



COTTON GROWERS COOPERATIVE
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MARKETING POOL TERMS and CONDITIONS

The terms and conditions stated in this document are hereby attached to and expressly made a part of the Membership and Marketing Agreement executed between the Member and Carolinas Cotton Growers Cooperative, Inc.

TERMS AND CONDITIONS APPLICABLE TO BOTH THE SEASONAL POOL AND CALL POOL

1. The Board of Directors of the Cooperative, at its sole and exclusive discretion, shall determine the sign-in/sign-out period of the marketing pools, and the Cooperative shall notify pool members in writing of such sign-in/sign-out period. If Member does not notify Cooperative in writing of any changes during the sign-in/sign-out period, this contract shall continue in effect automatically for subsequent crop years.
2. The Cooperative reserves the right to close or limit the sign-in of cotton into any pool any time the Cooperative determines a sufficient quantity of cotton has been obligated to be delivered to such pool.
3. Notices required hereunder to the Cooperative shall be in writing addressed to its principal office in Wake County, North Carolina.
4. **Upon designation of Cotton into any Cooperative marketing pool, the designation shall continue in effect from year to year until canceled or changed by Member or Cooperative in accordance with the Membership and Marketing Agreement during the sign-in / sign-out period.**
5. Member agrees to notify the Cooperative of marketing pool designation and other information required by the Cooperative by completing the Farm Information and Pool Notice form supplied by the Cooperative.
6. Member agrees to practice normal, good farming methods in the production and harvesting of the crop.
7. Member agrees to notify the Cooperative in writing immediately of any crop loss.
8. Cooperative may examine gin records and FSA records for any information concerning the Cotton, and Member hereby directs that such information be released to Cooperative upon request by the Cooperative.
9. All Cotton shall be invoiced based on the net warehouse weight or net gin weight, at the sole discretion of the Cooperative.
10. The average weight of all bales of Cotton delivered shall be a minimum of 470 POUNDS net weight and a maximum of 530 POUNDS net weight. If necessary, Cooperative may require Member to adjust the number of bales delivered to meet such weight requirements.
11. All Cotton must be packaged in bagging and ties approved by the Joint Industry Committee on Bale Packaging, which qualifies it to be placed under Government Loan.
12. Cooperative shall have the right to reject any Cotton delivered if the Cotton fails to meet the Cooperative's then-current criteria for cotton as the Cooperative may from time to time announce criteria for Cotton that qualifies for purchase. In any event, Cotton must meet the following criteria:
 - (a) Cotton must be upland variety and must be harvested by spindle picker harvesting equipment. Cotton planted as ultra narrow row or harvested by stripper picker harvesting equipment does not qualify and shall not be accepted.
 - (b) Bales weighing more than 600 pounds or less than 325 pounds will be accepted at the sole discretion of the Cooperative. If such bales are accepted, an additional 200 point discount shall apply.
 - (c) Cotton ginned on a lint retrieval gin shall not be accepted.
 - (d) Only universal density bales shall be accepted. Flat bales shall not be accepted.
 - (e) The Cooperative may reject any Cotton (i) which is falsely packed, water packed, repacked or re-ginned, (ii) which is oily, seedy, below grade, (iii) which contains chemical additives, or (iv) which is not identified by a Permanent Bale Identification tag.
13. Initial payments and advances for Cotton shall be adjusted for quality according to the applicable crop year schedule of premiums and discounts as published by the Cooperative for each marketing pool.
14. The Cooperative shall deduct from the cotton proceeds the legally authorized fee per bale for Research and Promotion.
15. The Cooperative may deduct ginning fees, warehouse charges and other service charges applicable to the Cotton from any payment.
16. The Cooperative may issue any check representing proceeds of the Cotton jointly payable to Member and any lienholder or to Member and any landlord or tenant, as applicable.
17. Member agrees to reimburse Cooperative for all expenses, legal, market, or otherwise, which Cooperative incurs by reason of any liens or claims on the Cotton not disclosed in writing by the Member to Cooperative.
18. If more than one Member, their obligations hereunder shall be joint and several.

TERMS AND CONDITIONS APPLICABLE TO THE SEASONAL POOL ONLY

1. Member, by executing this contract and designating Cotton to be marketed in the Seasonal Pool, relinquishes all rights with respect to the Cotton designated to be delivered to the Seasonal Pool (including all marketing rights). The Cooperative shall have the sole and exclusive rights of ownership as to such Cotton. Each person or entity executing a Membership and Marketing Agreement hereby releases the Cooperative and all officers, directors, employees and agents of the Cooperative, specifically including all members of the Seasonal Pool Committee and the Board of Directors of the Cooperative (the foregoing being hereinafter referred to as the "Indemnified Parties") from any and all liability arising as a result of any Indemnified Parties' actions, inactions, decisions or functions in connection with the Seasonal Pool, including (but not limited to): the price at which to sell the Cotton, the time at which to sell the Cotton, the terms and conditions of the sale, and all decisions with respect to the warehousing and disposition of the Cotton. Each person or entity executing a Membership and Marketing Agreement jointly and severally agrees to indemnify the Cooperative and the other Indemnified Parties from any and all of such liabilities or assertions of liability against the Cooperative by each such person or entity executing a Membership and Marketing Agreement.
2. The Cooperative agrees to market the Cotton delivered to the Seasonal Pool and to pay the Member that proportion of the margins received from the sale of such Cotton as his (her) patronage bears to the aggregate patronage of all Members under this pool after deduction of expenses for

administering the pool, reserves, shipping, storage and interest, if any thereon. The Cooperative is authorized to make such allocations on the basis of separate departments or pools for different qualities, products or services as may be determined by its Board of Directors. It is understood and agreed that the Cooperative may market and account for all cotton delivered hereunder separately when there is a difference in value resulting from the area of growth, variety, strength, or other conditions. This provision, however, shall be subject to all other provisions of this agreement.

3. The Cooperative agrees to establish a Seasonal Pool Committee and the functions thereof shall be advisory to the Cooperative staff in the marketing of Cotton through the pool. The size of the lots, the time of the sale, the price of the sale and terms and conditions of the sale shall be determined solely and exclusively by the Cooperative and the Seasonal Pool Committee.
4. All Cotton marketed in the Seasonal Pool shall be stored at a licensed bonded warehouse with a Cotton Storage Agreement with CCC.
5. Upon receipt of Member's warehouse receipts and USDA classing information, the Cooperative shall issue an advance payment equal to no less than the CCC loan value for the Cotton adjusted for the Cotton Board assessment, applicable payment limitations, quality, ginning, warehousing and other applicable service charges as determined by the Cooperative.
6. Progress payments, if any, will be made as authorized by the Cooperative Board of Directors with final settlement being made no later than September 30 of the year following the crop year.
7. The Cooperative shall have a lien on all Cotton delivered to it hereunder for the amount of all advances, charges, and liabilities incurred with respect thereto for its processing, handling, transportation, storage, labor and other lawful charges and expenses necessary for its preservation as reasonably incurred in its sale. To the extent of Member's interest in the margins from the seasonal pool, such charges shall be payable by Member from advances and/or progress payments.
8. This pool shall close when all Cotton marketing decisions are complete, including but not limited to pricing, sales and disposition. Within a reasonable time after the close of the pool, an accounting shall be made by the Cooperative to all Members who participated in this pool.

TERMS AND CONDITIONS APPLICABLE TO THE CALL POOL ONLY

1. The futures price refers to the ICE Futures US exchange price quotation for the contract month and year.
2. The initial basis refers to the points per pound that the Cooperative establishes at the beginning of each crop year as the amount to be deducted from the Member called futures price upon initial invoicing of the Cotton that reflects expenses and reserves anticipated by the Cooperative for the applicable crop year.
3. The final basis refers to the points per pound that reflects the actual expenses (as determined by the Cooperative) of marketing the Cotton in the pool including selling, general, administrative, storage, shipping, interest, reserves and hedging. The Cooperative shall determine the difference between the initial basis and the final basis, if any, and such amount shall be settled to the Member's account.
4. The contract price refers to the futures price less the applicable basis points and shall be based on 41-34 Leaf Factor 4 and better, Micronaire 3.5 through 4.9, USDA Smith-Doxey Classification Grades to govern.
5. Member may price the Cotton at any time while the ICE Futures US exchange is open and trading through the last trading day prior to the first notice day of the futures contract month.
6. The maximum amount of Cotton allowed to be priced before harvest shall be the greater of 500 pounds or 60% of the Member's FCIC Actual Production History (APH) per planted acre or intended planted acre as designated on the Farm Information and Pool Notice of such Member.
7. The Member shall be required to deliver all Cotton with a called price even in the event of a production shortfall as referenced in item # 17 of the Membership and Marketing Agreement. In the event the Member is unwilling or unable to deliver all Cotton in satisfaction of any called price contract, the Member shall pay to the Cooperative a cash settlement based upon the difference between the called futures price and the nearby contract month ICE Futures US exchange quotation for the shortfall in Cotton required to be delivered by such Member. The calculation of the cash settlement, based upon the foregoing formula, shall be determined by the Cooperative, and shall be conclusive absent manifest error.
8. The basis points off any futures month for unpriced Cotton will be widened by the market differences established by the Member in rolling the Member's cotton forward. If the Cotton is not priced or rolled by the Member prior to the first notice day of the respective futures contract month, it will be rolled forward by the Cooperative based on market differences of posted last prices of the last trading day before first notice day.
9. The Cotton cannot be rolled forward past the futures month of July following the crop year. All Cotton not priced by the last trading day before first notice day of July following the crop year shall be settled based on the posted last price of the last trading day before first notice day of July.
10. In the event of an inverted market (i.e., the distant month price is less than the nearby month price) when rolling the Cotton, the Basis shall not be decreased when rolled.
11. Rule 5 warehousing fees shall apply to all Call Pool bales at time of initial invoice, unless otherwise stated in Contract and Basis Conformation notice.
12. Settlement of the contract price shall be made to the Member upon delivery of the Cotton either in full or in installments as determined at the sole discretion of the Cooperative.
13. For CCC Loan eligible cotton, the Member may request an advance equal to no less than the CCC loan value of the Cotton at any time prior to final settlement of the Cotton. The advance amount will be adjusted for the Cotton Board assessment, applicable payment limitations, quality, margin requirement, ginning or other service charges as determined by the Cooperative.
14. Advance funds and the rate thereof for non-eligible bales shall be made only at the sole discretion of the Cooperative.
15. If Member accepts an advance from the Cooperative for any cotton delivered under the terms and conditions of this contract, it is understood by Member and Cooperative that final settlement will be based on the difference between the contract price and the funds advanced.
16. A 5-cent per pound margin between the amount of funds advanced and the then calculated settlement value shall be maintained at all times. The Cooperative shall attempt to notify Member of any margin requirement by any available means including (but not limited to) telephone, answer machine, writing or email; however, Member agrees that maintaining the required margin shall be the responsibility of the Member, whether or not such notification was received by the Member.
17. At any time the amount of funds advanced and the then calculated settlement of the Cotton are equal, the Cooperative shall determine the funds advanced as the final settlement.