

Riemann Cotton OTC - Physical Delivery Contract Terms

The Final match optimisation will be conducted at contract expiry. Any participant with an open position will then be advised of their final counterparty.

Section 1 - Notification and access to Cotton Grower Delivery

- i. The seller shall nominate the delivery location in writing no less than 5 business days prior to ginning.
- ii. The seller shall notify the buyer, or cause the buyer to be notified by the ginner, in writing when the cotton is ready to be collected from the gin yard such notification to be given no later than one (1) day after the day of ginning of that cotton.
- iii. Such notification shall be deemed to have been given to the buyer at the time of receipt by the buyer of documentation containing the information specified in Section 8.i.
- iv. It is between the buyer and seller if the buyer will prepay ginning charges on behalf of the seller. If the buyer agrees to pay ginning charges relating to the cotton the seller shall procure the ginner to forward a ginning invoice to the buyer within one (1) day after the ginning of that cotton.
- v. The seller and buyer acknowledge that the buyer will arrange access and collection of the cotton bales purchased from the seller with the cotton ginning organisation. If the buyer is unable to arrange access and collection of the cotton bales with the cotton ginning organisation, then the seller warrants to promptly arrange such access for the buyer for the bale collection.
- vi. The seller and buyer acknowledge that the general Australian cotton industry principles are that the buyer has a maximum of six days storage at the cotton gin site (from the date the cotton bale is ex-gin), however the buyer will use reasonable endeavours to retrieve the cotton bales promptly. If the buyer fails to collect the cotton bales under the contract within seven days from the ex-gin date, then Australian cotton industry principles allow the cotton ginning organisation to apply demurrage charges to the buyer for ex-gin and FOT gin yard purchases.
- vii. The seller and the buyer agree for sales and purchases FOT gin yard, the risk, insurance and title for the cotton under contract passes from seller to the buyer FOT gin yard (once the cotton is loaded on truck acting at the direction or agency of the buyer).

Section 2 - FOT Gin Yard (merchant to merchant)

The seller shall notify the buyer of the location of the delivery no less than 5 days prior to delivery.

- i. The seller shall notify the buyer, or cause the buyer to be notified by the ginner, in writing when the cotton is ready to be collected from the gin yard such notification to be given no later than one (1) day after the previous title holder received notification. Correspondence to include the original time stamp of the day of ginning of that cotton.
- ii. Such notification shall be deemed to have been given to the buyer at the time of receipt by the buyer of documentation containing the information specified in Section 8.i.
- iii. All bales delivered shall be of a consecutive gin run – consecutive bales numbers.

These Physical Delivery contract terms have been compiled in conjunction with the Australian Cotton Shippers Association Best Practice Trading Guidelines Effective March 31, 2003, revised June 2005, revised March 2017, issued April 18, 2017

Section 3 - Demurrage

Any demurrage caused by the delay of the seller or buyer shall be to the account of the seller or buyer respectively.

Section 4 - Specifications for Cotton

- i. Compliance; All cotton sold under the contract must conform to the following specifications in default of which it may be rejected by the buyer.
- ii. Grades; The cotton must be of a colour and have leaf grades, staple, micronaire, and strength or other properties of cotton contemplated as acceptable by the Riemann Premiums and Discounts Table forming part of the contract, lowest side of the bale to govern.
- iii. Crop year; The cotton must be of the year of growth specified in the contract.
- iv. Internal moisture; must not exceed 7.5%. Any dispute as to level of internal moisture shall be governed by International Cotton Association Rules 233 to 236 inclusive.
- v. Tolerance; The tolerance on delivered contracts is 0.5% of total deliverable quantity +/- one bale maximum.

Section 5 – Condition

- i. The cotton must not be wet or country damaged at time of delivery.
- vi. If the buyer takes delivery of wet or country damaged cotton they may claim against the seller for damages in respect of such affectation. Within 90 days after service of such notice of intended claim the buyer must serve on the seller a formal claim specifying the amount claimed in respect of the damage.
- vii. Unacceptable Cotton; Cotton shall not be re-ginned, re-baled, plated, fraudulently packed, badly gin cut, scorched, smoky, damaged, water packed, seedy, sandy, dusty, greasy, contaminated with foreign matter or oily and shall not contain gin motes or have perished staple or otherwise not be in a fit and proper condition for immediate shipment to a buyer and the seller shall indemnify the buyer against all losses, penalties and costs suffered or incurred by the buyer as a result of cotton being affected as aforesaid.

Section 6 - Packaging and Tares

- i. Packaging; Cotton shall be wrapped in bagging and tied with ties as recommended by the Australian Cotton Ginners Association Best Management Practices for Ginning.
- ii. Tare; The weight of each bale measured immediately after the pressing of the bale must be the net weight of lint – i.e., after allowing for the weight of wrapping and bands (“the Gin Weight”).

Section 7 - Weights

- i. Standard Bale weight; The parties agree that this contract is based on a net weight of 227 kilograms per bale with zero contract weight tolerance.

These Physical Delivery contract terms have been compiled in conjunction with the Australian Cotton Shippers Association Best Practice Trading Guidelines Effective March 31, 2003, revised June 2005, revised March 2017, issued April 18, 2017

- ii. Variation in bale weight; A bale of cotton of net weight less than 185 kilograms or more than 245 kilograms may be rejected at the option of the buyer.
- iii. Gin yard weight; Weight of cotton purchased FOT Gin Yard shall be the Gin Weight.
- iv. Reweighing;
 - a) The buyer may have the cotton reweighed on arrival at the buyer's warehouse by an independent controller and both parties may appoint a representative to witness such reweighing.
 - b) If the Gin Weight and the weight determined by the independent controller are different then the latter shall be used for the purposes of the contract.
- v. Expense of reweighs;
 - a) The cost of the reweigh shall be borne by the party requesting it.
 - b) If a claim is successful based on the result of the reweigh the claimant, if they paid for the reweigh, shall be reimbursed therefore by the other party.

Section 8 - FOT Gin yard terms

- i. Information required; Cotton sold FOT Gin Yard terms the seller shall promptly after such information becomes available notify or cause to be notified the buyer in writing of such ginning details as are necessary to enable the buyer to complete his contractual obligations including:
 - Seller's full legal trading name
 - Bale numbers
 - Bale weights
 - Variety of cotton
 - Module number
 - Farm and field identification
 - Date of ginning
 - Name of ginner and location
- ii. Non provision of information; If the seller fails to provide or cause to be provided the above particulars to the buyer, the buyer shall not be responsible for consequent delays in the execution of the contract and must be reimbursed by the seller for any charges incurred by the buyer for demurrage which arises as a result of the seller's failure as aforesaid.

Section 9 Samples

- i. The seller shall at their cost provide to the buyer, or procure the provision to the buyer of, individual bale samples. If additional samples are required by the buyer, they shall pay for them.
- ii. Classing shall be performed by ICA Bremen certified laboratories only.
- iii. If there is a dispute as to the classing of the cotton the sample submitted by the seller to the buyer shall be the sample used in resolution of the dispute.

Section 10 - Classing disputes

These Physical Delivery contract terms have been compiled in conjunction with the Australian Cotton Shippers Association Best Practice Trading Guidelines Effective March 31, 2003, revised June 2005, revised March 2017, issued April 18, 2017

If the seller wants to challenge the results they must serve written notification of the dispute on the buyer within 7 days after despatch by the buyer to the seller of the classing results.

Section 11 - Resolution process

If there is a dispute between the buyer and the seller in respect of the classing results the parties shall:

- i. First, endeavour to resolve the dispute amicably between them.
- ii. Secondly, if not resolved the parties shall submit samples of the cotton to the Australian Cotton Classers Association Review Committee in accordance with that Association's review process.
- iii. Thirdly, if not resolved following submission of samples to the Review Committee, either party may refer the matter to arbitration or other form of resolution in accordance with the contract.

Section 12 - Expense of retesting

If the buyer and the seller agree to retest cotton samples in order to resolve a classing dispute between them then:

- i. The cost of the retest shall be borne by the party requesting it; and
- ii. If a claim is successful based on the result of the retest the claimant, if they paid for the retest, shall be reimbursed therefore by the other party.

Section 13 - Unacceptable Practices

- i. Re-ginned, blended or recleaned cotton
- ii. The seller acknowledges that delivery in satisfaction of a contract of cotton which has been re-ginned, re-baled or recleaned is an unacceptable practice and constitutes a fundamental breach of the contract.
- iii. Removal of bale tags, etc
- iv. The parties agree that removal of any bale tag or the failure to replace any such tag on re-covered bales or the obscuring of origin or growth detail is an unacceptable practice and constitutes a fundamental breach of the contract.
- v. False samples; The submission by one party to the other of false samples (ie samples which were not sourced from the cotton the subject of the contract) is an unacceptable practice and constitutes a fundamental breach of the contract.

Section 14 - Payment Terms

- i. Classing is for buyers account
- ii. Payment shall be made within 14 days from classing against a RCTI
- iii. The invoice shall include any Riemann Cotton OTC Location Differential, and Riemann Cotton OTC Premium and or Discount as per the published P&D sheet

These Physical Delivery contract terms have been compiled in conjunction with the Australian Cotton Shippers Association Best Practice Trading Guidelines Effective March 31, 2003, revised June 2005, revised March 2017, issued April 18, 2017

Additional Physical Delivery Contract Terms applicable to the Riemann Spot Cotton OTC Auction

Section 15 - FOT Gin Yard Auction

- i. Payment to be made within 7 days of conclusion of auction
- ii. All P&D and location differentials to be included in bid price
- iii. Bales must be removed from the gin pad by pick up date listed on auction specs
- iv. If bales are not removed by pick up date all demurrage is for buyers account
- v. Transfer of title occurs once the bales cross the trucks rail

Section 16- Free in Store Warehouse Auction

- i. Payment to be made within 7 days of conclusion of auction
- ii. All P&D and location differentials to be included in bid price
- iii. The Title of goods will transfer at the time of payment
- iv. The Seller has the responsibility to make sure all current storage charges are settled at time of title transfer

These Physical Delivery contract terms have been compiled in conjunction with the Australian Cotton Shippers Association Best Practice Trading Guidelines Effective March 31, 2003, revised June 2005, revised March 2017, issued April 18, 2017