



CANADIAN OILSEED PROCESSORS ASSOCIATION

**TRADING RULES FOR
THE NORTH AMERICAN SALE OF
SOYBEAN OIL
Amended July 2016***

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* Amendments made to Rule 1 Grades and Quality, Section 3 Settlements for Crude Soybean Oil, (i) Official Referee Laboratories



APPLICATION OF TRADING RULES

These Trading Rules are to serve as a guide only for transactions. It is understood that the parties to such transactions are free to adopt, modify or disregard any or all of these Trading Rules. The parties to North American transactions hereby acknowledge familiarity with the text of the North American Trading Rules of the Canadian Oilseed Processors Association, while the parties to offshore export transactions acknowledge familiarity with the text of the Offshore Export Trading Rules of the Canadian Oilseed Processors Association.

GOVERNING LAW

Subject to any express provisions to the contrary contained in these Trading Rules, or in any contract into which these Trading Rules are incorporated, the said contracts and these Trading Rules and the construction, validity and performance thereof shall be governed by and construed in accordance with the laws of the Province in which the head office of the Seller is located (including such laws of the Dominion of Canada as may be applicable), irrespective of the domicile or residence of the Buyer.

RULE 1 - GRADES AND QUALITY

Section 1 - STANDARD OF QUALITY

The standard of quality shall be the designated type of pure Soybean Oil of fair average quality based on the season's production, which must conform to the standard specifications of the Canadian Oilseed Processors Association, which are herewith made a part of the Trading Rules and which are subject to modification from time to time as conditions may warrant, upon recommendation of the COPA Oil Trading Rules Committee.

(a) Types of Crude Soybean Oil - Edible crude Soybean Oil shall be of any of the following designated types:

- (1) Solvent extracted (state solvent used)
- (2) Solvent extracted degummed (state solvent used)*

* Explanatory definition - Degummed Soybean Oil shall be the product resulting from removal of phosphatides from crude Soybean Oil, and shall contain not more than 0.02% of phosphorus determined by American Oil Chemists' Society (AOCS) Official Method Ca 20-99.

(b) Grade and Quality - Crude Soybean Oil sold under this Rule shall be either of the above designated types and shall conform to the following specifications:

- (1) Not more than 0.5% moisture and volatile matter.
- (2) A refined and bleached colour not darker than 6.0 red.
- (3) A neutral oil loss not exceeding 7.5%.
- (4) Not more than 1.5% unsaponifiable matter (exclusive of moisture and insoluble impurities).
- (5) A flashpoint not lower than 250°F.

Crude Soybean Oil not meeting the above specifications is rejectable, and shall be sold on sample only.

Section 2 - METHODS OF ANALYSIS

The grade and quality of crude Soybean Oil shall be determined by the methods specified herein. The methods used shall be those in effect as of the date of the contract.

The methods listed below indicate the latest issue at the time of this publication. It behoves the user of these methods to make certain that user has available and is following the latest revision of each specific method.

RULE 1 - GRADES AND QUALITY (CONT'D)

Section 2 - METHODS OF ANALYSIS (CONT'D)

| <u>Product</u> | <u>Determination</u> | <u>Method</u> |
|--------------------|-----------------------------|--|
| Soybean Oil, Crude | Flashpoint | AOCS Cc 9c-95 or Cc 9b-55 |
| | Moisture and Volatile | AOCS Ca 2d-25 or Ca 2b-38 or Ca 2c-25 |
| | Neutral Oil* | AOCS Ca 9f-57 |
| | Refining Loss | AOCS Ca 9a-52 |
| | Bleach Test | AOCS Cc 8b-52 |
| | Bleach Test* | AOCS Cc 8e-63 |
| | Colour refined | AOCS Cc 13b-45 |
| | Colour refined and bleached | AOCS Cc 13c-50 |
| | Free Fatty Acids | AOCS Ca 5a-40 |
| | Sampling | AOCS C 1-47 |
| | Unsaponifiable Matter | AOCS Ca 6a-40 |

* These methods are to be used for crude Soybean Oil settlements.

Section 3 - SETTLEMENTS FOR CRUDE SOYBEAN OIL

(a) Official Sample

The Official Sample shall be three one (1) litre samples. These portions should be packaged in clean, dry and new containers. Either tinned metal containers or high density polyethylene bottles fitted with metal caps having oil resistant cap liners are acceptable. Polyethylene containers must be enclosed for shipping in custom-made, close fitting cardboard containers. The sample must be drawn at the time of loading by a qualified sampler in accordance with AOCS Official Method for sampling crude oils (C 1-47 Continuous Flow and Trier methods), and shall be so indicated on the invoice. If the Seller neglects to provide such a sample at the time of loading, or fails to show on the invoice that an Official Sample has been taken, a sample drawn at destination shall be official when taken in accordance with the AOCS Official Methods as noted above. The Seller shall forward to the Consignee one of the one (1) litre portions at no expense to Consignee within one (1) business day (defined for the purpose of these rules as any day the Chicago Board of Trade is open for business other than Saturdays, Sundays and statutory holidays in Canada) of completion of loading, and the label of the sample must designate type of Oil and plant destination. The second litre is the Seller's sample, and the third litre is to be retained by the Seller as the referee sample.

RULE 1 - GRADES AND QUALITY (CONT'D)

(b) **Basis for Handling Adjustments for Loss and Colour in Crude Soybean Oil**

The basis for handling Loss and Colour adjustments in crude Soybean Oil shall be determined in the following manner by mutual agreement between the Seller and the Consignee, and, when so determined, shall apply to settlements with all intervening buyers, if any.

(1) The Consignee shall inform the Seller of Consignee's analysis within ten (10) business days after receipt of the official sample by the Consignee. The Seller shall have three (3) business days after receipt of the Consignee's analysis to reject this analysis. If the difference between the Seller's and the Consignee's loss analyses is not over three-tenths of one percent, the settlement will be made on the average of the Seller's and the Consignee's analyses both with respect to Loss and also refined and bleached (R.B.) Colour. If the difference between Consignee's and Seller's Loss analyses is greater than three-tenths of one percent, then the third portion of the Official Sample may be sent to an Official Referee Laboratory not previously concerned, and settlement shall be based on the Official Referee Laboratory's analysis. In the event that the analysis is refereed for Loss and Colour, and is decided against the Seller on one count, and against the Consignee on the other and/or the referee's results are the mean of the Seller's and the Consignee's analyses, then the referee's fee shall be shared equally; otherwise, the fee for this work shall be charged to the account of the party against whom the decision results.

(2) In the event that the Consignee does not furnish the Seller with analytical determination of Loss on the Consignee's portion of the Official Sample within thirty (30) calendar days after the shipment of each unit, as determined by the date of the bill of lading for that unit, then settlement for that unit will be made on the basis of the analysis of the Seller's portion of the Official Sample only. In the event that the Seller does not report Seller's analytical determination of the Official Sample within thirty (30) calendar days after shipment of each unit, as determined by the date of the bill of lading for that unit, then settlement for that unit will be on the basis of the Consignee's portion of the Official Sample only.

(c) **Adjustments for Loss**

The Seller shall pay the Consignee for Loss at the rate of 1.0% of the contract price for each 1.0% loss above 5.0% calculated on the official net weight of crude. Where the crude Oil delivered analyzes with a loss under 5.0%, the Consignee will credit the Seller at the rate of 1.0% of the contract price for each 1.0% under 5.0% up to a maximum credit of 4.5% of the contract price, calculated on the official net weight of the crude. Loss is to be figured fractionally throughout. If the Seller does not intend to have an analytical determination made on Seller's portion of the Official Sample, this fact must be shown on the invoice, and in such event, the Consignee's analytical determination shall govern settlement.

RULE 1 - GRADES AND QUALITY (CONT'D)

- (d) Refined Bleached (R.B.) Colour Adjustment for Prime Crude Soybean Oil (Lighter in Colour than Standard A) - discounts to be based on FOB mill price (crude basis)
The R.B. Colour shall be determined by AOCS Official Methods Cc 8e-63 and Cc 8b-52, Procedure (c), and the following discount schedule shall apply:

| AOCS | | AOCS | | AOCS | |
|-------------|------------|-------------|------------|-------------|------------|
| R.B. Colour | % Discount | R.B. Colour | % Discount | R.B. Colour | % Discount |
| 3.5 red | Prime | 4.4 red | .45 | 5.3 red | .90 |
| 3.6 | .05 | 4.5 | .50 | 5.4 | .95 |
| 3.7 | .10 | 4.6 | .55 | 5.5 | 1.00 |
| 3.8 | .15 | 4.7 | .60 | 5.6 | 1.10 |
| 3.9 | .20 | 4.8 | .65 | 5.7 | 1.20 |
| 4.0 | .25 | 4.9 | .70 | 5.8 | 1.30 |
| 4.1 | .30 | 5.0 | .75 | 5.9 | 1.40 |
| 4.2 | .35 | 5.1 | .80 | 6.0 | 1.50 |
| 4.3 | .40 | 5.2 | .85 | | |

- (e) Refined Bleached (R.B.) Colour Adjustment for No. 2 Grade Crude Soybean Oil (Equal to or Darker than Standard A but Lighter than Standard B) - discounts to be based on FOB mill price (crude basis). The R.B. Colour shall be determined by AOCS Official Methods Cc 8e-63 and Cc 8b-52, Procedure (b), and the following discount schedule shall apply:

| R.B. Colour | % Discount | R.B. Colour | % Discount | R.B. Colour | % Discount |
|-------------|------------|-------------|------------|-------------|------------|
| | | 3.0 red | 1.30 | 4.0 red | 2.45 |
| | | 3.1 | 1.40 | 4.1 | 2.55 |
| | | 3.2 | 1.55 | 4.2 | 2.65 |
| | | 3.3 | 1.70 | 4.3 | 2.75 |
| | | 3.4 | 1.85 | 4.4 | 2.80 |
| | | 3.5 | 2.00 | 4.5 | 2.90 |
| | | 3.6 | 2.10 | 4.6 | 3.00 |
| | | 3.7 | 2.20 | 4.7 | 3.10 |
| 2.8 or less | 1.00 | 3.8 | 2.30 | 4.8 | 3.20 |
| 2.9 | 1.15 | 3.9 | 2.35 | 4.9 | 3.25 |
| | | | | 5.0 | 3.30 |

RULE 1 - GRADES AND QUALITY (CONT'D)

(f) **Adjustment for Settlings**

Settlings or sludge shall be considered the solid residue which cannot be drained, pumped or squeegeed from the car. Settling claims may be filed only on tank cars that are unloaded within five (5) calendar days after arrival of tank car at the Buyer's destination. If settlings are found when the tank is being unloaded, the Seller shall be notified by electronic mail with acknowledgement of receipt requested, and shall have the right to inspect the car, if Seller so informs the Consignee within twenty-four (24) hours of receiving such notification. A tolerance of 0.25% of settlings will be allowed. If a car contains more than 0.25% of settlings, an allowance will be made for the total amount of sludge up to 2,500 pounds at 50% of the contract price. Settlings present in excess of 2,500 pounds will be allowed for at the contract price. Settling claims shall be filed as soon as possible. If the Consignee does not define Consignee settlings loss claims with supporting documents to the Seller within sixty (60) calendar days after shipment of each unit, the settlement claim for settlings shall be null and void.

The claim for the amount of settlings shall not exceed the difference between the invoiced weight, if official, and the weight of oil unloaded at destination. The Consignee must substantiate Consignee's claim for settlings with an official weight certificate showing the gross weight of the car, and either (a) the tare weight of the unloaded car, both before and after removal of settlings from the car, or (b) the net weight of the settlings which have been removed from the car into containers. Loss settlements under Paragraphs (b) and (c) on cars containing settlings shall be based on the official net weights and not on the official net weight less a deduction for settlings.

(g) **Adjustment for Moisture and Volatile Matter**

A deduction for moisture and volatile matter in crude Oils in excess of 0.30% will be allowed at the contract price.

(h) **Rejection Procedure**

If the Consignee and the Seller cannot agree on a proper allowance on Oil that is rejectable under Rule 1, Section 1, Paragraph (b), the rejection and replacement procedure shall be as follows: rejection is to be communicated by electronic mail with acknowledgement of receipt requested within seventy-two (72) hours after delivery of the Oil to the Consignee's plant. The Seller shall tender replacement shipment within twenty-four (24) hours after receiving the Consignee's communication. Actual shipment must follow within forty-eight (48) hours of receipt of the Consignee's communication, or as soon as the Consignee's tank cars arrive for loading at the Seller's plant.

(i) **Official Referee Laboratories**

The Official Referee Laboratories shall be a mutually agreeable AOCS accredited North American laboratory. To qualify the Official Referee Laboratory must be a mutually agreeable AOCS accredited North American laboratory of which the accreditation body is a signatory to the International Laboratory Accreditation Cooperative (ILAC) and based in North America.

Scope of accreditation is the International Organization for Standardization (ISO)/ International Electrotechnical Commission (IEC) 17025.

Qualified ILAC signatories in Canada: Standards Council of Canada (SCC) and Canadian Association for Laboratory Accreditation Inc. (CALA)

Qualified ILAC signatories in the USA: American Association for Laboratory Accreditation (A2LA), National Voluntary Laboratory Accreditation Program (NVLAP), International Accreditation Service, Inc. (IAS), ANSI-ASQ National Accreditation Board and Accreditation Services Bureau (A-S-B)

Qualified ILAC signatory in Mexico: Entidad mexicana de acreditación a.c. (ema)

RULE 1 - GRADES AND QUALITY (CONT'D)

Section 4 - CRUDE DEGUMMED SOYBEAN OIL

(a) Analytical Requirements

| | <u>Maximum</u> | <u>Minimum</u> | <u>AOCS Method</u> |
|---|----------------|----------------|--|
| Unsaponifiable matter | 1.5% | | Ca 6a-40 |
| Free fatty acids, as oleic | 0.75% (b-1) | | Ca 5a-40 |
| Moisture & volatile matter & insoluble impurities | 0.30% M&V | | M & V Ca 2d-25 or Ca 2b-38 or Ca 2c-25 I.I. Ca 3a-46 |
| Flashpoint | | 250°F | Cc 9c-95 or Cc 9b-55 |
| Phosphorus | 0.02% (b-2) | | Ca 20-99 |

The chemical analysis to determine quality shall include the qualitative test for fish oil and marine animal oils as prescribed by AOAC Method No. 974.20 and shall be negative.

(b) Deviations

Only the following are allowable with the discounts to apply as shown:

(1) Free fatty acids

| | |
|-----------------------------|--------------|
| 0.2% of contract price..... | 0.76 – 0.85% |
| 0.4% of contract price..... | 0.86 – 0.95% |
| 0.6% of contract price..... | 0.96 – 1.05% |
| 0.9% of contract price..... | 1.06 – 1.15% |
| 1.2% of contract price..... | 1.16 - 1.25% |

(2) Phosphorus - shipment up to 0.025% permitted with the following discounts for excess over 0.020%:

| | |
|-----------------------------|--------|
| 0.2% of contract price..... | 0.021% |
| 0.4% of contract price..... | 0.022% |
| 0.6% of contract price..... | 0.023% |
| 0.9% of contract price..... | 0.024% |
| 1.2% of contract price..... | 0.025% |

(c) Physical Requirements

Crude degummed Soybean Oil shall be pure Soybean Oil. It shall be produced from fair average quality crude Soybean Oil from which the major portion of the gums naturally present has been removed by hydration and mechanical or physical separation.

RULE 1 - GRADES AND QUALITY (CONT'D)

Section 5 – ONCE REFINED SOYBEAN OIL

(a) Analytical Requirements

Clear and brilliant in appearance at 70°-85° F
Free from settlings at 70°-85° F

Shall contain not more than 0.10% moisture and volatile matter using AOCS Official Method Ca 2c-25.

Shipment up to 0.15% allowed with following discount to be applied over 0.10%:

| | |
|-----------------------------|-------|
| 0.3% of contract price..... | 0.11% |
| 0.6% of contract price..... | 0.12% |
| 0.9% of contract price..... | 0.13% |
| 1.2% of contract price..... | 0.14% |
| 1.5% of contract price..... | 0.15% |

Free Fatty Acids shall not be in excess of 0.10%. Shipment up to 0.15% allowed with following discount to be applied over 0.10%:

| | |
|-----------------------------|-------|
| 0.2% of contract price..... | 0.11% |
| 0.4% of contract price..... | 0.12% |
| 0.6% of contract price..... | 0.13% |
| 0.9% of contract price..... | 0.14% |
| 1.2% of contract price..... | 0.15% |

Colour, when bleached according to AOCS Method Cc 8e-63, shall not be darker than 3.5 red and shall not have a predominately green colour.

Flashpoint shall not be below 250° F, as determined by AOCS Method Cc 9c-95.

The unsaponifiable content shall not exceed 1.5% when determined according to AOCS Method Ca 6a-40.

The chemical analysis to determine quality shall include the qualitative test for fish oil and marine animal oils as prescribed by AOAC method No. 974.20, and shall be negative.

(b) Physical Requirements

Once Refined Soybean Oil shall be pure Soybean Oil. It shall be produced from fair average quality crude Soybean Oil from which essentially all of the free fatty acids and non-oil substances have been removed by refining treatments.

RULE 1 - GRADES AND QUALITY (CONT'D)

Section 6 – FULLY REFINED SOYBEAN OIL

Fully Refined Soybean Oil shall be pure Soybean Oil. It shall be produced from fair average quality crude Soybean Oil from which essentially all of the free fatty acids and non-oil substances have been removed by refining treatments. It shall meet the following specifications:

(a) Analytical Requirements

- i. Flavour shall be bland.
- ii. Colour (Lovibond) Maximum 20Y/2.0R using AOCS Method Cc 13b-45.
- iii. % FFA (% by wt.) Maximum 0.05 using AOCS Method Ca 5a-40.
- iv. Clear and brilliant in appearance at 70-85° F.
- v. Cold Test - Minimum 5-1/2 hrs. using AOCS Method Cc 11-53.
- vi. Shall contain not more than 0.10% moisture and volatile matter using AOCS Method Ca 2c-25.
- vii. The unsaponifiable content shall not exceed 1.5% when determined according to AOCS Method Ca 6a-40.
- viii. The peroxide value Meq/Kg shall not exceed 2.0 when determined by AOCS Method Cd 8b-90.
- ix. Stability - AOM, Minimum is 8 hrs. 35 Meq/Kg when using AOCS Method Cd 12b-92.
- x. Preservative (GRAS) are permitted.

Chemical analysis shall be made in accordance with the methods from "Official Methods and Recommended Practices of the AOCS, Chapter: Commercial Fats and Oils, Section C".

The chemical analysis to determine quality shall include the qualitative test for fish oil and marine animal oils as prescribed by AOAC Method No. 974.20, and shall be negative.

(b) Physical Requirements

- i. The oil shall be clear and brilliant in appearance at 70-85° F.
- ii. The Oil shall be free from settlings or foreign matter of any kind.
- iii. The Oil shall have a clean, fresh flavour and shall be free from rancid, beany, painty, sour, or other objectionable odours, as specified in U.S. Department of Agriculture Specification A-A-20091D.

RULE 2 - QUANTITY

Section 1 - UNIT OF WEIGHT

Soybean Oil shall be sold on a net weight basis in pounds (avoirdupois pounds) and/or tonnes (1 tonne = 2,204.6226 avoirdupois pounds).

Section 2 - UNIT OF SALE

The unit of sale, by mutual agreement between the Buyer and the Seller and as specified in the contract at the time of sale, may be a jumbo tank car, super jumbo tank car, mega jumbo tank car, tank truck, drum or bulk vessel (quantities as per vessel charter party). If the sale is made in tank cars, the weight of the tank cars shall be specified with a tolerance of $\pm 1 \frac{1}{2}\%$. If the sale is made in tank trucks, the approximate weight of the tank trucks shall be specified. If the sale is made in drums, the approximate tare weight of the drums shall be specified.

Section 3 - CONTRACT DELIVERY

Contracts shall be completed by delivering the approximate number of pounds in such containers as the Buyer shall specify at time of shipment. Unless the Buyer arranges with the Seller in advance of the last shipment on contract to purchase an additional quantity to fill out a carload, the overage necessitated by car capacity will be invoiced at the market price on date last car is shipped.

The Seller shall not be compelled to ship in the Buyer's tank trucks more than the contract quantity. It shall be the Seller's option whether to ship excess Oil over the contract quantity to fill to capacity a Buyer's final tank truck or to reject the tank truck. If excess Oil is shipped, it shall be invoiced at the market price on the date of shipment. The Buyer shall be liable for excess freight on capacity weight of tank truck in the event the Buyer instructs the Seller to load final tank truck light.

Section 4 - LIGHT WEIGHT SHIPMENTS

If tank cars, tank trucks or carloads of containers are not loaded to capacity as required by railroad or trucking regulations, the Seller shall be liable for excess freight on capacity weight, unless the Seller shall have first obtained the Buyer's permission to ship tank cars or tank trucks light weight.

Section 5 - TOLERANCE

When tank trucks are used for all or any portion of contract quantity not shipped by tank cars, a tolerance of $1 \frac{1}{2}\%$ of contracted weights shall constitute good delivery. However, overage or underage of exact total tank truck weights shipped, as determined by official weights, shall be settled at the difference between the contract price and the market price on date of last shipment.

RULE 3 – CHANGES

Section 1 - CHANGE IN CONTAINER TYPE

In the event that delivery is taken in a different container than specified in contract, the Seller's container differentials prevailing on date of change of specifications shall apply in determining the invoice price of a specific delivery against contract.

Section 2 - CHANGE IN OIL TYPE

In the event that the Buyer takes delivery of refined Oils against a contract written on a "crude basis", the Seller's differentials on refined Oils prevailing on date of change of specifications shall apply in determining the invoice price of a specific delivery against contract.

Section 3 - CHANGING UNIT DELIVERY

In the event that contract is drawn on a carload basis for direct shipment from plant, and the Buyer elects to take delivery in L.C.L. quantities, the Seller's L.C.L. or warehouse differential over carload on date of specifications shall apply in determining the invoice price of a specific delivery against contract. Any additional transportation costs are for the account of the Buyer.

Section 4 - CHANGE IN DELIVERY POINT

If the Buyer requests shipment to other points than the delivery point specified in contract, any increase or decrease in the Seller's cost is for the account of the Buyer.

RULE 4 - TERMS

Section 1 - PAYMENT AND SETTLEMENT

Unless otherwise specified at time of sale, terms of payment on Soybean Oil are to be net cash - sight draft, bill of lading attached. All settlement adjustments are due immediately upon agreement on basis of settlement between the final Buyer and the original Seller.

Section 2 - DISCRETION

The Seller reserves the right to restrict the terms of payment, if, in Seller's judgement, the financial responsibility of the Buyer does not warrant shipment on terms originally stated in contract.

RULE 4 - TERMS (CONT'D)

Section 3 - DEFAULT IN PAYMENT

Failure of the Buyer to accept delivery of or pay for any portion of a specified quantity of Soybean Oil covered by any contract shall, at the Seller's option, release the Seller from making any further deliveries. In case of default in payment of any invoice due, the whole sum owed by the Buyer shall become due and payable at once.

Section 4 - MULTIPLE BILLING AND/OR COMPOSITE SAMPLING

Multiple billing and invoicing of tank cars or tank trucks and/or composite sampling shall be determined by mutual agreement between the Seller and the Consignee, and, when so determined, shall apply to settlements with all intervening buyers, if any.

RULE 5 - TIME OF SHIPMENT

Section 1 - SHIPPING TERMS

Unless the Buyer and the Seller agree on an exact shipping date at time of sale, shipments or forwardings for nearby positions shall be interpreted as follows: in the case of shipments, starting from the date shipping instructions are received by the Seller; in the case of forwardings, starting from the date of the trade:

| | |
|-----------------------------------|---------------------------------------|
| Quick shipment, or forwarding | Within two (2) business days |
| Immediate shipment, or forwarding | Within five (5) business days |
| Prompt shipment, or forwarding | Within ten (10) business days |
| Scattered shipment, or forwarding | Spread uniformly over contract period |

Section 2 - CONTRACT DELIVERY PERIOD

On contracts covering specific quantities for shipment during a specified period, shipment is to be made during the month, or months, specified in the contract. However, if the last day of contract period occurs on Saturday, Sunday or legal holiday, the Seller shall not be deemed in default under these Trading Rules by reason thereof, if the original bill of lading at the point of origin is dated the next business day.

Section 3 - DATE OF SHIPMENT

The date of the bill of lading shall be considered as the date of shipment, or forwarding.

RULE 6 - PERFORMANCE OF CONTRACT AT TIME OF SHIPMENT

Section 1 - DELIVERY INSTRUCTIONS

The Buyer shall furnish instructions for shipment, and tank cars in case the Buyer's tank cars are specified, to the Seller in ample time to enable the Seller to execute order within the period or periods specified in the contract. The Seller shall furnish the Buyer loading schedule and point of shipment in ample time to enable the Buyer to have the Buyer's tank cars at shipping point within period or periods specified in the contract. Under no circumstances shall the Seller be either expected or required to make physical tender of all or any part of the Oil covered by any specific contract for any specified delivery unless the Buyer has first furnished written instructions or furnished tank cars for shipment as provided herein. Failure of the Buyer to supply written shipping instructions shall not relieve the Seller of the responsibility of performance under the contract unless the Buyer fails to supply these shipping instructions within three (3) business days after the Seller's electronic mail with acknowledgement of receipt requested request for shipping instructions.

Section 2 - FAILURE TO PERFORM ON CONTRACTS COVERING CRUDE AND REFINED OILS

On all contracts for either crude or refined oil covering specific quantities for shipment during a specified period, shipment must be made during the specified time. If the Buyer fails to provide shipping instructions, or if the Seller is unable to ship within the period specified, an additional thirty (30) calendar day shipping period may be allowed, by agreement of the parties with the following penalties added to or subtracted from the contract price, depending on which party is in default:

If the Buyer is in default, the Seller shall assess the Buyer a .25 cents Canadian per pound charge and the defaulted contract period shall be extended for an additional thirty (30) calendar days;

If the Seller is in default, the Buyer shall assess the Seller a .25 cents Canadian per pound charge and the defaulted contract period shall be extended for an additional thirty (30) calendar days.

If neither party has agreed on additional time:

If the Buyer is in default, the Seller has the right (within five (5) calendar days after giving written notice) to sell the Oil in the open market for the Buyer's account. Any market loss or gain will be for the Buyer's account.

If the Seller is in default, the Buyer has the right (within five (5) calendar days after giving written notice) to buy the Oil in the open market for the Seller's account. Any market loss or gain will be for the Seller's account.

Failure by the Buyer or the Seller on any instalment of a multi-period contract shall not be a breach of the entire contract.

Section 3 - RIGHT OF CANCELLATION

After expiration of contract period, the Buyer may not refuse to accept delivery of Oil after shipment has been made unless Buyer has previously notified the Seller of Buyer's intention to cancel contract is shipment has not been made by a particular business day subsequent to the date of Buyer's notification.

RULE 7 - WEIGHTS

Section 1 - GOVERNING WEIGHTS

The Seller's official weights are to govern.

Section 2 - OFFICIAL WEIGHT CERTIFICATES

In order to be approved for official weighing status or to issue official weights, a Seller of Soybean Oil shall have weight measures that are approved by Measurement Canada under the *Weights and Measures Act*.

Section 3 - WEIGHT CLAIMS DUE TO DAMAGE OR TAMPERING IN TRANSIT

Where a weight discrepancy arises, no allowance for shortage or damage will be made by the Seller unless the Buyer furnishes complete evidence, including a railroad inspection report, so as to enable the Seller to present a complete claim to the carrier. Weight claims shall be filed as soon as possible, but not later than five (5) business days from the car unloading date. Weight claims filed after five (5) business days shall not be honoured. The Seller's liability shall be limited to the maximum of that which is recoverable from the carrier.

RULE 8 - FREIGHT RATES, TAXES, DUTIES AND RAIL CHARGES

Section 1 - FREIGHT RATES

Any increases or decreases in the published rail freight charges, truck freight charges and/or any fuel surcharges that become effective after the sales contract is negotiated shall be for the account of the Buyer.

Section 2 - TAXES AND DUTIES

Any taxes, duties or other government charges imposed by the Government of Canada or any other taxing body, foreign or domestic, upon the production, sale, shipment, delivery, import or export of Soybean Oil, now or after the sales contract is negotiated, shall be for the account of the Buyer.

Section 3 - RAIL CHARGES

- (a) Demurrage and Storage - Demurrage and/or storage charges at destination shall be the Buyer's responsibility. Destination shall be actual or constructive destination in the event the Buyer, for any reason, is unable to take delivery of the railway car. The Buyer shall also be responsible for any demurrage and/or storage charges assessed as a result of the Buyer's or railway's staging of the railway car movement to destination or staging provided as a result of the Buyer's inability, for any reason, to take delivery of the railway car at destination.
- (b) Other Rail Ancillary Charges – The Buyer shall be responsible for other ancillary charges assessed by a railway company at destination or which arise as a result of the Buyer's acts or omissions.

RULE 9 - ROUTING

Section 1 - BUYER'S TANK CARS

When the Buyer furnishes tank cars, the Buyer shall have the right to specify routing, providing such routing does not involve additional freight expense to the Seller over the lowest rate.

Section 2 - SELLER'S TANK CARS

When the Seller furnishes tank cars, the Seller shall have the right to specify routing, with the exception of the delivering carrier, which shall be at the option of the Buyer.

Section 3 - DRUM OR BARREL SHIPMENTS

On shipment of barrels or drums, the Seller shall have the right to specify routing, with exception of delivering carrier, which shall be at the option of the Buyer.

RULE 10 - TANK CARS AND/OR TANK TRUCKS

Section 1 - BUYER'S OR SELLER'S TANK CARS

At the time of sale, it shall be specified whether the Buyer's or the Seller's tank cars are to be used. If this is not specified the Buyer's tank cars shall be provided and used.

Section 2 - INSPECTION OF TANK CARS AND/OR TANK TRUCKS

All tank cars or tank trucks must be inspected by the Seller before loading as to cleanliness, and condition of the cars including the steam coils, cap, dome cover and valve and shall be sealed at the dome and the outlet valve when so equipped before being shipped.

The Seller shall inspect the Buyer's tank cars or tank trucks before loading and, if found unsatisfactory, shall notify the Buyer by electronic mail with acknowledgement of receipt requested. In the event that tank trucks cannot be effectively inspected, they shall not be loaded until the Buyer has been notified by electronic mail with acknowledgement of receipt requested and the Buyer specifically has authorized such loading. The Buyer shall have the option of replacing the tank cars or tank trucks. In the case of tank cars or tank trucks which can be effectively inspected, the Buyer may request the Seller to clean the tank cars or tank trucks at the Buyer's expense, or the Buyer shall accept responsibility for the condition of the Soybean Oil. Any necessary cleaning and repairing shall be performed at the expense of the Buyer on the basis of actual cost. Failure by the Seller to observe the foregoing shall constitute negligence on Seller's part, and shall relieve the Buyer of responsibility for any and all loss or damage resulting therefrom. If a Seller's loaded tank car or tank truck is delivered to the Buyer in faulty condition, the Buyer immediately shall request an inspection by the Seller. The Seller thereupon either shall make such inspection, or shall arrange with the Buyer to correct such faulty condition, in which event the Seller shall be liable only to the extent of the expense incurred in correcting the faulty condition.

RULE 10 - TANK CARS AND/OR TANK TRUCKS (CONT'D)

All openings that could provide access to the interior of the rail tank car, whether loaded or empty, must be sealed with a numbered, durable, tamper evident seal whenever such car is outside the full control of either the Seller or the Buyer. Responsibility for ensuring the seals are applied and recording the numbers of such seals lies with the party last in control of the car.

If the Seller or the Buyer is found negligent of their duties due to the improper sealing and/or recording of seal numbers then that party will be held responsible for all costs, damages and/or consequences incurred to bring the truck(s) or tank car(s) back to a merchantable status suitable to the trade.

Section 3 – RECONSIGNMENT

The Buyer and the Seller shall not divert or reassign tank cars without mutual consent. Any expense incidental to reassignment or diversion is for the account of the party responsible.

Section 4 - UNLOADING TIME

The Buyer agrees to empty the Seller's tank cars promptly upon arrival and to return same empty as per the Seller's instructions. Forty-eight (48) hours free time will be allowed for unloading, unless railroad rules permit longer periods at specific export points under export bill of lading. Standard railroad straight demurrage regulations will define when penalty charge for car detention starts. Charges thereafter will be at \$75.00 Canadian per day non pro rata. Average agreement demurrage rules shall not apply. These penalties are independent of any demurrage due the railroad by the Buyer. In the absence of instructions for return routing, the Buyer shall electronic mail with acknowledgement of receipt requested the Seller for same, and, in case of delayed answer, demurrage and delay shall be for the Seller's account. The Buyer cannot be held responsible for failure of carrier to set cars as ordered. The Seller agrees to load the Buyer's tank cars promptly upon arrival, provided cars have not been received at the Seller's plant prior to scheduled loading dates. Forty-eight (48) hours free time will be allowed for loading after scheduled loading dates. Standard railroad demurrage rates shall be paid by the Seller to the Buyer as penalty for delay in loading tank cars. This penalty is independent of any demurrage due the railroad by the Seller. The Seller cannot be held responsible for failure of carrier to set cars as ordered.

RULE 11 - COMMISSION OR BROKERAGE

Unless otherwise specifically agreed upon at the time of sale, the Seller shall pay the selling commission or brokerage to the agent or broker consummating the sale.

Commission will not be earned or paid when shipment is prevented by an act of any governmental body or by Force Majeure as defined in Rule 13. Commission or brokerage shall not be considered due until delivery has been made, or the contract otherwise disposed of.

RULE 12 - ARBITRATION

In the event of any dispute or difference arising out of or in any way relating to any contract to which the within Rules apply or the Rules themselves, including, without limitation, any dispute or difference as to the terms or conditions, breach, performance or interpretation of such contract or these Rules, then the same shall be settled by arbitration as follows.

Section 1 – SUBMISSION TO ARBITRATION

Either party may submit the dispute to arbitration by giving written notice of its request to arbitrate to the other party.

Section 2 - APPOINTMENT OF ARBITRATION COMMITTEE

Within thirty (30) calendar days after the notice is given, each shall appoint a single representative to serve as a member of an Arbitration Committee to consist of three members. The two representatives so appointed, within forty (40) calendar days from the date of notice, jointly shall select a third member, who shall be a duly qualified barrister and solicitor, to act as Chairman of the Arbitration Committee.

In the event the Arbitration Committee is not constituted as aforesaid, the following provisions shall apply:

- (a) In the event the Buyer fails, neglects, refuses or is unable to appoint a representative within the aforesaid thirty (30) day period, then the Seller may apply to the Court of Queen's Bench (or equivalent court of superior jurisdiction) in the Province in which the Seller's head office is located to make the required appointment;
- (b) In the event the Seller fails, neglects, refuses or is unable to appoint a representative within the aforesaid thirty (30) day period, then the representative of the Seller shall be deemed to be, and the Seller shall conclusively be deemed to have appointed, such individual person as may from time to time be designated by the Canadian Oilseed Processors Association as their "designated arbitration representative"; and
- (c) In the event the two appointed representatives fail, neglect, refuse or are unable to select a Chairman within the aforesaid forty (40) day period, then either of the Buyer or the Seller may apply to the Court of Queen's Bench (or equivalent court of superior jurisdiction) in the Province in which the Seller's head office is located to appoint such Chairman.

Section 3 - MATTERS INTENDED TO BE REFERRED

Within sixty (60) calendar days after the appointment of the Arbitration Committee as provided in Section 2 hereof, the party who initiated the arbitration process (the "claimant") shall provide a statement in writing to the Arbitration Committee setting out all the matters which it intends to refer to the Arbitration Committee and all information on which the claimant intends to rely in the arbitration. A copy of the written statement must be provided to the other party (the "respondent") at the same time.

RULE 12 - ARBITRATION (CONT'D)

Within ten (10) calendar days after receipt of the claimant's written statement, the respondent shall provide to the Arbitration Committee and to the claimant a written statement in response setting out any matter which it intends to refer to the Arbitration Committee and all information on which the respondent intends to rely in the arbitration.

Only those matters which are included in or covered by the respective statements shall be considered by the Arbitration Committee.

Section 4 - HEARING

Within fifteen (15) calendar days after the receipt by the Arbitration Committee of the written statements of the parties, the Arbitration Committee may convene a hearing of the matters referred to arbitration, or, as determined by the Arbitration Committee at its sole discretion, may accept written submissions of the parties. In the event the Arbitration Committee commences a hearing of the matters referred, it shall be at such time and place and under such conditions as may be prescribed by the Arbitration Committee, and each party shall have the right to submit evidence in support of its position.

Section 5 – CONDUCT OF ARBITRATION

Subject to this Rule, the Arbitration Committee may conduct the arbitration in the manner it considers appropriate.

The Arbitration Committee is not bound by the formal rules of evidence, but may hear, receive and consider any evidence which it may consider relevant.

Unless otherwise authorized by this Rule, a party communicating with the Arbitration Committee regarding the arbitration must do so in the presence of the other party or, if the communication is in writing, must provide a copy to the other party at the same time.

Each of the parties shall produce before the Arbitration Committee all relevant books, documents, papers, accounts, vouchers, entries, memoranda, plans and writings in their possession, power or control which the Arbitration Committee may require.

Each of the parties shall do all acts and things as are necessary to enable the Arbitration Committee to make proper findings respecting the matters in dispute, and neither of the parties shall obstruct, delay or prevent the Arbitration Committee from proceeding with the reference or from making its award.

The Arbitration Committee may postpone a hearing at the request of a party who satisfies the Arbitration Committee that there is a good and sufficient reason to do so.

RULE 12 - ARBITRATION (CONT'D)

Section 6 – NON-ATTENDANCE BY A PARTY

The Arbitration Committee may proceed with the hearing in the absence of any party who fails to attend the hearing and does not obtain a postponement in advance, provided that the absent party was properly notified of the time and place of the hearing.

Section 7 - AWARD

Within sixty (60) calendar days of the receipt by the Arbitration Committee of all evidence which it may consider relevant, the Arbitration Committee shall deliver its award by notice in writing to the Buyer and the Seller which notice shall be sufficient if given or delivered to the head offices of the Buyer and the Seller, respectively.

Section 8 - COMMENCEMENT OF LEGAL PROCEEDINGS

No action or legal proceedings shall be commenced or prosecuted by either of the parties against the other party relating to any of the matters in dispute, unless the party to be made defendant to such action or proceeding shall have refused or neglected to refer such matters to arbitration pursuant to the provisions of this Rule, or unless the time limited for making the award as aforesaid shall have expired without any such award being made.

Section 9 - PARTIES TO ABIDE BY AWARD

The award of the Arbitration Committee shall be binding in all respects upon the parties, subject to the right of either party to appeal the award of the Arbitration Committee to any court of competent jurisdiction on a question of law or jurisdiction.

Section 10 – COSTS OF ARBITRATION

Unless otherwise determined by the Arbitration Committee in its sole discretion, the costs of the arbitration, award and the costs of the parties in connection therewith shall be borne by the unsuccessful party to the reference. The Arbitration Committee in its sole discretion may determine liability for costs, apportion cost between the parties, set the amount of costs and give directions as to the manner in which costs are to be paid.

Section 11 - ARBITRATION ACT

Except as otherwise provided in this Rule, arbitrations shall be governed by the provisions of the *Arbitration Act* (or other legislation governing domestic commercial arbitration) in force in the Province in which the head office of the Seller is located. Where any provisions of such legislation and this Rule conflict, the provisions of this Rule shall govern.

RULE 13 - FORCE MAJEURE

The Seller shall not be liable for any delay or failure to make delivery of all or any part of the Soybean Oil under these Rules in the event such delay or failure is due to Force Majeure and the Seller is unable to acquire sufficient goods to complete the contract.

The Buyer shall not be liable for any delay or failure to take delivery of all or any part of the Soybean Oil under these Rules in the event such delay or failure is due to Force Majeure and the Buyer is prevented from taking delivery of the product.

The term "Force Majeure" shall include, but shall not be limited to, any fire, flood, drought, war, insurrection, riot, strike, lockout, breakdown of machinery, government embargo, railroad and shipping embargo, act of government, act of God or any other cause not within the control of the party affected.

Any dispute as to the existence of conditions constituting the claimed Force Majeure shall be adjudicated by arbitration in accordance with the arbitration provisions prescribed by these Rules.

The party declaring Force Majeure shall give notice to the other party by electronic mail with acknowledgement of receipt requested within seven (7) calendar days of the commencement of the Force Majeure condition or not less than twenty-one (21) calendar days before the commencement of the contract period, whichever is later.

The party affected by the Force Majeure may defer delivery while delivery is prevented by the Force Majeure condition for a period not to exceed sixty (60) calendar days following the date the Force Majeure condition commenced.

If delivery is delayed for more than sixty (60) calendar days, either party shall have the option of cancelling the delayed portion of the contract, without any claims or damages against either party.

In the event of a dispute, there shall be no claim against either party for or arising from delay or failure caused by Force Majeure, provided the legitimate existence of conditions constituting Force Majeure are declared.

Notwithstanding any of the provisions of this Rule, both parties shall take all responsible measures to fulfil the terms of the contract.