



Basis Trading Authorization

B2B Procedure

The B2B basis functionality, defined in rule 56(a) of The Seam's Rules and Terms, allows sellers to offer cotton with a basis price and buyers to bid on offers with a basis or fixed price (i.e. to simultaneously sell physical cotton and to lift short hedges at a fixed differential). Once a transaction takes place, every basis trade of 50 bales or more will be followed by an Exchange for Physicals (EFP) to take place within the same trading day on trades conducted prior to 30 minutes before the closing of the Cotton #2 futures market at the ICE (currently 1:00 p.m. CT).

At the conclusion of the transaction, The Seam will transfer both the physical cotton and the short futures (i.e. the EWRs and the short hedges) from the Seller to the Buyer. The futures will be exchanged at the settlement price marked on the date of the transaction. All of this is conducted anonymously through The Seam. Trades concluded after 1:00 p.m. CT will be priced on the market settlement price the next trading day. Each counterpart is responsible to notify its broker of the details of the EFP transaction.

G2B Procedure

The G2B basis functionality, defined in rule 56(a) of The Seam's Rules and Terms, allows sellers to receive basis bids on lots of cotton with 50 or more bales. Once a basis transaction has occurred, The Seam will fix the price to the buyer by setting short hedges within a reasonable time after acceptance. The Seam will sell futures contracts equivalent to dividing the total number of bales in the offer by 100 and rounding to the nearest whole number.

Trades can only be confirmed between 8:30 AM CT and 1:00 PM CT under normal ICE trading hours. The Seam will determine the fixed price used in the invoice by adjusting the weighted average price of the futures sold by the agreed basis level. The futures sold will be transferred to the buyer via EFP to the buyer's designated futures account. It is the buyer's responsibility to notify its broker of the details of the EFP transaction. The identity of the counterparts will remain anonymous.

Required Information

To authorize basis trading, please submit the following information:

Company Name:

Broker Company Name:

Broker Telephone:

Clearing House Number:

Account Number:

Authorized Users

Please provide the names of users on your account authorized to trade under basis procedures

Basis Users:

I have read and understand the AGREEMENT FOR PARTICIPATION IN THE SEAM, LLC ELECTRONIC COTTON MARKETING SYSTEM posted on www.theseam.com. I authorize The Seam, LLC to facilitate basis trades on my behalf.

Signature of Authorized Person:

Name of Authorized Person:

Date: