

ICE Futures U.S.[®], Inc.

COTTON NO. 2[®] RULES

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ICE FUTURES U.S.[®], INC.

COTTON NO. 2[®] RULES

FUTURES

Rule 10.00. Scope of Chapter; Calculation of Times

(a) The Rules in this Chapter govern Transactions in Cotton No. 2 Futures Contracts, Options on Cotton No. 2 Futures Contracts and Options on Cotton No. 2 Futures Spreads Contracts. All Transactions in Cotton No. 2 Futures and Options Contracts thereon shall be subject to the Rules, including the terms and conditions set forth in this Chapter.

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

Rule 10.01. Conflict With The U.S. Cotton Futures Act Subsection (f)

It is the intent of the Rules that every Cotton No.2 Futures Contract made pursuant to the Rules shall be deemed to contain therein each and every provision and condition mentioned and described in the United States Cotton Futures Act, subsection (f) and each and every such provision or condition, whether expressly and in terms by the Rules incorporated in each such contract or not, is hereby made a part of each such contract as fully and effectually as if therein set out at length; and any provision of the Rules which may in any way conflict with any provision or condition mentioned or described in the United States Cotton Futures Act, subsection (f), is hereby and to the extent of such conflict, repealed and declared to be of no effect.

Rule 10.02. Definitions

(a) In this Chapter and in all procedures and resolutions adopted by the Board hereunder, the following terms shall have the meanings indicated, unless the context otherwise requires:

(i) Date of Delivery

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

(ii) Delivery Notice

The term "Delivery Notice" shall mean the notice of intention to deliver one (1) or more Lots of cotton in the form prescribed by the Exchange, issued by a Clearing Member to the Clearing Organization.

(iii) EWR

The term "EWR" shall mean the electronic warehouse receipt record created by a warehouse operator with respect to cotton stored in one (1) of its warehouses, which record is reflected in the data base maintained by a Cotton EWR Provider designated as such by the USDA.

(iv) First Delivery Day

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

(v) First Notice Day

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

(vi) Last Delivery Day

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

(vii) Last Notice Day

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

(viii) Last Trading Day

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

(ix) Local Delivery

The term “Local Delivery” shall mean a delivery made directly between the Deliverer and Receiver, rather than through the Clearing Organization, on such terms as may be mutually agreed to between the parties. All of the Rules shall continue to be applicable to a contract for cotton which is the subject of a Local Delivery, except to the extent that such Rules are altered by mutual agreement of the parties with respect to Local Delivery.

(x) Notice Day

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

Rule 10.03. Official Standards and Undeliverable Cotton

(a) The Official Cotton Standards of the United States existing on the Date of Delivery shall be used as the standards for the grade, staple, quality or value of all cotton delivered on a contract for future delivery.

(b) Only such grades and staples of cotton as are permitted under the United States Cotton Futures Act and the regulations of the United States Secretary of Agriculture shall be delivered on, under or in settlement of any contract for future delivery.

(c) All cotton tenderable under Cotton No. 2 Futures Contracts must have been micronaire tested under Department of Agriculture Regulations. Cotton with a micronaire reading of less than 3.5 or more than 4.9 shall not be deliverable on contract.

(d) Deliveries shall be for only Eastern/Memphis/Orleans/Texas (EMOT) Upland growth cotton or Far Western Upland growth cotton. Far Western Upland growth shall be defined as cotton ginned in Arizona, California, Nevada, New Mexico (except Lea County), and the El Paso and Pecos Valleys of Texas. All Upland cotton produced in the states or areas not designated as Far Western shall be described as Eastern/Memphis/Orleans/Texas (EMOT) growth.

(e) Bales weighing less than four hundred (400) pounds net or more than six hundred fifty (650) pounds net, and bales that have been on fire, shall not be delivered on any contract for

future delivery. A deliverable bale range shall be between ninety-two (92) to one hundred eight (108) bales.

(f) Cotton which has been classed of a color and a leaf grade deliverable on contract but which has been further classed with “remarks” shall not be tenderable.

(g) Cotton that has been reginned or on fire shall not knowingly be offered for inspection or delivery on futures contracts.

(h) All cotton tenderable under a Cotton No. 2 Futures Contract must have been tested for Grams Per Tex under Department of Agriculture Regulations. Cotton with a Gram Per Tex of less than twenty-five (25.0) shall not be deliverable on contract.

(i) The cotton tendered against an Exchange Futures Contract shall be stored in one (1) warehouse which shall be understood to mean a single warehouse or building or a number of buildings grouped with the approval of the Exchange, comprising one (1) warehouse system under one (1) name, managed and operated by one (1) Firm, corporation or warehouse operator. Warehouses so grouped shall be required to equalize the cost of transportation to and from each such warehouse with the respective costs of transportation to and from the main plant.

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶(d) and (h)].

Amended by the Board April 15, 2009; effective April 24, 2009 [¶ (i)].

Rule 10.04. Contract for Future Delivery

(a) No Transaction in Cotton No.2 Futures or Options Contracts thereon shall be recognized, acknowledged or enforced by the Exchange, or any committee or officer thereof, unless both parties thereto shall be Members. All Transactions in Cotton No.2 Futures and Options Contracts thereon shall be submitted for clearance to the Clearing Organization, which, upon acceptance thereof shall become by substitution a party thereto in place of the Clearing Members and thereupon the Clearing Organization shall become subject to the obligations thereof and entitled to all of the rights thereunder, assuming to the Clearing Member buyer the position of the seller and to the Clearing Member seller the position of the buyer; provided, however, that the Clearing Organization shall have no liability to any Person on any such contract after a Delivery Notice thereunder has been issued and stopped.

(b) All contracts for the future delivery of Cotton No. 2 shall be in the following form:

ICE FUTURES U.S.[®], INC.

Cotton No. 2[®] Contract

NEW YORK _____ 20____

A. B. of the County and State of _____ have this day Sold/Bought and agreed to Deliver to/Receive from C. D. of the same place fifty thousand (50,000) pounds in about one hundred (100) square bales of cotton, growth of the United States, at the price of _____ cents per pound for Strict Low Middling one and one-sixteenth inches with additions or deductions for other grades in accordance with the provisions of the United States Cotton Futures Act, subsection (f)(3) and with additions for staple premiums or deductions for staple and micronaire discounts, deliverable from licensed warehouse at a permissible point of delivery as provided in the By-Laws and Rules, between the First and Last Delivery Day of _____ inclusive, the delivery within such time to be at seller's option in one (1) warehouse, upon notice to buyer, as provided by the By-Laws and Rules of ICE Futures U.S. Inc. (the “Exchange”). The cotton dealt with herein or delivered hereunder shall be of, or within, the grades for which standards are established by the Secretary of Agriculture, except cotton

prohibited from being delivered on a contract by the United States Cotton Futures Act, subsection (f)(1)(E), and shall be of no other grade or grades, and shall be subject to Exchange inspection.

This contract is made in view of, and in all respects subject to, the regulations made pursuant to the United States Cotton Futures Act and Rules applicable to the Cotton No. 2 Futures Contract which are not in conflict with said Act or said regulations.

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

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

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

Rule 10.05 Contracts Binding Until Settled

All contracts for the future delivery of cotton shall be binding upon Clearing Members, and of full force and effect, until the quantity and qualities of cotton specified in such contracts shall have been delivered, and the price specified in said contracts shall have been paid. No contract shall be entered into with any stipulation or understanding between the parties, at the time of making such contract, that the terms of such contracts as specified in Rule 10.04 are not to be fulfilled, or that the cotton is not to be delivered and received in accordance with said Rule.

Rule 10.06. Unit of Trading

The unit of trading shall be based on a net weight of fifty thousand (50,000) pounds, a variation therefrom of one percent (1%) being permitted. The term "net-weight" shall mean and be interpreted to mean the weight of a bale less the tare weight (weight of bagging and ties, and patches if any).

Rule 10.07. Months Traded

(a) Unless the Board otherwise directs, trading shall be limited to cotton deliverable in the months of March, May, July, October and December. Cotton No. 2 Futures Contracts shall not be recognized by the Exchange extending beyond a period of thirty-six (36) months, including the current month. Trading in a new delivery month shall, unless the Board otherwise determines, be initiated at the opening of trading on the first (1st) Business Day of the thirty-fifth (35th) month preceding any delivery month.

Amended by the Board August 10, 2007; effective November 16, 2007.

Rule 10.08. Quotation Basis

(a) Cotton No. 2 Futures Contract bids and offers shall be quoted in cents and hundredths of a cent per pound. The minimum price fluctuation is one hundredth of a cent per pound, which is equivalent to five dollars (\$5.00) per futures contract.

(b) No Transactions for future delivery shall be permitted wherein the price shall contain a smaller fraction than one-hundredth of one cent per pound for each pound of cotton represented by the Cotton No. 2 Futures Contract.

Amended by the Board February 13, 2008; effective March 3, 2008.

Rule 10.09. Price Limits

(a) Futures

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

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

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

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

<u>Limit Reference Month Settlement Price Level:</u>	<u>Initial Limit Amount:</u>
Up to 80.00 cents per pound	3.00 cents per pound (300 points)
80.01 up to 110.00 cents per pound	4.00 cents per pound (400 points)
110.01 up to 140.00 cents per pound	5.00 cents per pound (500 points)
140.01 up to 170.00 cents per pound	6.00 cents per pound (600 points)
170.01 cents per pound and above	7.00 cents per pound (700 points)

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

Amended by the Board June 11, 2008; effective July 11, 2008.

Amended by the Board January 31, 2011; effective February 7, 2011 [¶¶] (a)(iii) through (v)].

Rule 10.10. Execution of Orders on the Close on Last Trading Day

Orders received for execution at the close on the Last Trading Day in the current futures or Options Month respectively shall be executed at prices within the range of those Transactions recorded during the period of not less than the last minute nor more than the last fifteen (15)

minutes before cessation of such trading at the discretion of the President after consultation with the Control Committee. The length of time of the closing trading period referred to in this Rule shall be announced from the rostrum one-half hour before such trading period shall begin.

Rule 10.11. Good Delivery

A tender shall be considered a good delivery when all requirements of the Rules pertaining thereto shall have been performed by both parties and can be re-delivered or a settlement made in lieu of performance thereof.

Amended by the Board November 12, 2008; effective January 12, 2009.

Rule 10.12. Designated Delivery Points

(a) The following are designated as points for delivery of cotton on the Cotton No. 2 Futures Contract as indicated:

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

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

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

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

Effective with respect to all delivery months through and including October 2013.

(v) New Orleans, La. – The New Orleans Delivery Point includes all areas within a fifteen (15) mile radius from the New Orleans city limits.

Effective with respect to the December 2013 delivery month and all delivery months thereafter.

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

(b) In accordance with the provisions of Rule 10.04(c), the foregoing designated delivery points may be added to or subtracted from at the discretion of the Board of Governors. The “points of delivery” shall be defined as the city in which the cotton is stored.

Amended by the Board November 12, 2008; effective January 12, 2009 [¶ (a)(v)].

Amended by the Board August 2, 2010; effective with the listing of the December 2013 delivery month [¶ (a)(v)].

Rule 10.13. Removal of Inspected Cotton

All orders for the removal of cotton from the certificated stock, for any purpose, must be submitted to the Exchange, preferably on forms prescribed therefor, before any action thereon may be taken by the warehouse.

Rule 10.14. Delivery Notices

(a)(i) On or before the time specified by the Clearing Organization on the Business Day prior to the Notice Day, a Clearing Member with an open short Position wishing to make delivery of

cotton under a Cotton No. 2 Futures Contract shall present to the Clearing Organization a Delivery Notice.

(ii) With respect to Delivery Notices issued on the Last Notice Day, if the Government certificates have not been issued, the issuer may state his own classification on the Notice; provided he complies with the regulations of the Secretary of Agriculture issued under the United States Cotton Futures Act in regard thereto. Where the issuer uses his own classification as permitted above, he shall add a notation on the Notice stating "Delayed Certification".

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

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

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

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

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

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

(e) Each Clearing Member that accepts a Delivery Notice shall continue his or its liability for the fulfillment of the contract under the Rules until the contract has been fulfilled, at which time the liability of intermediate parties shall cease.

Amended by the January 24, 2007; February 5, 2007 [¶ (a)(i)].

Rule 10.15. Notice Price

The notice price shall be the Settlement Price of the delivery month for the Cotton No. 2 Futures Contract as published by the Exchange on the Business Day previous to the Notice Day.

Rule 10.16. Receiver's Notification and Demand Letter to Issuer

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

(a) to the Clearing Organization, in a form prescribed by the Clearing Organization, notice of the Clearing Member's intentions with respect to the handling of the EWRs that will be delivered pursuant to the Delivery Notice. Such notification shall specify whether the Clearing Member (1) will accept delivery of the EWRs from the Clearing Organization, (2) will be redelivering cotton during the delivery period and desires the Clearing Organization to hold the EWRs for that purpose or (3) will accept the EWRs directly from the Deliverer in a Local Delivery; and

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

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

Rule 10.17. Reporting Receipts and Deliveries of Cotton

A Clearing Member receiving cotton for account of Customers and delivering cotton at the same time for account of other Customers shall file a demand on itself in the manner and form prescribed by Rule 10.16, in order that a proper record may be kept.

Rule 10.17A. Inspection Duties

The Exchange or its designated agent at a point of delivery shall have entire charge and supervision over the inspection, weighing and sampling of cotton submitted for certification and over certificated cotton in store.

Adopted by the Board April 15, 2009; effective April 24, 2009.

Rule 10.17B. Weighing

(a) All cotton submitted for inspection shall be tagged with a triplicate numbered tag and weighed by a duly licensed state or federal weigher or their designee.

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

(c) The licensed warehouse operator shall input onto the electronic warehouse receipt ("EWR"), the official weight ascertained by the weigher, i.e., the gross weight (scale weight), actual tare weight (weight of bagging and ties, and patches, if any), and the net weight. (See Rules 10.18 and 10.19).

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

Adopted by the Board April 15, 2009; effective April 24, 2009.

Rule 10.18. Weight

(a) The official delivery weight of a bale shall be the weight input onto the EWR. The bale shall be sampled before weighing and the official delivery weight shall exclude the weight of the sample. The weight of a contract shall be fifty thousand (50,000) pounds net, a variation therefrom of one percent (1%) being permitted.

(b) The Deliverer shall make a weight allowance, at the average invoice price, of one half pound per bale per month beyond the month of weighing. (The first (1st) month to be counted, in computing this allowance, shall be the next month following the month in which the cotton was weighed.)

Rule 10.19. Bands and Bagging

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

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

(b) The actual tare weight (weight of bagging and ties, and patches, if any) shall be deducted from the gross weight (scale weight) of the bale.

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

Rule 10.20. Compression

Gin universal density bales shall be the only bales permitted for delivery.

Rule 10.21. Labor, Storage and Other Charges

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

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

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

(c) Storage charges at all delivery points shall be paid annually, or twice a year if requested by the warehouse.

(d) The payment of storage and the extending of the warehouse receipt as provided for in Rule 7.48 shall be input onto on each EWR by the warehouseman or his duly appointed agent.

Rule 10.22. Invoicing and Grade and Staple Differences

(a) In the case of cotton being tendered against the Cotton No. 2 Futures Contract, it shall be invoiced by calculating in bale units the average value on or off color grade of strict low middling white (41), leaf grade 4, staple length 1-1/16 inch (34), micronaire 3.5 to 4.7, Grams Per Tex of twenty-five (25.0) or higher and adding or deducting such average premium or discount to or from the notice price and figuring the net weight of the total quantity being invoiced (deliverable weight less weight allowance) by the price ascertained in the manner outlined.

(b) Premiums and discounts will be the USDA premiums and discounts adjusted in accordance with paragraphs (d) and (e) below for the specified Notice Day.

(c) Grade, staple and micronaire differences for deliveries on the Cotton No. 2 Futures Contract shall be based on commercial differences determined in accordance with the United States Cotton Futures Act and the regulations thereunder, as from time to time amended, as provided in paragraphs (d) and (e) of this Rule.

(d)(i) The notice price shall be the invoice price for all cotton with a color grade of Strict Low Middling White (41), leaf grade 4, staple length of 1-1/16 inch (34), Micronaire 3.5 to 4.7, and Grams Per Tex of twenty-five (25.0) or higher. Additions and deductions for other deliverable grades shall be made at the average of the differences quoted on the sixth (6th) Business Day prior to the Date of Delivery for corresponding grades in the spot markets designated by the Secretary of Agriculture for the purpose of quoting grade differences in accordance with the United States Cotton Futures Act and the regulations issued thereunder.

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

(e)(i) An addition shall also be made for each bale having a staple of one and three thirty-seconds of an inch or longer, which shall be equal to the full average premium for like staple over one and one-sixteenth of an inch staple quoted on the sixth (6th) Business Day prior to the Date of Delivery, (except in delayed certification) in such of the spot markets above referred to as do quote staple differences. A deduction shall also be made for each bale having a staple of one and one thirty-second of an inch, which shall be equal to two hundred percent (200%) of the full average discount for like staple under one and one-sixteenth of an inch quoted as aforesaid.

(ii) A deduction shall also be made for each bale having a micronaire reading of 4.8 to 4.9, which shall be equal to the average of the differences quoted on the sixth (6th) Business Day prior to the Date of Delivery for this micronaire range in the spot markets designated by the Secretary of Agriculture referred to in subparagraph (d)(i) above. If no such differences are available, the deduction under this provision shall be zero (0).

(f) The penalties as provided in Rule 10.33 will be arrived at by applying to these weight penalties, respectively, the grade and staple differences applicable on the day of tender.

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶ (a) and (d)(i)].

Rule 10.23. Location of the Cotton on Invoice

The name of the warehouse facility and the number of bales in the warehouse shall be shown on the invoice.

Rule 10.24. Time of Delivery of Invoice and Documents

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

- (i) transfer ownership of the EWRs to the Clearing Organization; and
- (ii) provide the Clearing Organization with a written summary of the invoice charges for each Receiver.

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

(c) Delivery of the invoice and documents set forth in this Rule shall be made in accordance with the Demand Letter described in Rule 10.16(b).

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

(ii) Failure to deliver documents required by paragraphs (a) and (b) of this Rule without written permission by 4:30 P.M. shall constitute a default. The basis of settlement of such default is provided for in Rule 10.40.

(e) Delivery of the documents required by paragraphs (a) and (b) of this Rule, and payment in accordance with Rule 10.25 of the invoice charges, shall be considered a liquidation of the futures contract against which such documents and payment are tendered and made, respectively.

Amended by the Board November 12, 2008; effective January 12, 2009 [¶ (b)].

Rule 10.25. Delivery and Payment

(a) Except in the case of a delivery made by Delayed Certification, delivery of Cotton No. 2 may be made on the First and Last Delivery Day and any Business Day in between the First and Last Delivery Day. Except in the case of a Local Delivery, all such deliveries shall be made by the transfer of EWRs through Clearing Members that have executed provider agreements with a Cotton EWR provider.

(b) Except in the case of a Local Delivery or a delivery made by Delayed Certification, on the Date of Delivery at 9:00 am, the Clearing Organization shall debit the account designated by the Receiver for delivery purposes and credit the account designated by the Deliverer for such purposes for the full amount of the invoice charges detailed in the invoice summary provided to the Clearing Organization pursuant to subparagraph (a)(ii) of Rule 10.24. In accordance with the Receiver's notification provided to the Clearing Organization as required by Rule 10.16, the Clearing Organization will either (i) transfer ownership of the EWRs to the Receiver, or (ii) hold the EWRs so that the Receiver may redeliver the EWRs during the delivery period.

Rule 10.26. Delayed Certification

(a) When the Deliverer delivers by "delayed certification" because he is unable to tender to the Receiver certificates of grade, staple and micronaire and strength determination classed by the USDA, on the Date of Delivery set forth in the Delivery Notice (the "stated delivery date") as provided in Rule 10.14(b), the procedure for delivery set forth in Rule 10.14 shall be revised as follows and delivery shall take place on a later date (the "delayed delivery date") as follows:

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

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

(iii) Certification of grade, staple, micronaire and strength reading shall be issued to the Deliverer by the USDA promptly after classification at which time the Board shall transmit to the warehouse the Board's classification.

(iv) Notification shall be made to the warehouses when the classing of cotton is completed. The warehouses are required to promptly input EWRs from the information received from the USDA.

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

Days

- 1-2 Notification by warehouses that EWRs are available.
- 3-4 Deliverer must notify Receiver by express communication, (i.e., fax, express mail, federal express, etc.) that Deliverer intends to deliver cotton within three (3) Business Days under delayed certification.
- 5-6-7 Deliverer must notify Receiver and the Clearing Organization by express communication twenty-four (24) hours prior to actual delivery of the dollar amount of cotton involved in this delivery.

Delivery of cotton must take place.

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

(1) transfer ownership of the EWRs to the Clearing Organization; and

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

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

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

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

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶ (a), (a)(iii) and (a)(vii)].

Rule 10.27. Review

All cotton tenderable under Cotton No. 2 Futures Contract must have been reviewed pursuant to the Regulations of the Secretary of Agriculture under the United States Cotton Futures Act.

Rule 10.27A. Inspection and Sampling

(a) The inspection and sampling of cotton offered for inspection shall be subject to and done in accordance with the Rules and the regulations promulgated by the Secretary of Agriculture in force at the time of such inspection and sampling. The original samples of all bales submitted for certification become the property of the United States Department of Agriculture.

(b) Inspected cotton shall be stored only in warehouses licensed by the exchange and may be transferred from one (1) warehouse to another. Such transfer shall be made only with the approval of the Exchange and under its supervision. Cotton so transferred shall be reweighed and the reweight and the date thereof input onto the new EWR.

Adopted by the Board April 15, 2009; effective April 24, 2009.

Amended by the Board April 23, 2010; effective May 7, 2010 [¶ (a)].

Rule 10.27B. Request for Inspection/Certification

(a) Request for the inspection of cotton shall be given to the Exchange in a form prescribed by the Exchange stating the approximate number of bales, mark, point of shipment, owner of the cotton and the place where such inspection is desired, which place shall be a licensed warehouse.

(b) The cotton shall be carefully examined and, if found to be sound and merchantable, shall be eligible for certification. Bales covered with sisal bagging shall be considered unmerchantable. Where, in the opinion of the Exchange or its designated agent, cotton contains moisture to an extent making it possible that damage might result from its being stored, the Exchange or its designated agent may defer the completion of the inspection of such cotton until it is in proper condition.

(c) The sampling and weighing shall be done by the Licensed Store.

(d) There shall be no interference by word or deed, directly or indirectly, with the inspection of cotton. In case of such interference, the inspection of the cotton shall be stopped at once, and the Person requesting the inspection shall pay the necessary expenses incurred.

Adopted by the Board April 15, 209; effective April 24, 2009.

Rule 10.28. Duplicate Samples

(a) All matters with respect to duplicate samples shall be governed by this Rule together with such other Rules as are from time to time adopted by the Board. All Deliverers and Receivers must follow the procedures set forth in the Deliverer's and Receiver's Guide of the Exchange. Duplicate samples of each bale tendered shall be held or shipped according to the Receiver's instruction demand letter. If the Receiver does not know his Customer's intent regarding the duplicate samples, he shall instruct the Deliverer to hold such samples.

(b) Any delivery outside the delivery point shall be at the Receiver's expense. Each duplicate sample shall be placed in a bundle or sack with about fifty (50) samples to the bundle or sack with no more than two (2) bundles or sacks per contract.

(c) The duplicate samples shall be the property of the holder of the EWR.

(d) Each duplicate sample must consist of two (2) portions, one (1) drawn from each side of the bale. Each portion should be as near six (6) inches wide and twelve (12) inches long as possible. Each portion must weigh a minimum of two (2) ounces each. Samples should not be drawn from old sample holes.

(e) An official Warehouse Bale Tag Coupon issued by the warehouse shall be located inside each duplicate sample. The tag list must be in one (1) of the bundles or sacks.

(f) Duplicate samples shall be delivered in contract units with the contract number clearly marked on each bundle. The contract number set forth on the "sample bundle" or any other document relating to a Cotton No. 2 Futures Contract delivery shall not be altered or changed where said cotton in its entirety is being redelivered during the contract month.

(g) The Receiver of duplicate samples must provide to the Deliverer a written receipt evidencing the time, date, place and number of bundles/or sacks received. In the event that the Deliverer of mis-marked samples can provide a written receipt to the Exchange that demonstrates the mis-marked samples were delivered within the time provided in the Rules and a notice of correction of the mis-marking was also delivered timely, then no penalty shall apply.

(h) The weight of each duplicate sample shall be not less than four (4) ounces. Any duplicate sample weighing less than four (4) ounces shall be considered inadequate; payment by the Deliverer for each inadequate sample shall be the same as for each missing sample.

(i) Samples, if requested, must be sent to the Receiver by the second (2nd) Business Day after the Date of Delivery. If samples are sent on the third (3rd) Business Day, they shall be considered late. If they are sent past the third (3rd) Business Day, they shall be considered missing. The Receiver pursuant to this Rule shall have no obligation to return late samples to the Deliverer.

(j) If the Ultimate Receiver fails to acknowledge ownership of the duplicate samples and fails to accept financial responsibility for the charges at the warehouse at the point of storage, the warehouseman in the possession of the duplicate samples shall not be responsible for the samples beyond the fifteenth (15th) Business Day of the month following the delivery month.

(k) "Claims" shall be defined as a written document submitted to the opposite Clearing Member and a copy to the Cotton Delivery Committee containing the Date of Delivery, contract numbers, the amount of money claimed, i.e., penalties, etc., the Rule violation and a detailed explanation for the Claim.

The schedule of penalties for Claims pursuant to this Rule shall be as follows:

(i) A penalty of fifty dollars (\$50.00) shall apply for each bundle or sack in excess of two (2) per contract.

(ii) Any samples delivered in said bundles or sacks not shown on the tag list shall be subject to an eight dollar (\$8.00) penalty per bale.

(iii) The penalty for changing or altering the contract number on any document during the delivery period shall be eight dollars (\$8.00) for each sample relating to said contract.

(iv) Each bundle or sack with a mark not listed in the delivery documents (mis-marked) shall be subject to a four dollar (\$4.00) penalty per sample.

(v) Late Delivery of Samples: (Samples must be sent to the Receiver by the second (2nd) Business Day after the Date of Delivery.)

(1) If samples are sent on the third (3rd) Business Day, they shall be considered late and a four dollar (\$4.00) penalty per bale shall apply.

(2) If samples are sent later than the third (3rd) Business Day, they shall be considered missing and an eight dollar (\$8.00) penalty per bale shall apply.

(3) If a penalty of eight dollars (\$8.00) is granted pursuant to subparagraph (1)(v)(2) of this Rule, the Receiver may not claim penalties under the provisions of subparagraphs (1)(ii), (iii) or (iv) of this Rule.

Amended by the Board November 12, 2008; effective January 12, 2009 [¶] (c).

Amended by the Board April 16, 2009; effective April 24, 2009 [¶¶] (c) through (1) and (1)(3)]

Amended by the Board April 23, 2010; effective May 7, 2010 [¶¶] (a) through (k)].

Rule 10.29. Deliverer's and Receiver's Guide

(a) The list of bale numbers (tag list) required under Rule 10.24 shall be produced in legible form, at least in triplicate, showing the name of the warehouse, location, contract number, bale numbers, deliverable weights, as well as grades and staples of cotton tendered. The original and at least one (1) copy of this list shall be presented to the Receiver with the original invoice, and other documents on the Date of Delivery. A third (3rd) copy of the tag list shall accompany the samples delivered under Rule 10.28.

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

(c) If a third (3rd) copy of the tag list does not accompany the samples delivered under Rule 10.28 and claim for such non-delivery has been filed within fifteen (15) Business Days from the Date of Delivery of the cotton, the Deliverer shall pay the Receiver twenty-five dollars (\$25.00) per contract for the missing tag list.

(d) All Claims under the Rules shall be made within fifteen (15) Business Days to the respective parties. In the case of an Ultimate Receiver (as defined in the Deliverer's and Receiver's Guide) the fifteen (15) Business Day period to file only "sample" related Claims begins on the Ultimate Receiver's delivery day. All ultimate Receiver's sample Claims are filed directly with the primary Deliverer.

(e) Before 4:00 p.m. on the date of the Delivery Notice, a Receiver shall have the obligation to issue a Sample Instruction Letter to the Primary Deliverer's Clearing Member, listed on the Delivery Notice, which includes precise instructions regarding the disposition of the duplicate

samples. A Receiver shall instruct the Primary Deliverer's Clearing Member to deliver the samples to the point of storage, freight prepaid, or to a location other than the point of storage, freight collect. It shall also be permissible for the parties involved to negotiate mutually agreeable arrangements with regard to the duplicate samples, as long as the arrangements are agreed to in writing on or before the Date of Delivery. If the samples have been moved to the point of storage, it shall be the obligation of the Primary Deliverer's Clearing Member to inform the warehouseman at the point of storage of the change in ownership of the samples. The Receiver shall be obligated to pay the warehouseman any sample storage charges that accrue at the point of storage once transfer to ownership of the samples has been advised and he shall acknowledge this obligation on the Sample Instruction Letter. The Receiver shall be responsible for verifying that all of the samples have been delivered and that the samples delivered conform to the specifications required by the Exchange. If a Receiver fails to issue a Sample Instruction Letter on or before the Date of Delivery, the Primary Deliverer's Clearing Member shall be relieved of all responsibility with regard to the duplicate samples after fifteen (15) Business Days following the Date of Delivery. An Interim Receiver shall have all of the rights and obligations of the Primary Deliverer with regard to the duplicate samples, including the obligation to inform a subsequent Stopper or Receiver, via the Delivery Notice, of the exact location of the samples and the name of the Primary Deliverer's Clearing Member. It shall be the responsibility of the Ultimate Receiver to make financial arrangements for the payment of any and all charges that accrue against the duplicate samples commencing with the date of transfer of ownership of the samples. If the Ultimate Receiver fails to accept financial responsibility for the charges at the warehouse at the point of storage, the warehouseman in possession of the duplicate samples shall not be responsible for the samples beyond the fifteenth (15th) Business Day of the month following the delivery month.

(f) All matters with respect to duplicate samples shall be governed by Rule 10.28 together with such Rules as are from time to time adopted by the Board. For clarification purposes, the following definitions shall apply to this Rule:

1. Primary Deliverer. The original issuer of the Delivery Notice during the delivery period and the initial Owner of the duplicate samples.

2. Retenderer. A Stopper of a Delivery Notice who retenders the contract during the same delivery period in which he stopped the Notice. The Retenderer does not take possession of the duplicate samples.

3. Receiver. There shall be two (2) categories of Receivers and they shall be defined as follows:

A. Interim Receiver. A Stopper of a Delivery Notice who retenders the contract during the same delivery period in which he stopped the Notice. The Interim Receiver takes possession and assumes ownership of the duplicate samples.

B. Ultimate Receiver. A Stopper of a Delivery Notice who does not retender the contract during the same delivery period in which he stopped the Notice. The Ultimate Receiver takes possession and assumes ownership of the duplicate samples.

4. Owner. A Primary Deliverer or Receiver who holds ownership and control of the duplicate samples of bales that have been tendered or retendered on contract.

(g) The Primary Deliverer shall have the option of returning the duplicate samples of the bales tendered to the point of storage of the cotton or of holding the samples at a location other than the point of storage. The Primary Deliverer must inform the initial Stopper, via the Delivery Notice, of the exact location of the duplicate samples, the Primary Deliverer's Clearing Member and the name of the Owner of the duplicate samples. If a Stopper of a Delivery Notice decides to

retender the contract without taking possession of the sample, this Retenderer shall be obligated to issue, before 4:00 p.m. on the date of the Delivery Notice, a Sample Instruction Letter instructing the Primary Deliverer's Clearing Member to "HOLD" the duplicate samples. A Retenderer shall not be held responsible for missing or late samples provided he has issued proper and timely "HOLD" instructions to the Primary Deliverer's Clearing Member and provided he has informed the subsequent Retender of Receiver, via his Delivery Notice, of the exact location and name of the Primary Deliverer's Clearing Member. The Retenderer shall be obligated to pay the Primary Deliverer's Clearing Member the applicable "HOLD" fee which is published and set by either the Owner or the Primary Clearing Member, and he shall acknowledge this obligation on the Sample Instruction Letter. (Hold fees are adjusted and set annually by each Owner and are effective from August 1st through 31st of each year.) The Primary Deliverer, the initial Owner, is obligated to maintain the duplicate samples at the location stated in his Notice of Tender until such time as the initial Owner has been instructed, via a Sample Instruction Letter, to transfer the duplicate samples to a Receiver.

(h) If the Receiver has been advised, via the Delivery Notice, that the samples are being held at the point of storage, the Owner shall have fulfilled all of his obligations with regard to the transportation of samples. If the Receiver wishes to have the samples moved to a location other than the point of storage, he shall issue precise instructions to the Primary Deliverer's Clearing Member, via a Sample Instruction Letter. The Primary Deliverer's Clearing Member will then instruct the warehouseman holding the samples to make the samples available to the carrier nominated by the Receiver.

(i) If the Receiver has been advised, via the Delivery Notice, that the samples are being held at a location other than the point of storage, the Owner shall have the following obligations:

(i) If the Receiver issues instructions, via a Sample Instruction Letter, for samples to be delivered to the point of storage, the Owner shall have the obligation to ship the samples, freight prepaid, to the point of storage. The samples should be shipped to the point of storage on or before the second (2nd) Business Day following the Date of Delivery.

(ii) If the Receiver issues instructions, via a Sample Instruction Letter, for the samples to be delivered to a location other than the point of storage, the Owner shall have the obligation to ship the samples, freight collect, to the alternate location. The Receiver shall be obligated to issue precise instructions to the Primary Deliverer's Clearing Member regarding the shipment of the samples, including providing the Primary Deliverer's Clearing Member with the name of the carrier. The samples should be shipped to the alternate location on or before the second (2nd) Business Day following the Date of Delivery.

Rule 10.30. Handling of Certificated Cotton

If any certificated cotton is handled without the supervision of the Exchange, it shall lose its status as certificated cotton. No certificated cotton shall be reweighed or resampled without inputting the results on the EWR. If cotton is reweighed, the new weight and date thereof shall be input onto the EWR. If cotton is resampled, one (1) pound shall be deducted from the weight of the bale and input onto the EWR accordingly.

Rule 10.31. Cotton Subject to Quarantine

Cotton that has been subjected to a quarantine by the United States or by any State thereof shall not be submitted for inspection for delivery on a futures contract unless it shall have been properly fumigated in accordance with the United States or State regulations or has been given gin universal density.

Rule 10.31A. Damage Notification

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

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

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

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

Adopted by the Board April 15, 2009; effective April 24, 2009.

Rule 10.32. Question of Delivery

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

Amended by the Board April 15, 2009; effective April 24, 2009.

Rule 10.33. Penalty on Certificates After Third Month

(a) Cotton remaining under certification for:

(i) a period exceeding three (3) months shall carry a penalty of three (3) pounds per bale per month,

(ii) a period exceeding ten (10) months shall carry a penalty of four (4) pounds per bale per month,

(iii) a period exceeding sixteen (16) months shall carry a penalty of five (5) pounds per bale per month, and

(iv) a period exceeding twenty-two (22) months shall carry a penalty of six (6) pounds per bale per month.

(b) The first (1st) month to be counted, in computing this allowance, shall be the fourth (4th), eleventh (11th), seventeenth (17th), and twenty-third (23rd) months, respectively, following the month in which the cotton was certificated.

Rule 10.34. Penalty on Age of Cotton

(a) For purposes of this Rule, a marketing season is deemed to begin on August 1 of one (1) year and to end on July 31 of the subsequent year. The Year of Growth corresponding to a marketing season is referred to by the earlier of the two (2) years.

(b) Cotton that is delivered up to and including December 31 of the calendar year following the cotton's Year of Growth shall carry no penalty under this Rule.

(c) Cotton that is delivered during the calendar year which is two (2) years later than its Year of Growth shall carry a penalty of two (2) cents per pound.

(d) Cotton that is delivered during a calendar year which is more than two (2) years later than its Year of Growth shall carry an additional penalty of two (2) cents per pound for every such calendar year after the second (2nd) year following the cotton's Year of Growth.

(e) Notwithstanding paragraphs (a) through (d) of this Rule, Cotton delivered by “delayed certification” in accordance with Rule 10.26 shall be subject to the Year of Growth penalty for the calendar year of the delivery month for which the “delayed certification” is being made.

(f) The following procedures shall apply when imposing a Year of Growth penalty as stated in this Rule:

(i) For all bales that are certificated as of October 15, 2002 and that have a Year of Growth earlier than 2002 in the EWR record, the Year of Growth shown in the EWR record shall be the final determinant of the Year of Growth of the bale, with no right of appeal;

(ii) Each time any such bale referenced in subparagraph (e)(i) is recertificated after October 15, 2002, the Year of Growth shown in the new EWR record shall be identical to the Year of Growth shown in the EWR record existing on October 15, 2002;

(iii) For all bales that were certificated at any time prior to October 15, 2002 and have been decertificated and that become recertificated after that date and that have a Year of Growth earlier than 2002 in the EWR record, the Year of Growth shown in the EWR record shall be the final determinant of the Year of Growth of the bale, with no right of appeal;

(iv) Each time any such bale referenced in subparagraph (e)(iii) is recertificated after October 15, 2002, the Year of Growth shown in the new EWR record shall be identical to the Year of Growth shown in the most recent EWR record existing prior to October 15, 2002;

(v) For all bales that become certificated for the first time after October 15, 2002, the EWR record for each such bale must contain PBI/Gin code-gin tag numbers, in addition to the accurate Year of Growth. This requirement also applies to all certificated bales that show a Year of Growth of 2002 in the EWR record, regardless of the date on which the bale was first certificated;

(vi) For all bales that become certificated for the first time after October 15, 2002, the final determinant of the Year of Growth shall be the year of growth as reflected in the information contained in the United States Department of Agriculture-Agricultural Marketing Service (USDA-AMS) data base; and

(vii) For all bales that become certificated for the first time after October 15, 2002, any claim for damages because of an error with respect to the Year of Growth contained on the EWR shall be limited to the difference between the amount of the penalty under this Rule and the penalty that should have been applied under this Rule.

Rule 10.35. Payment of All Non-Disputed Claims

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

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

Rule 10.36. Payment of Invoicing Errors

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

Amended by the Board April 15, 2009; effective April 24, 2009.

Rule 10.37. Levels of Authority for Adjudication of Claims

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

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

(ii) Level Two: Claims of four hundred fifty-one dollars (\$451.00) to one thousand nine hundred fifty dollars (\$1,950.00) per contract will be determined by a Panel of the Cotton Delivery Committee, whose determination shall be final and may not be appealed to any committee or the Board.

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

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

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶ (a) through (b)].

Amended by the Board April 15, 2009; effective April 24, 2009 [¶¶ (a)(i) through (a)(iii)].

Rule 10.38. Time Period for Payment of Disputed Claims

(a) Five (5) Business Days after receipt of written notification of final disputed Claim determination, interest at prime plus three percent (3%) shall be assessed. Payment shall be made within twenty (20) Business Days. On the twentieth (20th) Business Day, payment must be wired by 3:00 p.m. (New York Time) or an Official Teller's check or similar instrument issued by a bank or such other financial institution acceptable to the Exchange must be delivered by hand by 4:30 p.m. to the Claimant. If payment is not made in twenty (20) Business Days, the Claim payment due becomes doubled. Interest at prime plus six percent (6%) shall apply to the original Claim. The Claimant will receive the original Claim money plus interest. The Exchange will receive the penalty money from the doubled Claim. If payment is not received as outlined above, the matter shall be referred to the Compliance Staff for disciplinary proceedings.

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

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶ (a) and (b)].

Amended by the Board April 15, 2009; effective April 24, 2009 [¶¶ (b)].

Rule 10.39. Penalties for Frivolous Claims

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

Amended by the Board November 12, 2008; effective January 12, 2009.

Rule 10.40. Defaults in Delivery and Delivery of Nonconforming Cotton

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

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

(ii) the failure to tender to the Clearing Organization, before 4:30 P.M. as in the case of Late Delivery authorized under Rule 10.24(d)(i) or 12:00 P.M. in all other cases on the Business Day prior to the Date of Delivery, EWRs with the appropriate classing memorandum representing the minimum net weight of forty-nine thousand five hundred (49,500) pounds of cotton;

(iii) the failure to pay in full the amount of the invoice in accordance with Rule 10.25;

(iv) delivery of cotton which:

(A) includes bales with a color grade, leaf grade, staple length, micronaire, or strength not permitted under the United States Cotton Futures Act;

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

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

(D) contains bales with a net weight of less than four hundred (400) pounds or more than six hundred fifty (650) pounds;

(E) is a growth other than Far Western upland growth or Eastern/Memphis/Orleans/Texas (EMOT) upland growth;

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

(vi) the tendering of a Delivery Notice or an invoice for less than ninety-two (92) bales or more than one hundred eight (108) bales.

(b) Default Penalty – If any of the conditions described in paragraph (a) of this Rule occur and apply to a Delivery Notice or invoice that has been tendered for delivery against the Cotton No. 2 Futures Contract, the Receiver shall have the following options:

- (i) accept the contract with a mutually agreed settlement without applying penalties;
- (ii) accept the contract with a penalty of four cents (4¢) per pound applied on the unadjusted net invoice weight;
- (iii) invoice the contract back to the Deliverer in accordance with paragraph (e) if this Rule with the four cents (4¢) per pound penalty added to the invoice; or
- (iv) claim the actual amount of any additional losses that the Receiver sustained as a result of the Deliverer's Default and is able to document; the amount of the award shall be determined by the Cotton Delivery Committee and, if the Cotton Delivery Committee determines that an actual loss was sustained, the Receiver shall be entitled to reimbursement for the actual losses incurred and a penalty of four cents (4¢) per pound.

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

- (i) tendering of EWRs which do not conform to the cotton set forth in the Delivery Notice with respect to color grade, leaf grade, staple, micronaire, or strength ("Nonconforming Description");
- (ii) tendering of EWRs which do not conform to the cotton set forth in the Delivery Notice with respect to growth ("Nonconforming Growth");
- (iii) tendering of EWRs for cotton warehoused at a Delivery Point other than the Delivery Point set forth in the Delivery Notice, provided that all cotton tendered is stored in one warehouse ("Nonconforming Delivery Point"); and/or
- (iv) tendering of EWRs for a greater or lesser number of bales than the number set forth in the Delivery Notice ("Bale Variance").

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

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

- (i) for any Nonconforming Description - five dollars (\$5.00) per bale;
- (ii) for any Nonconforming Delivery Point - five hundred dollars (\$500) per contract; and

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

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

(e) Settlement

(i) The basis of settlement and invoicing back for Defaults shall be the value of the basis for color grade Strict Low Middling White (41), leaf grade 4, staple length 1-1/16 Inch (34), micronaire 3.5 to 4.7, and Gram Per Text of twenty-five (25.0) minimum in deliverable form in the delivery market and at the closing Settlement Price on the first (1st) Business Day following notification to the Deliverer by the Receiver that a Default has occurred.

(ii) When a Default arises from the failure to properly deliver a Delivery Notice, the basis for settlement shall be an average of the value of the basis for color grade Strict Low Middling White (41), leaf grade 4, staple length 1-1/16 Inch, micronaire 3.5 to 4.7, and Gram Per Text of twenty-five (25.0) minimum in deliverable form in the delivery market as determined by the Cotton Delivery Committee. If the Deliverer disputes a Claim of Default by a Receiver, the Cotton Delivery Committee shall make a determination with regard to the disputed Claim. If the Cotton Delivery Committee makes the determination that the Receiver filed a Claim for Default in error, the basis for settlement and invoicing back for the redelivery of the cotton, the refund of the four cents (4¢) per pound penalty and the compensation for any interest expense or any other additional expense that has been incurred by the Deliverer shall be determined by the Cotton Delivery Committee.

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

Amended by the Board November 12, 2008; effective January 12, 2009 [¶¶ (a) through (f)].

Amended by the Board April 15, 2009; effective April 24, 2009 [¶¶ (b)(iv), (d), (e)(ii) and (f)].

Amended by the Board April 23, 2010; effective May 7, 2010 [¶ (c)].

Rule 10.41. Reserved.

Rule 10.42. Force Majeure

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

COTTON NO. 2 OPTIONS

Rule 10.50. Unit of Trading

The unit of trading shall be the Option to buy, in the case of a Call, or the Option to sell, in the case of a Put, one (1) Cotton No. 2 Futures Contract.

Rule 10.51. Trading Months

Trading in Cotton No. 2 Options shall be conducted in contract months as shown below:

An Option based on the March future that will expire in the previous December;

An Option based on the March future that will expire in the previous February;

An Option based on the May future that will expire in the previous April;

An Option based on the July future that will expire in the previous June;

An Option based on the October future that will expire in the previous September;

An Option based on the December future that will expire in the previous August;

An Option based on the December future that will expire in the previous October;

An Option based on the December future that will expire in the previous November.

A new Option Contract month shall be listed for trading on the Business Day following the first (1st) trading day of the Underlying Futures Contract.

Rule 10.52. Premium Quotations

Premiums shall be quoted in cents and hundredths of a cent per pound. The minimum fluctuation in Premiums shall be \$0.0001 per pound, provided, however, that an Option Trade may be executed at a price of one ten-thousandth of a cent per pound (5¢ per contract) if the Trade will result in the liquidation of Positions for both parties to the Trade (“cabinet trades”).

Rule 10.53. Price Fluctuation Limitations

(a) Transactions in Cotton No. 2 Options shall not be subject to price fluctuation limitations.

(b) For the purposes of this Rule, the term “Lead Month” shall mean the futures contract month carrying the most open interest; provided, however, that if the regular option contract on such futures contract month has expired then such futures contract month is not eligible to be the Lead Month.

(c) If, during the open outcry trading session on any trading day, the Lead Month is at limit bid or limit offer and the Exchange determines that the Options contract for which the Lead Month is the Underlying Futures Contract is trading at a synthetic price that is equal to two (2) times the daily price limit currently in effect for the Lead Month, trading in all Options contracts shall be halted for the remainder of the trading day; provided, however, that if prior to the end of the trading day the Lead Month is no longer limit bid or limit offer, trading in all Options contracts shall resume exclusively on the Trading Floor.

(d) If during the trading day only the electronic trading session is open for trading and the Lead Month is at limit bid or limit offer and the Exchange determines that the Options contract for which the Lead Month is the Underlying Futures Contract is trading at a synthetic price that is equal to two (2) times the daily price limit currently in effect for the Lead Month, trading in all Options contracts shall be halted for the remainder of the electronic trading session on that

trading day; provided, however, that if the halt is declared prior to the start of the open outcry trading session on that day, open outcry trading in all Options contracts shall commence at the start of the open outcry session.

(e) The decision by the Exchange that the Options contract is trading at a synthetic price that is equal to two (2) times the daily price limit currently in effect for the Lead Month shall be final.

(f) All Options trades executed prior to the Exchange halting Options trading for the day shall be valid trades.

(g) Notwithstanding the above provisions, on the Last Trading Day of an expiring Options contract, trading in the expiring Options contract will not be halted under this Rule but shall continue until the time specified in Exchange Rule 27.18(d).

Amended by the Board May 20, 2010; effective September 7, 2010 [¶¶ (a) through (e)].

Amended by the Board March 29, 2011; effective May 2, 2011 [¶¶ (c) through (g)].

Rule 10.54. Last Trading Day

(a) For all Options contracts, other than the December Options contract which shall expire in the previous August and for which the Last Trading Day shall be the third Friday of the previous August, the December Options contract which shall expire in the previous October and for which the Last Trading day shall be the third Friday of the previous October, and the March Options contract which shall expire in the previous December and for which the Last Trading Day shall be the third Friday of the previous December, the Last Trading Day shall be the last Friday which precedes the First Notice Day for the Underlying Futures Contract by at least five (5) Business Days; provided, however, that in the event the Exchange is closed on any such Friday:

(i) because such Friday is a designated Exchange Holiday which has been so designated for more than one (1) week prior thereto, the Last Trading Day shall be the trading day preceding such Friday; and

(ii) for any other reason, the Last Trading Day shall mean the first (1st) trading day after such Friday.

Rule 10.55. Obligations of Option Purchasers

(a) The Purchaser which purchases a Cotton No. 2 Option on the Floor of the Exchange shall cause such Option to be submitted by a Clearing Member to the Clearing Organization for clearance in accordance with the Rules of the Clearing Organization.

(b) The Purchaser which clears a Cotton No. 2 Option shall pay in full the Premium to the Clearing Organization in accordance with the Rules of the Clearing Organization.

(c) The Purchaser of a Cotton No. 2 Option shall, upon exercising such Option in accordance with the Rules, enter into an Underlying Futures Contract to buy (in the case of a Call) or to sell (in the case of a Put) cotton for delivery in the regular or serial Option Month's Underlying Futures Contract, at the Strike Price specified in such Option; provided, however, that any such contract entered into upon exercise shall be entered into for the account of the Person having purchased the Cotton No. 2 Option.

Rule 10.56. Obligations of Option Grantors

(a) The Grantor which grants a Cotton No. 2 Option on the Floor of the Exchange shall cause such Option to be submitted by a Clearing Member to the Clearing Organization for clearance in accordance with the Rules of the Clearing Organization.

(b) The Grantor which clears a Cotton No. 2 Option shall make such Margin deposits as the Clearing Organization may require.

(c) The Grantor of a Cotton No. 2 Option shall, upon being assigned an Exercise Notice in accordance with the Rules of the Clearing Organization, enter into an Underlying Futures Contract to sell (in the case of a Call) or to buy (in the case of a Put) Cotton for delivery in the regular or serial Option Month's Underlying Futures Contract, at the Strike Price specified in such Option; provided, however, that any such contract entered into upon assignment of an Exercise Notice shall be entered into for the account of the Person having granted the Cotton No. 2 Option.

Rule 10.57. Effect of Clearance

Upon acceptance of a Cotton No. 2 Option by the Clearing Organization, the Clearing Organization shall be substituted as, and assume the position of, the Purchaser to the Clearing Member which is the Grantor and the position of the Grantor to the Clearing Member which is the Purchaser; and thereupon the Clearing Organization shall have all the rights and obligations with respect to such Option as the parties for which it is substituted.

Rule 10.58. Expiration of Cotton Options

A Cotton No. 2 Option shall expire at 5:00 p.m. on the Last Trading Day; provided, however, that any such Option which is one (1) point in-the-money and remains unexercised after that time shall be automatically exercised by the Clearing Organization, unless, before 5:00 p.m. on the Last Trading Day, the Clearing Member gives the Clearing Organization written instructions that any such Option is to expire unexercised.

Rule 10.59. Strike Prices

(a) Options on Cotton No. 2 Futures Contracts shall trade with Strike Prices in one cent (.01¢) per pound intervals.

(b) At the time Options for any month are first (1st) listed for trading, they shall be listed at the following eleven (11) Strike Prices:

(1) the previous day's Settlement Price for Cotton No. 2 Futures Contracts in the corresponding delivery month rounded off to the nearest one cent (.01¢) per pound interval; for purposes of this Rule, prices from __.51 on up shall be the next highest one cent (.01¢) interval and prices from __.50 on down shall be the next lowest one cent (.01¢) interval; this one cent (.01¢) interval is the at-the-money Strike Price;

(2) the five (5) Strike Prices which are higher than the at-the-money Strike Price; and

(3) the five (5) Strike Prices which are lower than the at-the-money Strike Price.

(c) Thereafter, on any Business Day, whenever the Strike Prices of the Options listed for any Option Month do not include the five (5) consecutive intervals above and below the at-the-money Strike Price, as well as the at-the-money Strike Price itself, one (1) or more new Options for such Option Month shall be listed for trading on the following trading day so that the class of Options shall include Strike Prices at-the-money and Strike Prices set at the five (5) consecutive intervals next above and next below the at-the-money Strike Price. Any Strike Price provided for in this paragraph (c) may be referred to from time to time as a "Required Strike Price".

(d) A Cotton No. 2 Option having a particular Strike Price may be delisted if, for ten (10) consecutive trading days or more, no Transaction is executed and there is then no open Position in such Option; provided, however, that no Option shall be so delisted to the extent that it has a Strike Price which is then a Required Strike Price.

(e) Any Option which has been so delisted shall thereafter be relisted at any time to the extent any such Option would have a Strike Price at a then Required Strike Price.

(f) In addition to the Strike Prices authorized above, the President may direct that additional Strike Prices be added. Such directed Strike Prices (“DSPs”) may be added provided that they may be only listed in whole one cent (.01¢) intervals or multiples thereof. Such DSPs shall be effective upon adoption.

Rule 10.60. Notice of Exercise

(a) An Option may be exercised by the buyer on any Business Day that such Option is traded.

(b) An Exercise Notice of any Option shall be in the form prescribed by the Clearing Organization and in accordance with Clearing Organization Rules for Puts and Calls. The Clearing Member who is representing the buyer shall present an Exercise Notice to the Clearing Organization by 5:00 p.m. on the day of exercise.

(c) The Clearing Organization, based on Exercise Notices received from Clearing Members, shall allocate such exercised Options among Clearing Members having short Positions in such Options on a pro rata basis, make necessary entries on its books to convert the exercised Option into the Underlying Futures Contract and so notify the affected Clearing Member.

Rule 10.61. Cotton Options Contract Form

All Options shall be in the following form:

OPTION ON COTTON NO. 2SM FUTURES CONTRACT

New York, NY _____ 20__

_____ (A.B.) has this day sold to
_____ (C.D.) and agreed to
honor on timely Exercise Notice a (Call) (Put) Cotton No. 2 Futures Option exercisable in
accordance with the Rules of the Exchange to (purchase)(sell) one contract of fifty thousand
(50,000) lbs. (+/-1%)1 & 1/16 SLM delivery in
_____ (the Option Contract Month) at the
price of \$ _____ per pound (the Strike Price). Upon the issuance
of an Exercise Notice, the Purchaser and Grantor of this Cotton Option shall become the buyer
and seller, respectively, if the Cotton Option is a Call Option, or the seller and buyer respectively,
if the Cotton Option is a Put Option, of a New York Board of Trade Cotton No. 2 Futures
Contract on the terms stated above.

The Option Contract is, and any Cotton No. 2 Futures Contract resulting from the exercise shall be, made in view of, and in all respects, subject to the Rules of the New York Board of Trade. Additionally, any Cotton No. 2 Futures Contract resulting therefrom shall be subject to the terms of the United States Cotton Futures Act.

For and in consideration of a Premium which the Option Purchaser pays to the Option Grantor, the undersigned accepts this contract with all its obligations and conditions.

OPTIONS ON COTTON NO. 2 FUTURES SPREADS

Rule 10.70. Definitions

(a) A Transaction involving Options to enter into Cotton No. 2 calendar Spread Futures Contracts on the Exchange shall be referred to as either a “Cotton Spread Option” or “CTSO”.

(b) A Cotton Put Spread Option represents an Option to assume a short Position in the first (1st) expiring Cotton No. 2 Futures Contract in the spread and a long Position in the second (2nd) expiring Cotton No. 2 Futures Contract in the spread traded on the Exchange. A Cotton Call Spread Option represents an Option to assume a long Position in the first (1st) expiring Cotton No. 2 Futures Contract in the spread and a short Position in the second (2nd) expiring Cotton No. 2 Futures Contract in the spread traded on the Exchange.

(c) For the purposes of this Chapter, unless otherwise noted herein, the following terms shall have the following meanings:

(i) the term “Spread Price” shall mean the mathematical result of subtracting the price of the second (2nd) delivery month of the Underlying Futures Contract in the CTSO from the price of the first (1st) delivery month of the Underlying Futures Contract in the CTSO; and

(ii) the term “Settlement Spread Price” shall mean the mathematical result of subtracting the Settlement Price of the second (2nd) delivery month of the Underlying Futures Contract in the CTSO from the Settlement Price of the first (1st) delivery month of the Underlying Futures Contract in the CTSO.

Rule 10.71. Trading Months

(a) Except as the Board may otherwise prescribe, expiration months of the Underlying Futures Contract which are eligible for listing with respect to Cotton Spread Options shall be: December, March, May, July, October.

(b) Except as the Board may otherwise prescribe, Cotton Spread Options shall be listed for trading as follows:

(i) **1 month series:** Each of the first four expiration months paired with its next successive expiration month;

(ii) **2 month series:** Each of the first three expiration months paired with its second successive expiration month;

(iii) **3 month series:** Each of the first two expiration months paired with its third successive expiration month;

(iv) **4 month series:** The first listed expiration month paired with its fourth successive expiration month; and

(v) **5 month series:** Each of the first five listed months paired with its fifth successive expiration month.

(c) If trading has commenced in the Underlying Futures Contract, a new CTSO shall be listed as follows:

(i) with respect to the one month, two month, three month and four month series, a new CTSO shall be listed for trading on the first trading day following the expiration of a CTSO contained in the series; and

(ii) with respect to the five month series, a new CTSO shall be listed for trading on the first trading day following the first trading day for the far month Underlying Futures Contract.

Rule 10.72. Premium Quotations

Premiums shall be quoted in cents and hundredths of a cent per pound. The minimum fluctuation in Premiums shall be \$.0001 per pound, except that Trades may occur at a price of \$1.00 per CTSO contract if such Trades result in the liquidation of Positions for both parties to the Trade.

Rule 10.73. Last Trading Day

The Last Trading Day for any CTSO series pair shall be the day as provided for in Cotton No. 2 Options Rule 10.54, as that day would apply to the first expiring delivery month in the pair.

Rule 10.74. Obligations of CTSO Purchasers

(a) The Purchaser which purchases a CTSO on the Floor of the Exchange shall cause such CTSO to be submitted by a Clearing Member to the Clearing Organization for clearance in accordance with the Clearing Organization Rules.

(b) The Purchaser which clears a CTSO shall pay in full the Premium to the Clearing Organization in accordance with the Clearing Organization Rules.

(c) The Purchaser of a CTSO shall, upon exercising such CTSO in accordance with the Rules, enter into Underlying Futures Contracts to buy the first (1st) delivery month in the CTSO and sell the second (2nd) delivery month in the CTSO (in the case of a Call) or to enter into Underlying Futures Contracts to sell the first (1st) delivery month in the CTSO and buy the second (2nd) delivery month of the CTSO (in the case of a Put), at a Spread Price equal to the Strike Price specified in such CTSO; *provided, however*, that any such contracts entered into upon exercise shall be entered into the account of the Person having purchased the CTSO.

(d) Futures contracts entered into by the Purchaser of a CTSO, as provided for in paragraph (c) herein, shall have prices assigned to those futures contracts in the following manner:

(i) The first (1st) delivery month futures contract shall be assigned the price equal to the Settlement Price for that month on the day of exercise, and

(ii) The second (2nd) delivery month futures contract shall be assigned the price that is the mathematical result of the first (1st) delivery month futures contract Settlement Price, as provided for in subparagraph (d)(i) herein, minus the Spread Price specified in such CTSO.

Rule 10.75. Obligations of CTSO Grantors

(a) The Grantor which grants a CTSO on the Floor of the Exchange shall cause such CTSO to be submitted by a Clearing Member to the Clearing Organization for clearance in accordance with the Clearing Organization Rules.

(b) The Grantor of a CTSO shall make such Margin deposits as the Clearing Organization may require.

(c) The Grantor of a CTSO shall, upon being assigned an Exercise Notice in accordance with the Clearing Organization Rules, enter into Underlying Futures Contracts to sell the first (1st) delivery month of the CTSO and buy the second (2nd) delivery month of a CTSO (in the case of a Call) or to enter into Underlying Futures Contracts to buy the first (1st) delivery month of the CTSO and sell the second (2nd) delivery month in the CTSO (in the case of a Put), at a Spread Price equal to the Strike Price specified in such CTSO; *provided, however*, that any such contracts entered into upon assignment of an Exercise Notice shall be entered into for the account of the Person having granted the CTSO.

(d) Futures contracts entered into by the Grantor of a CTSO, as provided for in paragraph (c) herein, shall have prices assigned to those futures contracts in the following manner:

(i) The first (1st) delivery month futures contract shall be assigned the price equal to the Settlement Price for that month on the day of exercise; and

(ii) The second (2nd) delivery month futures contract shall be assigned the price that is the mathematical result of the first (1st) delivery month futures contract Settlement Price, as provided for in subparagraph (d)(i) herein, minus the Spread Price specified in such CTSO.

Rule 10.76. Effect of Clearance

Upon acceptance of a CTSO by the Clearing Organization, the Clearing Organization shall be substituted as, and assume the position of the Purchaser to the Clearing Member which is the Grantor and the position of the Grantor to the Clearing Member which is the Purchaser; and thereupon the Clearing Organization shall have all the rights and obligations with respect to such CTSO as the parties for which it is substituted.

Rule 10.77. Expiration of CTSOs

A CTSO shall expire at 5:00 pm on the Last Trading Day; provided, however, that any such CTSO which is one (1) point In-The-Money and remains unexercised after that time shall be automatically exercised by the Clearing Organization, unless, before 5:00 p.m. on the Last Trading Day, the Clearing Member gives the Clearing Organization written instructions that any such Option is to expire unexercised.

Rule 10.78. Strike Prices

(a) Trading shall only be conducted in a CTSO having a Strike Price determined in accordance with this Rule.

(b) The Strike Prices of a CTSO that is listed for trading shall be at levels which are at intervals of one-quarter cent (\$.0025).

(c) Except as the Board or President may otherwise prescribe, a CTSO shall be listed for trading with particular prices for each CTSO as follows:

(i) At the time any CTSO is first (1st) listed for trading pursuant to Rule 10.71, they shall be listed with seven (7) one-quarter cent Strike Prices, as required in paragraph (b), each for Puts and Calls. The first one-quarter cent Strike Price shall be set at the prescribed level which is equal to the Settlement Spread Price for the underlying futures spread on the previous trading day, or if such Settlement Spread Price is not equal to any such prescribed level, then at the next prescribed level above such Settlement Spread Price. The other six (6) one-quarter cent Strike Prices shall be at each of the three (3) prescribed levels above and the three (3) prescribed levels below the first Strike Price.

(ii) Whenever the Strike Prices of a listed CTSO do not include the first (1st) prescribed one-quarter cent level above the Settlement Spread Price for the underlying futures spread on the previous trading day, or either of the three (3) one-quarter cent prescribed levels above or below such a level, they shall be listed for trading the following day.

(iii) Any listing of Strike Prices prescribed by the Board or President under this Rule shall be made effective upon adoption or as otherwise determined by the Board or the President.

(d) A CTSO shall be delisted if for ten (10) consecutive trading days no Transaction is executed, and there is no open position, in such CTSO; *provided however*, that no CTSO shall be so delisted if it has a Strike Price which is at the first (1st) one-quarter cent level above the Settlement Spread Price of the underlying futures spread on the previous trading day, or is at either of the three (3) prescribed one-quarter cent levels above or below such level as set forth in subparagraphs (c)(i) and (c)(ii); and provided further that no CTSO shall be delisted if there is a CTSO in another class with the same Strike Price that does not otherwise qualify for delisting.

Rule 10.79. Notice of Exercise

(a) An CTSO may be exercised by the buyer on any Business Day that such CTSO is traded.

(b) An Exercise Notice of any CTSO shall be in the form prescribed by the Clearing Organization and in accordance with Clearing Organization Rules for Puts and Calls. The Clearing Member who is representing the buyer shall present an Exercise Notice to the Clearing Organization by 5:00 p.m. on the day of exercise.

(c) The Clearing Organization, based on Exercise Notices received from Clearing Members, shall allocate such exercised CTSOs among Clearing Members having short Positions in such CTSOs on a pro rata basis, make necessary entries on its books to convert the exercised CTSO into the Underlying Futures Contract and so notify the affected Clearing Member.

Rule 10.80. Option – Forms

(a) All Cotton call Spread Options shall be in the following form:

COTTON CALL SPREAD OPTION

New York, N.Y. _____ 20__

_____ (the Grantor) hereby grants to _____ (the Purchaser) a spread Option to enter into one (1) Cotton No. 2 futures spread on the New York Board of Trade to purchase cotton for delivery in _____ (the first (1st) delivery month in the Option's

Underlying Futures Contract of the spread) and to sell cotton for delivery in _____ (the second (2nd) delivery month in the Option's Underlying Futures Contract of the spread) at a Spread Price of _____ cents per pound (the Strike Price of the CTSO).

The Purchaser hereby agrees to pay a Premium of \$_____ for this CTSO.

This CTSO is, and any Exchange Futures Contracts resulting from its exercise shall be, made in view of, and in all respects subject to, the Rules of the New York Board of Trade, of the Clearing Organization, and of any successor to either of them, as adopted or amended from time to time.

(b) All Cotton Put Spread Options shall be in the following form:

COTTON PUT SPREAD OPTION

New York, N.Y. _____ 20__

_____ (the Grantor) hereby grants to _____ (the Purchaser) a spread Option to enter into one (1) Cotton No. 2 futures spread on the New York Board of Trade, to sell cotton for delivery in _____ (the first (1st) delivery month of the Option's Underlying Futures Contract of the spread) and to buy cotton for delivery in _____ (the second (2nd) delivery month of the Option's Underlying Futures Contract of the spread) at a Spread Price of _____ cents per pound (the Strike Price of the CTSO).

The Purchaser hereby agrees to pay a Premium of \$_____ for this CTSO.

This CTSO is, and any Exchange Futures Contracts resulting from its exercise shall be, made in view of, and in all respects subject to, the Rules of the New York Board of Trade, of the Clearing Organization, and of any successor to them, as adopted or amended from time to time.

(c) Cotton Spread Options shall not be transferred, assigned or otherwise disposed of other than on the Exchange, subject to the Rules of the Exchange and the Clearing Organization.

COTTON RESOLUTION

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

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

(I) Location and Physical Structure of Warehouse

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

(2) The physical property of the warehouse must be properly safeguarded and patrolled.

(3) Any cotton subject to weather exposure must be placed on skids and entirely covered with tarpaulins.

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

(II) Duties of Warehouse Operators

(1) The warehouse operator shall not handle certificated cotton at the request of the owner without the surrender of the EWR.

(III) Transfer of Cotton

(1) Cotton may not be transferred from one licensed warehouse to another licensed warehouse without notification to, and approval by, the Exchange. Such notification shall be furnished to the Exchange at least ten (10) days prior to the transfer. When transferred, the EWR pertaining to the original warehouse shall be cancelled, and a new EWR issued for the new warehouse.

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

(A) Notice of the transfer stating the warehouse to which the cotton is to be transferred shall be given to the owner and the Exchange. The owner has five (5) Business Days after receipt of the notice to notify the warehouse operator and the Exchange that his cotton should be transferred to a warehouse other than the one (1) selected by the warehouse operator, and the warehouse operator shall be liable only for those expenses that would have been incurred if the cotton had been transferred to the warehouse selected by the warehouse operator.

(3) The warehouse operator shall cover the cotton with insurance, at his expense, while the cotton is in transit and at the new location until such time as a new EWR is issued showing the new location.

(IV) Tariffs

(1) At the time the warehouse operator applies for a license and renewal, it shall submit to the Exchange its tariff listing in detail the maximum rates applying to the handling and storage of certificated cotton during the term of the license. Upon approval of the license or renewal application by the Exchange, the tariff shall be posted at the Licensed Store in accordance with USDA requirements and published by the Exchange.

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

(3) Storage rates may not be increased during the term of the license except as provided for by the USDA.

(V) Load-Out Obligations

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

(VI) Financial Condition

The warehouse operator shall furnish to the Exchange its financial statement as of the end of its last fiscal period certified by an independent public accountant and, further, shall furnish to the

Exchange within four (4) months after the end of each subsequent fiscal period a similar certified financial statement.

(VII) EWR Requirements

1. After cotton has been inspected, sampled, weighed and classed, as provided for in the Rules, an EWR shall be promptly issued for each bale. The EWR number and the number of the bale that it represents shall correspond and no two (2) outstanding EWRs issued by the same warehouse shall have the same number.

2. When an issued EWR is valid for one (1) year, its life shall be extended, and such extension noted on the EWR, simultaneously with the periodical payment of storage as provided Rule 10.21(c) and (d).

3. The warehouse shall input onto each EWR all information including the location of the bale, required by the Exchange and shall certify thereto. Such information shall include the location of the bale, and, for the purposes of this provision, the term “location” shall mean the name of the Licensed Store.

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

5. No warehouse shall claim a lien against a bale of certified cotton for unpaid charges or expenses due on other cotton or like goods as defined by the Uniform Commercial Code. Each EWR shall only contain liens representing the particular bale of certificated cotton represented thereon.

(VIII) Record Retention

The following records relating to Exchange Cotton shall be kept and maintained by the warehouse operator for at least the indicated periods of time after the Cotton has been removed from the warehouse, decertified or otherwise no longer identified as Exchange Cotton:

<i>Category of Document</i>	<i>Time Period</i>
Delivery Orders	1 year
Receiving Reports	2 years
Stock Record Cards	2 years
EWRs	2 years
Storage Report.....	2 years
Documents reflecting any movement of Exchange Cotton into or from a licensed store	2 years
Weight Notes	2 years

(IX) Violations

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

Adopted by the Board April 15, 2009; effective April 24, 2009.