



Web 2012-15

August 10, 2012

Dear Members & Rulebook Recipients:

The following Chapters have been added or amended:

| <b><u>Chapter</u></b>                                      | <b><u>Regulation/Resolution</u></b>  | <b><u>Purpose</u></b>  |
|--|--|--|
| 54 Apple Juice Concentrate Futures Regulations             | 5400.00., 5401.00., 5402.00., 5402.01., 5402.02., 5403.00., 5404.00., 5405.00., 5406.00., 5406.01., 5407.00., 5408.00., 5409.00., 5410.00., 5411.00., 5412.00., 5413.00., 5414.00., 5415.00., 5416.00., 5417.00., 5418.00. | To establish regulations for Apple Juice Concentrate Futures at MGEX         |
| 55 Apple Juice Concentrate Options Regulations             | 5500.00., 5501.00., 5502.00., 5503.00., 5504.00., 5505.00., 5505.01., 5506.00., 5507.00., 5508.00., 5509.00., 5510.00., 5511.00., 5512.00., 5513.00., 5514.00., 5515.00., 5516.00., 5517.00., 5518.00., 5519.00.           | To establish regulations for Apple Juice Concentrate Options at MGEX         |
| 56 Apple Juice Concentrate Delivery Warehouses Regulations | 5600.00., 5601.00., 5602.00., 5603.00., 5604.00., 5605.00.   | To establish regulations for Delivery Warehouses for Apple Juice Concentrate |
| 72 Resolutions   | 2102.00. C.  | To initiate Clearing Margins for Apple Juice Concentrate                     |

You can view these changes by visiting the MGEX website at <http://www.mgex.com>:

1. On the top, go to "RESOURCES" and click "Rules and Regulations"
2. Click "Latest changes to MGEX RULES, REGULATIONS AND RESOLUTIONS"

If you have any questions or problems accessing the MGEX Rules and Regulations, please contact Layne G. Carlson at (612) 321-7169 or [lcarlson@mgex.com](mailto:lcarlson@mgex.com).

Sincerely,

A handwritten signature in black ink that reads 'Layne G. Carlson'. The signature is written in a cursive, flowing style.

Layne G. Carlson  
Corporate Secretary

8-10-12

**CHAPTER 54**  
**APPLE JUICE CONCENTRATE FUTURES REGULATIONS**

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**CHAPTER 54**  
**APPLE JUICE CONCENTRATE FUTURES REGULATIONS**

**5400.00. AUTHORITY.**

Trading in Apple Juice Concentrate (“AJC”) futures contracts may be conducted under such terms and conditions as the Board of Directors shall determine by Rule, Regulation or Resolution, subject to the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission (“CFTC”) regulations promulgated thereunder.

**5401.00. SCOPE OF CHAPTER.**

This Chapter of Regulations has been duly adopted by the Board of Directors and is limited in its application to futures trading of AJC. Electronic trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the MGEX Rules and Regulations, or otherwise delegated to the Exchange to establish policies and procedures that implement the MGEX Rules and Regulations.

**5402.00. APPLE JUICE CONCENTRATE FUTURES CONTRACT SPECIFICATIONS.**

The AJC futures contract shall be based on product with the following specifications:

**BRIX:** Minimum 70.0 degrees

**ACID:** 1.0 to 2.2% wt/wt as malic acid

**COLOR:** >40% transmittance @ 440nm (See below for further information on color)

**TURBIDITY:**  $\leq$  3 NTU

**YEAST:**  $\leq$  500 cfu/ml

**THERMODURIC ACIDOPHILIC BACILLI (TAB):** <1 cfu/10ml

**PATULIN:** Maximum 50 ppb @ single strength

**TOTAL PLATE COUNT (TPC):** <1,000 cfu/ml

**FLAVOR:** Characteristic of ripe, mature apples with no off flavors or aromas.

**MAXIMUM STORAGE TEMPERATURE:** 0° Fahrenheit after USDA sampling

**COUNTRY OF ORIGIN:** AJC shall have accompanying documentation, by drum and/or bin, indicating its country of origin. Only one country of origin and a single same day production lot is permitted per futures contract.

**DELIVERY:** Delivery shall be by 55 gallon drums or 275 to 325 gallon bins

**DELIVERY LOCATIONS:** The Exchange-approved cold storage warehouses with facilities located on the mainland coasts of the United States (“Regular” warehouses).

### **5402.01. DELIVERY LOCATION PREMIUM OR DISCOUNT.**

There are no Exchange-approved premiums or discounts for product specifications or for delivery location.

### **5402.02. EXCHANGE FOR PHYSICAL AND EXCHANGE FOR RISK.**

Exchange for physical ("EFP") and exchange for risk ("EFR") transactions are permitted in this futures contract if executed pursuant to [Rule 719.00](#).

### **5403.00. CONTRACT TRADING UNIT.**

The unit of trading shall be one thousand, eight hundred (1,800) gallons (U.S.) of AJC that meets the product specifications of [Regulation 5402.00](#).

### **5404.00. DELIVERY.**

#### **A. AJC Product Delivery Requirements**

AJC product is only eligible for delivery if all requirements of the MGEX Rules and Regulations are met, including but not limited to the following conditions:

- 1) There is no hold on the AJC product by any governmental entity with appropriate jurisdiction which prohibits the AJC product from leaving the Regular warehouse;
- 2) The AJC product is accompanied by a valid Certificate of Analysis (COA);
- 3) The AJC product is labeled per drum or bin and such label includes, but not limited to, the amount of gallons (or liters) contained in the drum or bin;
- 4) The AJC product is accompanied by a valid billing or drum manifest;
- 5) The AJC product owner can be identified;
- 6) The AJC product has a passing, valid USDA Letter Report which has a sampled date of no more than eleven months prior to the applicable delivery month;
- 7) The AJC product has a color grade of at least 41 points throughout the delivery month or 42 points throughout the month before the delivery month;
- 8) Any AJC futures contract specification for the AJC product represented on the COA, label or any other document required for delivery must meet the AJC futures contract specification requirements (units of measurements not defined in MGEX contract specifications may be disregarded); and
- 9) The AJC product is issued using a valid negotiable warehouse receipt which meets all requirements for delivery on the AJC futures contract.

#### **B. Delivery Procedures**

##### **1. General**

The AJC futures contract may be settled by physical delivery of a negotiable warehouse receipt approved by the Exchange along with a passing, valid USDA Letter Report and Certificate of Analysis.

All deliveries of AJC shall be made through MGEX pursuant to procedures and on such forms (either paper or electronic) prescribed by the Exchange. Delivery procedures may be codified within a manual and disseminated to Clearing Members and Regular warehouses. All parties involved in the delivery process must follow such procedures, including any notices, memos and

the like issued by the Exchange. Further, the Exchange may modify the procedures and amend such forms, and implement such changes, as it determines necessary for the delivery process. Procedures, forms and changes shall be consistent with the MGEX Rules and Regulations.

## 2. Redelivery

Redeliveries during the same delivery month are permitted but only pursuant to Exchange procedures. A buyer taking delivery may not initiate a redelivery until payment has been made and the original warehouse receipt and a copies of the Certificate of Analysis and the passing, valid USDA Letter Report has been received by the buyer's Clearing Member.

## 3. Authority, Obligation and Liability

### a. MGEX

MGEX shall have authority to take any action it determines in its sole discretion is necessary to ensure the integrity of the delivery process. Such actions include, but are not limited to, cancellation of a delivery, suspension of regularity, product replacement, demand for alternate delivery, or any actions permitted by the MGEX Rules and Regulations, Exchange procedures or law. The Exchange will not permit any party to abuse, disrupt, interfere or manipulate, or attempt to abuse, disrupt, interfere or manipulate the delivery process. The Exchange shall not be liable to any party for actions taken by the Exchange in good faith to protect the delivery process or legitimacy of the AJC futures contract. Parties may utilize MGEX Arbitration Rules to resolve disputes between parties. The Exchange shall not be liable for any damages or losses resulting from the arbitration process timeline or from decisions of the Arbitration Panel.

The Exchange is not liable to any party for performance on any warehouse receipt. The Exchange is not liable to any party for the quality of any AJC being stored, delivered or loaded out. Further, the Exchange is not liable to any party for product recalls of AJC, the use of AJC, or for products containing AJC.

MGEX has no liability for the use of any negotiable warehouse receipts used for delivery against the AJC futures contract.

### b. Clearing Members

The Clearing Member must follow the MGEX Rules and Regulations, including but not limited to Exchange delivery procedures, deadlines and forms necessary to effect delivery. A Clearing Member may not submit a Notice of Intention to Deliver Form to MGEX unless it has in its possession the original warehouse receipt as well as a copy of the Certificate of Analysis and a passing, valid USDA Letter Report for the product named on the receipt. Copies of all three documents must be submitted to MGEX at the same time as the Notice of Intention to Deliver Form. The Clearing Member bears the risk of timely obtaining the necessary documents. This potential liability includes costs and delays resulting from inaccurate information provided to MGEX as well as Exchange actions taken in its discretion to ensure delivery, protect the delivery process, mitigate damages or correct misinformation provided to MGEX. Further, all storage charges must have been paid up or prepaid as described in the MGEX Rules and Regulations.

### c. Regular Warehouses

Warehouses deemed Regular must follow the MGEX Rules and Regulations, including but not limited to Exchange procedures, deadlines and forms necessary to effect delivery. The Regular

warehouse is responsible for all handling, storage, and identification, down to the drum and bin as necessary, in accordance with Exchange procedures in order to preserve product identity. In addition to any obligation provided for in the MGEX Rules and Regulations, the Regular warehouse is responsible to exercise the degree of care required by law and as a reasonably prudent person while the product is in its possession.

#### d. Market Participants

AJC market participants shall be responsible for following the MGEX Rules and Regulations, deadlines and forms necessary to effect delivery.

### **C. AJC Product Color Degradation**

Provided the AJC product is properly stored and sealed or resealed, the color grade shall be deemed to degrade one (1) point on the first of every month after the sample is taken and the product has been placed in storage at 0° Fahrenheit .

### **D. USDA Letter Report**

A passing, valid USDA Letter Report is required for delivery on the AJC futures contract. A USDA Letter Report is a document issued by the USDA Agricultural Marketing Service containing the lab test results from a sample taken from an identified lot. A passing USDA Letter Report means that there are no failures on the AJC futures contract specifications. Provided the product is properly stored (as described below), a passing USDA Letter Report shall be valid for a period of up to one year from date the sample is taken (or the day prior in case of a sample date of February 29<sup>th</sup>). A Letter Report may not be used to effect a delivery on the AJC futures contract in the month the Letter Report expires.

A single sample (and the USDA Letter Report) cannot represent more than 40,000 gallons of AJC Product and must have been stored and identified in accordance with the MGEX Rules and Regulations. If a sample fails a test as documented by the USDA Letter Report, the sampled drum or bin may not be used to deliver on an AJC futures contract and the Regular warehouse must clearly identify the drum or bin as undeliverable. The remaining portion of the USDA testing lot may be retested; however, a single sample cannot represent more than 10,000 gallons of AJC product. Should a subsequent 10,000 gallon USDA testing lot fail, the tested drum or bin cannot be used to deliver on an AJC futures contract and the Regular warehouse must clearly identify the drum or bin as undeliverable. Any further retests must be conducted in 1,800 gallon (within acceptable variance) denominations. If the tested drum or bin in an 1,800 gallon (within acceptable variance) denomination fails, none of the drums or bins within that 1,800 gallon lot may be used to deliver on an AJC futures contract.

No USDA Letter Report can be destroyed. The test results and USDA Letter Report are not appealable. All USDA Letter Reports must be retained by the Regular warehouse for at least ten (10) years.

The USDA Letter Report will be eligible to be used to satisfy the USDA testing requirement for any 1,800 subplot from the USDA tested AJC product until the 1,800 subplot is retested or the original USDA Letter Report expires or becomes invalid.

Once a USDA Letter Report has expired, or prior to expiration, the owner of the negotiable warehouse receipt may request another sample be taken. If a subsequent USDA Letter Report is issued, it must be identified and a new negotiable warehouse receipt must be issued. The Regular warehouse must cancel the previous negotiable warehouse receipt prior to issuing the

new negotiable warehouse receipt.

Further, neither the Regular warehouse, nor current owner, nor any previous owner, nor MGEX can warrant the AJC product meets the USDA Letter Report results at the time of load out or at destination. Samples and testing done by a party does not change the results of the USDA Letter Report, does not change the value of the product delivered, and does not alter the delivery process under the MGEX Rules and Regulations.

The sampling process and required conditions for extracting a sample shall be determined by USDA. Regular warehouses must cooperate and assist as necessary.

#### **E. Warehouse Receipt**

Only a negotiable warehouse receipt (in a form acceptable to MGEX) can be used for delivery on the AJC futures contract. Delivery on an AJC futures contract shall be made by the delivery of a negotiable warehouse receipt issued by a Regular warehouse. To effect a valid delivery, each negotiable warehouse receipt must be properly issued, endorsed and representative of the AJC product listed on the receipt. The product represented on the receipt also must be in the possession of the issuing Regular warehouse at all times from issuance until cancellation of the receipt. Further, such receipt shall constitute a warranty of the genuineness of the AJC product and of good title thereto, but shall not constitute a guaranty, by MGEX, the Regular warehouse or any previous owner of the receipt, that the product shall not suffer shrinkage, decay, evaporation or any other loss that is ordinary or usual for that product (such as color).

**See Form 54-04.00.E.** for an example of an acceptable negotiable warehouse receipt. All applicable sections on the receipt must be accurately and fully completed with appropriate authorized signatures. An incomplete receipt will render the receipt unusable for delivery on the AJC futures contract. Except for the endorsement, all information on the negotiable warehouse receipt must be entered by the Regular warehouse. Except for choice of law provisions, the laws of the state of Minnesota shall govern any negotiable warehouse receipt issued on AJC product and used to deliver on the AJC futures contract. MGEX has no liability for the use of any warehouse receipt issued for AJC product, whether used for delivery against the AJC futures contract or not.

Any negotiable warehouse receipt must contain and identify 1,800 gallons (within allowable variance), and must consist of either 32 fifty-five gallon drums or 6 bins containing between 275 and 325 gallons each. Variances are permitted as described in this Chapter. Further, such negotiable warehouse receipt shall identify the specific drums or bins by lot, subplot or otherwise.

Only one contract trading unit may be listed on a single individually numbered negotiable warehouse receipt used for delivery against an AJC futures contract.

#### **F. Certificate of Analysis (COA)**

Only AJC product which has a COA may be deliverable on the AJC futures contract. This COA must include a unique COA lot number indicating the production run, the country of origin, and the unit type (drum or bin).

The COA (or a copy thereof) must be retained by the Regular warehouse and the AJC product owner, and must be provided to any subsequent buyer of AJC no later than the same day the warehouse receipt and USDA Letter Report are transferred to the buyer. The Regular warehouse must retain a copy of the Certificate of Analysis for at least ten (10) years.

### **G. Manifest**

Only AJC product which has a billing or drum manifest may be deliverable on the AJC futures contract. The billing or drum manifest must identify the COA associated with the AJC product.

### **H. Drum or Bin Label**

Only AJC product which is labeled on every drum or bin may be deliverable on the AJC futures contract. The label must, at a minimum, provide the gallons (or in liters) of the AJC product in each drum or bin.

### **I. Payment**

A buyer who has duly received a Delivery Notice from the Exchange shall present the Delivery Notice, along with full payment, to the seller's Clearing Member. Payment shall be made by 1:00 pm Central Time on the business day following receipt of the Delivery Notice. (Payment and delivery times may be modified by the Exchange and communicated by notice and/or posting.) Immediately upon payment, seller shall provide buyer the original negotiable warehouse receipt, and copies of the USDA Letter Report and Certificate of Analysis. Delivery will be considered complete upon payment and transfer of a properly endorsed negotiable warehouse receipt and supporting documents including the passing and valid USDA Letter Report and COA. Further, the same day payment is made (also know as delivery day), the Clearing Member for both the buyer and seller must each notify the Regular warehouse of the change in ownership of the receipt. Buyer's and seller's respective Clearing Members shall be responsible for ensuring a notice of transfer has been timely provided to the Regular warehouse.

Failure by the buyer to make full payment as required shall constitute a default. Upon default, seller is entitled to damages in accordance with [Rule 825.00](#).

### **J. Storage charges**

Before a negotiable warehouse receipt can be delivered, the owner must pay all unpaid accumulated storage charges (if any) up to and including the date the warehouse receipt is delivered to the buyer. The storage rate must be stated on the negotiable warehouse receipt which is used to determine the prorated charges between buyer and seller. Storage charges may be in dollars per drum, dollars per bin, or dollars per whole pallet. The owner of the receipt shall be responsible to prepay storage charges according to the receipt, and such rate must be consistent with the Regular warehouse schedule or tariff.

Prepaid storage charges for days subsequent to the delivery day must be disclosed by the seller and shall be prorated to the buyer.

Collection and settlement of storage charges shall be the responsibility of the Clearing Members involved. Storage charges shall be deemed by MGEX to have been paid when MGEX receives a Notice of Intentions to Deliver Form.

The owner of the warehouse receipt shall be responsible for all expenses associated with ownership of the product including, but not limited to, the cost of all samples and tests, storage fees, insurance, transportation, and load out. USDA testing fees shall be publicly available. Regular warehouse fee schedules or tariffs shall be provided to the Exchange and available to



the public.

### **K. Endorsement**

In order to effect delivery, the owner or their agent (which may be their Clearing Member) of a properly issued negotiable warehouse receipt under the MGEX Rules and Regulations must endorse the negotiable warehouse receipt. Other than words of negotiability, there is no specific required form or language for endorsement. However, the date through which storage charges have been paid and the current owner's name must be noted. Further, if an agent endorses on behalf of the owner, the endorsement must state such.

Notice must be timely given to the Regular warehouse issuing the negotiable warehouse receipt by both the endorser and the recipient of the negotiable warehouse receipt (or their respective Clearing Members) that the negotiable warehouse receipt has been transferred.

### **L. Insurance**

A Regular warehouse shall carry product insurance coverage on stored AJC product that is common in the cold storage industry for a facility storing AJC product. The lack of coverage or the amount of coverage, as well as any insurance rate applicable to the Regular warehouse must be disclosed to the owner of the negotiable warehouse receipt so as to enable the owner to insure the product or obtain additional insurance if they wish. Additionally, the parties may make such other arrangements as may be mutually agreeable. If no product insurance is provided, it must be clearly stated on the negotiable warehouse receipt.

However, pursuant to [Regulation 5601.00.](#), the Regular warehouse shall carry legal liability coverage for the loss of goods. The amount of such coverage shall be stated on the negotiable warehouse receipt.

### **M. Load Out**

The owner of a negotiable warehouse receipt may call for load out at any time, provided the owner follows the Regular warehouse's standard protocol for proper notice, payments, conveyance of transportation, and schedule for pick up.

A Regular warehouse shall not be obligated to load out against a negotiable warehouse receipt received via the delivery process until all storage charges have been paid. All other charges related to load out shall be paid by the product owner requesting load out. However, a Regular warehouse cannot double charge the product owner requesting load out for in/out handling charges already paid by the original owner and identified on the warehouse receipt.

Load out shall be pursuant to the MGEX Rules and Regulations; however, the owner of the negotiable warehouse receipt may make alternative arrangements (non-standard protocol) for load out with the Regular warehouse if both parties mutually agree. However, such non-standard protocol shall be outside of the MGEX Rules and Regulations.

The AJC product loaded out against a negotiable warehouse receipt must be the same product identified on the receipt. Product may be substituted by mutual agreement between the Regular warehouse and receipt owner. However, such substituted product must be owned or obtained by the Regular warehouse, and may not be represented by another warehouse receipt or USDA Letter Report. Such substitution shall be outside of the MGEX Rules and Regulations.

## **N. Variances**

An AJC futures contract represents 1,800 gallons. Any negotiable warehouse receipt used to deliver on the AJC futures contract must contain and identify 1,800 gallons (within allowable variance) and consist of either 32 fifty-five gallon drums or 6 bins, each able to contain between 275 to 325 gallons.

A variance of no more than 200 gallons in actual quantity is permitted and the actual amount must be indicated on the face of a negotiable receipt eligible to be delivered against an AJC futures contract. Each drum or bin must be substantially filled. For example, 6 bins of 275 gallons each representing 1,650 gallons or 6 bins of 325 gallons each representing 1,950 gallons may be delivered.

The amount paid for any underage or overage shall be price adjusted accordingly.

## **O. Drum or Bin Condition**

Pursuant to the tariff or procedures, a Regular warehouse may replace or move product from a damaged drum or bin to a good drum or bin. A Regular warehouse must document such movement and inform the owner if they intend to charge the owner for such action.

Drums and Bins containing AJC are to be in the following size or condition:

**Drum Condition and Liner Specifications** – Contract units of AJC product delivered against a futures contract shall be in 55 gallon rated capacity steel drums with a minimum tare weight of 40 lbs. per drum (includes drum, lid, liners and clamp ring). Height of each drum shall be between 32-36 inches. Each four drums on a pallet will be of comparable height. Variance between drums on the same pallet cannot exceed ½ inch. The drums should be new or properly reconditioned containers. Each poly liner (2-minimum) must be a minimum of 2 millimeters thickness, no evidence of breakage and tied in a manner consistent with Good Manufacturing Practices. Poly liners must have 6 inches remaining after bag is closed or tied. Each drum shall be numbered in a manner in which it is specifically identified. Open top drums must be sealed, or resealed if tested, with tamper evident seals defined as a seal constructed in such a way it can be used only once, is not reusable and can be easily noticed if tampered with, is legible, uniquely identified, fabricated from non-corrosive and appropriate materials. Seal chain of custody documentation must accompany any replaced seals.

**Bin Condition** – If contract units of AJC product delivered against a futures contract are in bins, the bins may be in cardboard, metal, plastic or wood containers, the size and shape of which may vary. Any bin used for delivery used against AJC futures contract must be of quality used in the normal course of business in the apple juice concentrate industry.

## **5405.00. MINIMUM PRICE FLUCTUATION.**

The minimum price fluctuation shall be one-quarter cent (\$0.0025) per gallon or four dollars fifty cents (\$4.50) per contract. All prices shall be quoted in U.S. dollars per U.S. gallon.

## **5406.00. TRADING MONTHS AND HOURS.**

The months available for trading in AJC futures, the number of months available for trade at one time and the hours of trading shall be determined by the Exchange.

Trading in AJC futures shall be permitted in the current delivery month plus any month in the January, March, May, July, September, November delivery cycle which falls within the next succeeding twenty-three (23) months. The next delivery month in the sequence shall replace the expiring delivery month as of the close of business on the last business day of the expiring delivery month.

The hours of trading in AJC futures shall be from seven o'clock (7:00) a.m. to one-ten o'clock (1:10) p.m. All times shall be Central Time.

#### **5406.01. OFFICIAL CLOSING PERIOD.**

The official closing period shall be from 1:09:00 p.m. to 1:09:59 p.m. Central Time.

#### **5407.00. DAILY PRICE LIMITS.**

Daily price limits shall be set by the Exchange. The daily price limits shall be one dollar (\$1.00) per gallon. Trading is prohibited during any business day at a price outside the limit above or the limit below either the settlement price of AJC futures on the previous business day, or the first trade executed for an unopened contract month.

Should two or more of the first four contract months close limit bid or limit offer, the daily price limits for all contracts months shall increase by fifty cents (\$0.50) the next business day and remain there as long as any one of the first four contract months closes at one dollar (\$1.00) or more above or below the previous business day's settlement price.

However, there shall be no price limits on the delivery AJC futures contract month commencing the first business day after expiration of non-serial options on the delivery month.

#### **5408.00. TRADING DAY.**

A business day on which trading of AJC futures is permitted. Trading days shall be determined by the Exchange. The last trading day shall be the business day preceding the fifteenth calendar day of the delivery month.

The last trading day that an AJC futures contract may be exchanged for, or in connection with, an EFP or EFR transaction shall be the sixth business day following the last trading day of the delivery month.

After the last trading day of the AJC futures contract, EFP and EFR transactions are permitted only for the purpose of liquidating futures positions. Such transactions shall not be permitted to initiate or establish new futures positions.

#### **5409.00. NOTICE DAY.**

A business day on which a Delivery Notice may be issued by the Exchange. Notice days shall be determined by the Exchange. The first notice day shall be the last business day of the month preceding the delivery month. The last notice day shall be the business day preceding the last delivery day.

#### **5410.00. DELIVERY DAY.**

The business day on which a negotiable warehouse receipt must be paid for by the buyer and

the seller must issue copies of the COA and passing, valid USDA Letter Report is called the delivery day. Delivery days shall be determined by the Exchange. The last delivery day shall be the seventh business day following the last trading day.

#### 5411.00. POSITION LIMITS.

- A. **Limits.** Position limits shall be determined by the Exchange. However, the position limits shall not apply to positions which are *bona fide* hedging transactions or positions as defined by MGEX. Additionally, any person with *bona fide* hedging positions must report such activity pursuant to MGEX or CFTC Regulations or procedures and in such manner and format, and at such times, as may be required.

No person shall own or control in excess of one-hundred (100) contracts net long or short in the delivery month commencing two business days prior to the delivery month, one-thousand (1,000) contracts net long or short in any single month, or one-thousand (1,000) contracts net long or short in all contract months combined.

- B. **Compliance.** The Exchange may direct any person owning, controlling or carrying a position for another person in excess of the limits set forth in this Regulation to liquidate or otherwise reduce the position to achieve conformity with this Regulation. Further, no person may exceed the limits at any time during the trade day. Other than *bona fide* hedging positions, positions in excess of the limits shall be presumed to be a violation. However, for any futures position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one (1) business day to liquidate the excess position without being considered in violation of the limits.
- C. **Enforcement.** The person owning, controlling or carrying a position, as well as the account holder, FCM, or Clearing Member as the case may be, shall maintain adequate books and records, available to the Exchange, upon request, which disclose the identity of and positions held by any person that owns or controls such position. The person owning, controlling or carrying a position, as well as the account holder, FCM and Clearing Member may be held accountable for any violation of the limits. The Department of Audits and Investigations may take enforcement action against any or all of the parties, whether or not each had actual knowledge of the position or a violation.

#### 5412.00. EXEMPTION FROM POSITION LIMITS.

To be eligible for an exemption under this Regulation, an applicant must submit a written request to the Department of Audits and Investigations. Such request shall include the following:

- A. a description of the size and nature of the proposed transactions;
- B. information which will demonstrate that the proposed transactions are *bona fide* hedging transactions;

- C. a statement indicating whether the person on whose behalf the request is made (i) maintains positions in the futures contract for which the exemption is sought with any other account holder or owner, and/or (ii) has made a previous or contemporaneous request pursuant to the Regulation through another applicant, and if so, the relationship of the information set forth in such requests;
- D. a statement that the intended transactions will be *bona fide* hedges;
- E. a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;
- F. such further information as the Exchange may request, including the daily, weekly or periodic filing of any documents or reports.

Within five (5) business days of the submission of the information set forth above, the Department of Audits and Investigations shall notify the applicant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the applicant or person on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon. At any time, MGEX may limit *bona fide* hedging positions, and deny or limit any request for exemption from position limits which MGEX determines in its sole discretion are not in accord with sound commercial practices or exceed the established or permitted amount which may liquidated in an orderly fashion.

When applied to the AJC contract, MGEX will use as a guide, but not be limited by, the CFTC definition of a *bona fide* hedging position as described in Commission Part 151, specifically 151.5, or elsewhere, as applicable.

#### **5413.00. AGGREGATION OF POSITIONS.**

In determining whether any person has exceeded the position limits, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two (2) or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person. MGEX will follow the CFTC definition of aggregation and the procedures for aggregating positions as described in CFTC Part 151, specifically 151.7, or elsewhere, as applicable.

#### **5414.00. REPORTABLE POSITIONS.**

A position of twenty-five (25) or more AJC futures on this Exchange, long or short, in any one (1) month shall be the reportable position level. All such positions shall be reported in a manner and form as designated by the CFTC or the Exchange.

#### **5415.00. OFFSETS AND TRANSFER TRADES.**

Except by same day trade activity, existing futures positions in a delivery month may not be offset during the period beginning two (2) business days prior to the delivery month and during the delivery month. Clearing Members will be responsible for compliance with this requirement by their omnibus accounts. This prohibition also applies to transfer trades where no change in

ownership is involved when the date of execution or exercise of the position being transferred is not the same as the transfer date. Such positions are required to be offset by trading. If such positions are carried on the books of different Clearing Members, the receiving Clearing Member is responsible for compliance with this Regulation.

#### **5416.00. CONTRACT MODIFICATIONS.**

Specifications of a contract shall be fixed for the duration of the contract month upon the first trade in that contract month. However, a change in any Federal law, regulation, ruling, directive or order that conflicts with these Regulations or specifications will become effective upon notice by the Exchange. Additionally, the Board of Directors and/or Exchange are granted the authority to change contract specifications as it deems appropriate or necessary, or to conform to any other applicable law, rule, regulation that conflicts with these Regulations or specifications, for any unopened contract month, as well as change contract specifications for any contract month with open interest upon approval by CFTC.

Further, the Board of Directors and/or Exchange, to maintain the purpose and viability of the AJC futures contract are granted the authority to change the AJC Regulations not directly affecting contract specifications at any time and implement such change as may be determined.

#### **5417.00. SETTLEMENT.**

Settlement of the AJC futures contract shall be by closing out positions by the last trading day, by exchange for swap (either EFP or EFR) by the last notice day, or by physical delivery of warehouse receipt on the last delivery day.

#### **5418.00. EMERGENCIES.**

In the event of an emergency, as determined by the Exchange, the Board of Directors shall have the authority and power to follow the procedures described in [Rule 210.02](#). The Board of Directors may delegate such powers as it deems necessary, by rule or otherwise, to the Executive Committee, Exchange Officer(s), or other employees of MGEX so that timely action may be taken.

An emergency shall include, but is not limited to, act of God, act of government, strike, quake, flood, interference, interruptions or breakage of communication, accident, or any event or occurrence that is causing or may cause disruption in the marketplace.

Additionally, in the event of an emergency, the Board of Directors or its delegate shall have such authority and power to utilize such sources, means or methods that it determines to be in the best interest of the Exchange and the market.

The decision of the Board of Directors, Executive Committee, Exchange Officer(s), or other employees of MGEX as delegated, shall be final and binding upon all parties. The Exchange shall not be liable to any party as a result of actions and decisions taken in good faith.

**CHAPTER 55**  
**APPLE JUICE CONCENTRATE OPTIONS REGULATIONS**

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**CHAPTER 55**  
**APPLE JUICE CONCENTRATE OPTIONS REGULATIONS**

**5500.00. SCOPE OF CHAPTER.**

This Chapter of Regulations has been duly adopted by the Board of Directors and is limited in its application to the trading of put and call options on Apple Juice Concentrate ("AJC") futures contracts. Electronic trading, clearing, settlement and any other matters not specifically covered herein shall be governed by the Rules, Regulations and Resolutions of the Exchange, or otherwise delegated to the Exchange to establish policies and procedures that implement the Rules and Regulations. Furthermore, trading in options on AJC futures are subject to the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("CFTC") regulations promulgated thereunder.

**5501.00. APPLE JUICE CONCENTRATE PUT OPTIONS.**

The buyer of one (1) AJC futures put option may exercise such option at any time prior to expiration to assume a short position in one (1) AJC futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one (1) AJC futures put option incurs the obligation of assuming a long position in one (1) AJC futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by the put option buyer.

**5502.00. APPLE JUICE CONCENTRATE CALL OPTIONS.**

The buyer of one (1) AJC futures call option may exercise such option at any time prior to expiration to assume a long position in one (1) AJC futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one (1) AJC futures call option incurs the obligation of assuming a short position in one (1) AJC futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by the call option buyer.

**5503.00. CONTRACT TRADING UNIT.**

The unit of trading shall be a put or a call option exercisable for one (1) AJC futures contract of a specified month.

**5504.00. MINIMUM PRICE FLUCTUATION.**

The premium for AJC options shall be one-quarter cent (\$0.0025) or four dollars fifty cents (\$4.50) per option contract.

However, in the case of a cabinet trade to close a position, the premium may be one dollar (\$1.00) per option contract.

**5505.00. TRADING HOURS.**

The hours of trading AJC options shall be from seven o'clock (7:00) a.m. to one-ten o'clock (1:10) p.m. All times shall be Central Time.

**5505.01. OFFICIAL CLOSING PERIOD.**

The official closing period shall be from 1:09:00 p.m. to 1:09:59 p.m. Central Time.



**5506.00. CONTRACT MONTHS.**

Trading may be conducted in AJC options in the same months that are listed for trading in the AJC futures contract. See [Regulation 5405.00](#). Additionally, trading may be conducted in AJC options in months that are not listing for trading in the AJC futures contract. However, no more than two (2) options months outside the delivery cycle shall be available to trade at one time and shall be limited to those months immediately preceding the current delivery month and the next delivery month. Trading in an options month outside the delivery cycle may begin the first business day of the month immediately preceding its month of expiration. The underlying AJC futures contract month for such options month shall be the next month in the delivery cycle. However, the Board of Directors or Exchange may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in AJC options for months in which AJC futures have not traded.

**5507.00. DAILY PRICE LIMITS.**

Trading is prohibited in an AJC option at a premium that is greater than the trading limit for the AJC futures contract above and below the previous day's settlement premium for that option. See [Regulation 5406.00](#). On the first day of trading, limits shall be set from the premium of the first trade.

**5508.00. LAST TRADING DAY.**

The last trading day will be the Friday which precedes by at least two (2) business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last trading day shall be the business day prior to such Friday.

**5509.00. STRIKING PRICES.**

The Exchange shall set the procedure for introduction of striking prices and may modify the procedure as it deems appropriate in order to respond to market conditions.

Trading may be conducted for options with striking price increments of five cents (\$0.05) and ten cents (\$0.10) per gallon. At the commencement of trading in an option class, the following striking prices shall be listed: the striking price closest to the initial futures trade on the underlying Apple Juice Concentrate futures contract and the next five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments, and the next ten (10) consecutive higher and ten (10) consecutive lower in ten cent (\$0.10) increments. If the initial futures trade or previous day's settlement price on the underlying Apple Juice Concentrate futures contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2). New striking prices will not be available until the next trading session.

Sufficient new striking prices shall be added prior to the next trading session to insure there are five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments and an additional ten (10) consecutive higher and ten (10) consecutive lower in ten cent (\$0.10) increments above and below the previous day's settlement price.

**5510.00. PAYMENT OF OPTION PREMIUM.**

The option premium must be paid in full by each Clearing Member to MGEX and by each option customer to their respective commission merchants at the time that the option is purchased.

**5511.00. MARGIN REQUIREMENTS.**

Margin requirements shall be established in accordance with [Rule 760.00](#).

**5512.00. EXPIRATION OF OPTIONS.**

The contractual rights and obligations arising from the option contract expire at four o'clock (4:00) p.m. Central Time on the last day of trading.

**5513.00. OPTION EXERCISES.**

The buyer of an AJC option may exercise the option on any business day by giving proper and timely notice of exercise to the Exchange. See [Resolution 2101.00.C](#).

Additionally, notice by an option holder to exercise an option may be accepted by the Exchange (in its sole discretion) after the deadline but prior to final expiration processing:

- A. To correct errors or mistakes made in good faith;
- B. To take appropriate action as the result of unreconciled Exchange option transactions; and
- C. In exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instructions or the Clearing Member's inability to receive such instructions prior to the reporting deadline on the last day of trading.

**5514.00. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of [Regulation 5513.00.](#), based upon the settlement price for AJC futures on the last day of trading for AJC options, the Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is timely given to the Exchange. See [Resolution 2101.00.C](#).

Additionally, notice to cancel automatic exercise may be accepted by the Exchange (in its sole discretion) after the deadline but prior to final expiration processing:

- A. To correct errors or mistakes made in good faith;
- B. To take appropriate action as the result of unreconciled Exchange option transactions; and
- C. In exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instructions or the Clearing Member's inability to receive such instructions prior to the reporting deadline on the last day of trading.

**5515.00. ASSIGNMENT.**

The Exchange shall assign the exercise of an option through a process of random selection or other approved method to a Clearing Member carrying a short position in the same option series. The buyer's Clearing Member shall be assigned a long position in the underlying futures contract if a call is exercised or a short position if a put is exercised. The Clearing Member shall promptly notify the buyer and seller of any assignments.

All positions assigned in the underlying futures contract shall be at a price equal to the exercise price of the option.

**5516.00. POSITION LIMITS.**

- A. **Limits.** Position limits shall be determined by the Exchange. However, the position limits shall not apply to positions which are *bona fide* hedging transactions or positions as defined by MGEX. Additionally, any person with *bona fide* hedging positions must report such activity pursuant to MGEX or CFTC Regulations or Procedures and in such manner and format, and at such times, as may be required.

No person shall own or control a combination of options and underlying futures contracts that exceeds one-thousand (1,000) futures-equivalent contracts net long or short in all contract months combined, or one-thousand (1,000) futures-equivalent contracts net long or short in any single contract month.

- B. **Compliance.** The Exchange may direct any person owning, controlling or carrying a position for another person in excess of the limits set forth in this Regulation to liquidate or otherwise reduce the position to achieve conformity with this Regulation. Further, no person may exceed the limits at any time during the trade day. Other than *bona fide* hedging positions, positions in excess of the limits shall be presumed to be a rule violation. However, for any futures position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one (1) business day to liquidate the excess position without being considered in violation of the limits.

- C. **Enforcement.** The person owning, controlling or carrying a position, as well as the account holder, FCM, or Clearing Member as the case may be, shall maintain adequate books and records, available to the Exchange, upon request, which disclose the identity of and positions held by any person that owns or controls such position. The person owning, controlling or carrying a position, as well as the account holder, FCM and Clearing Member may be held accountable for any violation of the limits. The Department of Audits and Investigations may take enforcement action against any or all of the parties, whether or not each had actual knowledge of the position or violation.

**5517.00. EXEMPTIONS FROM POSITION LIMITS.**

To be eligible for an exemption under this Regulation, an applicant must submit a written request to the Department of Audits and Investigations. Such request shall include the following:

- A. a description of the size and nature of the proposed transactions;
- B. information which will demonstrate that the proposed transactions are *bona fide* hedging transactions;
- C. a statement indicating whether the person on whose behalf the request is made (i) maintains positions in the futures contract for which the exemption is sought with any other account holder or owner, and/or (ii) has made a previous or contemporaneous request pursuant to the Regulation through another applicant, and if so, the relationship of the information set forth in such requests;
- D. a statement that the intended transactions will be *bona fide* hedges;
- E. a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;
- F. such further information as the Exchange may request, including the daily, weekly or

periodic filing of any documents or reports.

Within five (5) business days of the submission of the information set forth above, the Department of Audits and Investigations shall notify the applicant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the applicant or person on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon. At any time, MGEX may limit *bona fide* hedging positions, and deny or limit any request for exemption from position limits which MGEX determines in its sole discretion are not in accord with sound commercial practices or exceed the established or permitted amount which may be liquidated in an orderly fashion.

When applied to the AJC contract, MGEX will use as a guide, but not be limited by, the CFTC definition of a *bona fide* hedging position, as described in Commission Part 151, specifically 151.5, or elsewhere, as applicable.

#### **5518.00. AGGREGATION OF POSITIONS.**

In determining whether any person has exceeded the position limits, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two (2) or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person. MGEX will follow the CFTC definition of aggregation and the procedures for aggregating positions as described in CFTC Part 151, specifically 151.7, or elsewhere, as applicable.

#### **5519.00. REPORTABLE POSITIONS.**

A position of twenty-five (25) or more put or call options on this Exchange, long or short, in any one (1) month shall be a reportable position level. All such positions shall be reported in a manner and form as designated by the CFTC or the Exchange.

**CHAPTER 56**  
**APPLE JUICE CONCENTRATE DELIVERY WAREHOUSES REGULATIONS**

- 5600.00. Scope Of Chapter
- 5601.00. Delivery Warehouses: Conditions For Becoming Regular
- 5602.00. Cancellation, Expiration, Revocation Or Withdrawal Of Regularity
- 5603.00. Records, Reports, Visitation Of Premises Required By Commodity Exchange Act
- 5604.00. Information And Access To Records And Reports By MGEX
- 5605.00. Miscellaneous

**CHAPTER 56**  
**APPLE JUICE CONCENTRATE DELIVERY WAREHOUSES REGULATIONS**

**5600.00. SCOPE OF CHAPTER.**

This Chapter of Regulations has been duly adopted by the Board of Directors and is limited in its application to delivery warehouses for Apple Juice Concentrate (AJC). Trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the MGEX Rules and Regulations, or otherwise delegated to the Exchange to establish policies and procedures that implement the MGEX Rules and Regulations.

**5601.00. DELIVERY WAREHOUSES: CONDITIONS FOR BECOMING REGULAR.**

When and if the terms and conditions set forth herein have been complied with, and not otherwise, the Exchange may declare a warehouse "Regular" for delivery.

Persons operating a warehouse who desire to have such warehouse become or remain Regular for delivery of AJC under the Regulations of the Exchange shall file an application or renewal form as prescribed by the Exchange. (See **Form 56-01.00.**) Renewal for Regularity must be filed prior to March 1 for a one (1) year term beginning the following May 1. Application for Regularity may be made at any time during a current term for the balance of that term. However, if an applicant is approved during the months of February, March or April, their initial Regularity term will include the following one (1) year term. Initial Regularity during the term shall become effective on the last business day in the month (or earlier if deemed necessary) in which the Exchange approves such application.

The Exchange may approve renewal of Regularity and may revoke said Regularity for cause at any time. Denial or revocation of Regularity by the Exchange may be appealed to the Board of Directors. The decision of the Board of Directors shall be final.

Application for Regularity may be made by persons operating eligible warehouses receiving AJC product and located within 100 miles of major shipping ports along the mainland coasts of the United States. The Board of Directors and Exchange shall have sole discretion to determine locations suitable for delivery on the AJC futures contract. Such locations may be amended as determined necessary by the Board and Exchange for efficient AJC delivery. (Subject to any CFTC approval or notification.)

Each applicant and Regular warehouse must have, agree to and remain in compliance with the following requirements:

- A. A facility for the cold storage, handling and delivery of AJC in drums or bins. Cold storage means the ability to store AJC at or below 0° degrees Fahrenheit. Delivery means having the equipment and ability to load and unload semi-tractor trailers;
- B. An electronic database recordkeeping system in which the arrival to and departure from the facility of AJC inventory is entered. Furthermore, the system must be able to clearly identify by multiple identifiers including but not limited to lots, sublots, and each drum or bin and the location thereof within the facility. Such system must be able to identify product should it be subject to recall;

- C. Collect, maintain and forward such information and documents as may be requested by the Exchange including weekly or more frequent AJC inventory and stock reports. (See [Form 56-01.00.C.](#)) Further, allow MGEX such access to records or databases as necessary to verify information and stocks;
- D. Establish FedEx, electronic mail, or such other accounts as needed with MGEX, product owners, the testing agency and clearing members to effectively and efficiently communicate intentions, send/receive documents, confirm instructions, make payments, etc;
- E. A facility and equipment sufficient for samples to be able to be taken, and assistance to inspectors so they may be able to take samples. This includes retrieving and moving drums and bins as requested. Warehouses cannot interfere with the sampling process. A warehouse must contact the USDA sampling/testing agent within one (1) business day upon request of the owner of the AJC product;
- F. Obtain any required and maintain a valid or required license permitting the warehouseman to own or operate a cold storage facility, and/or store and handle processed food products such as AJC. The license(s) may be issued by the municipality, a state or the federal government;
- G. Maintain compliance with applicable product handling and health code requirements (such as HACCP requirements) established by any regulatory agency or entity, such as the FDA and USDA, with jurisdiction or oversight authority over the warehouse or products stored by the warehouse. Further, cooperate with or provide such agency or entity access to records, products or the premises, if so required by law or regulation. MGEX Rules and Regulations shall not shield a warehouse from compliance with any laws or regulations. A facility must cooperate with any product recalls or any other food safety inquiries regarding AJC. MGEX shall not be liable to any party for the quality of product or product recalls;
- H. Provided AJC product has been stored, tested, and identified as established in the MGEX Rules and Regulations, complete and issue negotiable warehouse receipts within one (1) business day (in a form acceptable to MGEX) upon request of the owner of the AJC product. See Form 54-04.00.E. for an example of an acceptable negotiable warehouse receipt. A Regular warehouse shall honor all receipts it issues. Further, a warehouse shall be responsible for the content, accuracy and completeness of any receipt it issued for delivery on an AJC futures contract. Except for choice of law provisions, the laws of the state of Minnesota shall govern any negotiable warehouse receipt issued on AJC product and used to deliver on the AJC futures contract. MGEX disclaims any liability for the use of negotiable warehouse receipts used for delivery against the AJC futures contract;
- I. Provide a tariff or fee schedule listing the rates for storage and handling of AJC drums and/or bins and agree to make such rates public. A Regular warehouse may provide the owner of products stored a lower storage rate based on volume of business. However, a warehouse cannot charge any subsequent owner of a negotiable warehouse receipt a higher storage rate than the original owner. Changes to tariffs must be provided thirty (30) days prior to effective date. In all instances, fees and tariffs charged by the warehouse must be satisfactory to the Exchange. MGEX may establish a maximum storage rate on AJC warehouse receipts used for delivery on an AJC futures contract.

Further, MGEX may establish maximum handling charges or fees. A warehouse may not charge more than one party for the same service (i.e. no double charging);

- J. Abide by and agree to be subject to MGEX Rules and Regulations, including but not limited to those procedures described in MGEX documents made available by the Exchange. A Regular warehouse acknowledges the priority of MGEX Rules and Regulations should there be a conflict or dispute as to the application of appropriate authority or the interpretation of MGEX Rules and Regulations. **All Regular warehouses agree to submit to the arbitration jurisdiction provided in the MGEX Rules and Regulations;**
- K. Immediately inform the Exchange of any adverse or potential adverse changes in status or financial conditions;
- L. Be in good financial standing, and meet and maintain the following minimum financial requirements as evidenced by submission of the required financial statements:
  - 1. **Working Capital** (excess of current assets over current liabilities) of at least \$500,000. A bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$500,000 may be acceptable at the discretion of the Exchange if this requirement is not met;
  - 2. **Net Worth** of at least \$500,000. A bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$500,000 may be acceptable at the discretion of the Exchange if this requirement is not met;
  - 3. MGEX has sole discretion to limit the number of negotiable AJC warehouse receipts eligible for delivery on the AJC futures contract that may be issued by a Regular Warehouse based on financial condition. Further, MGEX has sole discretion to request additional financial credit from a warehouse or revise financial requirements as it deems necessary;
- M. Submit the following financial information to the Exchange Corporate Secretary:
  - 1. **Annual Audited Financial Statement** prepared by an independent public accountant in accordance with generally accepted accounting principles, and submitted no later than ninety (90) days after the fiscal year end;
  - 2. **Unaudited Financial Statement** reviewed by an independent licensed or public accountant may be submitted only if an audited financial statement is not available. If reviewed financial statements are not available, other financial statements may be submitted. However, if audited financial statements are not submitted, Regularity status may only be granted under conditions determined by the Exchange in its sole discretion. In such



instances, the minimum financial standards may be significantly higher than stated in this chapter. Further, the Exchange may require additional or greater financial surety, including bonds, T-bills, cash and letters of credit. If audited financial statements are not submitted, a bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$1 million will be required. However, this amount may be modified at the discretion of the Exchange;

3. **Interim Unaudited Financial Statement** (balance sheet and income statement) submitted no later than forty-five (45) days after the mid-year point of the warehouseman's fiscal year. An interim financial statement is required of all warehouses submitting an annual financial statement under 1 or 2 above;
4. If **no financial statements** are submitted, a bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$2 million will be required. However, this amount may be modified at the discretion of the Exchange;

Note: MGEX has sole discretion to grant an extension of time to file a financial statement upon the written request of the warehouse and provided such request is received by MGEX prior to the financial statement due date.

N. Obtain, maintain and submit proof of the following insurance:

1. **Legal Liability** coverage for the loss of goods. The general terms of the legal liability insurance shall be stated on the negotiable warehouse receipt. A new certificate of insurance must be provided to MGEX prior to expiration of the coverage policy;
2. **Building or Property Insurance** in an appropriate amount satisfactory to MGEX;
3. **Product Insurance** that, at a minimum, is common in the industry and may be required by law or license. If the warehouse does not maintain full coverage or is not required to provide full coverage, the warehouse must disclose to the owner the amount of coverage so provided. Coverage may be disclosed in the fee schedule, tariff or negotiable warehouse receipt. If the stored AJC is not insured by the warehouse, it must be clearly stated on the warehouse receipt. The owner may obtain additional coverage at his own expense. However, the warehouse shall be responsible for product losses for which it is legally liable;

Note: MGEX has sole discretion to limit the number of negotiable AJC warehouse receipts that may be issued based on insurance coverage. Further, MGEX has sole discretion to request additional insurance from a warehouse or revise minimum insurance requirements as it deems necessary.

- O. Obtain, maintain and submit proof of a **performance bond** in the minimum amount of \$250,000 in favor of MGEX or purchase and hold a membership of MGEX. A T-bill, cash or an unconditional and irrevocable letter of credit paid to or in favor of the Exchange may be substituted for the \$250,000. The amount of bonds, T-bills, cash or a single letter of credit may not be used to meet more than one financial or regulatory requirement. Further, MGEX has sole discretion to request additional bond or revise the minimum bonding requirements as it deems necessary. All forms of bonds and letters of credit must be satisfactory to MGEX and issued by acceptable sureties. MGEX may waive this requirement in its sole discretion should MGEX determine the warehouse has sufficient insurance and financial standing;
- P. Any MGEX memberships or amount paid to or in favor of MGEX is available to the Exchange to use in its discretion upon a failure of the pledging warehouse to meet its obligations required by the MGEX Rules and Regulations;
- Q. Exercise such care in regards to stored AJC product as a reasonably prudent man would exercise under like circumstances as well as follow any prescribed MGEX Rules and Regulations related to AJC product. Failure to exercise such duty of care shall subject the warehouse to liability for loss, damage or destruction of AJC product; and
- R. Limit the number of negotiable AJC warehouse receipts outstanding at any one time if requested or determined by the Exchange. The number of negotiable 1,800 gallon warehouse receipts that a warehouse can issue and have outstanding may be limited by the warehouse's financial condition, type of financial statement, insurance coverage, performance bond, or such other factors the Exchange shall determine in its sole discretion presents a potential risk that should be considered in its analysis and decision.

#### **5602.00. CANCELLATION, EXPIRATION, REVOCATION OR WITHDRAWAL OF REGULARITY.**

A "Regular" warehouse shall not withdraw as Regular except after a ninety (90) day notice to the Exchange, or having obtained written consent of the Exchange.

In the event of cancellation, expiration, revocation, or withdrawal of Regularity, owners of outstanding negotiable warehouse receipts shall be given sixty (60) days to take load-out of AJC from the facility. After such time, the outstanding negotiable warehouse receipts will not be eligible for delivery against an AJC futures contract. Such time may be modified by the Exchange.

The Corporate Secretary will post notice of any cancellation, expiration, revocations or withdrawal of Regularity.

**5603.00. RECORDS, REPORTS, VISITATION OF PREMISES REQUIRED BY COMMODITY EXCHANGE ACT.**

Warehousemen operating Regular warehouses, in compliance with the provisions of the MGEX Rules and Regulations and the Commodity Exchange Act, as amended and the Regulations promulgated thereunder shall:

- A. Keep records showing the stocks of AJC in store in such warehouses regardless of whether or not a warehouse receipt has been issued for such AJC product;
- B. Upon call from the Commodity Futures Trading Commission, report the stocks of AJC and furnish information concerning AJC stocks for future delivery about to be transferred or in process of being transferred, or otherwise moved into or out of such warehouses, as well as any other information concerning AJC stored in such warehouses and that are or may be available for delivery on AJC futures contracts;
- C. Permit visitation of the premises and inspection of the books and records of such warehouses by duly authorized representatives of the United States Department of Agriculture, the Department of Justice or the Commodity Futures Trading Commission, and to keep all books, records, papers and memoranda relating to the storage and warehousing of commodities in such warehouses for a period for five (5) years from the date thereof.

**5604.00. INFORMATION AND ACCESS TO RECORDS AND REPORTS BY MGEX.**

Operators of MGEX-approved Regular warehouses shall disclose and timely file with the Exchange such information as requested, including but not limited to: quantity and condition of stocks in store; AJC in transit, purchased, sold, owned, held for others, consigned, assigned, transferred, delivered, or loaded out; and information on warehouse receipts issued and outstanding, cancelled without delivery and cancelled with delivery.

The information to be provided shall be in the manner, method and format determined by the Exchange and at such times determined by the Exchange. Such information may be requested on a daily, weekly or periodic basis.

Operators shall accord every facility to any duly authorized committee or person for:

- A. the examination of its books and records.
- B. the purpose of ascertaining the stocks of commodities which may be on hand at any time.

Such examination and verification may be made any time by the Exchange or its approved inspection agents or, any other committee authorized by the Exchange, which shall have the authority to employ appropriate personnel to determine the quantity and quality of AJC product in the warehouses and to compare the books and records of the said facilities with the records of any State or Federal authority.

Operators shall keep all books, records, papers and memoranda relating to the storage and warehousing of commodities in said facilities for a period of five (5) years.

#### **5605.00. MISCELLANEOUS.**

The MGEX Rulebook and procedures do not supersede state or Federal law. MGEX shall not be liable for the costs incurred by warehouses to become and remain Regular. Further, MGEX shall not be liable to warehouses or any party for actions taken by MGEX to enforce this chapter or the MGEX Rulebook, or for actions taken by MGEX pursuant to authority under this chapter or this Rulebook. MGEX may take such actions it determines in its sole discretion are necessary to address delivery or stock matters including potential manipulation.

A Regular warehouse, or the operator of a Regular warehouse, may be held liable to a product owner, warehouse receipt holder, clearing member, or other affected party for failure to follow MGEX Rules and Regulations. This potential liability includes, but is not limited to, costs and delays from incomplete or inaccurate warehouse receipts, failure to timely request for sample testing, failure to promptly issue a negotiable warehouse receipt, failure to promptly forward documents to the appropriate party, improper recordkeeping, improper charges or fees, or lost or missing documents.

**RESOLUTION 2101.01.B.**

The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of clearing service fees to be paid to the Corporation for each futures contract bought, sold, exchanged for physical or risk, transferred, delivered, accepted for delivery or cash settled, or for each options contract bought, sold, transferred, exercised or assigned.

|                 |        |
|-----------------|--------|
| Member rate     | \$0.20 |
| Delegate rate   | \$0.20 |
| Non-Member rate | \$0.20 |

For purposes of computing fees, a “member” is the individual listed as the record holder of a membership and trades Exchange contracts for their own account. Further, member rates apply to a firm or corporation which is a record owner of a membership. Member rates do not apply to employees, associated persons, affiliate companies, subsidiary corporations or parent corporations of a member firm or corporation unless they also are a record owner of a membership.

A “delegate” is the individual listed as the record holder of a leased membership and trades Exchange contracts for their own account.

Approved by the Board April 19, 2011, effective May 1, 2011.

**RESOLUTION 2102.00. C.**

The Minneapolis Grain Exchange Board of Directors, or its designee, has adopted the following margins as the minimum amounts that are proper and adequate.

## A. Margins on Futures

Amount Per Contract

|                             |         |
|-----------------------------|---------|
| Apple Juice Concentrate     | \$1,950 |
| Hard Red Spring Wheat       | \$2,650 |
| Hard Red Spring Wheat Index | \$2,650 |
| Hard Red Winter Wheat Index | \$2,650 |
| National Corn Index         | \$1,700 |
| National Soybean Index      | \$2,500 |
| Soft Red Winter Wheat Index | \$2,650 |

Intra-Commodity Spreads

|                         |         |
|-------------------------|---------|
| HRSW Intra-Crop Year*   | \$900   |
| HRSW Inter-Crop Years** | \$1,950 |

\* Rate charged for spreads consisting of two HRSW contracts within the same crop year (Crop Year defined as September through July contract months).

\*\* Rate charged for spreads consisting of two HRSW futures contracts, each within a different crop year (Crop Year defined as September through July contract months).

|   | <u>Spread Credit</u><br><u>% Savings</u> |
|---|--|
| B. Inter-Commodity Spreads  |  |
| NCI vs. NSI   | 50%                                      |
| HRWI vs. Spring Wheat   | 100%                                     |
| HRSI vs. Spring Wheat   | 100%                                     |
| SRWI vs. Spring Wheat   | 100%                                     |
| HRWI vs. HRSI   | 100%                                     |
| HRWI vs. SRWI   | 100%                                     |
| SRWI vs. HRSI   | 100%                                     |
| C. Inter-Exchange Spreads - MGEX Side   |  |
| MGEX NCI vs. CBOT Corn  | 100%                                     |
| MGEX NSI vs. CBOT Soybeans  | 100%                                     |
| MGEX HRWI vs. CBOT Wheat  | 100%                                     |
| MGEX HRWI vs. KCBT Wheat  | 100%                                     |
| MGEX HRSI vs. CBOT Wheat  | 100%                                     |
| MGEX HRSI vs. KCBT Wheat  | 100%                                     |
| MGEX SRWI vs. CBOT Wheat  | 100%                                     |
| MGEX SRWI vs. KCBT Wheat  | 100%                                     |
| MGEX Spring Wheat vs. CBOT Wheat  | 60%                                      |
| MGEX Spring Wheat vs. KCBT Wheat  | 60%                                      |
| D. Margins on Options. Under the provisions of <a href="#">Rule 760.00.</a> , the Board of Directors, or its designee, hereby establishes that minimum margins for options transactions will be determined by the Standard Portfolio of Analysis of Risk margin calculations. SPAN <sup>®</sup> is a registered trademark of the Chicago Mercantile Exchange. The Chicago Mercantile Exchange assumes no liability in connection with the use of SPAN <sup>®</sup> by any person or entity. |  |

Effective August 13, 2012