



SECTION II GENERAL RULES

RULE 1 GUARANTEED THROUGH TERMS

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, as defined in the contracts. This Rule shall not prejudice any contract terms specifically altering or modifying sellers responsibility under the contract, nor any rules applicable for part of a transaction which are specifically covered in Section I of these Rules.

CAUTION: Buyers and sellers should be careful to agree among themselves as to the tolerances of qualities deliverable under the contract, when the quality is guaranteed through as stated. While it is almost impossible to preclude variances of qualities in a shipment from the quality stated, sellers should be cognizant of buyers expectations in this regard, and in keeping with fair and reasonable practices of the trade, should disclose to buyer any severe variance in quality of the intended shipment.

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 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 days additional time. When buyers are precluded from filing claims with sellers within the time limits prescribed for valid reasons, such as non-receipt of underlying documentation or other delays beyond buyers control, both parties are urged to confer to establish an extension for filing of claims. Under no circumstances however, should such extension be more than 90 days beyond the time limit as stipulated by the rules of the market at point of landing.

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 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 substitute the name of shipper to a “Guaranteed Through” contract.

RULE 2 **FRAUDULENT PRACTICES**

SALES BASED ON GOVERNMENT CLASS

[Green Card Class]:

Where cotton is sold on Government Class or Green Card Class, the adulteration or misrepresentation of the official USDA class in the form of green cards, computer printouts or tag lists is hereby declared to be a fraudulent practice and a violation of the Special Rules of this Association. [Same as Rule 4 of Special Rules of the ACSA.]

FOREIGN COTTON:

RULE 1 – The shipment of Foreign Cotton against any contract specifying U.S. growth is hereby declared to be a fraudulent practice and a violation of the rules of the Federated Associations.

REGINNED, BLENDED OR RECLEANED COTTON:

RULE 2 – 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.

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IRRIGATED OR RAINGROWN COTTON:

RULE 3 – The shipment of raingrown cotton against a contract for irrigated cotton or of irrigated cotton against a contract for raingrown or the shipment of California upland for SJV Acala, except by mutual consent, is hereby declared to be an unfair trade practice and a violation of the rules of the Federated Members. 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 U.S. growth other than that grown in California, Arizona, New Mexico (excepting cotton grown in 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 United States of America, except reginned cotton, may be shipped. [Rule 3 Revised 3/19/99]



Nothing herein shall be interpreted to preclude more detailed stipulations between the buyer and seller as to territories of growth. Any deviation from such stipulation, except by mutual consent, is an unfair trade practice and a violation of the rules of the Federated Associations.

REMOVAL OF BALE TAGS:

RULE 4 – The removal of any bale tag indicating origin or growth, the failure to replace any such tag on re-covered 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 the Federated Associations. This shall not apply to metal band tags removed in the compression process nor to mill tags.

EVIDENCE OF COMPLIANCE FURNISHED:

RULE 5 – A buyer may request of the seller, within 90 days of the last day of unloading, evidence that cotton shipped him in satisfaction of their contract is not in violation of Rules 1, 2, 3, and/or 4 of the Special Rules. This request should be sent to the seller by mail and a copy may be forwarded to the Administrative Office of the American Cotton Shippers Association at Memphis, Tennessee. If the buyer is not satisfied with the evidence submitted or if the seller does not respond within 30 days, the buyer may then lodge a formal complaint with the Fair Practices Committee of the American Cotton Shippers Association by forwarding in writing to the Administrative Office of the ACSA factual information pertinent to a review of the complaint together with reasonable and *prima facie* evidence in support of the buyer's claim that a violation has occurred, with copy to the seller.

The Fair Practices Committee, after determining that the complaint is properly before the Committee, shall then request in writing of the seller evidence that the cotton was not shipped in violation of Rules 1, 2, 3 and/or 4. If the seller fails to respond in writing to this request within 30 days or within the time specified in an extension of time, such extension to be approved by a majority of the committee voting, then the committee will proceed to judge the complaint on the evidence at hand and that which it may choose to secure from other sources.

If the committee finds for the buyer, he 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 procedures otherwise provided for in the applicable rules and contract terms. In any case under Rule 3 in which the committee determines that the violation was not willful and intentional, it may reduce the penalty to a figure not less than 1/2 cents per pound.



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The Secretary of the ACSA shall promptly notify the buyer and the seller of the Committee's decision and awards, if any.

REPORT OF VIOLATIONS OR COMPLAINT:

RULE 6 – If the Fair Practices Committee finds a member of the Federated Associations guilty of violation of any of the Special Rules, and the member does not comply within 30 days with the findings and penalty invoked by the Fair Practices Committee, then the Committee shall report the same to the Federated Association or Federated Associations whose membership is involved, together with a copy of the Committee's complete file on the complaint, for handling in accordance with its By-Laws and Rules. If the Federated Association suspends or expels its member as a result of the violation and/or failure to comply with the findings of the Fair Practices Committee, the American Cotton Shippers Association shall announce this suspension or expulsion to the party or parties filing the complaint.

RESPONSIBILITY FOR VIOLATION:

RULE 7 – A member shall be fully responsible for any violation of these Special Rules by any subsidiary, affiliated, financed or controlled shipper; or by any broker, agency, or intermediary of any kind acting for or at the request of such member or financed by such member.

SELLER SHALL FURNISH PROOF:

RULE 8 – The seller shall, upon request of the buyer, furnish to the buyer adequate proof that the cotton was of the contract origin or growth specified or was not reginned or foreign cotton. The seller may present his evidence to the proper Federated Association or recognized Cotton Exchange, at his option, and the certificate of such Association or Exchange that it has examined such proof and regards it as sufficient shall constitute such adequate proof.

ADDITIONAL PENALTY:

RULE 9 – Refusal or failure of a seller to pay any final arbitration award rendered by the arbitral body having jurisdiction within 90 days from the date of the award shall constitute a violation of the Rules of this Association.

Complaint by the buyer of a refusal or failure to pay must be made to the Administrative Office of the ACSA at Memphis in writing with supporting documents attached within five (5) months of the date of the arbitration award. Complaints received after the expiration of this time will not be recognized by this Association.



Upon request, the seller shall furnish the Fair Practices Committee in writing evidence that his refusal or failure to pay is not willful. If the seller fails to respond in writing to this request within 30 days or within the time specified in an extension of time, such extension to be approved by a majority of the committee voting, then the committee will proceed to judge the complaint on the evidence at hand and that which it may choose to secure from other sources. If the committee, upon examination of such evidence or in the absence of evidence submitted by the seller, finds that such refusal or failure to pay is willful, the buyer shall be awarded an additional penalty of 10% of the amount of the arbitration award plus interest on the original award at the rate of one (1) percent per month until it is paid.

The following official interpretation of Rule 9 was adopted by the Board of Directors of the American Cotton Shippers Association on January 26, 1967:

"The American Cotton Shippers Association and its Federated Associations are firmly committed to the policy of arbitration of commercial disputes, particularly those involving the quality of cotton shipped upon contracts. The Federated Associations have regarded the willful failure or refusal of an individual member concern to pay a final arbitration award as ground for suspension or expulsion from membership. Our Special Rule was adopted in 1963 in order to make costly any delay or failure to pay promptly and to compensate the buyer for unwarranted delay.

"To qualify for such enforcement the award must be a final award rendered by a recognized arbitral body having jurisdiction and rendered in strict accordance with the rules and the essential terms of an agreement to arbitrate in effect at the time the agreement is made. The Association will not recognize the authority of any arbitral body to change the applicable rules post facto or after the contract has been entered into, without the express assent of all parties thereto.

"The Association will not countenance refusal to recognize an arbitration award on purely technical grounds, but where there is a bona fide dispute as to compliance with the specified rules regarding application for arbitration, selection of arbitrators, the drawing and care of samples, or as to the observance of jurisdictional time limits for such actions and for the arbitration itself, the validity of the arbitration award must properly be left to the courts."

LETTER OF INDEMNITY:

RULE 10 – It shall be a violation of the Rules of the Federated Associations for any member to sign or cause to be signed, a Letter of Indemnity to ocean carriers in exchange for a clean bill of lading.



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SPECIAL RULES APPLY ON U.S. GROWTH:

RULE 11 – The Special Rules apply only where a U.S. growth is specified in the sales contract. The Special Rules will not apply with respect to year of growth.

MICRONAIRE AND/OR PRESSLEY CERTIFICATE:

RULE 12 – Where a certificate of micronaire and/or pressley designates an independent laboratory as the source of testing, any misrepresentation shall be deemed to be a violation of these Special Rules and the rules of the Federated Associations.