall be allowed forty-five (45) days additional time.

Clause 3 The buyer shall, on demand, **furnish the seller shipping instructions** on the first day of the period of "shipment" or "sailing" specified in the contract. In the event of the buyer's failure to so furnish shipping instructions, the seller shall have the right to charge the buyer with carrying charges commencing on the day following until the day received, inclusive. And, further, if the seller has not received shipping instructions by the end of the period specified in the contract, then the seller shall have the right, after giving the buyer twenty-four (24) hours written notice, to resell the cotton in the open market and shall charge or credit the buyer with the difference between the price received in the open market and the original contract price and in addition the seller shall be allowed all carrying charges and other losses incurred.

Clause 4 It is expressly understood that the **seller must obtain consent of buyer to substitution of name of shipper** to a "guaranteed through" contract.

Clause 5 When cotton is bought and/or sold "on call" based on futures, and unless otherwise specified in the contract, it shall be understood that:

A. It shall be the intention of parties to such sales that the **price shall be fixed on or before the date of shipment or delivery**, but if the buyer has not directed the fixing of the price by that time and if the seller agrees to extend the time until the day preceding first notice day of the month on which the price is based, then either party shall have the right to call for margins at any time to meet advances or declines in the market from the price at which the cotton has been invoiced, and both parties agree to promptly remit amounts due when called for, such remittances to be by cash transfer in readily available funds. If the contract is made on "seller's call," then the buyer's privileges shall be the same as the seller's right under this rule.

B. **If either party to an "on call" sale which has been invoiced provisionally desires to transfer the call to a later month** and such is agreed to by the other contracting party, it shall be understood that either party shall have the right to call for margin at the time of transfer and also afterward at any time they desire to meet advances or declines in the market from the price at which the cotton was transferred, and both parties shall remit by cash transfer in readily available funds. The minimum cost of transfer shall be the nonmember rate of commission as specified by the exchange on which the contract is based.

C. **Fixations on previous close** are only permitted by mutual agreement, the settlement price of the basis month to govern.

Clause 6 In receiving complaints regarding arbitration awards in markets having shipper representation on the appeal or super appeal committees, it is understood that no official protest or action will be undertaken by the Association until the shipments complained of have been passed upon by such appeal or super appeal committees and in no event until the complaints have

been thoroughly investigated.

In markets, either with or without American representation, the arbitration samples, whenever possible shall be purchased (by the complainant) and forwarded to a committee to be designated by the Association. In the event the arbitration samples are not obtainable, the shipping samples shall be submitted for classification by the Association's standing appeal committee. The cost of these examinations shall be borne by the members for whom they are made. It is understood this procedure shall have no effect on awards previously granted.

Clause 7 It shall be a violation of the rules of the Association for any member to sell or offer for sale any cotton subject to claims for excessive internal damp. (Internal damp, which is a natural and essential vegetable moisture in the fiber, is not to be confused with moisture acquired after ginning and baling from extraneous sources, such as rain, excessive damp weather, sea damp or with water packed cotton, or cotton which has been ginned wet.)

The Texas Cotton Association Rules

SECTION III PRIMARY MARKETING'S RULES

RULE 1 RESPONSIBILITY

Clause 1 Primary Marketing Members⁴, whether members or not, if they trade under the Association Rules or with members of the Association, shall be subject to these Rules, Arbitrations and Appeals.

Clause 2 Agreements for a Primary Marketing Member to represent a mill, merchant, shipper, or other principal should be in writing and should state the term of the agreement, the basic responsibilities and the commission or fee to be paid for those services. If no written agreement exists, it shall be understood that verbal agreements are, for the purposes of these Rules, for the current season only. At all times the Primary Marketing buyer must act in the best interests of the principal he represents.

Clause 3 Primary marketing members shall be held responsible for their mistakes. When trading, they shall keep both parties to the contract duly informed of all conditions and terms affecting the transaction and they shall be responsible for any misrepresentations which they shall make to either buyer or seller. All telegraphic or telephone sales shall be confirmed in writing as promptly as possible.

Clause 4 Bids and offers made through Primary Marketing Members, unless other specified, shall only be valid for reply by five o'clock (5:00 PM) local time, of the same day.

Clause 5 Primary marketing members contracts should state the Trading Rules of the Texas Cotton Association to apply.

Clause 6 A sale shall not be deemed completed until buyers; and sellers' names have been mutually approved.

Clause 7 Persons selling cotton for growers to a member, whether employed by a gin or not, are included and bound by these rules, even if paid a commission by buyer.

⁴ 04/15/94 Amended changing Non-Merchant to Primary Marketing Member

RULE 2 COMMISSIONS

Clause 1 Primary Marketing Members shall be allowed to charge a commission:

- A. On all sales they negotiate.
- B. Unless otherwise specified, if within five (5) days prior to the date of sale the Primary Marketing Member shall have displayed to the buyer the actual samples of the cotton that is subsequently sold to the buyer.
- C. If they initiate a trade between buyers and sellers, even though the final consummation of the transaction is negotiated directly between the contracting parties, but only if the sale is made within five (5) days of such initiative advice.
- D. On the bales that are accepted on sales sold subject to approval of the cotton.
- E. On follow up business, done within five (5) days of the original trade, even though negotiated directly between the seller and the buyer.

Clause 2 Commissions shall not be due if the transaction is not fulfilled on account of a mistake of the Primary Marketing Member or on default of the party not represented by the Primary Marketing Member.

Clause 3 If a trade is canceled between the original buyer and seller for any reason whatsoever, with or without the assistance of the original Primary Marketing Member, the Primary Marketing Member shall be entitled to full commission from the party he represents.

Clause 4 Unless otherwise specified in their agreement with their principals, **Primary Marketing Members** shall be entitled to collect commissions promptly upon delivery of the cotton against the sale negotiated. Commissions on partial deliveries may be charged monthly.

Clause 5 Primary marketing members acting as commission buyers shall be governed by Rule 2 and the above clauses by substituting the word "purchase" where "sale" is used, the word "seller" where "buyer" is used.

RULE 3 SAMPLES

Clause 1 Samples shall be representative of the bale and shall be shown with the lower side uppermost.

Clause 2 Buyers shall have the right to demand that redrawn samples be sent to them straight from the compress, warehouse or yard; the cost of resampling to be borne by the buyer. The original sale samples shall be sealed and held by the Primary Marketing Member until arrival of the redrawn samples. If the redrawn samples do not show up equal to the original samples, the seller shall make good any loss to the buyer.

Clause 3 Where cotton is sold on actual samples, the Primary Marketing Member shall, if the buyer wishes, issue resampling instructions as soon as possible, but within twenty-four (24) hours from the time of sale, and after receipt of the redrawn samples, the shipper shall be allowed forty-eight (48) hours in which to class up the cotton. In case, however, a buyer is in urgent need of the cotton he shall be allowed to ship it on the original samples; but if it is found, upon arrival of resamples, which shall be drawn by a disinterested party before shipment, that the cotton is not equal to the original samples, the seller shall be responsible to the buyer for the difference in quality.

The Texas Cotton Association Rules

SECTION IV

RULES GOVERNING ARBITRATION AND APPEALS

SECTION IV⁵

RULE 1

THE ARBITRATION SYSTEM

Rule 1. The arbitrations of the The Texas Cotton Association, shall be conducted by panels of three members and an Arbitration Appeals Committee. These committees will be formed as provided in Rule 4. The administrative work in connection with arbitration shall be handled by the Executive Vice President or his/her designate. The purpose of arbitration in this Association is to reduce friction among its members and those with whom they deal, avoid litigation, prevent misunderstandings and adjust unsatisfactory conditions.

RULE 2

MATTERS TO BE ARBITRATED

Rule 2. The term dispute as used, herein, shall be deemed to cover the original complaint as filed, and also any cross complaint, counterclaim, or offset as set forth by the defendant, but in no case shall the matters submitted by the defendant be any other than those directly related to the transaction on which the original complaint is made.

RULE 3

JURISDICTION

Rule 3.

(a) An Arbitration Committee may properly consider a case involving a dispute between or among any of the following:

(1) Active members of this Association;

(2) Members of this Association and non-members by consent of both parties or by court order enforcing a previously existing arbitration agreement. In the absence of a court order a case between a member and a nonmember may not be properly considered by an Arbitration Committee without the written consent of both parties. If the contract in dispute between a member and nonmember provides for arbitration pursuant to these Arbitration Rules, the parties to the contract shall be deemed to have consented to arbitration under these Arbitration Rules.

(b) All other decisions shall be in accordance with the Bylaws and or the Rules of this Association, and all definitions included in the Rules shall apply under these Arbitration Rules, likewise.

(c) The original complaint in connection with any disputed matter proposed for arbitration must be filed within 90 days after the expiration date for performance of the contract or contracts involved. For cases between a member and nonmember arbitrated pursuant to court order, the complaint must be filed by either or both parties within 30 days of issuance of court order.

(d) The term member(s) as used in these Arbitration Rules shall mean Active member. The term nonmember(s) shall mean

⁵ Section IV, Rules 1-10, pgs. 25-34, changed and approved by the TCA Board 10/12/95, replacing pgs.28-33 of old Rules

any individual or firm that is not an Active member.

RULE 4 FORMATION OF COMMITTEES

Rule 4.

(a) Each Arbitration Committee of three arbitrators shall be selected by the President with respect to each case to be referred to said committee.

(b) These arbitrators shall be selected from the membership, retired members, or from a roster of qualified arbitrators approved by the Board of Directors, with a view to forming each committee of prominent people experienced in the type of trade involved in cases to be brought before it. To qualify as an arbitrator, or as an arbitration appeals committee member, a person should be commercially disinterested with respect to the particular dispute intended to be presented to him for judgment.

(c) Each Arbitration Appeals Committee shall consist of five persons selected by the President, not to include any members of the original arbitration committee.

(d) In the event of the absence, resignation, refusal to act or disqualification of a regular member of an Arbitration Committee, the President shall fill the vacancy with any eligible person who will consent to serve, and said appointee shall have the same power and duties as such regular member. The acts of a committee so formed shall be of the same effect as the acts of a regular committee.

RULE 5 PROCEDURE FOR INSTITUTING CASES

Rule 5.

(a) To commence a case, a complaint must be submitted to the Executive Vice President. This complaint should state specifically the nature of the dispute; including the defendant's name and address, applicable contract numbers, date of incident giving rise to the dispute, and the amount of damages claimed.

(b) The Executive Vice President then will prepare and submit to the disputants a contract for arbitration, to be signed by a responsible officer of each firm which is party to the dispute. This contract shall provide that the disputants will agree to abide by the award of the Arbitration Committee or of the Arbitration Appeals Committee, if the original verdict is appealed by one or more of them; and to release the Association and the members of said committee(s) from all responsibility for any errors in judgment that may occur in any respect whatsoever, and from any damage or loss resulting from their acts. Should either party refuse to sign the contract for arbitration or agree to the arbitration then the President shall appoint an Arbitration Committee who shall proceed with the arbitration "ex parte." In such event, the parties shall be deemed to have agreed to the provisions of the contract described in this subsection, and the decision of the Arbitration Committee shall be binding on both parties to the controversy, subject to the right of appeal.

(c) The party requesting arbitration shall submit to the Executive Vice President with the complaint an arbitration service fee, to cover the administrative expense of the arbitration, of one-half (1/2) of one (1) percent of the amount claimed, with a minimum fee of two hundred fifty dollars (\$250) and a maximum fee of two thousand five hundred dollars (\$2500), exclusive of the expenses of the arbitrators.

(d) In the event of a complaint being submitted by an Active member against another Active member, or nonmember by consent of both parties, or by virtue of a court order, it shall be the duty of both parties to complete the contract for arbitration within fifteen (15) days from the date the party receives the contract from the Executive Vice President.

(e) In the event a party against whom a complaint has been filed desires to file a cross-complaint, counterclaim, or offset, arising out of the same transaction upon which the complaint is based, he shall be permitted to do so, and same shall be passed upon by the Arbitration Committee, all with the same force and effect as though the cross-complaint was the original complaint. The cross-complaint shall be heard as one case.

RULE 6

PROCEDURE FOR PREPARING A CASE

Rule 6.

a) In preparing either side of a case for submission to an Arbitration Committee a party will be expected to furnish:

(1) A concise and clear statement of all that is claimed. Parties to the arbitration are responsible for clearly presenting all aspects of their case (the Executive Vice President and the Arbitration panel are not responsible for undertaking fact-finding searches or discovery);

(2) The contract or contracts, if any, including all written evidence, letters, faxes and telexes, tending to establish the terms and conditions (or photostatic or verified copies thereof).

The contract is the basis of most of the cases in dispute between cotton firms and special care should be exercised to establish the terms and conditions of it in the preparation of a case for arbitration. An offer by one party to buy or sell, and the acceptance of the offer by the other party, may constitute the contract. The confirmation of the contract may be essential in determining what the agreement was, and should always be included.

It is all-important that the contract, when there is one, should be clearly and definitely established;

(3) Number of Bales or Pounds;

(4) Quality Specifications;

(5) Payment Terms;

(6) Delivery Terms;

(7) Applicable Trade, Exchange, and/or Arbitration Rules;

(8) Proof of market difference when there is any probability of the market difference effecting the rights of the parties to the case, either because of discounts for grade, delay in shipment, or non-fulfillment of contract. The proof of market difference might be the AMS reported spot market price of the market in which the cotton in question was purchased, or the New York Futures price at the expected time of delivery on which the price is to be established; but in case it is necessary to establish such difference in a market where no price is regularly issued, affidavits by disinterested persons should be furnished.

(b) All evidence should be arranged in chronological order to present a clear history of the case.

(c) Evidence and argument must be submitted by all parties.

(d) When the original papers concerning the case cannot be supplied and copies are substituted, a statement should be made under oath that the original papers have been lost or are beyond the control of the party offering copies as evidence and that the copies, so offered, are true copies.

(e) All papers should be fastened together securely to avoid loss.

(f) Samples should not be submitted in evidence as the arbitrators will not act as inspectors or compare samples. If the grade or quality of the cotton is in dispute, inspection certificates or other documentary evidence must be submitted.

(g) Upon written request of a party, the Arbitration Committee will mandate the attendance of witnesses and the production of books, records, documents and other evidence.

RULE 7

PROCEDURE FOR HANDLING A CASE PRIOR TO COMMITTEE

Rule 7.

(a) Each case shall be filed in writing with the Executive Vice President, and shall include all the evidence and a set of pleadings as described above.

(b) The plaintiff shall submit his initial first argument when the case is filed.

(c) Upon receipt of the first papers from the plaintiff, the Executive Vice President shall within ten (10) days thereafter forward to the defendant a duplicate copy of all papers filed by the plaintiff.

(d) The defendant shall have twenty (20) days to forward its answer from the date it receives the plaintiff's pleadings and evidence from the Executive Vice President and to submit a cross complaint or counterclaim

(e) Upon receipt of such answer and of the cross pleadings, if any, of the defendant, the Executive Vice President shall

forthwith and within five (5) days forward a copy of same to the plaintiff, who shall have ten (10) days after receipt thereof to file a rebuttal.

(f) Upon receipt of the rebuttal the Executive Vice President shall forthwith and within five (5) days of receipt thereof forward a copy to the defendant, who shall have ten (10) days after receipt to file a surrebuttal with the Executive Vice President.

(g) Upon receipt of the surrebuttal the Executive Vice President shall within five (5) days of receipt thereof forward a copy to the plaintiff.

(h) Where a party has failed to file arbitration papers in accordance with the time limits specified in this Section, the delinquent party shall be deemed to be in default, except there is no obligation to file a rebuttal or surrebuttal. The Executive Vice President may for good cause shown extend the time limits specified herein for a period no longer than twenty (20) days from the end of the specified time period. Requests for extension of time must be made prior to expiration of the specified time period. Any extension so granted must be in writing and a copy thereof sent to both parties.

RULE 8 PROCEDURE IN COMMITTEE AND IN ANNOUNCING AWARDS

Rule 8.

(a) When a case is fully prepared and ready to be assigned for hearing the President shall assign it to one or another qualified committee as he may deem advisable for the expeditious handling of the case by the Association. A member of the committee shall disclose to the Executive Vice President any circumstances likely to affect his or her impartiality, including any bias or any financial or personal interest in the result of the arbitration. Upon receipt of any such information from a committee member, the Executive Vice President shall transmit such information to both parties and the President shall replace said member if either party requests such action within five (5) days from receipt of such information or after the voluntary withdrawal of such committee member. Upon assigning a case as herein provided, the Executive Vice President shall notify each party of the names and addresses of the chairman and members of the Arbitration Committee processing said case. Upon receipt of such notice, either party to the case may challenge the appointment of a member of the Committee for prejudicial or other causes within five (5) days of receipt of this notice. Upon determination that such challenge is valid the President shall replace such member.

(b) The Chairman of an Arbitration Committee may choose for his committee to determine its awards, or otherwise dispose of the cases submitted to it by one or more of the methods hereinafter set out provided however, that if either disputant requests an oral hearing same must be held:

- (1) By passing the papers from one to another by mail;
- (2) By calling a meeting of the members of a Committee;
- (3) By calling a meeting of members of the Committee to hear oral argument;
- (4) By such other means as the Chairman may deem necessary.

(c) A decision of the members of an Arbitration Committee shall be by majority vote.

(d) A Committee cannot be called together more than once each calendar month, except by the consent of every member of a Committee.

(e) A Committee cannot act at a meeting thereof, unless all members are present.

(f) When either party to an arbitration requests an oral hearing, the same must be held. Such written request must be made to the Executive Vice President on or before the filing of the defendant's surrebuttal.

(g) Upon request of a party, the Arbitration Committee will require witnesses to testify under oath administered by any duly qualified person. Upon request of a party the Arbitration Committee shall require witnesses, other than a party or other essential person, to testify out of the presence of any other witnesses.

(h) The party requesting an oral hearing must pay whatever amounts, in addition to 5(c), as shall be necessary to cover the additional expenses of the Committee for the hearing. The amount of such additional expenses shall be determined and fixed by the Committee including payment of all legal and attorney fees. In the event the party requesting an oral hearing is a nonmember, said party shall advance the amount determined necessary to cover approximately the additional hearing expenses, including a stenographic record or a transcribed audio tape record or any legal or attorney fees as set forth in 8(i) below and travel expenses as set forth in 8(k) below. The Executive Vice President shall notify the requesting nonmember within ten (10) days after receipt of an oral hearing request what the approximate expenses of the hearing will be. If both parties request an oral hearing, the amount to be paid by each in advance shall

not exceed one-half of the estimated amount. The amount specified by the Executive Vice President shall be advanced no later than fifteen (15) days before the date set for the hearing. Failure to advance expenses may be grounds for denying a request for an oral hearing or rendering the noncomplying party in default. After the Committee determines and fixes the actual amount of additional expense incurred, the nonmember shall be refunded or billed by the Executive Vice President for the difference between the amount advanced and actual costs.

(i) In the event of an oral hearing, the Executive Vice President shall make the necessary arrangements for the taking of an official stenographic record of the hearing. The party or parties requesting the oral hearing shall pay the cost of such record and any other legal expenses including attorney fees directly to the Executive Vice President in accordance with the normal procedure for paying the hearing costs. The Executive Vice President shall pay the reporting agency in accordance with their agreement. The stenographic or transcribed audio tape record shall be made a part of the official transcript of the case.

(j) When a case is to be considered as in 8(b)(3) above, the Chairman of the Committee shall fix a time and a place for its hearing, and shall give the Executive Vice President fifteen (15) days notice of the date and the place so fixed, so as to enable the Executive Vice President to give the parties to the arbitration ten (10) days notification of the date and the place of the hearing. In the event of a nonmember request for oral hearing, the date so fixed shall be no sooner than fifteen (15) days from the date the amount advanced for approximate expenses is received by the Executive Vice President. Neither party shall seek to postpone the hearing of a case longer than ten (10) days after such date has been set, unless good cause, satisfactory to the Committee, can be shown therefore. Requests for postponement must be received by the Chairman of the Arbitration Committee at least five (5) days prior to the date set for hearing.

(k) The members of the Arbitration Committee, the Executive Vice President, and the Association's legal counsel shall receive the amount of their actual traveling and hotel expenses when attending meetings to consider a case or to hear oral testimony.

(l) The Arbitration Committee shall act promptly on all cases submitted, and shall endeavor to make their report within thirty (30) days after receipt of final papers from the Executive Vice President. The awards of the Arbitration Committee shall be dated on the day they are received at the office of the Executive Vice President, and copies of said awards shall be mailed by the Executive Vice President to the parties to the arbitration within five (5) days after receipt thereof. Each award shall contain a concise statement of the pertinent facts and the conclusions of the Arbitration Committee and the reasons therefor. The parties to the arbitration shall file a notice of appeal, or comply with the terms of the Arbitration Committee's Award within fifteen (15) days from the receipt of said award.

(m) All money received by the Executive Vice President for account of arbitration shall be placed with the general funds of the Association, and the expenses of said arbitration shall be paid out of said general fund.

(n) A bulletin shall be published as frequently as is necessary to give the details, as hereinafter provided, of all cases arbitrated, awards made, and any other information relative to the subject of arbitration which may be deemed of interest to the members of the Association. Copies of the bulletin shall be mailed to all active members of the Association and to the Executive Vice President/Secretary of all Federated Member Associations of the American Cotton Shippers Association. Said bulletin shall set forth:

- (1) The full text of all arbitration decisions, excluding the names of the plaintiff and the defendant, the nature of the case and the amount involved, the award and such other information as may be of interest to the members;
- (2) Notice of failures to comply with the terms of awards, giving a record of each case;
- (3) Notice of refusals to arbitrate, giving a record of each case, and any reasons offered for said refusals;
- (4) Notice of failures to answer the correspondence of the Executive Vice President relative to arbitration.

RULE 9 APPEAL PROCEDURE

Rule 9.

(a) A decision of the Arbitration Committee shall be final unless appealed by either party. If timely and properly appealed, the case shall be reviewed by the Arbitration Appeals Committee and affirmed, modified or reversed. There shall be no appeal under these rules from the decision of the Arbitration Appeals Committee. The party or parties to the appeal shall comply with the terms of the Arbitration Appeals Committee award within fifteen (15) days from the receipt of said award. Arguments on Appeal shall be confined only to the facts contained in the record of the case. Any new evidence submitted in violation of this rule may be removed from the argument upon request of the Executive Vice President, or if necessary the chairman of the Arbitration Appeals panel shall instruct the panel to disregard the new evidence.

(b) Any decision of the Arbitration Appeals Committee must be signed by a majority of the members thereof.

(c) The appeal fee, payable only by the appellant, shall be equal to one-half (1/2) of one (1) percent of the award of the Arbitration Committee, with a minimum fee of two hundred fifty dollars (\$250) and a maximum fee of two thousand five hundred dollars (\$2500). The fee shall be deposited with the Executive Vice President by the appellant before the case will be considered. Said appeal fee shall be deposited at the time notice of appeal is given. If not deposited, the award of the Arbitration Committee shall be affirmed or the appeal dismissed. Any overage of the deposit above actual costs shall revert to the general treasury of the Association.

(d) Notice of appeal from an award of an Arbitration Committee accompanied by a statement in duplicate of the reasons therefore shall be filed with the Executive Vice President within fifteen (15) days from the date of receipt of the said award. The said notice of appeal shall be accompanied with the appellant's appeal fee and his or her certified check for the amount of the Arbitration Committee's award in dollars and cents, if any, payable to the adverse party, to be held by the Executive Vice President pending the decision of the Arbitration Appeals Committee.

(e) Within ten (10) days from the receipt of a notice of appeal at his office, the Executive Vice President shall forward to the appellee, by registered or certified mail, a copy of the appellant's statement of reasons and the appellee shall have twenty (20) days from the date of receipt of the said statement of reasons in which to file his answer. Upon receipt of the appellee's answer, the Executive Vice President shall assemble a record of the case, indexed and with pages numbered consecutively, including the aforementioned statements of appeal and answer and any other paper he deems pertinent to the case. Immediately upon the completion of the numbered transcript, the Executive Vice President shall submit the complete file of papers to the Arbitration Appeals Committee, the appellant, and the appellee.

At the same time the Executive Vice President sends copies of the transcript to the appellant and appellee, he shall inform them of the names of the members of the Arbitration Appeals Committee and giving notice that a challenge for prejudicial or other causes would be entertained for five (5) days from receipt of such notice. Upon a valid challenge being made, the President must immediately name a replacement or replacements to the Committee.

(f) Within ten (10) days of receipt of the record of the case, the appellant shall file ten (10) copies of a brief of this case with the Executive Vice President, each argument keyed to facts contained in the record of the case. Appellee shall file his brief, in the same form and number as the appellant's brief, within seven (7) days after date of receipt of appellant's brief from the Executive Vice President. Upon receipt of the appellee's brief, the Executive Vice President shall send a copy to the appellant, and copies of both briefs to the Arbitration Appeals Committee.

(g) The Arbitration Appeals Committee shall meet at the call of the chairman, at a place to be designated by him, at which meeting the Committee shall consider and decide such cases as are properly pending before the committee; provided, however, that the chairman may submit any such cases to members of the committee by mail, for their decision by mail as he may consider proper. On request of either disputant the Arbitration Appeals Committee shall hear oral argument, but no new evidence shall be heard in the appeal of any case.

(h) Request for oral argument may be made at any time from filing of the notice of appeal until the appellee files his answer. Except when a nonmember has requested an oral hearing, the chairman of the Arbitration Appeals Committee shall set the date for oral argument as soon as practical. In the event of a nonmember request for oral argument, the time limits in the preceding sentence shall not commence until after the requesting party has advanced the approximate expenses of the meeting as provided for in 9(i) below. Appellant shall have one hour for opening statement; appellee shall have one hour and fifteen minutes for his argument; and the appellant shall have fifteen minutes confined to rebuttal argument.

(i) All expenses including legal or attorney fees or incurred incident to a telephone conference call meeting or a meeting held to hear oral argument by the Arbitration Appeals Committee shall be met by the party or parties appealing the decision of the Arbitration Committee. In the event a party requesting oral argument is a nonmember said disputant shall be required to advance the amount necessary to cover the approximate expenses of the meeting, including all legal and attorney fees and a stenographic record as set forth in 9(j) below and the travel expenses as set forth in 8(k) above. Within ten (10) days of receipt of a nonmember's request for oral argument the Executive Vice President shall notify said nonmember of the approximate expenses thereof. The amount specified shall be advanced by the requesting nonmember no later than ten (10) days after notification from the Executive Vice President. If both parties request oral argument, the amount paid in advance by one party shall not exceed one-half of the estimated amount. Failure to advance approximate expenses required hereunder may be grounds for dismissal or affirmance of the appeal. After the committee determines and fixes the actual amount of additional expense incurred the nonmember advancing expenses hereunder shall be given a refund or billed by the Executive Vice President for the difference between the approximate amount advanced and actual costs.

(j) In the event of oral argument, the Executive Vice President shall make the necessary arrangements for the taking of an official stenographic record of the appeal arguments. The party or parties requesting the oral argument shall pay the cost of such record and all legal and attorney fees directly to the Executive Vice President in accordance with the normal procedure for paying the hearing costs. The Executive Vice President shall pay the reporting agency in accordance with their agreement. The stenographic record shall be made a part of the official transcript of the case.

(k) Where a party has failed to file appeals papers in accordance with the time limits specified in this section that party shall be deemed in default except that the Executive Vice President may for good cause shown extend the time limits specified herein for a period no longer than twenty (20) days from the end of the specified time period. Requests for extension of time must be made prior to expiration of the specified time period. No extension of time shall be granted for filing of a notice of appeal. Any extension so granted must be in writing, and a copy thereof sent to both parties.

RULE 10 MISCELLANEOUS

Rule 10.

(a) Whenever any papers, documents, or pleadings are required to be filed, there should be filed with the Executive Vice President ten (10) copies thereof, which said copies shall be disposed of as follows: the original shall be retained by the Executive Vice President; one copy shall be mailed to each of the members of the Arbitration Committee; one copy shall be mailed to the adverse party; five copies shall be retained by the Secretary, and if an appeal be taken from the award of the Arbitration Committee, said five copies shall be mailed to the members of the Arbitration Appeals Committee. This rule shall apply with equal force and effect to the petition, complaint, exhibits, answers, and cross complaints, and any and all other papers that either party desires to or may be required to file.

(b) In computing time, the first day shall be excluded and the last day included. If, however, the first or last day falls on a Saturday, Sunday, or a national legal holiday, then the next business day shall be considered the first or last day. The final date for filing required documents or papers in any proceedings under these rules shall be midnight of the stated final day.

(c) Registered, certified or express receipts shall be used to determine the timeliness of any filing in accordance with the several periods of time specified in these Arbitration Rules. As used throughout these Rules, the term "filing" shall mean the time at which the document is mailed, first class mail, postage prepaid, or by a recognized overnight delivery service. No extension of time shall be granted for filing a notice of appeal. All time limits placed on the Executive Vice President shall begin on the date the Executive Vice President receives the document or request which triggers his obligation.

THE TEXAS COTTON ASSOCIATION CONTRACT FOR ARBITRATION

For the purpose of avoiding litigation and in consideration of saving time and expense, we the undersigned parties, hereby agree to submit the following controversy to arbitration by the Texas Cotton Association for its decision and award in writing.

(insert description of the case here)

We agree that we will comply with all of the Association Rules, including, but not limited to those rules requiring nonmembers of the Association to approximate expenses in advance when an oral hearing is requested by a nonmember. We understand that noncompliance with the rules may result in a default judgment.

We further agree that we will abide by the decision of said committee, and that its decision shall be final, subject to the Association Arbitration Rules.

We hereby release all members of the committee (including any appeals committee) from any responsibility for error in judgment in any respect whatsoever and from any damage or loss allegedly suffered by reason of their acts. In case any member of the regularly constituted committee cannot take part in the hearing of this case, the Association in compliance with the Arbitration Rules may appoint another person to so act; and in that event all the terms of this agreement shall be binding on us as though all the members of the regular committee had taken a part in the hearing of this case. Even in such a case compliance with the award shall be in accordance with the rules of the Association applicable thereto.

THE TEXAS COTTON ASSOCIATION BY-LAWS

ARTICLE I NAME AND DOMICILE

Section 1 Name-The name of this Association is and shall be known as **THE TEXAS COTTON ASSOCIATION**.

Section 2 Domicile-The domicile of the Association shall be in the City of Dallas, Texas.

ARTICLE II MEMBERSHIP

Section 1 Who May Become Members

A. Any firm, corporation or individual of good character and standing who is **engaged in the business of buying and selling cotton in the States of Texas and Oklahoma**, except as described herein¹, is eligible to membership in the Association; provided he shall have first filed with the Secretary application for membership signed by him and endorsed by three (3) members of this Association; and provided further, that if such firm, corporation or individual shall have been engaged in the business of buying and selling cotton in the State of Texas for a less period than one year previous to the date of his application, said application must contain the endorsement of five (5) members of this Association.

Any person or firm who is an employee, agent or associate of another person or firm who is not a member of the Association, shall not be eligible for membership in the Association; and should any person or firm who is a member of the Association become an employee, agent or associate of an individual or firm who is not a member of the Association, such individual or firm shall immediately become ineligible to be a member and his or its membership in the Association shall automatically terminate, and such ineligibility shall remain as long as such relationship exists.

There shall be four classes of members:

1. **Merchant**¹ - Individual, partnership, joint venture, company, corporation or cooperative purchasing cotton on their own behalf, taking title thereto, and offering such cotton for sale to other parties.
2. **Primary Marketing Member**¹ - Individual, partnership, joint venture, company, corporation or cooperative when not acting on its own behalf, acts in facilitating the purchase or sale of cotton to other parties.
3. **Associate**¹ - Any individual, partnership, joint venture, company, corporation or cooperative of good character and standing who is not involved in the purchase or sale of cotton, but, having a relationship to such activity in transportation, insurance, banking, futures trading, communications and other businesses. Associate Members shall have no right to vote, nor shall they acquire any title to property of the Association.

¹04/16/93 Amended TCA 82nd Convention creating membership categories of Merchant & Nonmerchant Handler and changing Associate definition, necessary for compliance with ACSA Board of Directors' Resolutions 03/02/93 (contingent upon TCA Board of Directors' approval 06/02/93 of bale fees of ACSA 69th Convention 05/15/93) effective 04/15/94 Amended changing Nonmerchant Membership category to Primary Marketing Member by 83rd Convention

4. **Honorary Members:** Any individual of exemplary conduct and character who is not commercially engaged in or otherwise associated with the cotton business for profit and who has established for himself a distinguished record of service in behalf of the Association is eligible to honorary membership in this Association, it being understood that honorary members shall have no right to vote, nor shall they acquire any title to property of the Association.

Section 2 Application for and Election to Membership-Written application with endorsements as provided in Article 2, Section 1-A., pledging the applicant, if elected, to abide by and be subject to the Constitution, By-Laws, Rules and Regulations of the Association, in force, or to be thereafter adopted, may be filed with the Secretary, which applications shall be referred immediately to the Committee on Membership. When an application shall have received the approval of not less than two-thirds (2/3) of the Committee on Membership, the Secretary shall notify each and every member of the Association by mail, that such application has received the approval of the Committee on Membership, and shall request the members to lay before him, verbally or in writing, within ten (10) days after the date of such notice, any objection to the proposed new member. After the expiration of ten (10) days from date of such notice, the Secretary shall forward such application, together with any information or objection, filed by the members, to the Board of Directors who may vote on same at any meeting of the Board, or in writing addressed to the Secretary, and such applicants as shall receive the approval of not less than two-thirds (2/3) of the Board of Directors shall be declared elected to membership.

Section 3 Rejected Applicants-Any applicant failing to receive the approval of two-thirds (2/3) of the Board of Directors, shall not again, within six months thereafter, be entitled to consideration for membership, without the unanimous consent of the Board.

Section 4 Evidence of Membership-Each member shall own at least one membership, of record on the books of the Association, and hold, as evidence thereof, a Certificate of Membership, bearing the corporate seal and signature of the President and Secretary of the Association; and every member, upon acceptance of such certificate, issued in his or their name, is thereby obligated to abide by and be subject to the Constitution and By-Laws, with variances as may be agreed upon in advance, between buyer and seller at the time of trade.

ARTICLE III
CERTIFICATE OF MEMBERSHIP

Section 1 The Certificate of Membership shall be as follows:

<i>THE TEXAS COTTON ASSOCIATION</i>	
<i>CERTIFICATE OF MEMBERSHIP NO. XXXX</i>	
<i>This is to certify that _____ is a Member of The Texas Cotton Association, and holds one membership therein, transferable only to a member or a member-elect of said Association on the books thereof, in accordance with its By-Laws and Rules.</i>	
<i>The Association holds a lien upon said membership, enforceable summarily as provided by said By-Laws and Rules, to secure all assessments and dues, now and hereafter chargeable to said membership. No act by said member shall confer upon, or vest in, any person not a member, any interest in the property of franchise of the Association, or any right in respect thereto, but said membership may be transferred by the member herein named, or his legal representative, to any member, or member-elect of the Association, upon surrender of this certificate and payment of all dues and assessments with which said membership is chargeable.</i>	
<i>Dated at Dallas, Texas, this _____ day of _____, 19__ AD</i>	
_____ <i>President</i>	_____ <i>Secretary</i>

Section 2 Surrender, Cancellation or Transfer of Membership-Upon the surrender of a Certificate of Membership to the Secretary, all dues, fees, and assessments charged thereto, having been first paid, the owner thereof shall cease to be a member of the Association, and such membership may, upon request, be canceled or transferred on the books of the Association, but only to a member or member elect and no act by any member shall confer upon, or vest in, any person, not a member, any interest in the property or franchise of the Association, or any right in respect thereto.

ARTICLE IV
DUES, FEES, ASSESSMENTS, LIENS ON MEMBERSHIPS

Section 1 Dues, Fees & Assessments-On every membership, the owner thereof, of record on the books of the Association, shall be required to pay annual dues in advance, and also all other fees and assessments, levied against the same, in accordance with the By-Laws, Rules and Regulations.

Section 2 Lien on Membership-All debts due the Association by any member thereof, for assessments, dues or otherwise, shall be a charge and lien upon all memberships standing in the name of such person on the books of the Association; and failure to pay any of such indebtedness shall subject such membership to forfeiture, but will not release any of such indebtedness.

ARTICLE V MEETINGS & VOTING

Section 1 Meetings of Members, Annual

A. There shall be an annual meeting of the members² held each and every year. The Board of Directors is authorized to choose the site and dates of the annual conventions. The exact dates on which annual meetings shall be held will be determined by the Board of Directors and notice thereof must be mailed to each member at least ten (10) days in advance of the dates so fixed.

B. The Board of Directors shall each year set aside a sum at their discretion out of the funds of the Association, to be applied on the expense of an annual entertainment.

Section 2 Order of Business Session-At the annual meetings the following order of business shall be observed:

- A. Roll Call of Members
- B. Reading of Minutes of Preceding Meeting
- C. Reports of Secretary and Treasurer
- D. Reports of Standing Committees
- E. Reports of Special Committees
- F. Unfinished Business
- G. Miscellaneous/New Business
- H. Election of the President
- I. Election of the Board of Directors
- J. Receiving/Filing Invitations Holding Next Annual Meeting

Section 3 Special Meetings-Special meetings of members may be called by the President at his discretion, and it shall be his duty to call such meetings, upon written request by any ten members. Such meetings may be held at any time or place within the State; but no business shall be transacted at a special meeting other than that stated in the call, as the object thereof.

Section 4 Quorum-The presence of fifteen (15) qualified members, five (5) of whom shall be Directors, shall constitute a quorum, for the transaction of business, at any meeting, whether Annual or Special.

Section 5 Who Entitled to Vote-Any member owning one or more memberships, of record on the books of the Association, in which all dues, assessments and other charges, have been previously paid, shall be entitled to vote at any meeting of members, but no member shall be entitled to more than one vote. Associate or Honorary Members shall not be entitled to vote or to be elected to any office of this Association.³

² Changed by deleting "on or about the second Tuesday in March" and deleted old Clause B and changed designation of old Clause C to Clause B as adopted by 2/3's vote of the members at the 85th Anniversary Convention, May 3, 1996

³ 03/17/78 Amended to add last sentence

ARTICLE VI SUSPENSION OR EXPULSION OF MEMBERS

Section 1 Suspension or Expulsion of Members-Any member of this Association may be expelled or suspended from membership, as hereinafter provided, for any willful violation of the Constitution, By-Laws, Rules or Regulations of the Association, or for any wrongful or fraudulent breach of contract, whether such contract be with a member or nonmember of the Association, or for any willful refusal to abide by any final arbitration or award made by this Association, or by any other Association or exchange, foreign or domestic, where made under the rules of such association or exchange pursuant to the provisions of any contract providing for such arbitration, or for any proceeding inconsistent with just and equitable principles of trade, or other misconduct.

A member of the Association shall be fully responsible for any violation by any act or omission of any subsidiary, affiliated, financed or controlled shipper or any nonmerchant handler, agency, or intermediary of any kind acting for or at the request of such member or financed by such member; and such member may be expelled or suspended from membership, as provided in the previous paragraph, for such act or omission for which he is held responsible.

Section 2 Complaint-Any person or persons, whether member or nonmember of this Association, may file with the Secretary of the Association, or with any other officer thereof, a written complaint, charging any member of this Association with any one or more of the above offenses. When such complaint has been made, it shall be the duty of the Board of Directors to hear and determine the same after mailing or delivering to the member so accused a copy of such written complaint so made against him, and notifying him of the time and place at which the Board of Directors shall consider such complaint. At such meeting if the member so desires, he shall be heard in his own defense and confronted with the evidence offered against him.

Section 3 Board of Directors Hearing-If, after hearing, the charge or charges against such offending member be in the opinion of the Board sustained by competent evidence, they may by a vote of not less than two thirds (2/3) of all members present at such meeting suspend or expel such member from the Association.

Section 4 Sentence-The sentence of the Board of Directors shall be final unless the accused, within ten (10) days after sentence, shall appeal to the Association, which appeal may be had and perfected by the said member giving notice to the President of the Association that it is his desire to have the Association review the decision and sentence of the Board of Directors. In the event that such notice be given within the time required, it shall be the duty of the President at the next ensuing meeting of the Association to present the matter to the Association for its action, notifying the accused of the time and place of the hearing before the Association. At such hearing, the accused and accusers shall have the right to present evidence and the Association shall have the right to reverse the action of the Board of Directors and reinstate the said member provided three fourths (3/4) of the total votes cast be in favor of reversal of the action of the Directors, in which event the accused shall then be reinstated in all his rights of membership, but otherwise the original sentence shall stand and be final.

Section 5 Announce Sentence-Upon suspension or expulsion of a member, the Association in addition to notifying the accused member of the sentence, shall also announce the sentence to the members of the Association and the party or parties filing the complaint.

Section 6 Suspension-Upon suspension of a member under this Article of the By-Laws, his name shall be removed from the membership roster as well as from the membership mailing list, and the payment of all dues and fees shall be remitted during the period of suspension, but the suspended member shall continue to be subject to the Association's rules or discipline during the term of suspension.

Section 7 ACSA Rules & By-Laws-The By-Laws and Rules of the American Cotton Shippers Association are here, by reference, made a part of the By-Laws and Rules of the Association in the same manner as if incorporated herein, and shall be binding and enforceable against members of the Association in the same manner as prescribed in the By-Laws and Rules of the Association.

Section 8 ACSA Suspension-Upon suspension or expulsion of a member, the Association shall promptly certify such suspension or expulsion to the American Cotton Shippers Association; and upon request of any other Federated Member, of which such suspended or expelled member is also a member, shall furnish to it the evidence upon which such action was based.

Section 9 Resignation during Complaint-Nomenber of the Association may resign from membership while a complaint is pending against him as provided for in Section 2 hereof, and in the event any member shall tender his resignation under such circumstances, it shall be the duty of the Directors to hold such resignation in abeyance until the final disposition of such complaint has been made.

Section 10 Bankruptcy Suspension-Upon application for reorganization under any of the several chapter proceedings of the Federal Bankruptcy Act, membership privileges shall be automatically suspended, and such suspension shall remain in effect until the Board of Directors determines, after analysis of all available information, whether membership privileges shall be revoked or restored. The restoration of membership privileges is contingent upon establishing, through the presentation of sufficient proof, that all outstanding financial obligations have been fully satisfied or that the repayment schedule for all existing financial obligations is current.⁴

Section 11 State of War Expulsions-In the event of a state of war existing between the United States and any other country, enemy aliens (citizens of an enemy country) shall automatically cease to be members of this Association without any further action on the part of the Board of Directors.

ARTICLE VII ELECTIONS AND RESPONSIBILITIES

Section 1 Elections

A. The **President** shall be elected annually⁵ at the Annual Meeting of members, and shall immediately after adjournment thereof, enter upon his duties and continue in office for one year, or until his successor is elected and qualifies. The President, who shall serve in a voluntary and honorary capacity only, shall not be eligible to reelection to succeed himself, and he shall receive no remuneration for his services.

B. **Board of Directors**-At each Annual Meeting of the Members, the newly elected President and the retiring President shall automatically become Directors for the ensuing year, and then nine other members shall be elected by ballot to constitute the Board. Directors of the Association shall be elected to fill their respective positions in a voluntary and honorary capacity only, and they shall receive no remuneration.

It shall be the policy of the Association to retire two or more Directors each year and at the same time elect an equal number of new Directors. However, nothing herein shall prevent the membership, at their discretion, from reelecting to the Board any retiring Director.

The newly elected Board, consisting of the President and ten (10) other Directors, shall enter upon its duties, immediately after adjournment of the annual meeting, and continue in office for one year, or until their successors are elected and qualify, and any vacancy that may occur in the Board, at any time, may be filled by the remaining members thereof.

⁴ 03/13/82 Amended revision effective 07/28/82

⁵ 04/15/94 "by ballot" be deleted by 83rd Convention

C. ¹ **Nominating Committees** -² Not less than thirty days prior to the annual convention, the immediate past President shall convene and chair a committee for the purpose of nominating for office, the incoming ³ First and Second Vice Presidents. The committee shall meet in person or by conference call and shall make a recommendation for each respective office to the newly elected board. The committee shall be composed of the current President, First Vice President and all past Presidents active in the cotton business. At the annual meeting of the members, two (2) nominating Committees of three (3) members each, shall be appointed by the President, and each Committee shall nominate at least one (1) member for President and at least nine (9) members for Directors; but each Committee shall nominate at least three (3) members who shall have served as Directors the previous year.

Section 2 Duties and Powers of Board of Directors and Election of Officers-The Board of Directors, on the date of their election, or at their first meeting thereafter,⁴ shall elect ⁵ First and Second Vice Presidents, and shall appoint all standing committees. The Board shall have general and entire management of the affairs of the Association; shall appoint the Executive Vice President/Secretary and Treasurer and may at their discretion employ such other agents and clerks and require such service and bonds, and allow such compensation therefor, as may be deemed proper; shall adopt such Rules and Regulations, provide and furnish such buildings or rooms, determine, fix and levy such dues, fees and assessments, and do and perform such other acts, not inconsistent with the Constitution and By-Laws, as in their judgment may be required to best accomplish the purpose of the Association.

Section 3 Corporate Officers-The Directors and Officers of the Association shall also be the Directors and Officers of the Corporation.

Section 4 Rules and Regulations Binding-Purchase and sale transactions, forward contracts and other cotton merchandising agreements may be made subject to Trade Rules of the Association.¹¹

Section 5 Unauthorized Debts Not to be Contracted-No officer or member of the Association or Board of Directors shall contract any debts on behalf of the Association, or in any manner or to any extent, render the Corporation liable, for the payment of any sum, without sanction of the Board of Directors.

Section 6 Members Debt Liability - No member of the Association shall be liable for the debts of the Corporation beyond the value of his membership therein.

Section 7 Bureau for Exchange of Confidential Information-There is hereby created a bureau for the confidential exchange of information to members of this Association concerning persons, firms or corporations engaged in the business of buying or selling cotton, whether for their own account or the account of others.

Section 8 Unsatisfactory Transactions-All members of the Association shall hereafter report to the Secretary of the Association any unsatisfactory transaction had with any person, firm or corporation engaged in the business of buying or selling cotton for themselves or the account of others, and upon request of the Secretary of the Association, members shall furnish any and all information which they may have touching the credit, qualifications, character and general reputation of any such persons, firms or

¹ 04/15/94 Added as Amendment by 83rd Convention

² Added "Not less than thirty days prior to the annual convention" and "chaired by the Immediate Past President" adopted by the 85th Anniversary Convention, May 3, 1998

³ Added First and/or Second Vice Presidents adopted by the 87th Annual Convention, May 1, 1998
Added provision for the committee to meet in person or by conference call adopted by the 88th Annual Convention, April 30, 1999

⁴ 04/15/94 "shall by ballot" deleted by the 83rd Convention

⁵ Added "shall" elect "First and Second Vice Presidents, deleted a Treasurer. Deleted - The Board "may at its discretion elect one additional Vice President, and added shall appoint "the Executive Vice President/Secretary and Treasurer" and deleted "a Secretary" and "a manager and". These changes were adopted by the 87th Annual Convention, May 1, 1998

¹¹ 03/24/79 Amended revision

corporations.

Section 9 Confidential Information-All information so received by the Association under Section 8 shall be confidential and shall not be divulged or disseminated except to members as provided in Section 10 hereof and shall be by them treated as confidential.

Section 10 Information Maintained-It shall be the duty of the Secretary of the Association to assemble and keep in an accessible manner all such information obtained and to furnish to members of the Association any and all such information as the Association may have concerning the credit, qualifications and reputation of any person, firm or corporation engaged in the business of buying or selling cotton for its own account or for the account of others.

ARTICLE VIII MEETINGS AND QUORUM OF BOARD OF DIRECTORS

Section 1 Meetings-The Board of Directors may meet at their discretion after their selection as such, and may hold as many meetings during the year as they may determine to be proper to serve the best interests of the Association and its members.

Section 2 Quorum-Any number not less than five (5) Directors shall constitute a quorum, and shall be competent to transact any business of the Association at any meeting of the Board.

ARTICLE IX OFFICERS DUTIES

Section 1 President-Subject to approval of the Board of Directors, the President shall have immediate supervision and direction over the affairs and employees of the Association; shall call all meetings, both of the membership and the Board of Directors, and when present shall preside at same; shall appoint all committees not otherwise provided for, and shall be Chairman Ex-Officio of all committees, and shall do and perform, at his discretion all other duties incident to the office.

Section 2 Vice President-In case of the absence of the President, or of his inability, from any cause to act, the Vice President, shall, when present, perform the duties of the President; and in case of the absence of the President and Vice President, then the Board of Directors shall appoint one of their number to perform such duties, for the time being.

Section 3 Treasurer-The Treasurer shall receive all funds belonging or payable to the Association and deposit same in bank, in the name of the Texas Cotton Association. He shall pay by check all bills and accounts against the Association, when certified by the President. He shall keep an account of all receipts and disbursements in a book kept for that purpose, which together with all vouchers and other records, shall be at all times subject to the examination of the Finance Committee and the Board of Directors. He shall render a report at each meeting of the Board and a general annual report at the close of each fiscal year; shall be responsible for the proper accounting for all receipts and disbursements, and at the expiration of his term of office, he shall deliver to his successor all funds, books, papers, and other property of the Association, in his possession.

Section 4 Secretary/Executive Vice President

A. The **duties of the Secretary**, who may not necessarily be a member of the Association, shall be in all respects subject to the requirements of the Board of Directors or of the President, and his term of office and compensation shall be determined by the Board.

B. In addition to his regular duties, the **Executive Vice President and/or Secretary** shall visit all the important Texas points during the year, for the purpose of attending meetings and conferences of various related Trade groups, and collecting and disseminating such information as will be of interest to the members of the Association; and shall make such other visits to the important points and smaller towns as may be required.

Section 5 Duty Combinations-It shall be within the discretion of the Board of Directors to combine duties of any two (2) officers of the Association, provided however, that the office of President and Secretary or President and Treasurer may not be held by the same person.¹²

¹² 03/17/78 Amend to add last half of sentence

ARTICLE X COMMITTEES

Section 1 Standing Committees-At the annual meeting of the Board of Directors, or as soon thereafter as may be practicable the President, subject to the approval of the Board, shall appoint the following standing committees:

A. **Budget¹³ & Finance Committee**-A Finance Committee, composed of at least three (3) members, one of whom, the Chairman, shall be a Director, whose duty it shall be to have general supervision of the finances of the Association, and to audit the books and accounts of the same prior to the annual meeting each year, and at such other times as may be deemed advisable, or requested by the Board of Directors.

B.¹³ **Committee on Membership**-composed of nine (9) members, none of whom shall be Directors, whose duty it shall be to cast mail ballots on any application for membership submitted to them by the Secretary.

C.¹³ **Committee on Rules & By-Laws**-composed of at least three (3) members whose duty it shall be to make recommendations to the directors and/or members of any proposed changes in the Association's Rules and By-Laws.

D.¹³ **Other Committees**-as may be deemed advisable, such as Compresses and Warehouses, Cotton Futures Contracts and Spot Quotations, Cotton Improvement and Legislation, Foreign Affairs, Domestic Mill Affairs, Transportation and Ocean Freight, Rules and By-Laws, Standards and Classification, Weights and others may be appointed from time to time.

Section 2 Committee Reimbursement Expenses-Reimbursement of expenses incurred by committee may be provided for by the Board of Directors, but Committeemen shall receive no remuneration for their services.

ARTICLE XI ALTERATION OR SUSPENSION OF BY-LAWS

Section 1 Alteration or Suspension of By-Laws-The By-Laws may be altered, amended, or suspended only by a two thirds (2/3) vote of the members present and voting at any annual meeting or¹⁴ by a two thirds (2/3) mail vote of all members of the Association.

¹³ Added "Budget" and "at least" to Clause A; Deleted old Clauses B,C,D,E and F; Changed designation of Clause G to Clause B; Added new Clause C; changed designation of old Clause H to Clause D; as adopted by the 85th Anniversary Convention, May 3, 1996

¹⁴ 04/16/93 Amended at request of ACSA General Counsel at TCA 82nd Convention changing "and" to "or", necessary to change categories of membership for compliance with ACSA Board of Directors Resolutions 03/02/93 (contingent upon TCA Board of Directors' approval 06/02/93 of bale fees of ACSA 69th Convention 05/15/93) effective 08/01/93

