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COTTON No.2[®]

DELIVERER'S & RECEIVER'S GUIDE

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FOREWORD

This Deliverer's and Receiver's Guide ("the Guide") is published to assist parties participating in delivery against the Cotton No. 2 Futures Contract to understand key terms associated with the contract and the flow of the delivery process. While ICE Futures has made every effort to include all pertinent information relating to a delivery, the Guide should be viewed strictly as an informational document, and not as an extension of the ICE Cotton No. 2 Rules ("the Rules"). As such, the Guide may not be used as the basis for any and all claims against any kind of incorrect delivery or non-delivery (default). Should any of the information in the Guide conflict with any information in the Rules, the Rules shall prevail.

We hope that this booklet is helpful. If there is any subject that you would like to see included, or any additional help that you require, please feel free to contact the Commodity Operations staff with any questions at commoditiesoperations@ice.com or call 212-748-4110.

EXPLANATION OF TERMS

Agricultural Marketing Service (AMS) – An agency of the United State Department of Agriculture (USDA). This agency performs the classing of cotton samples for certification as deliverable against futures contracts. The AMS is located at: 3275 Appling Road, Memphis, TN 38133 Phone (901) 384-3000 <http://www.ams.usda.gov/>

Farm Service Agency (FSA) – An agency of the United State Department of Agriculture (USDA). This agency administers the Government Loan Programs. The address is: Kansas City Commodity Office, Cotton and Rice Division, P.O. Box 419205, Kansas City, MO. 64141 <http://www.fsa.usda.gov/> The Commodity Credit Corporation (CCC) is a division of this agency.

All Risk Insurance:

Licensed Warehouses are required to have All Risk insurance policies in place. All Risk-Policies which insure the value of certificated bales against the loss or damage by sprinkler malfunction, fire, lightning, windstorm, cyclone, tornado, hurricane, flood including influx or rising water (whether wind driven or not) or inherent explosion and other risk (whether an act of God or force majeure), and which automatically attach as soon as such cotton is placed in the warehouse operator's custody and remains in effect so long as the cotton remains in the warehouse operator's legal custody;

Allowance by Deliverer:

Year of Growth Penalty – see page 11

Allowance on Certificated Cotton Over 3 Months (Over Age Cotton) – see pages 8 - 9

Weight Date Allowance – see page - 11

Storage and other charges – see pages 14

Strength Penalty - See page 15

Premiums & Discounts - See Differences, page 6

Allowance by Receiver:

For Prepaid Storage - If the storage charges have been paid to the warehouse beyond the date of delivery of the contract, the receiver shall pay to the deliverer the daily rate beyond the date of delivery through the date to which the storage has been pre-paid.

Bales Deliverable:

Compression: Only Gin-Universal Bales are deliverable

White Grades 11, 21, 31, 41, 51 and Light Spotted Grades 12, 22, 32

Leaf Grades 1-5 are deliverable for white graded cotton

Leaf Grades 1-3 are deliverable for light spotted graded cotton

Other Grades are not deliverable

STAPLES: 1-1/32ND OF AN INCH AND LONGER

GRAM-PER-TEX: A READING OF NOT LESS THAN 25

MICRONAIRE: NOT LESS THAN 3.5, NOR MORE THAN 4.9

Deliverable Weights and Bale Range:

A bale Net Weight must be from 400 pounds minimum to 650 pounds maximum.

Deliverable Bale Range: 92 bales to 108 bales

Bales Not Deliverable:

- Bales classed of a color and leaf grade deliverable on the contract but which have been further classed with “remarks”
- Bales of re-ginned cotton
- Bales that are un-merchantable or damaged, as determined by the Exchange or designated agent
- Bales that have been fire damaged

Certificated Cotton:

Cotton inspected, weighed, and sampled under supervision of ICE Futures U.S., Inc. (ICE) or its designated agent, and determined deliverable on futures contracts upon classification, Micronaire testing and Gram-per-tex reading under USDA regulations.

Certificator:

One who submits cotton at a delivery point for inspection and USDA Classification for possible tender on a futures contract.

Clearing Member:

A commission merchant who carries futures contracts for customers (members or non-members of this Exchange). Every Clearing Member must be a member of ICE Clear US.

ICE Clear US:

The organization which acts as a medium for clearing transactions in commodities for futures delivery, or for effecting settlements of contracts for futures delivery between Clearing Members of ICE Futures US, Inc.

Commodity Credit Corporation (CCC) – See Farm Service Agency (FSA)

Commission Merchant:

A member or member firm that carries the futures contract for a customer

Compression:

Only Gin Universal compressed bales are permitted for delivery.

Contract Weight:

Contracts are made up from the Net Weights recorded for each bale in the Electronic Warehouse Receipt record. The weight of the contract is 50,000 pounds (Net), a variation there from of one percent being permitted. Therefore, the maximum is 50,500 pounds (Net), and the minimum is 49,500 (Net) per contract.

Contract No. 2:

The basis of a Contract No. 2 is STRICT LOW MIDDLING 1-1/16 INCH, LEAF GRADE 4, with no GPT Discount, COTTON. The price difference for deliverable grades and staples above and below STRICT LOW MIDDLING 1-1/16 INCH LEAF GRADE 4, COTTON are based on the average of the commercial difference for corresponding grades and staples quoted by the Agricultural Marketing Service. These differences apply on deliveries made at Galveston, TX; Greenville, SC; Houston, TX; Memphis, TN; and Dallas/Ft. Worth, TX in determining settlement price. Grade Premiums and Discounts are full averages. Cotton of 1-1/32" staple will be deliverable at the quote for 1-1/16" cotton less 200% of the quoted difference between 1-1/16" and 1-1/32" cotton. Staple premium for 1-5/32" cotton and longer will be deliverable at the same premium as quoted for 1-5/32" cotton.

Cost of Tender:

The total of the various charges incurred in having cotton certificated and delivered, see Tariffs & Services.

Daily Market Reports:

Notice dates, delivery dates, notice prices and prices of cotton futures are contained in the Daily Agricultural Report, published by the Exchange. The report is available on the Exchange web <https://www.theice.com/marketdata/reports>

Default:

See Defaults in Delivery of Non-Conforming Cotton, see Rule 10.40.

Deliverer:

The Clearing Member that issued a notice and has the responsibility of effecting the delivery.

Delayed Certification:

Under Delayed Certification samples of the cotton must be delivered to the USDA in readiness for classification not later than eight o'clock P.M. (Memphis time) on the second business day preceding the last delivery day. The USDA Classing Office must be contacted and told that cotton will be arriving before eight o'clock P.M.

See rule 10.26 for a detailed timeline of delayed certification delivery, and below for issues of delayed certification delivery and their rectifications.

Deliverable Weights:

The deliverable weight of a bale is the Net Weight recorded as such in the Electronic Warehouse Receipt (EWR)

The Net Weight does not change until a holder orders the bale re-weighed or re-sampled. The actual weight of a bale may increase or decrease due to atmospheric conditions.

Demand Notice:

A notification of the holding of a notice given by the Receiver of such notice to the Issuer. The demand notice (document letter) will include the notice price, delivery date, point of delivery, contract number and total bales per contract and the location to deliver the documents. The notification shall be made by hand delivery, or facsimile transmission or E-mail.

Differences:

(Grade, Leaf, and Staple Premiums and Discounts) - The price differences for deliverable grades, leaf, and staples are based on the average of the commercial differences quoted on the sixth business day prior to the day of delivery for corresponding grade, leaf, and staple in the spot markets designated by the Secretary of Agriculture. There is also a difference for any bale with a GPT reading between 25.0 and 25.9, inclusive, determined daily by the USDA. Calculation of grade differential, leaf differential, and staple premium and discounts, and GPT discount if applicable, for use in delivering and receiving cotton under a cotton futures contract is made by ICE Futures U.S., Inc. These adjusted differences are available from the Exchange.

Documents (Time and Delivery):

- (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 ICE Clear US; and
 - (ii) provide ICE Clear US via eCOPS a summary of the invoice charges for each Receiver in a format acceptable to ICE Clear US.
- (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, which must show the name of the warehouse, location, contract number, bale numbers, Net Weights, as well as grade, leaf, and staple of cotton tendered. If the cotton in question was classed via Smith Doxey

classing, convert the DIG measure to staple length. See Resolution No. 2 in the Cotton Rules for more information about the DIG measure. The cotton may be listed in groups according to the grades and staples, and will only need to be listed once as a heading for these documents. If this information is provided via email, only one copy will be required.

(c) Delivery of the invoice and documents 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), AFTER the time 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 to be paid to the Clearing Organization, 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 Rule (A) and (B) of 10.24 without written permission by four-thirty 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 Rule 10.24 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.

EWRS (Electronic Warehouse Receipts):

An electronic receipt is a group of information (i.e. record) stored in a secure computer system. In order to participate in the delivery process a Clearing Member should have EWR Inc. software, EWR Inc. holder ID and access to ICE Clear U.S.'s eCOPS USDLV system.

Stopper must enter their chosen options on delivery in eCOPS USDLV by 4:00 p.m. on notice day. As a stopper you have three (3) options:

1. You will accept delivery of EWRs from the Clearing Organization. (ICE Clear U.S.) to the holder ID entered on eCOPS.
2. You wish the Clearing Organization to hold your EWRs as you plan to redeliver the contract(s) this delivery period.
3. You will take delivery directly from the Deliverer. (This must be done by mutual consent between the Deliverer and the Receiver.)

The Receiver (Stopper) will be responsible for charges paid by the Exchange to transfer EWRs to the Receiver (Stopper) as published in EWR Inc.'s annual Cotton Electronic Receipts Tariff and Conditions (currently \$0.02 per bale).

Invoicing (EWRs):

By 12:00 p.m. on the day immediately preceding delivery day the total invoice dollar amount owed by each Stopper must be entered in eCOPS. **The requirements to deliver the complete invoice as outlined in Rule 10.24 remain unchanged.**

Exchange Fees:

Request for Inspection and Certification	\$2.00 per bale
Transfer between licensed warehouses	\$1.00 per bale (same or different delivery point)
Transfer of EWR's from ICE to the Receiver	\$.02 per bale

EMOT (Rain Grown):

Shall mean rain grown cotton in the Eastern, Memphis, (New) Orleans and Texas regions (EMOT). Deliveries under each contract shall be for only EMOT (rain grown) cotton or for Far Western Upland Cotton (non-rain grown).

Government Class:

The classification by grade, leaf, and staple as determined by the USDA Classing Office, on the basis of the official cotton standards of the United States in effect at the time of such classification. Any bale with a GPT reading between 25.0 and 25.9, inclusive, is also subject to a discount as determined by the USDA Classing Office

Gram-Per-Tex: (strength measurement) - A reading of not less than 25 is required for delivery. A reading between 25.0 and 25.9, inclusive, is subject to a discount as determined daily by the USDA.

Inspection:

The process of weighing, sampling, and inspecting physical cotton being submitted for classing. Inspection is done under the supervision of the Exchange or its designated agency.

Inspection Fees:

The Exchange or its designated agent shall render bills to the person requesting the aforementioned service or services. Any failure to pay the amount billed shall be reported to the Warehouse and Delivery Committee. All applications submitted to the USDA shall be canceled thirty (30) days after acceptance date unless details with respect to the movement of the cotton to a Licensed Warehouse are satisfactory to the Exchange and are furnished on or before such cancellation.

Warehouse Insurance:

The warehouse is required to carry "All Risk" insurance. Owners should review Rule 7.08 to assess if additional insurance is needed.

Micronaire or Fiber Fineness:

The measurement by an air flow instrument which evaluates for the merchant and mill operator the spin ability of the cotton. The measurement determines the fiber fineness and maturity in combination. The instrument subject a cotton sample to standard air pressure and the amount of flow is indicated on the machine as a Micronaire or "Mike" reading. A fine fibered, immature cotton causes more resistance to the air flow giving a low reading; while a coarse and mature cotton causes less resistance, resulting in a higher Miconaire reading. Deliverable readings are not less than 3.5 nor more than 4.9.

Effective October 1, 2018, for Smith Doxey classing, Micronaire reading must be between 3.6 to 4.8, inclusive, to be deliverable

Far Western Upland Cotton (Non-Rain Grown Cotton):

Shall mean cotton grown in California, Nevada, Arizona, New Mexico (except Lea County), El Paso and Pecos Valleys of Texas. Deliveries under each contract shall be for only EMOT cotton (rain-grown) or for Far Western Upland cotton (non-rain grown).

Notice Price:

The notice price is set on the business day immediately preceding the day of issuance of the notice. It is based on the closing range of prices of the futures contract month involved.

Penalty on Certificated Cotton After Third Month (Over Age Cotton):

Cotton remaining under certification for a period exceeding three months shall incur penalties as indicated hereunder.

3 pound per bale penalty begins 4th month and runs thru the 10th month:

4 th month	5 th month	6 th month	7 th month	8 th month	9 th month	10 th month
3 lbs.	6 lbs.	9 lbs.	12 lbs.	15 lbs.	18 lbs.	21 lbs.

4 pound per bale penalty begins 11th month and runs thru the 16th month:

11 th month	12 th month	13 th month	14 th month	15 th month	16 th month
25 lbs.	29 lbs.	33 lbs.	37 lbs.	41 lbs.	45 lbs.

5 pound per bale penalty begins 17th month and runs thru the 22nd month:

17 th month	18 th month	19 th month	20 th month	21 st month	22 nd month
50 lbs.	55 lbs.	60 lbs.	65 lbs.	70 lbs.	75 lbs.

6 pound per bale penalty begins 23rd month and each month thereafter:

23 rd month	24 th month	25 th month	26 th month	27 th month	28 th month
81 lbs.	87 lbs.	93 lbs.	99 lbs.	105 lbs.	111 lbs.

The Deliverer must make the above prescribed allowances at the respective grade, leaf, and staple difference applicable on the tender, beginning with the **FOURTH MONTH** after the month of original certification, for example if the date of the classification is any day in December 2015, then the penalty per month would begin as of April 1, 2016. Therefore, a bale of cotton under certification for 16 months (December 2015 to April 2017) would thus carry a penalty of 45 lbs. (21 lbs., for the months of April 2016 thru October 2016) (24 lbs. for the months of November 2016 thru April 2017). These weight penalties for “overage” cotton should not be confused with the Weight Date Allowance.

Penalty for Default:

See Rule 10.40.

Permanent Bale Identification:

Effective August 1998 all bales of cotton ginned in America will have affixed a Permanent Bale Identification Tag.

Point of Delivery:

The “points of delivery” shall be defined as the city in which the cotton is stored.

<u>Galveston, Texas</u>	The Galveston Delivery Point includes all areas within a 15 mile radius from the Galveston city limits
<u>Greenville, South Carolina</u>	The Greenville Delivery Point includes Spartanburg, SC and all areas within a 15 mile distance from the Greenville/Spartanburg city limits
<u>Houston, Texas</u>	The Houston Delivery Point includes all areas within a 15 mile radius from the Houston city limits
<u>Memphis, Tennessee</u>	The Memphis Delivery Point includes all areas within a 15 mile radius from the Memphis city limits
<u>Dallas/ Ft. Worth, Texas</u>	The Dallas/Ft. Worth Delivery Point includes all areas within a 15 mile radius from the Dallas or Ft. Worth city limits

Premiums and Discounts: See Differences

Receiver:

The Clearing Member who Stops the Delivery Notice and is responsible to receive and pay for the cotton.

Removal of Certificated Cotton:

Tenderable Bales: All orders for the removal (decertification) of cotton from the certificated stock, for any purpose, must be submitted to EWR, Inc. Confirmation will be advised from EWR to the de-certificator.

Sampling and Weighing:

Cotton submitted for certification will be sampled before weighing and the official weight of the bale will exclude the weight of the sample.

Smith Doxey Classing (Use of Original Data to Register Bales):

See “Resolution No. 2 - Use of Original Smith Doxey Classing Data to Register Bales as Tenderable” for a full description of Smith Doxey classing, applicability to ICE Futures Cotton No. 2 contract, and restrictions and limitations of Smith Doxey classing

Effective October 1, 2018, Review Smith Doxey USDA classing results can be used to tender bales for Smith Doxey registration**Stopping Notices (Demand Letters):**

The Stopper of a notice must make a written demand on the Issuer for the delivery of the cotton. The “Demand Letter” must include the date of delivery, the warehouse and the point of delivery, the contract number, the number of bales, and information as to whom the documents are to be delivered. The demand letter, must be delivered by hand delivery or facsimile or email to the issuer by four o’clock on the notice day. Failure to do so subjects the stopper to a fine of ten (\$10) dollars per contract.

Storage and Other Charges:

Labor into storage, weighing, sampling, compression, and load out FOB to cars and or trucks shall be paid by the Deliverer prior to delivery. Storage by bale per month incurred up to and including the delivery day shall be paid or proper allowance thereof made in the deliverer’s invoice.

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.

Submitting Cotton for Inspection and Certification:

When tendering cotton on a futures contract it is essential that the following procedures be followed.

1. The owner must communicate with a licensed warehouse of his choice at one of the delivery points in the Warehouse Section of this guide to make certain the warehouse will receive and promptly handle his cotton. Unless the cotton is received in a Licensed Warehouse within sufficient time, which must allow time for government classing, the owner must assume the responsibility for failure to have the cotton certificated, or any other default that might result.
2. The owner must file a request for Inspection and Certification with the Exchange. A separate request must be made for each warehouse and must be filed in numerical sequence. For the procedure to file requests for certificate numbers from the Exchange (see pages 25-26 in this guide).

Tare:

The actual weight of the bagging and bands covering a bale of cotton. In conformity with the change in trading of U.S. upland cotton to a Net Weight basis, ginner will certify to the warehouseman the tare weight of the bagging and bands used at the gin or enter tare weight on each gin bale tag, (see Permanent Bale Identification), which will be recorded in the Electronic Warehouse Receipt. (See EWRs)

Net Weight:

The official Net Weight of a bale of cotton as indicated in the EWR by the warehouse. The Net Weight shall be the gross weight (scale weight) of the bale less the actual tare weight, as mentioned above. Bales also must meet all of the requirements to be considered tenderable as listed in Rule 10.03(c) through 10.03(i).

Trading Information:

See the following link for contract specifications for the Cotton No. 2 contract:

<https://www.theice.com/products/254/Cotton-No-2-Futures>

Transferring Certificated Cotton:

When the owner of certificated cotton desires to transfer such cotton from one licensed warehouse to another, the transfer shall only be made with the approval of the Exchange and will be under its supervision. The Exchange fee for transfer is \$1.00 per bale. Cotton so transferred shall be re-weighed and the new weight and date thereof will be noted in the EWR.

Weight Date Allowance:

The Deliverer shall make a weight allowance at the average invoice price, of one-half pound per month, per bale beyond the month in which the cotton was weight, or re-weighed as per rule 10.18. For example if the date of weighing, or re-weighing, is any day in November 2016, then the one-half pound per bale allowance will commence as of December 1, 2016. This weight allowance will be deducted on the invoice after the Net Weight has been established.

Year of Growth Penalty:

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.

- 1.) 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.
- 2.) 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.
- 3.) 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. See Rule 10.34 for further information.

Warehousing:

A delivery on contract must be made at one warehouse or a warehouse group as defined in Rule 10.03 i

WAREHOUSE & TARIFFS SECTION

The links below contain a complete list of licensed warehouses and tariffs at the time of the new license term, August 1st every year. The lists may be updated periodically to add new warehouse companies or locations. The tariffs are only allowed to be changed August 1st of each year. The tariffs are only a guide to calculate your costs of delivering and carrying a cotton contract. You must first contact one of the Licensed Warehouses to make arrangements for the storage of your cotton. The warehouse representative will be able to explain which charges you will be liable for. It is important that you make prompt arrangements for the handling of your cotton.

Note: Please click on the link and follow the instructions below to access the most current a) warehouse listing & b) tariff charges:

<https://www.theice.com/marketdata/reports/FuturesUSReportCenter.shtml?productName=Cotton>

- a) Use the “Report Type” filter to select “Licensed Warehouses” and press update
- b) Use the “Report Type” filter to select “Storage and Handling Rates” and press update

PROCEDURE FOR STOPPING AND RECEIVING COTTON ON A FUTURES CONTRACT

The steps for stopping a notice and taking delivery are as follows:

1. **INFORMING CUSTOMER:** The stopping clearing member informs his customer as to the number of bales, the grade, leaf, staple, and pertinent classing data of the cotton stopped. The clearing member will also inform his customer regarding the point of delivery of the cotton, and will, if requested by mutual consent, arrange for local delivery.
2. **DEMAND FOR COTTON:** The stopping clearing member must make a written demand on the issuer for delivery of cotton. The demand letter must be delivered to the issuing clearing member before four o'clock P.M. EST on the notice day. The Demand Letter must include the following
 - (a) The deliveries contract number
 - (b) The day of delivery
 - (c) The point of delivery
 - (d) The number of bales in the contract
 - (e) The notice price
 - (f) Where the documents are to be delivered
3. **FAILURE TO DELIVER DEMAND:** Failure by the commission merchant to submit such Demand to the issuer on time subjects the commission merchant to a fine of \$10.00 per contract to be paid to the issuer. The contract nevertheless shall remain in full force.
4. **RECEIVING DOCUMENT AND PAYMENT OF INVOICE VALUE:** On delivery date at 9:00 A.M. EST, ICE Clear US shall debit the account designated by the receiver for delivery purposes and credit the account designated by the deliverer the full invoice value unless otherwise mutually agreed upon as follows:
 - On or before 12:00 P.M. EST on the Business Day prior to the Date of Delivery, the Deliverer shall:
 - a) transfer ownership of the EWRs to the Clearing Organization; and
 - b) provide ICE Clear US by entering on eCOPS a summary of the invoice charges for each receiver.
 - On the Business Day prior to the Date of Delivery before 2:00 P.M. EST or 2:30 P.M. EST if it is the Last Delivery Day
 - a) provide each Receiver with two (2) copies of the invoice and two (2) copies of the tag list, which must show the name of the warehouse, location, contract number, bale numbers, Net weights, as well as grade, leaf, staple (or DIG measure if classed via Smith Doxey Classing), and GPT reading of cotton tendered. The cotton may be listed in groups according to the grades and staples, and will only need to be listed once as a heading for these documents. If this information is provided via email, only one copy will be required.
 - and
 - b) On Delivery day, when the warehouse confirmation document is delivered instead of the receipts under the Delayed Certification option (Delayed Certification), no payment is required.
 - c) Once all EWRs designated as Delayed Certification are classed, invoices, agreed delivery date, and invoice value is supplied to the Exchange and the buyer. Once this is received, the EWRs are transferred to the Exchange, to

be delivered to the buyer and the pay / collect of the invoice values are processed by the Clearinghouse. Additional details regarding Delayed Certification can be found in ICE Cotton No. 2[®] Rules, Rule 10.26 for the full process.

PREPARATION AND CALCULATION OF INVOICES

Enter the number of bales of cotton that represent the contract that is being invoiced.

Enter the Net Weight, minus the following allowance for:

Weight Date Allowance

One-half pound per month, per bale beyond the month in which the cotton was weighed or re-weighed.

Calculate the appropriate storage deduction. Storage is due on each bale of cotton every day that it remains in storage, regardless of the delivery date or classing date. **The storage is calculated to the day the cotton is received into the warehouse.** If 103 bales of cotton are received into a warehouse on February 26 and delivered as a future contract on July 1, the storage days is calculated as follows:

February 26, to, and including July 1 =	126 calendar days
126 days x 103 bales =	12,978 bale storage days

The Daily Storage rate is calculated as follows:

Monthly storage rate =	\$3.00 per bale
\$3.00 x 12 months =	\$36.00 per year
\$36.00 / 365 days =	0.09863 cents per day, per bale

The storage due on delivery of this contract will be
12,978 bale days x .09863 cents = \$1,280.02

Year of Growth Cash Penalty:

Calculate the penalty for any bales which meet the criteria for the Year of Growth Penalty as listed above and in section 10.34 of the rules, if applicable.

Cotton Certificated Over 3 Months Allowance

Cotton under certification longer than three (3) months shall incur weight penalties as outlined in the Cotton Certificated Over 3 Months Allowance section of this guide. This will be treated as a separate line item under the cash deductions section.

PREMIUMS AND DISCOUNTS ONS AND OFFS

1. In the Government Classification section of the invoices you will list every bale of cotton by Grade (color), Leaf, and Staple (length) as they appear on the Notice of Delivery.
2. As stated in Resolution No. 2 of the Cotton Rules, cotton must meet the following quality requirements to be registered as Smith Doxey bales:

Color	11, 21, 31, 41, or 51
Leaf	4, 3, 2, or 1
Micronaire	3.6 to 4.8, inclusive
Strength	27 grams per tex or higher
Fiber Length	1.03 DIG or longer

3. When bales are registered under Smith Doxey, they are invoiced with adjustments using the DIG number. The chart below can be used as a guide to calculate the subsequent ON/OFFs for Smith Doxey bales. **Smith Doxey bales that have a DIG measurement of 1.02 or lower are NOT TENDERABLE.**
4. Any DIG adjustment made to staple for invoicing purposes only affects staple. Grade and leaf will remain whatever value was assigned to them by the USDA during classing

DIG Measurement From:	Classed by USDA as Staple Equivalent:	Invoiced as Staple:
1.03	33 (1 and 1/32 nd of an inch)	33 (1 and 1/32 nd of an inch)
1.04	33 (1 and 1/32 nd of an inch)	33 (1 and 1/32 nd of an inch)
1.05	34 (1 and 2/32 nd of an inch)	33 (1 and 1/32 nd of an inch)
1.06	34 (1 and 2/32 nd of an inch)	34 (1 and 2/32 nd of an inch)
1.07	34 (1 and 2/32 nd of an inch)	34 (1 and 2/32 nd of an inch)
1.08	35 (1 and 3/32 nd of an inch)	34 (1 and 2/32 nd of an inch)
1.09	35 (1 and 3/32 nd of an inch)	35 (1 and 3/32 nd of an inch)
1.10	35 (1 and 3/32 nd of an inch)	35 (1 and 3/32 nd of an inch)
1.11	36 (1 and 4/32 nd of an inch)	35 (1 and 3/32 nd of an inch)
1.12	36 (1 and 4/32 nd of an inch)	36 (1 and 4/32 nd of an inch)
1.13	36 (1 and 4/32 nd of an inch)	36 (1 and 4/32 nd of an inch)
1.14	37 (1 and 5/32 nd of an inch)	36 (1 and 4/32 nd of an inch)
1.15 and higher	37 (1 and 5/32 nd of an inch)	37 (1 and 5/32 nd of an inch)

EXAMPLE: 31-2-34 bale with DIG 1.05 is classed by the USDA as a staple 34 equivalent. When invoicing against the Cotton No. 2 contract, this bale would receive the premium for 31-2-33

5. Next to the respective Grade, Leaf, and Staple group, in the column provided you will enter the On or Off difference, if applicable for each Grade, Leaf, and Staple. The On and Off can be obtained from this link: <https://www.theice.com/FuturesUSReportCenter.shtml>. Use the link to go to the ICE Report Center. Select “Cotton” in the Commodity/Index dropdown, and select “Premiums and Discounts” in the Report Type dropdown

6. Multiply the number of bales in each group by the On or Off difference and extend the result to the On-Off columns, and enter the totals.
7. For each bale with a GPT reading of 25.0 to 25.9, inclusive, a points discount as determined by the USDA on the Daily Premiums & Discounts File will be applied to the total points ON/OFF as determined in the Government Classification section.
8. Multiply the number of bales with a GPT reading between 25.0 and 25.9, inclusive, by the Off difference as determined by the USDA and add the resulting points to the "Total ON/OFF" section
9. The re-capitulation section of the invoices is used to arrive at the average invoice price. Enter the total points on and off and add or subtract to show a total net figure On or Off. Divide this net figure by the number of bales in the contract, the computation should be carried out four places in the decimal fraction of the cent.

Notice Price	54.7000	cents
Average Points (On)	2.4421	cents
Average Invoice Price	57.1421	cents

The cotton that was noticed at 54.70 cents has to reflect the actual, or cash market, value of what is being delivered. The contract basis is Strict Low-Middling (color), 1 1/16th inch cotton with no GPT Discount. The 54.70 cents represents that type of cotton. If the entire contract consisted of only Strict Low-Middling cotton, there would not be a premium or a discount. Every bale of cotton in a contract has its own Grade, Leaf and Staple.

By allowing a Premium for more desired Grade, Leaf, and Staple, and a Discount for less desired Grade, Leaf and Staple and/or low GPT, the Deliverer has received a fair value for the cotton they tendered and the Receiver has paid an appropriate price for the types of cotton they received.

CLASSIFICATION COTTON STOCK, USDA CLASSED IN WAREHOUSES LICENSED BY ICE Futures U.S., Inc.

1. **CLASSIFICATION AND MICRONAIRE DETERMINATIONS:** All classification of cotton certification on future (grade, leaf, staple length, micronaire, and Gram-Per-Tex determinations) shall be made on the basis of the official cotton standards of the United States in effect at the time of such classification, and shall be determined only by the U.S.D.A Classing Office.

2. **CHANGES IN CERTIFICATION COTTON STOCK:** EWR, Inc. located in Memphis, TN maintains a perpetual record of all Exchange Certificated Cotton which accurately reflects the total stocks under certification on a daily basis at each delivery point. The Commodities Operation Department of ICE Futures U.S., Inc reports the daily certificated stocks in the EWR database, as well as daily USDA new bale certifications and pending bale certification. It is extremely important that EWR, Inc. be promptly informed of all removal (de-certifications) from the certificated stocks.

3. **CODES FOR COTTON CLASSING:** Numerical codes will be used for showing results of cotton classification (grade and staples lengths) instead of the full grade names, staples lengths, and the traditional letter symbols. Code numbers for grades and staples of tenderable cotton are found below. A complete chart, giving grade names, codes, and traditional symbols for all grade and staple of cotton, is listed on the following page. Only the eight grades shown within the box below are deliverable on Futures Contracts No. 2.

Deliverable Grade Names and Code

Deliverable Staple (length)

1-1/32nd of an inch and longer

White Grades*	Code #	Light Spotted Grades**	Code #
Good Middling	11	Good Middling Light Spotted	12
Strict Middling	21	Strict Middling Light Spotted	22
Middling	31	Middling Light Spotted	32
Strict Low Middling	41		
Low Middling	51		

* Leaf Grades 1-5 are deliverable for white cotton

** Leaf Grades 1-3 are deliverable for light spotted cotton

The basis for delivery is 1-1/16 inch cotton. Cotton of 1-1/32nd of inch is deliverable but with a deduction made for each bale which shall be equal to 200% of the full average discount for like staple under one and one-sixteenth of an inch quoted.

*EXAMPLE OF A DEMAND LETTER**

COTTON CLEARING CO.
123 MAIN STREET
ANYTOWN, N.Y. 11232
(STANDING CLEARING MEMBER)

NOVEMBER 27, 2016

DAH BROKERS (ISSUING CLEARING MEMBER)
345 WALL STREET
NEW YORK, NY 11223

GENTLEMEN:

We hold Notice(s), issued by you covering _____ contract(s) of _____ B\C.
Warehouse in _____. Contract(s) number _____
to be delivered on _____ at the Notice Price of _____ in accordance
with Rule 10.16 of ICE Futures U.S., Inc.

We hereby make demand on you for this delivery, and advice as hereunder:

1. The invoice(s) and tag list(s), both in duplicate are to be delivered to:

Cotton Clearing Company
123 Main Street
Anytown, NY 11232



AMSTERDAM ATLANTA CALGARY CHICAGO HOUSTON LONDON NEW YORK SINGAPORE WINNIPEG

CONFIRMATION LETTER FOR DELAYED CERTIFICATION OF COTTON

WAREHOUSE NAME & CODE: _____

DATE SAMPLES FORWARDED TO THE USDA: _____

I hereby certify that the bales covered by the below listed ICE Lot Numbers have been received, weighed, and sampled in the approved warehouse; and that samples representing said bales have been forwarded on or before the above date to the USDA AMS Cotton Programs 3275 Appling Road, Bartlett, TN 38133 for classification.

Warehouse Name: _____

Warehouse Address: _____

City, State, Zip: _____

Date: _____

Print Name: _____

Authorized Signature & Title: _____

**PRIOR TO THE LAST DELIVERY DAY OF THE SPOT MONTH,
FORWARD THIS LETTER AS A WORD DOCUMENT TO ICE & THE USDA:**

ICE Exchange	USDA Classing Office
ICE Futures U.S. Inc. Attn: Valerie Colaizzo 55 East 52 nd Street - 41 st floor New York, NY 10055 Phone: 212-748-4110 Email: commoditiesoperations@theice.com	USDA AMS Cotton - Quality Assurance Div 3275 Appling Road - Room 9 Bartlett, TN 38133 Phone: 901-384-3099 Email: quality.assurance@ams.usda.gov

ICE Lot No.	No. of Bales (B/C)	Bale Number Range	Class Date (entered by the USDA)

AVERAGE PREMIUMS AND DISCOUNTS - TENDERABLE QUALITIES REPORT

of the United States Department of Agriculture Cotton Division, Market News Branch

https://www.ams.usda.gov/mnreports/mp_cn051.txt

(click on above link for latest daily report)

FOR ILLUSTRATION PURPOSES ONLY

INVOICE COVERING COTTON TENDERED FOR DELIVERY						
Invoice Number	Issuer	Contract	Delivery Date			
5258	TEST-123	1234567	Feb.1,2016			
Issued By:	Cotton USA	Stopped By:	Cotton Customer			
B/C	Deliverable Weight	Weight Allowance	Less Allowance	Average Invoice Price	Weight Value	
100	49608.0	50.0	49558.0	59.4864	\$29,480.27	
DEDUCTIONS:						
Storage	2300 Bale Days @	0.12986	Per Day	(\$298.68)		
Receiving				\$0.00		
Compression				\$0.00		
Loading Out				\$0.00		
Overage Penalty	0	Total Lbs.	@ 0.59486400	\$0.00		
Crop Year Penalty	0	Total Lbs.	@ \$0.00 avg per bale	\$0.00		
Total Deductions				(\$298.68)		
				Amount Payable	\$29,181.59	
GOVERNMENT CLASSIFICATION RECAPITULATION						
Total Bales	100	Delivery Point	Memphis TN			
Net ON/OFF	-5536 pts	Delivery Whse	901111			
Notice Price	60.0400 cents per lb.	Cotton Warehouse, Memphis TN				
Average ON/OFF	-0.5536 pts					
Avg. Invoice Price	59.4864 cents per lb.					
GRADE	DIG MEAS	B/C	DIFF ON	DIFF OFF	ON	OFF
22-3-33		1		-455		-455
22-3-34		1	65		65	
32-2-33		1		-482		-482
32-3-34		1		-68		-68
32-3-33		5		-497		-2485
32-3-34		51		-83		-4233
32-3-35		28	33		924	
32-3-36		12	124		1488	
GPT DISCOUNT		2		-145		-290
** CROP YEAR SUMMARY **						
	CROP	BALES	NET WT	RATE	PENALTY	
	2015	100	49608	0.00	\$0.00	
** OVERAGE SUMMARY **						
	CLASS	DELIVERY	CERT	PER BALE	PENALTY	
	DATE	DATE	MONTHS	BALES	PENALTY	
	11/12/2015	12/1/2015	1	2	0.00000 \$0.00	
	11/13/2015	12/1/2015	1	98	0.00000 \$0.00	
WEIGHT ALLOWANCE SUMMARY						
	INSPECTION	DELIVERY	MONTHS	BALES	PER BALE	ALLOWANCE
	DATE	DATE	MONTHS	BALES	ALLOWANCE	ALLOWANCE
	11/9/2015	12/1/2015	1	100	0.5	50.0
** STORAGE SUMMARY **						
	STORAGE DATE	BALES	BALE	RATE	AMOUNT	
	DATE	BALES	DAYS	RATE	AMOUNT	
	8/1/2015	100	2300	0.12986	298.68	

FOR ILLUSTRATION PURPOSES ONLY

PBI #	Cert Class	Dig		Gross	Tare	Net	Inspection			ICE LOT	EMOTIF	Crop Year	
		Meas	Mic				Date	Storage Date	Class Date				
TEST-202	32-3-35		4.70	27.4	529	5	524	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-203	32-3-35		4.70	27.5	530	5	525	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-204	32-3-35		3.90	27.1	531	5	526	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-205	32-3-35	1.09	4.60	27.4	532	5	527	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-206	32-3-35		4.70	28.0	533	5	528	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-207	32-3-35		4.60	27.2	534	5	529	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-208	32-3-35		4.60	27.9	535	5	530	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-209	32-3-35		4.60	27.2	536	5	531	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-210	32-3-35		4.70	27.1	537	5	532	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-211	32-3-36	1.12	4.60	27.7	538	5	533	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-212	32-3-36		4.10	29.9	539	5	534	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-213	32-3-36		4.20	27.3	540	5	535	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-214	32-3-36		4.30	29.3	541	5	536	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-215	32-3-36		4.10	27.6	542	5	537	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-216	32-3-36		4.10	27.7	543	5	538	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-217	32-3-36		4.30	30.1	544	5	539	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-218	32-3-36		4.40	28.8	545	5	540	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-219	32-3-36		3.50	27.9	546	5	541	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-220	32-3-36	1.14	4.50	29.8	547	5	542	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-221	32-3-36		4.10	27.6	548	5	543	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
TEST-222	32-3-36		3.60	29.7	549	5	544	11/9/2015	8/1/2015	11/13/2015	83769	EMOT	2015
WHSE BALE COUNT			100		WHSE TOTAL NET			49808		SMITH DOXEY COUNT		8	

TRANSFERRING CERTIFICATED COTTON

- Certified cotton may be transferred from an Exchange Licensed Cotton Warehouse to another Licensed Warehouse with Exchange approval.
- Prior to transferring certified cotton to another Licensed Store, owner/warehouse must first request ICE Cert lot numbers for the purpose of certified transfer. See next page “Cotton Inspection Certificate /**Transfer** / Smith Doxey Requests for system access information.
- The transferring party should not mix rain grown and non-rain grown cotton when applying for Lot Numbers.
- Once this is complete, you will need to request a **SHIPMENT UNDER CERTIFICATION TRANSFER** on the **eCotton system**. It is very important to ICE and the trade that the bales are marked shipment cert under transfer. **If you do not do this they will be moved and lose the certification.**
- On receipt of transferred certified bales at the inbound Licensed Warehouse, the receiving warehouse will cross-reference classing data available in the USDA database, which will make classing information available to the new warehouse for retrieval for the new receipts. The receiving warehouse will use its regular classing-retrieval programming and ask for transferred bales by Lot Numbers
- The Exchange issued Transfer lot numbers will be included when the receiving warehouse creates the new EWRs in the EWR Inc. provider system, while also using the existing classing data retrieved in the step above.
- The cotton will be reweighed on receipt at the receiving warehouse, but it will not be necessary to be re-sampled.
- The USDA fee for handling transfer between warehouses in the same delivery point is .20 cents per bale or \$5.00 per page (USDA form) minimum.

Please refer to the ICE rate chart on the next page for the cost per bale for a Transfer request.

COTTON INSPECTION CERTIFICATE /TRANSFER / SMITH DOXEY REQUESTS:

HOW TO SIGN UP

As of November 2015 all requests for ICE lot numbers for USDA Futures classing and transfers are processed via the eCOPS request lot number function. Cotton Warehouse Operators will need to be registered to use the Cotton Classing database. You will receive a database agreement to sign and a warehouse profile, which in turn will enable ICE to assign a user ID / password and provide an instructional guide on how to make request. Contact ICE Futures U.S., Inc., and Commodity Operations at **212-748-4110**, or email commoditiesoperations@ice.com for the agreement and with any questions. Enrollment is free of charge.

Enrollment Package: Consist of a Cotton Classing Database Agreement and a Warehouse Profile which is to be completed and returned to:

**ICE Futures U.S., Inc.
55 East 52nd St. 41st Floor
New York, NY 10055
ATTN: Commodity Operations
commoditiesoperations@ice.com**

ICE Futures U.S., Inc. charges for Certificate/Smith Doxey/Transfer request:

Certificate request - USD\$ 2.00 per bale
Smith Doxey request - USD\$ 2.00 per bale
Transfer Request - USD\$ 1.00 per bale

REQUEST FOR COTTON #2 CLASSING

ICE Futures U.S., Inc.
 Commodities Operations
 55 East 52nd Street
 New York, NY 10055
 Phone (212) 748-4110
 Fax (888) 452-1953

Request Date Feb-25-2016
 Warehouse Name Cotton USA Warehouse
 Warehouse ID Number 999999
 Warehouse Delivery Point Memphis Tn.
 Warehouse Contact Mr. Warehouseman
 Warehouse Phone 212-748-4110
 Warehouse Fax 212-748-8888
 Warehouse e-mail warehouse@cotton.com

SAMPLER/WEIGHER ASSIGNED

Owner to be Billed Cotton USA Owner
 Contact Cotton Owner
 Address 1 Cotton Dr., Memphis
USA
 Phone 212-748-4110
 email cottonowner@cotton.us

Classing Office: USDA
 Classing Type: Smith Doxey
 Transfer:
 Origin: United States
 Region: Rain

Total Number of Bales

810

Total Containers

0

Total No of Bales in Lot/Container	Marks	Min Samples for Container Lot	ICE Assigned Lot Number	EWR Assigned Container ID	Shipping Container #	Modified
90	Test1	0	84942			
90	Test2	0	84943			
90	Test3	0	84944			