

COTTON LINT MARKET REGULATION

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CHAPTER I - GENERAL

SECTION I - DEFINITIONS

Art. 1 - For the purposes of this Regulation, the following definitions apply:

- a) **Arbitration** - a procedure by which the parties resort to the Court of Arbitration to manage disputes arising within markets managed by Bolsa, as set forth in the Articles of Incorporation of Bolsa, Regulations and other relevant rules.
- b) **Determination** - commodity analysis regarding its type, quality and specifications, performed by accredited arbitrageurs under this Regulation.
Bolsa - Bolsa Brasileira de Mercadorias, where negotiations will be registered.
- c) **Classification Certificate (packing list)** - document adequate to evidence the classification of commodities, as defined in applicable legislation and regulations.
- d) **CICCA** - Committee for International Co-operation Between Cotton Associations.
- e) **Customer** - the Broker's customer, who conducts a Business that is object of registration.
- f) **Business Confirmation** - parties' acceptance of the conditions of purchase and sale of cotton by electronic means, in accordance with Art. 9 of this Regulation.
- g) **Agreement (s) or Cotton agreement (s)** - written agreement of purchase and sale of cotton lint, under the terms of this Regulation.
- h) **Broker** - member of Bolsa, pursuant to its Articles of Incorporation, an intermediary of the execution of a particular Business.
- i) **HVI** - High Volume Instrument - technology used for measuring the properties of the cotton fibre.
- j) **Incoterms** - International Commercial Terms, created by the International Chamber of Commerce - ICC.
- k) **Information** - information relating to the Business object of Registration used for statistical purposes, including, but not limited to, qualification of the parties, type of product, quantity, price, delivery term(s), payment term(s).
- l) **Court of Arbitration** - Bolsa's body composed of a group of selected arbitrators and a Secretary General, aimed at managing the settlement of disputes arising from Businesses recorded in SINAP, in accordance with the Rules of the Court of Arbitration, Bolsa's Articles of Incorporation, the Arbitration Law (Law no. 9,307/96) and other applicable rules.
- m) **Board of Cotton Brokers** - Board of Cotton Brokers of Bolsa Brasileira de Mercadorias.
- n) **Available Market** - the one in which cotton lint is traded for delivery.
- o) **Business** - it is the act by which the parties involved in the business relationship agree on the closing of the purchase and sale of cotton lint, through the Broker.
- p) **Registration** - an act by which the representative Broker of the selling party enters Information on a Business intermediated by the Broker in the System. It is said that the Business was registered. The registration enforcement is subject to confirmation by the parties, as well as to the existence of an Agreement duly signed by both parties.
- q) **Regulation** - this Regulation of Cotton Lint Business in the Available Market.
- r) **SINAP** - Cotton Lint Businesses Information Electronic System of Bolsa Brasileira de Mercadorias.
- s) **USDA** - is the United States Department of Agriculture.
- t) **Take up** - the act of approving cotton quality through inspection of samples bale per bale of lots

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traded before shipment.

- u) Take up not approved and not sold** - loads/lots not approved on Take up are considered unsold with no extra burden for the parties and without the obligation of sellers to replace them.

SECTION II - SCOPE OF REGULATION

Art. 2 - The cotton lint Businesses conducted in the Available Market, intermediated and registered by one or more Brokers, are subject to what is set forth in this Regulation, in the Articles of Incorporation of Bolsa and in other applicable rules.

Paragraph 1 - Brokers shall not conduct any Businesses with Customers prevented from hiring within the markets managed by Bolsa or that are included in the CICCA list, in the list of any other national or international organization in which Bolsa is a participant of, for not being subject to arbitration or for non-compliance with arbitral awards arising from cotton lint businesses.

Paragraph 2 - Similarly, Brokers shall not execute any contracts with customers that have among their members any individual or entity, majority shareholder and/or business manager of companies denied from the systems of Bolsa Brasileira de Mercadorias, due to breach of arbitral awards arising from cotton lint negotiations.

CHAPTER II - TRADING

SECTION I - AGREEMENT SPECIFICATIONS

Art. 3 - Once the Business is concluded, the Broker shall send to both parties, within one (01) business day, via email and/or fax, a summary of the terms of trade, containing at least price, quantity, quality, brokerage commission, conditions, and delivery and payment terms. After both parties express in writing they agree to the negotiated conditions, the Broker shall make an initial registration of trading in SINAP and formalize the Agreement, which must include at least the following information:

- a) names of the parties and/or their representatives;
- b) name(s) of participating Broker(s);
- c) date of the transaction, which will be the date of the Agreement;
- d) commodity traded;
- e) quality, including fibre specifications;
- f) quantity;
- g) price per kilo, per arroba, per ton or pound - net weights;
- h) payment terms and conditions;
- i) liability for expenses and charges;
- j) delivery or shipment conditions and procedures;
- k) place and terms of delivery or shipment;
- l) place and terms for weight conference, tare and quality;
- m) brokerage;
- n) confidentiality clause, mentioning the obligation not to disclose to third parties any confidential information contained in the Agreement, whether commercial, technical or of

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financial nature, without the express consent of the Parties, except in cases of auditing carried out by Bolsa or by an independent auditor designated by it;

o) statement saying the Agreement is subject to the rules of this Regulation; and

p) express statement of disputes being subject to the Court of Arbitration as per standard clause published by Bolsa, subject to the provisions of Paragraph 2 below.

Paragraph 1 - In Businesses intermediated by two Brokers, each Broker is responsible for sending the summary of the terms negotiated to their customer and get them to confirm in writing that the conditions are correct, sending a copy of this confirmation to the Broker of the other party.

Paragraph 2 - In Agreements relating to import and export Businesses of cotton lint, another arbitration chamber may be elected, provided that it is previously approved by the Board of Directors of Bolsa.

Art. 4 - Bolsa will provide the Brokers an Agreement model, which will contain at least the fields to fill in the data referred to in Art. 3.

Sole Paragraph - Notwithstanding the above, Brokers may complement the Agreement in accordance with the peculiarities of each Business.

Art. 5 - The Agreements will be signed by the contracting parties or their representatives and by the Broker(s), in compliance with the provisions of Art. 3.

Paragraph 1 - In case there is more than one Broker, only one shall issue the respective Agreement, by mutual agreement between the parties.

Paragraph 2 - In case there is no consensus as to the responsibility for issuing the Agreement, the selling party Broker will be responsible for this.

Paragraph 3 - The Broker who makes the Registration of a Business in SINAP will be responsible for the legality and custody of the Agreement that originated the Registration, as well as for the accuracy of the information provided and inserted in SINAP.

Paragraph 4 - Bolsa, in its sole discretion, may request a copy of the Agreement.

Art. 6 - The assignment of rights or transfer of contractual obligations by mutual agreement shall be made through a written amendment.

SECTION II - REPRESENTATION TO TRADE

Art. 7 - The registration of Businesses at Bolsa, for all its effects, will be subject to the execution of the Agreement, duly signed between the parties and at least one Broker, according to the provisions of Articles 3 to 6 of this Regulation.

SECTION III - REGISTRATION OF BUSINESSES AT BOLSA

Art. 8 - The Broker must perform the initial registration of all Businesses regarding cotton lint intermediated by them in SINAP within 20 (twenty) calendar days as of the completion of their Business.

Art. 9 - The early records of the Businesses will be carried out by the Broker responsible for the sale, for further Confirmation of the Business by the parties through electronic means. The Business Confirmation may also be carried out, by Bolsa, alternatively and through contingency, upon the request and under the responsibility of the Broker(s).

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- Sole Paragraph** - If there is no Business Confirmation as described above, within thirty (30) calendar days as of the initial registration made by the Broker, the confirmation will be considered tacitly confirmed and automatically approved in SINAP.
- Art. 10** - Only Businesses that meet the requirements of Art. 9 and which are formalized by Agreement, in accordance with Art. 3 and are duly signed by the parties involved, will be considered effectively registered before Bolsa.
- Art. 11** - The Broker is responsible for registering Businesses in SINAP, as well as for the delivery of the final copy of the Agreement signed by each party, within twenty (20) business days as of the Business execution date. If there is more than one Broker intermediating the Business, each Broker is responsible for sending and receiving from their customer the Agreement's copy signed.
- Paragraph 1** - If, after the period provided for above, the signed copies of the Agreement are not returned to the Broker responsible for the Business registration by either one of the parties, they will inform the fact to the other party in writing, with a copy to Bolsa and to the defaulting party, within five (05) business days.
- Paragraph 2** - If, within seven (07) working days as of the notification mentioned in Paragraph 1, the Broker responsible for the Business Registration does not receive the Contract copies duly signed, they will request in writing to the Exchange the cancellation of the Business' initial registration in SINAP. Simultaneously, the Intermediary Broker must notify the parties in writing about the said cancellation and its effects.
- Paragraph 3** - If the defaulting party does not submit a justification accepted by the Broker responsible for the Business Registration on the reasons for delay in sending the Contract, at the request of the Broker, the defaulting party may be included in the list of those prevented from having their Businesses registered in SINAP.
- Paragraph 4** - Considering the hypothesis mentioned in Paragraph 3, the defaulting party will be prevented from having their business registered in SINAP for a period of twelve (12) months.
- Paragraph 5** - The Exchange will release monthly to Brokers, in a statement, the ratio of those prevented from having their Business registered in SINAP.
- Paragraph 6** - Only the Broker who requested the cancellation of the Business registration may request the Exchange to exclude the defaulting part from the list mentioned on paragraph 4, before the period of 12 months, subject to the procedure established by the Exchange in a particular Circular Official Letter.
- Paragraph 7** - The responsibility for the inclusion of a defaulting party in a list of those prevented from having their Businesses registered in SINAP is exclusive to the Broker.
- Paragraph 8** - The Broker will compensate Bolsa for any loss suffered as a result of including a party in the list mentioned in the previous paragraph.

SECTION IV - BROKERAGE

- Art. 12** - Brokerage due by the responsible party - buyer or seller - shall comply with a minimum of one percent (1%) over the value of the Agreement, which must be paid in three (3) business days as of the financial settlement of Businesses.
- Sole Paragraph** - There will be due interest for late payment of one percent (1%) per month and

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inflation adjustment based on the variation of the Broad Consumer Price Index - IPCA/IBGE, released by the Brazilian Institute of Geography and Statistics, or in case it is not available, by the update index that may replace it on the value of the brokerage not paid within the term defined.

Art. 13 - The Broker will not lose any right to brokerage as a result of non-performance, in total or partially, by one or both parties, of the Agreement executed through them.

Paragraph 1 - In any case, in the period referred to in Art. 12, brokerage payment must be conducted in accordance with the provisions set forth in the Agreement.

Paragraph 2 - In case of intervening of two Brokers, the Broker of the debtor party is responsible for the full collection of the brokerage and for the transfer of fifty percent (50%) of the brokerage to the other Broker, immediately upon its receipt.

CHAPTER III - COMMODITIES

SECTION I - QUALITY

Art. 14 - With regard to quality, cotton may be traded:

I - as to the type:

- a) per type or certain types; or
- b) per a certain type "for the better" or "for the worse", of a particular type; or
- c) per sample or particular pattern;

II - as to the fibre: the fibre established in the Agreement, measured in inches or millimetres (UHM) will always prevail;

III - as to the other specifications: those expressly stipulated in the Agreement.

Paragraph 1 - The types or samples of particular patterns represent only the visual characteristics of the cotton being traded.

Paragraph 2 - The measurable characteristics, to be requirable, should be explicitly described in the respective Agreement.

Paragraph 3 - Visual and measurable characteristics mean:

I - Visual characteristics: colour, brightness, number of spots and their extension, interwoven fibres ("*carneiros*"), the presence of pieces and parts of the cotton plant (leaves, sepals, stems), of sand, dust, dirt, sprinkle and other foreign matter, the amount of cotton damaged by pests, diseases and any other type of contamination;

II - Measurable characteristics: fibre length, fineness and strength, and other possible features to be measured.

Art. 15 - Delivery, in cases of trading referred to in items "a" and "b" of item I of Art. 14, shall consider the following:

I - if the Agreement stipulates a certain amount of each type, delivery shall be the quantity or percentage determined for each of these types;

II - if the Agreement does not stipulate an amount or a certain percentage of each type, the seller may opt for the delivery of any of these types, in the proportion that suits them.

Art. 16 - The seller is allowed to deliver cotton of better quality than the one stipulated in the Agreement, however without the right to any compensation for the difference in quality.

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SECTION II - QUANTITY

Art. 17 - Cotton can be traded in kilograms, tones, arrobas, pounds or in bales, always considering their net weight, i.e. the actual tare of the bale deducted from the gross weight.

Paragraph 1 - Cotton should always be baled, as determined by the legislation in force.

Paragraph 2 - Within the terms of this Regulation, the seller is liable before the buyer for the declared and verified tare in bales.

SECTION III - PRICE

Art. 18 - Cotton's price, fixed or to be fixed, may be contractually established in relation to the weight and quality, considering the following criteria:

I - with regard to weight:

- a) per net weight, or
- b) per net arroba, or
- c) per net ton, or
- d) per net pound (four hundred fifty-three thousandths, five hundred ninety-seven millionths of a gram).

II - with regard to quality:

- a) based on type 41-4,
- b) based on a certain type or types,
- c) based on particular samples or patterns, or
- d) per lot offered.

Art. 19 - The parties may use the Table of Premiums and Discounts disclosed by Bolsa to fix the cotton price, as long as it is expressly provided for in the Agreement.

Sole Paragraph - The Table of Premiums and Discounts concerning the type 41-4 will enter into force on the day following its amendment, after the due statement from Bolsa to the Brokers.

Art. 20 - The price may be fixed or is to be fixed, based on the previously agreed index.

Sole Paragraph - In the case of cotton price to be fixed, should the product not be delivered within the period stipulated in the Agreement, the price will be fixed on the last working day corresponding to each delivery period originally stipulated, respecting the fixation criterion originally contracted.

CHAPTER IV - DELIVERY AND SHIPMENT

SECTION I - PLACE OF DELIVERY

Art. 21 - The place of delivery will be determined according to the Agreement and to the following stipulations:

- I - placed in the buyer's warehouse,
- II - to withdraw from the seller's warehouse,
- III - placed in general warehouses,
- IV - to withdraw from general warehouses,
- V - placed in a wagon or truck in the given destination,
- VI - placed in a wagon or truck in the origin,
- VII - placed in the indicated destination station,
- VII - placed in the indicated origin station,

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IX - placed on a certain location,

X - placed on a certain port.

SECTION II - DELIVERY TERM

Art. 22 - Deliveries or shipments may be agreed according to the following sections:

I - ready delivery: ready delivery means delivery must be made within five (5) working days, counted as of the Agreement date;

I - immediate delivery: immediate delivery means delivery must be made within ten (10) working days, counted as of the Agreement date;

I - ready shipment: ready shipment means shipment must be made within five (5) working days, counted as of the Agreement date;

I - immediate shipment: immediate shipment means shipment must be made within ten (10) working days, counted as of the Agreement date;

V - delivery, removal or shipment in a pre-determined term: it means the delivery, removal or shipment must be made until the last day of the term stipulated in Agreement;

VII - right day;

VIII - week determined by the parties;

IX - period of a given month

IX - throughout a given month;

XI - early period of a given month (from day 1 to 10);

XI - mid period of a given month (from day 11 to 20);

XI - final period of a given month (from day 21 to the last day);

Paragraph 1 - In cases defined on items I and II of Art. 21 and on item V of this article, should commodities unloading take too long, not because of fault by the seller, buyer or carrier, delivery will be considered made if the cotton is available at the door of the location determined within the term of the Agreement, and the seller, buyer or general warehouses must provide an evidence of the fact.

Paragraph 2 - The option of delivery or shipment of cotton throughout the time fixed in the Agreement is of the seller, unless otherwise specified.

SECTION III – DELIVERY OR SHIPMENT

Art. 23 - It is the seller's obligation to deliver cotton to the buyer in the term and form set forth in the Agreement, making the delivery:

I - for the simple tradition of the commodity "to deliver" in the buyer's warehouse or wherever they determine;

II - by means of an order, duly issued by the depositary or authenticated by them, against the warehouses in which the cotton is located. This order must contain the deposit's location, the amount, weight, brand and other characteristics and identifying indications of the cotton to be delivered;

III - by means of railway, highway, road-rail or maritime documents (bills of lading), when traded for shipment or already shipped;

Sole paragraph - Should the delivery be made in more than one wagon or vehicle, each unloaded wagon or vehicle is considered one delivery.

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- Art. 24** - Cotton delivery will be considered made only after the delivery of all documents stipulated in the Agreement or, in case there are no stipulations in the Agreement, after the delivery of those documents set forth in the legislation in force.
- Art. 25** - During cotton deliveries, the rules set forth on official regulations will also be observed, especially those related to packing, moisture, brands and other essential requisites for its perfect identification and trade.
- Art. 26** - During deliveries, there will not be admitted any cotton containing foreign bodies, fire damage cotton, reginned or repacked cotton or that it is somehow damaged, not well identified or in violation of the regulation standards or contractual sections.
- Sole Paragraph** - Cotton lint submitted to additional cleaning through processes known as constallation, lint cleaner or similar before baling in a ginning plant are not considered reginned.
- Art. 27** - The cotton contracted must be delivered at the determined location, free and unrestrained from any burden.
- Art. 28** - In case it is not provided for in the Agreement the variation between the contracted amount and the actual amount delivered, a tolerance of three percent (3%) is permitted, for more or for less.
- Sole Paragraph** - Since delivery is periodic, tolerance is calculated separately for each delivery.
- Art. 29** - In the deliveries of *lote corrido* type (i.e. sampling per fibre size), with type determination, sequence numbering means, for each origin, delivery or shipment, a minimum of fifty (50) bales, excluding those outside the traded type and whose needed replacement is made, if required by the buyer.
- Art. 30** - The buyer may, in relation to weight:
I - refuse the receipt of what exceeds the amount traded, plus the tolerance allowed on delivery;
II - demand delivery of what is needed to complete the trading volume, minus the tolerance allowed on delivery.
- Art. 31** - Delivery that is not in accordance with the conditions stipulated in the Agreement is considered not made.
- Sole Paragraph** - The seller, however, may replace cotton, or part of it, which does not comply with the stipulated items, provided that under the terms of the Agreement.
- Art. 32** - The buyer may require replacement of the cotton, or part of it, that does not meet the conditions stipulated, provided that within the contractual period, plus the period of quality and weight check of the commodities, as set forth in Articles 56 and 63.
- Art. 33** - In case of a delivery with cotton of quality higher than the one hired, as provided for in Art. 16, the buyer shall receive it, however the seller is not entitled to any compensation for the quality difference.
- Art. 34** - In the case of partial deliveries, percentages of the stipulated type will be assessed at the end of delivery or, in the case of periodic deliveries, at the end of each period.
- Art. 35** - In deliveries at warehouses of the buyer or third parties, at their own risk and order, the buyer assumes all risks, even if not all documents have yet been delivered.

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- Sole Paragraph** - Buyer's warehouse means that one usually used to deposit their commodities, if there is no indication in the Agreement.
- Art. 36** - The delivery order issued by a third party will be in favour of the carrier, who will endorse it to the recipient.
- Sole Paragraph** - The delivery order of general warehouses will be issued directly to the recipient.
- Art. 37** - In sales of types "*placed into wagon*", "*railway station*" or "*port in a given location*", deliveries of cotton will be considered made according to the delivery of the respective bills of lading, in five (5) working days following the expiration of the term set off for shipment.
- Art. 38** - In the case of consigned shipment documents "negotiable" or "non-negotiable", the buyer as consignee, the delivery will be considered made only when the commodities themselves are delivered or when documents are duly endorsed.
- Sole Paragraph** - The seller will provide a written notice to the buyer within three (3) business days as of the date of shipment.
- Art. 39** - In case of loss of the bill of lading consigned to the buyer, with the statement "non-negotiable", delivery is considered to be made on the date of clearance, in the case of shipment, or on the date of cotton receipt in the given destination; in the case of delivery, the seller proceeding under the terms of the sole paragraph of Art. 38.
- Art. 40** - In Businesses "*placed in a given location*," if the seller, in answer to the buyer's request, sends the commodities to another destination, delivery will be considered made on the date of the clearance or on the expiration date of the agreed term, provided that shipment is evidenced.
- Art. 41** - In sales for delivery "*placed in the buyer's warehouse*" or "*placed in general warehouses*" (Art. 21, sections I and III), but with payment against delivery of the documents referred to in item III of Art. 23, if commodities are destroyed or damaged, in whole or in part, after the documents are delivered to the buyer, but before the effective delivery, the seller will replace the cotton destroyed or damaged within ten (10) calendar days of the loss date.
- Art. 42** - In sales for delivery "*to withdraw from the seller's warehouse*" or "*to withdraw from general warehouses*," the seller's liability, in case of loss, will remain until the date of withdrawal of the commodities or until the expiration of the term of the respective delivery order.
- Paragraph 1** - If the term of the delivery order has not elapsed, the seller will replace the destroyed commodities within ten (10) calendar days as of the loss date.
- Paragraph 2** - If the term of the delivery order has elapsed before removal, any damage caused to the commodities will be at the buyer's exclusive account, and the invoice shall be paid as if the cotton had been received.
- Art. 43** - If, at the expiration of the term for delivery, the seller is unable to deliver the cotton or the buyer is unable to receive it, for reasons of force majeure, delivery will be transferred to as soon as the impediment is removed.
- Sole Paragraph** - The prevented party will notify the other party within three (3) business days as of the date on which the term should mature.
- Art. 44** - If the parties have more than one Agreement for the same quality and for delivery in the same period, deliveries will be made in the chronological order of Agreements.

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CHAPTER V - COTTON RECEIVING

Art. 45 - It is the buyer's obligation to receive the cotton in the term and form set forth in the Agreement.

Paragraph 1 - If the place of delivery specified in the Agreement is "placed into a wagon", "placed in a railway station", "placed in a given port" or "placed into truck" in the origin indicated, receipt will be effective immediately after the delivery of shipment documents.

Paragraph 2 - If the place of delivery specified in the Agreement is "placed into wagon", "placed in a railway station", "placed in a given port" or "placed into truck in the indicated destination", or "placed into warehouse indicated in the Agreement", "placed into general warehouses" or "placed in a given square," receipt will be effective immediately after the arrival of the cotton.

Paragraph 3 - If the place of delivery specified in the Agreement is "placed into seller's warehouses" or "placed into general warehouses" against delivery order, cotton withdrawal will be within seven (7) calendar days from the receipt of the delivery order and other documents.

Art. 46 - The buyer may not refuse to withdraw or receive the cotton, provided that it has been shipped or delivered in accordance with the Agreement.

Art. 47 - If the buyer chooses for the cotton to remain in the same warehouse where it is delivered and authorize the transfer to their name or the third party, cotton reception will be deemed as made, without prejudice to the right of check.

Sole Paragraph - In case the buyer receives the cotton in the warehouse of the seller or of third parties at their own cost and order, or even in general warehouses, the provisions of Art. 33 will apply.

Art. 48 - The buyer may refuse, within the term of check, any damp or damaged cotton, even if only in their baling.

Art. 49 - If the buyer refuses to accept the cotton because it is not in compliance with the Agreement or it falls in the previous article, the seller must replace it within the time agreed for delivery or, at most, within 10 (ten) calendar days following the date of the claim, even if beyond the term agreed for delivery.

Paragraph 1 - If the cotton delivered comes from another State, the seller shall take measures for the shipment of the cotton in replacement, within the term stipulated in this Article.

Paragraph 2 - If the replacement does not take place within the term stipulated in this Article, the buyer will be entitled to deposit the declined cotton in general warehouses or similar locations and to recover, with interest, as provided for in the Agreement, the respective amount paid or, at their choice, cancel or terminate the Agreement pursuant to Section III, Chapter IV (Delivery and shipping).

Paragraph 3 - If the buyer does not remove the commodities within the term specified in the Agreement, the seller may charge the costs of storage and insurance.

Art. 50 - If the brand and the number of bales delivered do not check with the description of the documents, the delivery will not be made.

Art. 51 - Having a delivery been made under the terms of the Agreement, if there is any appeal to Determination and this changes the original classification, the buyer shall:

I - receive the bales whose classification has improved;

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- II - receive up to ten percent (10%) of the total delivery in bales whose classification has worsened half a type, beyond the limits of the Agreement.
- Paragraph 1** - The bales received whose classification has been modified will be settled with premiums or discounts of quotations of Bolsa para Negócios in the market available in the new classification date, except in cases provided for in Art. 52.
- Paragraph 2** - If, in the result of the Determination, there are bales that have worsened over half a type beyond the limits of the Agreement, however beyond the ten percent (10%) limit referred to in item II of this Article, the buyer is entitled to demand their replacement and the seller has the obligation to do so within ten (10) calendar days as of the receipt of the Determination certificate.
- Paragraph 3** - The delivery(ies) in replacement is/are to be made with cotton that is under identical conditions to the cotton contracted.
- Art. 52** - In Agreements that stipulate price for each type, not specifying the amount of each one, if the original classification is to be changed by Determination, the prices of each type will be stipulated in the Agreement for purposes of invoicing.
- Sole Paragraph** - If the Determination results in a type whose prices are not stipulated in the Agreement, the provisions of the preceding Article will apply.
- Art. 53** - When the commodities receiving depend on the outcome of the Determination, all terms of the Agreement will be considered postponed until the reclassification, and the invoice or balance's payment must be made:
- I - on the maturity date, if the result is delivered before it;
- II - within twenty-four (24) hours the buyer is aware of the result of the Determination, if delivered after the maturity date.
- Sole Paragraph** - Up to the solution of the dispute, the parties may not dispose the commodities in dispute or remove them from the location set for check.

SECTION I - COMMODITIES WEIGHT CHECK

- Art. 54** - The Agreement must stipulate the place for weight and tare check.
- Art. 55** - Any of the parties reserves the right to attend the weight and tare check, which must be made, preferably, upon receipt of the commodities.
- Art. 56** - Unless otherwise agreed, the buyer must check the cotton and may protest and ask for Determination in the following terms:
- I - up to ten (10) calendar days, counted as of the delivery date at the location indicated in the Agreement;
- II - up to twenty (20) calendar days as of the date of invoicing of the commodities, in case of "to withdraw" according to the location indicated in the Agreement.
- Paragraph 1** - When the delivery is made in instalments, the check term will be counted for each one of them.
- Paragraph 2** - No claim about weight or tare will be dealt with if the commodities are not in the check location.
- Art. 57** - The weight check will be made bale per bale, in a calibrated balance, rounding up fractions exceeding five hundred (500) grams or abandoning them if lower; and/or in truck and/or container, full and empty.

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- Art. 58** - The party to weigh will provide the other party a copy of the (i) packing list of weights duly signed; or (ii) the ticket of the balance with updated calibration.
- Art. 59** - The weight packing lists, provided by the seller or carrier or by the purchaser or recipient, shall state:
- I - the quantity of bales;
 - II - the identification and numbering of each bale;
 - III - the origin weight of each bale;
 - IV - the weight checked for each bale, if any;
 - V - the tare weight of the bales;
 - VI - the density of the bales, if required;
 - VII - the weighing date; and
 - VIII - the date of shipment and/or receipt of the commodities.
- Art. 60** - No attendance of a party or its authorized representative to the weighing act will involve:
- I - acceptance of the data collected by the recipient or carrier, without any right to protest, if delivery is proven by notice; or
 - II - the right to ask for reweighing of the commodities, in the absence of the notice referred to in item I, in case the absent party does not agree with the data provided by the recipient or carrier.
- Paragraph 1** - The request referred to in item II of this article head shall be submitted by the recipient or carrier within three (3) business days as of the receipt of such data.
- Paragraph 2** - The reweighing mentioned in item II shall be made by the recipient or carrier within a maximum period of six (6) working days as of the request date.
- Paragraph 3** - In the event there are no irregularities during reweighing, the party who requested it will be responsible for all expenses incurred.
- Art. 61** - In the case of transfer(s) of bill of lading or delivery order of the cotton, when there has been no weighing of the commodities in successive transfers, the last recipient, within the regulation term, will weigh the commodities, and this will be definitive for all carriers.
- Art. 62** - If weighing is not made within the regulation period, for all purposes, the original delivery weight is valid.

SECTION II - COMMODITIES QUALITY CHECK

- Art. 63** - Unless otherwise stated, the buyer must check the quality of cotton and may protest and ask for Determination within one hundred and eighty (180) calendar days as of delivery date.
- Paragraph 1** - When delivery is made in instalments, the check term will be counted as of each one of them.
- Paragraph 2** - No protest about quality will be dealt with if the commodities are not in the check location.
- Art. 64** - Quality checking procedures will observe the following:
- I - in Agreements that stipulate the use of the universal pattern, bales should be identified and their quality should be compared with the USDA patterns in force; and
 - II - in Agreements that stipulate quality per sample or a particular pattern of the seller, the samples taken from bales should be compared to two (2) of the three (3) samples sealed by the

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seller, which served as basis for the Agreement and should be in possession of the buyer.

III - preliminary check (take up) based on one hundred percent (100%) of the lot samples.

Paragraph 1 - In case the buyer does not approve the quality at the time of take up, sellers shall replace bales of unapproved lots until the approval of the contracted amount and, unless otherwise specified, "*take up not approved and not sold.*"

Paragraph 2 - In the case of prior check (take up) of all samples to choose the cotton lot to be delivered, the buyer, represented by its classifier, shall, during the act of choice, be provided with base samples which served for the trading and closing of the Business, as well as the sample sealed by the seller.

Paragraph 3 - In case of discrepancy, the third sample shall be unsealed in the act and serve to solve any doubts in the act of prior check (take up).

Paragraph 4 - In case of no agreement, the third sample will be sealed again by the classifiers and, along with the other samples, representing ten percent (10%) of the chosen samples, will serve as base for Determination, which will be requested by the interested party and shall be made by two (2) arbitrageurs or classifiers appointed by the parties, followed by a third one, to be designated by the first two.

Paragraph 5 - After checking all samples (take up), classifiers must seal the packages containing the approved and listed samples, which will be stored and made available for the purchasers for a period of one hundred eighty (180) days as of the date of commodities deliveries and shipments, being confirmed that samples serve as confirmation tests of the quality of the commodities sold and, therefore, the seller may not demand them back or charge for them.

Paragraph 6 - In case of discrepancy between the cotton delivered and the samples submitted for prior checking (*take up*), packages must be opened in the presence of the classifiers of the parties, and the same procedures described in item II and paragraph 5 of this Article shall be followed.

Paragraph 7 - Should any difference be found, sellers will be responsible for replacing the cotton delivered.

Paragraph 8 - Concerning import or export Businesses, once a quality difference is found, it will be settled per difference.

Paragraph 9 - In the case of Agreements in which the submission of results of HVI is agreed, unless expressly provided otherwise, they shall be delivered printed until the moment of prior checking (take up).

Paragraph 10 - In the event of paragraph 9, if there is no submission of HVI on the date of the Take up, it will only be considered approved up to the moment it is submitted and approved.

Paragraph 11 - Accepting lots with HVI results out of contractual specifications, as well as of lower visual quality than the contracted one, is at the buyer's sole discretion.

Art. 65 - The samples taken by the buyer, with optional assistance of the seller, will have a minimum weight of two hundred (200) and maximum of three hundred (300) grams per bale, and shall follow the technique adopted by the classification service indicated by Bolsa.

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CHAPTER VI - PAYMENT

SECTION I - PAYMENT

Art. 66 - Payments should be made according to contract provisions.

SECTION III - NONPERFORMANCE

Art. 67 - An Agreement will be deemed not executed in case of non-performance of any of its provisions, failure to comply with any provision of this Regulation or other rules of Bolsa.

Art. 68 - In the event of total or partial non-performance of an Agreement, its liquidation shall be effected in accordance with the provisions of this Regulation.

Art. 69 - Breach of an Agreement, in whole or in part, will entitle the non-defaulting party, at their choice, to:

I - opt for the Business cancelation and the consequent termination of the Agreement;

II - promote its respective liquidation due to total or partial difference; or

III - opt for the termination of the Agreement and claim for the payment of compensation penalty, if provided for by the Agreement.

Sole Paragraph - The non-defaulting party, by opting for the liquidation of the total or partial difference of the Business, shall clearly inform in the notice to the defaulting party which part they are referring to, and for such, the date of notice should be considered.

Art. 70 - The notified party will have three (3) working days to submit a counter notification, if applicable.

SECTION III - LIQUIDATION BY DIFFERENCE

Art. 71 - The amount payable during liquidation by difference will be calculated based on contracted prices and quotations of the Available Market, supplied by the Board of Cotton Brokers, upon request.

Art. 72 - During liquidation by difference, delivery tolerance percentages for more or less referred to in Art. 28 will not be accepted.

Sole Paragraph - If, in the Agreement, the amount is indicated in bales and the total corresponding weight is not listed, liquidation by difference will be based on two hundred (200) net kilograms per bale.

Art. 73 - Liquidation by difference will be made by agreement between the parties or by arbitral award.

Sole Paragraph - Notifications and counter notifications should be made with a copy to Bolsa.

Art. 74 - The defaulting party will have a period of six (6) calendar days, as of the day the award is received, to pay the non-defaulting party the sum calculated in the liquidation by difference, unless the parties agree on another period.

CHAPTER VII - CLASSIFICATION AND DETERMINATION

SECTION I - PROCEDURES

Art. 75 - The classification of cotton lint made by Bolsa or by whom it indicates is based on universal

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patterns, by means of delegation of official bodies, or in particular patterns or brands deposited in it.

Art. 76 - Any interested party that does not agree with the original classification may ask Bolsa the corresponding Determination, upon payment of the established costs.

Paragraph 1 - Determination will be made on new samples of respective bales, drawn by mutual agreement between the parties, with no right to appeal.

Paragraph 2 - The type of cotton may also suffer objection in the case of deterioration or breakdown of the bale, duly cleared by Bolsa or by whom it indicates.

Paragraph 3 - Interested parties are allowed to follow up the extraction services of samples, without intervening in their execution.

Art. 77 - Determination requests may be accepted for part of the delivered bales.

Art. 78 - Requests for Determination may include more than one delivery, provided that within the term limits mentioned in Art. 32.

Art. 79 - Determination will be conducted by a committee of three (3) classifying technicians, one appointed by the buyer, one appointed by the seller and a third one appointed by the first two classifying technicians, among the members of the classification arbitrageurs board provided by Bolsa.

Art. 80 - Samples for Determination will be given to the technicians and arbitrageurs without any reference or indication of origin.

Art. 81 - The result of Determination replaces that one of the original classification, for the amount under discussion.

Art. 82 - In the Businesses conducted by sample or a particular pattern, in the case of checking or Determination, the sample or sealed pattern will be taken as a base.

Art. 83 - Disagreement in reference to the Agreement based on samples, types or brands will be solved by Bolsa or by whom it indicates; along with the request for intervention, types, brands or sealed samples will be delivered by both parties, to serve as a basis for judgment.

SECTION VIII - GENERAL PROVISIONS

SECTION I - INTERNATIONAL OPERATIONS

Art. 84 - The Businesses of cotton lint import and export made by Brokers are subject to the provisions of this Chapter.

Art. 85 - Import and export operations will be recorded in SINAP, in accordance with this Regulation.

Art. 86 - Parties may use the definitions contained in Incoterms.

Art. 87 - The contracting parties are free to choose the Determination Court applicable for the transaction.

Paragraph 1 - During the quality Court Determination, pursuant to the covenants signed by Bolsa with international entities, the contracting parties, by mutual agreement, may establish the supervision and the place where the Determination procedures will be performed.

Paragraph 2 - The quality Determination, in Brazil, will always be done under the supervision of Bolsa or by whom it indicates.

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SECTION II – COURT OF ARBITRATION

Art. 88 - The Parties shall include in the Agreement an arbitration clause electing the Court of Arbitration of Bolsa or another determination chamber previously approved by the Board of Directors of Bolsa to manage disputes arising from registered Businesses.

Paragraph 1 - The rules and procedures set forth in the Regulation of Court of Arbitration of Bolsa apply to the operation of the Court of Arbitration.

Paragraph 2 - In case of non-performance of an arbitral award of any of those involved, Bolsa will consider the Registration cancelled, without prejudice to other responsibilities that might arise for the parties, with the ban of Brokers from executing agreements with the defaulting party, in addition to the disclosure of such fact to the relevant national and international bodies.

SECTION III - WORKING DAYS AND HOLIDAYS

Art. 89 - For the purposes of this Regulation, there will be considered holidays, in addition to Sundays and national, state and municipality holidays at the delivery location set forth in the Agreement:

I - the days when Bolsa is closed;

II - the days when banks of the paying locations are closed; and

III - the days when railroads, general warehouses and customs do not receive any loads for clearance or do not deliver them, considering these cases only for effect of lapse of time in reference to the shipment or delivery.

Art. 90 - In cases where there is a contract stipulation of day and time, holidays and equivalent days in the terms of the previous article will not be considered.

Art. 91 - For acts that depend on the operation of general warehouses, the official business hours of each location should be observed.

SECTION IV - FINAL PROVISIONS

Art. 92 - Parties may, at any time, subject to the provisions of Art. 3, change, by mutual consent, the terms and conditions of their Agreements.

Art. 93 - Tolerance between the parties of any breaches of this Regulation or the Agreements does not mean waiver of rights.

Art. 94 - Terms, when not determined in this Regulation, are counted according to the principles of the applicable civil and commercial legislation.

Art. 95 - All notices to Bolsa, pursuant to this Regulation, will be made in writing.

Art. 96 - Bolsa may modify, at any time, the terms and conditions of this Regulation.

Art. 97 - Cases omitted from these Regulations will be solved by the General Director, who will be also responsible for issuing the rules and establishing the necessary procedures.

Art 98 - This Regulation is made up by the Circular Official Letters relating to the matter, the Articles of Incorporation of Bolsa and other standards issued by it.

Art. 99 - Bolsa is not liable for:

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- a) the performance of obligations of the parties or Brokers of Businesses registered in SINAP;
- b) the accuracy, authenticity and/or regularity of the Information provided by Brokers when registering a Business in SINAP;
- c) any mistakes, omissions, defects or irregularities concerning the Businesses registered in SINAP;
- d) the conditions agreed in the registered Businesses; and
- e) the financial transactions, payment or liquidation of credit, charges, guarantees and any sums relating to the Businesses registered in SINAP.

Art.100 - Bolsa will not be liable for any loss or damage of any nature or cause, suffered directly or indirectly by any Brokers, parties, and third parties arising from the misuse of SINAP, as well as interruptions, failures or performance of SINAP.

Art. 101 - With the exception of situations where the arbitration agreement is applicable, the Court of the State Capital of Sao Paulo is competent to resolve any disputes arising from this Regulation.