

PO Box 749
Memphis, Tx 79245
806-259-2384
806-259-9934

PURCHASE CONTRACT - BALE CONTRACT

Seller: _____ **Date:** _____

State: _____ **ZIP:** _____

Contract Number: _____

This contract is made between _____ ("Seller")
and K Huddleston Sales Inc ("Buyer") on 2018 _____ (the "Contract").

In CONSIDERATION of their mutual promises the parties agree as follow:

Growth: _____ **Southwest US (Texas, Oklahoma, New Mexico)**

Cotton Crop: Seller is the owner of the cotton crop which is now growing or to be grown during the crop year 2018/2019 and to be delivered to this contract.

~~**Bale Commitment:** Total Bales Contracted: _____ Crop year 2018/2019, Cotton is to be gin run, unculled or selected.~~

Pricing: On-Call, Seller's call at ^{3/19} 250 **Points off December 2018 ICE Futures, FOB Cars.** Warehouse weights will be used to determine the value of each bale. Seller plans to deliver cotton to _____ warehouse. If Seller decides to warehouse it elsewhere it will notify Buyer. Any change in established tariff at time of delivery is for Seller's account.

Base Grade: 31-3-36 (color-leaf-staple), 3.5-4.9 micronaire, 26.0 GPT min. 80.0 uniformity, no remarks...

Loan Differences:

- **GOVERNMENT LOAN DIFFERENCES SHALL APPLY ON ALL OTHER QUALITIES,** deductions pertaining to staple, micronaire, color & leaf, uniformity, strength, extraneous matter or remarks, as well as premiums will apply according to the 2018-2019 crop year CCC Loan rate chart.
- Bales with micronaire below 3.5 and above 4.9 will receive an additional 300 pt. Discount in addition to the 2018-2019 CCC Loan rate discount.
- Below grade cotton is not deliverable on this contract. An offer to purchase this grade cotton will be made to the seller at prevailing market price at time of delivery.

BOOK DURING MARKET HOURS

- Bale weight penalty will apply as follows: 325 to 329 pounds \$10.00/bale; 330 to 379 pounds \$5.00/bale; Bale weights under 325 pounds and over 650 pounds are not acceptable to this contract.

Guaranteed Delivery:

1. Seller guarantees to deliver the full number of bales contracted above as listed in Bale Commitment.
2. In the case of a full or partial crop failure, the buyer will grant the seller permission to substitute bales from other farms or sources equivalent to that of the contracted bales.
3. In the event of and upon notification by Seller of insufficient production to fully satisfy the contracted bale commitment, Buyer will assess its option to execute on of the following options:

- Cancel the balance of the undelivered portion of the contract.

- If bales are on call - Allow the seller to roll the bales due to the 2018/2019 crop at the same basis.

- If bales are fixed price - Allow the seller to roll either on-call or fixed price bales, the seller's inability to deliver the full number of bales contracted and not satisfied by the delivery of the following crop year will entitle buyer to recover damages based on market losses or cost of cover along with all other remedies provided herein and under applicable law.

On-Call Price Fixations:

Fixations are the responsibility of the seller. Seller may fix the price(in 100 bales increments). Seller may transfer the basis from one of the futures month to another futures months, at the market difference between the months plus a 10 point commission. However, in no event shall basis be improved. Seller is to make the final price fixations or transfer his basis prior to close of market on the last trading day for December 2018 NYCE futures contract. Seller may not transfer his basis beyond the July 2019 futures contract. Fixations are to be directed to K Huddleston Sales Inc during normal business hours of 8:00 AM to 5:00 PM local standard time. Telephone: 806-259-2384

Payment and Delivery:

For full payment, delivery of electronic warehouse receipts and class to Buyer must be within thirty (30) days of classing. Cotton delivered after 30 days will incur 3 US cents per pound discount. **Buyer shall make immediate payment upon acceptance of cotton, delivery of warehouse receipts, and USDA class.**

Beneficial Interest:

Notwithstanding any other provision of this contract, the following terms apply and supersede any terms to the contrary:

- (a) This is a deferred price contract pursuant to 7 C.F.R. 1427.5(k),(see Fixation terms).

- (b) Seller-producer has sole discretion to decide whether to obtain a loan deficiency payment("LDP");
- (c) Seller-producer shall retain and does retain title to, control of, risk and loss to, and beneficial interest in the cotton until the Seller invoices the cotton to the Buyer.
- (d) Only after delivery and only after Seller fixes the price (as provided in the "Fixation" paragraph) will Buyer pay for the cotton.
- (e) Any provision of this contract that causes Seller-producer to lose beneficial interest shall be null and void.

Subsidy Payments:

As between the parties, Seller, not Buyer, is entitled to Loan Deficiency Payment, if any. Buyer, not Seller, is entitled to First Handler Payment, if any. This contract is not conditioned on Seller's entitlement to a U.S.D.A. Loan Deficiency Payment, cotton allotment or subsidy payment, whether in cash or in kind. Seller's obligations to plant, cultivate, harvest and deliver, together with all other obligations under this contract, shall not be decreased or increased on account of any transfer, loss, decrease or increase of any cotton allotment or any entitlement to any subsidy payment.

Except as otherwise superseded by the specific terms of this agreement the rules of the Texas Cotton Association shall govern this agreement. Any dispute in connection with this contract shall be resolved by final binding arbitration, and judgement may be entered on the arbitration award. Arbitration shall be conducted pursuant to the rules of the American Cotton Shippers Association. In the event of breach of this contract by either party, the losing party agrees to pay all court and arbitration costs, and reasonable attorney's fees and litigation and arbitration expenses of the winning party. Should any litigation arise in connection with this contract, the parties agree to submit to the non-exclusive jurisdiction of any state or federal court in Dallas, Texas. The cotton which is the subject of this contract will be shipped from the state of origin in the interstate or foreign commerce. Courts may order specific performance of this contract, and obtaining an injunction or specific performance shall not be a waiver of the right to arbitrate.

Seller represents that the following and only the following liens or other interests (including bank and landlord's interests) exist concerning the above described cotton crop and Seller had authority to commit landlord portion of acres to this contract if the landlord portion of acres are included:

Unless stated herein, Seller warrants there are none. Seller warrant that Seller will satisfy all liens and other interests including landlord interest.

General Terms:

(A) Acceptable cotton is that which is picked by hand or conventional machine harvested and excludes any cotton which is picked up off the ground, false packed, water packed, repacked, oily or seedy cotton. The cotton to be delivered in fulfillment of this contract shall be first cotton

harvested in gin run unculled order. Acceptable cotton is packed in bagging and ties approved by the Joint Industry Bale Packaging Committee. (B) Seller has obligation to Plant, Harvest, and Deliver. (C) Seller agrees to practice normal, good farming methods in the production and harvesting of the crop, to see that the cotton is chemically or naturally defoliated before harvest, to harvest, to gin in a normal manner and to deliver as quickly as practical after maturity.(D) This contract is for the purchase of Universal Density Compression Bales Only.(E) Successor and Assigns. This contract shall be binding on each party's successors and assigns shall run with the land.(F) Samples for all contracted cotton. One set of samples shall be sent to USDA for Smith-Doxey class at Seller's expense. Original Smith-Doxey class shall be final.(G) Authorization to inspect records. Seller irrevocably grants Buyer power of attorney to obtain any and all records concerning Seller's cotton production, including, but not limited to, records of: the USDA; gins; agents; other buyers; warehouses; EWR, Inc.; and insurers. Seller agrees to furnish buyer upon verbal or written request, updates on crop conditions, estimated yields, and final module and/or bale counts from acres covered by this contract.

BOTH PARTIES have carefully read and fully understand the terms contained on this contract which represents the entire agreement between the parties. Due to market volatility failure to object to this contract promptly after receipt will be deemed ratification of it.

Seller:

Buyer: K Huddleston Sales

By: _____

By: _____

Street Address

Address(City,State,ZIP)

Telephone