

April 3, 2008

To: Members of the National Cottonseed Products Association

PROPOSED AMENDMENTS
TO THE
TRADING RULES

The following amendments to the Trading Rules have been proposed for consideration by the Rules Committee, which will meet at 10 AM on Sunday, May 4, at the Hilton Sandestin Beach Resort in Destin, Florida. All members are encouraged to attend the meeting and participate in the discussions.

To simplify reading of the proposed changes, new or amended language is underlined. Language to be deleted is struck through. New sections or rules are marked as such. Where a word or phrase has been dropped with no replacement that fact is indicated by.....

Regards,



Ben Morgan
Executive Vice President

PROPOSED AMENDMENT #1

CHAPTER II. COTTONSEED

Article 1: Definitions of Words and Terms

RULE 111: A Carload Lot of Cottonseed

Except in cases where the tariff of the railroad, over which a shipment moves, specifies a higher minimum weight, a carload lot of cottonseed, for contract purposes, shall be ~~fifty~~ sixty tons.

** The change needs to be in line with the change made to the Feed Grade Rule F-3 a couple years ago. The rules committee needs to replace “shall be fifty tons” so it will read “shall be sixty tons” in Rule 111.

PROPOSED AMENDMENT #2

CHAPTER 1. GENERAL RULES

Article 7. Arbitration

The arbitration system of this Association shall comprise as many Arbitration Committees, consisting of at least three but no more than five members, as may be required by the nature and variety of disputes arising. The Secretary shall have the authority to make such decisions as are necessary to carry out these Rules. The purpose of arbitration in this Association is to settle disputes, adjust unsatisfactory conditions, and avoid litigation among its members and nonmembers subject to these rules. All terms used in these rules are intended to be gender neutral (i.e., references to “him” include “her” and “it”; references to chairman are without regard to gender).

RULE 80: Agreement To Arbitrate.

National Cottonseed Products Association (NCPA) may properly consider a case involving a dispute between or among any of the following:

(1) Active members of the National Cottonseed Products Association (NCPA) (among whom arbitration by the Association is made compulsory by the Association Bylaws). For purposes of compulsory arbitration, the term “dispute” shall mean issues involving the warehousing, processing, manufacturing, merchandising, financing, transportation, or distribution of Cottonseed or Cottonseed Products within or between the United States, Mexico or Canada; or any issue involving the NCPA Trade Rules;

(2) Active members of the National Cottonseed Products Association (NCPA) and nonmembers, by consent of both parties or by court order. In the absence of a court order a case between a

member and a nonmember may not be properly considered by the Arbitration Committee without the consent of both parties. If the contract in dispute between a member and nonmember provides for arbitration by the National Cottonseed Products Association (NCPA) or under its Arbitration Rules, the parties to the contract shall be deemed to have consented to arbitration under these Arbitration Rules;

The following general rules of contract interpretation shall apply in NCPA arbitration cases:

- (1) In cases between NCPA Active members, the NCPA Trade Rules shall be deemed to apply unless they are inconsistent with the express contractual terms governing a transaction;
- (2) If a contract between a member and nonmember references NCPA Arbitration but does not also reference the NCPA Trade Rules, the NCPA Trade Rules do not expressly govern the transaction but they may reflect general customs and practices of the trade.
- (3) A general reference to NCPA rules shall be deemed to incorporate all rules of this Association including the Trade Rules and Arbitration Rules.

The original complaint in connection with any disputed matter proposed for arbitration must be filed with the Secretary within twelve (12) months after a claim arises, or within twelve (12) months after the expiration date for performance of the contract or contracts involved, whichever occurs last; except that in cases between a member and nonmember arbitrated pursuant to a court order, the complaint must be filed within 30 days of issuance of the court order, or within twelve (12) months after a claim arises, or within twelve (12) months after the expiration date for performance of the contract or contracts involved, whichever occurs last. Except where otherwise provided, the term member(s) as used in these Arbitration Rules shall mean Active members accorded arbitration rights by the NCPA Board of Directors. The term nonmember(s) shall mean any other individual or firm.

Each member of this Association, upon applying for membership, has agreed to submit to arbitration any dispute with another member arising out of any contract for the purchase or sale of commodities covered by these Rules. Each member has also agreed and obligated himself to abide by any final award made by an arbitration committee of the Association.

Any member involved in a dispute may demand arbitration and, when such demand has been made, each disputant shall sign the standard form of agreement to arbitrate, as set forth in Rule 81. If the questions at issue and the evidence pertaining thereto are the same, two or more contracts between the same parties may be included in one arbitration agreement. If the questions and evidence are different or relate to quality, requiring different sets of samples, a separate arbitration agreement shall be signed for each contract; or, if the disputants request that different issues be covered by a single arbitration agreement, a separate fee shall be assessed for each contract involved.

~~When a request is filed for arbitration under the regular Rules involving only dealer members, the parties involved may, upon unanimous written consent of all, petition the Board of Directors to appoint a special arbitration committee. In such event, the President shall select a committee from the Roster of Dealer Members, such committee to consist of not less than three (3) or more than five (5) Dealer Members.~~

In arbitrations involving the Cottonseed Oil Export Trading Rules, arbitration shall be conducted according to Article 9, Chapter VIII, Cottonseed Oil Export Rules.

RULE 81: Standard Form Of Agreement For Arbitration.

This Article of Agreement, made and entered into this day of 19.....

WITNESSETH:

That whereas differences and controversies are now existing and pending between as Complainant and as Defendant in relation as covered by contract identified as follows: Date.....Broker

NOW, THEREFORE, WE, THE UNDERSIGNED, do hereby mutually agree to submit the entire controversy arising out of said transaction to the arbitration and decision of an Arbitration committee of the National Cottonseed Products Association, Inc., according to the rules, regulations and By-Laws of said National Cottonseed Products Association, Inc., and we do further authorize and empower the said Committees to arbitrate, award, adjust and determine the differences now existing between us in the aforesaid matter.

AND WE DO FURTHER COVENANT AND AGREE that the award to be made as aforesaid, by the said Committee on Arbitration, shall in all things, by us and each of us respectively, be well and faithfully performed; that we will stand to, abide by, and fulfill the same, and that we will pay whatever sum of money may be awarded, as aforesaid.

AND FURTHER, that we will abide by the rules, regulations and By-Laws of said National Cottonseed Products Association, Inc., and deposit all funds as outlined in the fees for arbitration with the Secretary prior to commencement of arbitration. ~~in the Association, as required, the sum of \$4,000 cash or equivalent amount by surety bond to cover the probable cost of this arbitration.~~

AND WE DO FURTHER AGREE that the award, if made in writing and signed by the arbitrators, and attested by the Secretary of the National Cottonseed Products Association, Inc., may be entered on the records of the court of jurisdiction in the State and County or Parish in which we or either of us reside, and that judgment may be had thereon in accordance with the terms thereof.

AND WE DO FURTHER AGREE that whatever samples, if any, which may be submitted by either party to the controversy for examination, may be destroyed or otherwise disposed of at the end of thirty days after the hearing of this case, if not otherwise instructed.

----- Complainant

Defendant

Note: Complainant should prepare and sign five copies of this Agreement or Arbitration, retaining one for his files and sending four to the Secretary of the Association. All copies of papers submitted as evidence in arbitration must be certified to, in accordance with Rule 85.

RULE 82: Duties Of Arbitration Committee.

If a dispute is submitted to an arbitration committee, it shall be the duty of such committee, as soon as practicable after it has received all evidence, to review ~~meet~~ and to render a decision. The committee's decision shall be made in accordance with these Rules.

The committee shall set forth in writing its decision and the reasons therefore. Three copies shall be submitted to the Secretary who shall send one copy to each person involved and retain the third copy with his records. All documents, samples, or the evidence shall be returned to the Secretary to be retained by him in the event that an appeal from the committee's decision is taken.

RULE 83: Powers And Duties Of The Secretary.

The Secretary shall follow the procedure set forth in Rule 84, procuring from each contestant the standard form of agreement to arbitrate, properly executed, and the ~~deposits-fees~~ required by Rule 91. The Secretary also shall receive from and transmit to the contestants the several documents that must be exchanged, call meetings of the arbitration committees when necessary, disburse the fees and expenses allowed under Rule 91, and furnish each contestant to a dispute with a copy of the arbitration committee's decision and award.

Unless otherwise specified, all notices issued by the Secretary and all briefs and other documents transmitted by him shall be sent by registered or certified mail and a return receipt obtained.

Such receipts shall be retained by the Secretary so that his records will show that the time limits provided in Rule 84 have been observed.

RULE 84: Arbitration Procedure.

Sec. 1. The member demanding an arbitration will be referred to as the complainant. The person against whom an arbitration is demanded will be referred to as the defendant.

Demand for arbitration shall be made by letter or telegram addressed to the Secretary of the Association within 90 days after the complainant's right to arbitrate has accrued. When such demand is made, the Secretary will immediately furnish five copies of the standard form of agreement to arbitrate. Complainant shall promptly prepare and sign such forms, retaining one copy and returning four copies to the Secretary.

Sec. 2. With such agreement, complainant shall file seven copies of his brief and supporting evidence, and the ~~deposit~~ arbitration fee required by Rule 91. In the brief, complainant shall open his case fully.

As soon as he receives them, the Secretary shall forward to the defendant three of the signed copies of the agreement to arbitrate and a copy of the complainant's brief and supporting documentary evidence. Within five days after receipt of these documents, the defendant shall file with the Secretary two copies of the agreement to arbitrate, properly signed, and the deposit required by Rule 91. Within fifteen additional days, the defendant shall file with the Secretary seven copies of his brief and evidence.

Sec. 3. Upon receipt of these documents from the defendant, the Secretary shall furnish the complainant a copy of the fully executed agreement to arbitrate and a copy of the defendant's brief and supporting documentary evidence. Ten days after complainant receives the defendant's brief, the case shall be submitted to an arbitration committee. Within that ten-day period, complainant may reply to defendant's brief and the Secretary shall immediately furnish the defendant a copy of such reply and any supporting permissible documentary evidence. No additional evidence may be submitted with such reply, except such as may be required to answer points raised in defendant's brief.

Sec. 4. For good cause shown, the President of the Association may, upon written or telegraphic request made within the time limits specified above, extend the time for filing briefs and evidence. In no case, however, shall the time of defendant for filing his brief be extended by more than twenty days, and in no case shall the time of complainant for filing a reply be extended by more than ten days.

Sec. 5. When a case is fully prepared and ready to be assigned for hearing, the Secretary shall assign it to a qualified committee as he may deem advisable for the expeditious handling of the case in the Association. A member of the committee shall disclose to the Secretary any circumstances likely to affect his impartiality, including any bias or any financial or personal interest in the result of the arbitration. Upon receipt of any such information from a committee member, the Secretary shall transmit such information to both parties and replace said member if either party requests such action within five (5) days from receipt of such information or after the voluntary withdrawal of such committee member. Upon assigning a case as herein provided, the Secretary shall notify each party of the names and addresses of the chairman and members of the Arbitration Committee processing said case. Upon receipt of such notice, either party to the case may challenge the appointment of a member of the Arbitration Committee for prejudicial or other causes within five (5) days of receipt of this notice. Upon determination that such challenge is valid the Secretary shall replace such member.

The Chairman of a Arbitration Committee may choose for his committee to determine its awards, by one or more of the methods hereinafter set out provided however, that if either disputant requests an oral hearing same must be held:

- (1) By passing the papers from one to another by mail;
- (2) By calling a meeting of the members of a Committee;
- (3) By calling a meeting of members of the Committee to hear oral argument;
- (4) By such other means as the Chairman may deem necessary.

A decision of the members of an Arbitration Committee shall be by majority vote. A Committee cannot be called together more than once each calendar month, except by the consent of every member of a Committee. A Committee cannot act at a meeting thereof, unless all members are present.

When either party to arbitration requests an oral hearing, the same must be held. Such written request must be made to the Secretary on or before the filing of the defendant's briefs. The introduction of new documents or written evidence at an oral hearing is not permitted.

The party requesting such an oral hearing must pay whatever amounts, in addition to the regular deposits as provided in rule 91, as shall be necessary to cover the approximate additional expenses of the Committee and the Association for the hearing. The amount of such additional expenses shall be determined and fixed by the Secretary. The party requesting an oral hearing shall advance the amount determined necessary to cover approximately the additional hearing expenses, including a stenographic record as set forth and travel expenses as set forth by the Secretary. The Secretary shall notify the requesting party within ten (10) days after appointment of the Arbitration Committee what the approximate expenses of the hearing will be. If both parties request an oral hearing, the amount to be paid by each in advance shall not exceed one-half of the estimated amounts. The amount specified shall be advanced by the requesting party no later than ten (10) days after notification from the Secretary. Failure to advance expenses may be grounds for denying a request for an oral hearing. After the Committee determines and fixes the actual amount of additional expense incurred, the party or parties shall be refunded or billed by the Secretary for the difference between the amounts advanced and actual costs.

In the event of an oral hearing, the Secretary shall make the necessary arrangements for the taking of an official stenographic record of the hearing. The party or parties requesting the oral hearing shall pay the cost of such record directly to the Secretary in accordance with the normal procedure for paying the hearing costs. The Secretary shall pay the reporting agency in accordance with their agreement. The stenographic record shall be made a part of the official transcript of the case. When a case is to be considered as above for oral hearing, the Chairman of the Committee shall fix a time and a place for its hearing, and shall give the Secretary twenty (20) days notice of the date and the place so fixed, so as to enable the Secretary to give the parties to the arbitration fifteen (15) days notification of the date and the place of the hearing. Neither party shall seek to postpone the hearing of a case longer than ten (10) days after such date has been set, unless good cause, satisfactory to the Committee, can be shown therefore. Requests for postponement must be received by the Secretary at least ten (10) days prior to the date set for hearing. The members of the Arbitration Committee, the Secretary, and the Association's legal counsel shall receive the amount of their actual traveling and hotel expenses when attending meetings to consider a case by oral testimony. Arbitration Committee shall act promptly on all cases submitted. The awards of the Arbitration Committee shall be dated on the day they are received at the office of the Secretary, and copies of said awards shall be mailed by the Secretary to the parties to the arbitration within five (5) days after receipt thereof. Each award shall contain a concise statement of the pertinent facts and the conclusions of the Arbitration Committee and the reasons therefore. The parties to the arbitration shall file a notice of appeal, or comply with the terms of the Arbitration Committee's Award within ten (10) days from the receipt of said award.

A bulletin shall be published as frequently as is necessary to give the details, as hereinafter provided, of all cases arbitrated, awards made, and any other information relative to the subject of arbitration which may be deemed of interest to the members of the Association. Copies of the bulletin shall be mailed to all NCPA members.

Said bulletin shall set forth:

- (1) The names of the plaintiff and the defendant;
- (2) The award(s) of the Committee, giving the names of the plaintiff and the defendant in each case, the nature of the case and the amount involved, the award and such other information as may be of interest to the members;
- (3) Notice of failures to comply with the terms of awards, giving a record of each case;
- (4) Notice of refusals to arbitrate, giving a record of each case, and any reasons offered for said refusals;
- (5) Notice of failures to answer the correspondence of the Secretary relative to arbitration.

The Arbitration Committee may include an amount of interest in an award. If interest is awarded, unless otherwise provided by agreement between the parties, the applicable rate of interest shall be the Prime Rate as published in the Wall Street Journal on the date the case was filed.

RULE 85: Appearance and Evidence before Arbitration Committees.

~~Sec. 1. No personal appearance or oral evidence before an arbitration committee will be permitted, except with the consent of the chairman of the committee. If such consent is given to one contestant, the same privilege shall be extended to the other contestant.~~

~~When personal appearance is permitted, it may be made in person or by attorney. Such personal appearance, however, does not relieve either contestant from complying fully with the procedure set forth in Rules 84 and 87.~~

Sec. 2. Evidence may be submitted in the form of samples of the commodities involved, letters, telegrams, contracts or the documents, and ex parte affidavits. Letters, telegrams, contracts or other documents may be either originals or copies. If other than photo static copies are furnished, they shall be accompanied by the affidavit of a credible person that they are true and correct copies of the originals. If copies are used, the arbitration committee shall have the right to demand the originals.

Sec. 3. The arbitration committee shall have the right to require either contestant to furnish any additional documentary or other evidence available to said contestant, which would enable it to give the case intelligent and proper consideration. If the complainant refuses to produce such additional evidence, the committee may, at its discretion, dismiss the complaint. If the defendant refuses to produce such additional evidence, the committee may, at its discretion, decide against him, as if by default.

RULE 86: Handling Samples Submitted For Arbitration Purposes.

If differences exist involving quality, either buyer or seller may instruct the official weigher and inspector or other authorized person holding samples of the commodity involved to forward such samples to the Secretary of the Association. If the contestants are not agreed on the sample(s) to be used in deciding the controversy, the arbitration committee will consider samples furnished by each contestant, provided such samples have been drawn according to methods prescribed in and by persons authorized by these Rules.

Each sample submitted for arbitration purposes shall be given a serial number for identification and all original tags or other identification marks shall be removed and preserved under the same serial number. If analysis is required, such sample shall be referred to an official chemist, designated by the chairman of the arbitration committee. The official chemist shall promptly make the required analysis and shall report his findings to the arbitration committee chairman only. Violation of this Rule by an official chemist will make such chemist liable to expulsion from the Association by a majority vote of the Board of Directors.

RULE 87: Rehearing Before Arbitration Committee.

Any contestant in arbitration who has discovered additional evidence and is dissatisfied with the award of an arbitration committee may have the case reheard by the committee. Application for such rehearing must be filed with the Secretary within ten days after such contestant receives notice of the award.

Within twenty days after he receives notice of the award, the applicant for a rehearing must file with the Secretary, seven copies of such additional evidence and brief as he desires to submit. The Secretary shall promptly furnish the opposite party with a copy thereof. Within ten days after receipt of the brief, said opposite party may file a reply. At the end of such ten-day period, the Secretary shall resubmit the case to the arbitration committee.

RULE 89: Ex Parte Arbitration.

If, in any dispute where arbitration has been demanded, the defendant fails or refuses, within the five-day period provided in Rule 84, to return to the Secretary the standard agreement to arbitrate, properly executed, the complainant may demand an ex parte arbitration. Such demand shall be made by letter or telegram addressed to the Secretary.

Upon receipt of such demand, the Secretary shall notify the defendant that demand for ex parte arbitration has been made. If the defendant fails within five days after receipt of such notice, to return to the Secretary properly executed agreements to arbitrate the Secretary shall refer the matter to an arbitration committee to be selected by the President. Such committee shall consist of not less than 3 or more than 5 members. He shall by telegram notify both complainant and defendant of his action.

The designated committee will proceed with the arbitration and its decision will be binding on all contestants involved. Any documents filed with the Secretary by the defendant before the case is heard may be considered by the committee, if it so desires. Costs of the arbitration will be charged to the complainant but the committee shall if it decides in the complainant's favor, add such costs to the award.

~~RULE 90: Penalty For Refusal To Comply With Award.~~

~~——— If any member or non-member of this Association shall fail or refuse to carry out a final award of an arbitration committee, the other contestant to the arbitration may report the matter to the chairman of the arbitration committee that heard the case. The latter shall at once investigate and, if the complaint is substantiated, he shall notify the President who, through the Secretary, shall immediately demand of the member or non-member in default full compliance with the award of the committee and the Rules of the Association.~~

~~——— If, within five days after receipt of such demand, the member fails or refuses to comply, he shall be expelled from the Association. Notice of such expulsion, signed by the President and the Secretary, shall be sent the defaulting member. A circular letter, advising that such member has been expelled for refusal to abide by an arbitration award, shall be sent to each member of the Association. Any member so expelled shall not again be admitted to membership in the Association until he has paid and satisfied in full the award against him, and then only upon a majority vote of the Board of Directors.~~

~~——— If within five days after receipt of such demand, the non-member fails or refuses to comply, a notice of such failure or refusal, signed by the President and the Secretary, shall be sent the defaulting non-member. A circular letter, advising that such non-member has failed or refused to abide by an arbitration award, shall be sent to each member of the Association. Any non-member, that has such actions taken against him shall not be admitted to membership in the Association until he has paid and satisfied in full the award against him, and then only upon a majority vote of the Board of Directors.~~

RULE 91: Deposits and Costs. Arbitration Fees

Sec. 1. Claim up to \$100,000: \$500, plus 1% of the claim;

Claim up to \$100,001 to \$500,000: \$1,000, plus ½% of the claim;

Claim up to \$500,001 and greater: \$2,000, plus ¼% of the claim;

The maximum arbitration service fee shall be \$10,000.

In the event a case is settled prior to the request to the plaintiff for rebuttal, parties may receive as refund of arbitration fees, up to fifty percent (50%) of the previously submitted fees. In all cases, the Secretary may reduce refunds by direct or indirect costs incurred by the Association in connection with a case. For cases settled following submission of the rebuttal, fees are non-refundable. In string or other multiparty cases treated as a single arbitration by the Association, a party shall not be required to pay more than a maximum of two arbitration service fees. Each Association member who is party to an arbitration or a hearing shall, when complaint is filed and the response is made, as the case may be, deposit with the Secretary the sum of \$4,000 cash or equivalent amount by surety bond. Deposits so made shall be held by the Secretary until a final decision is reached. At that time, the deposit(s) of the ultimate loser shall be credited toward payment of the cost of the proceeding(s), including those of the original hearing and any rehearing.

Sec. 2. Each Association member of an arbitration committee shall have refunded to him the actual expense incurred by him to attend a meeting of the committee. Such expense shall be treated as costs. If a committee decides more than one case at a single meeting, the expenses of committee members shall be prorated equally to the cases so heard.

~~The entire cost of arbitration, including any rehearing, shall be paid by the final loser. If, however, the loser satisfies the committee that he had offered a compromise settlement that was greater than the award and was rejected, and if such an offer was renewed before the committee, cost of the proceeding shall be paid by the party in whose favor the award is made.~~

~~Sec. 3. When a proceeding is concluded, the Secretary shall, from the deposit(s) of the party against whom costs are assessed, pay all costs and return to the other party his deposit. If a deposit is insufficient to pay all costs, the party against whom such costs are assessed shall immediately pay the difference to the Secretary.~~

RULE 92: Notice Of Claims And Resignations Pending Arbitration.

Members of the Association should promptly notify the Secretary of the existence of any dispute(s) that may lead to arbitration. The resignation of a member against whom such a complaint has been made or against whom arbitration has been demanded shall not be accepted until such complaint or arbitration is finally settled.

RULE 93: Arbitration Between Members And Non-Members.

No non-member may demand arbitration against a member of this Association.

~~If a dispute arises between a member and a non member, arbitration may be held if the member originates the request and the non member is agreeable thereto. In such cases, the non member must either (a) apply for membership, accompanying such application by the prescribed membership and arbitration fees, or (b) deposit with the Association the regular arbitration fee plus a special fee equal to 25 per cent of the cash amount involved in the dispute, but not in excess of \$250.00. In cases where no cash amount is involved or such amount cannot be determined prior to arbitration, the non member shall deposit, in lieu of the special 25 per cent additional fee, an amount to be fixed by the President.~~

~~If a dispute arises between a member and a non member on a NCPA contract and the member originates a demand for arbitration and the non member is not agreeable thereto or does not respond to the demand to arbitrate, the Secretary of the Association shall, within thirty (30) days of making the demand to arbitrate, notify all members of the Association that the non member failed to agree to arbitrate a NCPA contract. If a non member agrees to arbitrate a dispute arising between a member and either fails or refuses to carry out a final award of an arbitration committee, the member may report the matter to the chairman of the arbitration committee that heard the complaint. The latter shall proceed in accordance with the procedures described in Rule 49 to demand compliance and notify all members of non compliance should the non member either fail or refuse to comply with the demand.~~

RULE 94: Arbitration Between Non-Members.

This Association will not arbitrate differences between non-members.