

**EGYPTIAN CONTRACT FORM NO. 1
F.O.B. (FREE ON BOARD) (NAMED PORT OF SHIPMENT)**

Seller's Contract No.

it is hereby agreed between:

Registration No.

Date

Hereinafter called the SELLER:

Hereinafter called the BUYER:

as follows:

The seller agrees to sell through the intermediary of to the buyer who accepts.

Quantity: of Egyptian cotton

Quality: Seller's type

Price:

F.O.B. (Free on Board)

Shipment:

Insurance: Marine insurance and insurance covering marine war risks and risks of strikes, riots and civil commotion will be provided by the buyer.

Weight: Alexandria weight to be adjusted by the accepted humidity rate of 8.5% added to the dry weight as per certificate of the Cotton Arbitration & Testing General Organization (G.A.T.G.O.) in Alexandria.

Tare: Actual tare.

Export Duties: Any change in the cotton export duties that might be decreed by the Government between the date of sale and the named date of shipment as contracted will be for buyer's account.

Reimbursement:

In case of bank reimbursement, the buyer jointly guarantees the due acceptance of the drafts on presentation and payment at maturity.

Remarks:

Both parties agreed that any dispute, controversy or claim arising out of or relating to this contract, its execution, termination, invalidity or any other issue thereof, shall be settled by arbitration in accordance with the rules of arbitration of ALEXANDRIA COTTON EXPORTERS' ASSOCIATION (ALCOTEXA) – and according to the rules of arbitration stipulated in export selling conditions.

* Terms of cotton sales abroad announced at the beginning of the cotton season form an integral part of this contract.

Made in Alexandria in duplicate on the

THE SELLER

THE BUYER

* **Amendments:**

The Egyptian Contract

* This contract is subject to the rules and regulations of Alexandria cotton Exporters' Association (ALCOTEXA).

DEFINITIONS

- 1- **"Shipment"** means, according to the context, either the loading of cotton or any number of bales so loaded.
- 2- **"Shipment with stipulation of a specified month"** means shipment on any one day of such month at seller's option.
- 3- **"Prompt or immediate shipment"** means shipment or export of cotton not earlier than the date of contract but to be effected -at most- within 14 days from said date.

* Articles from No. 20 through to No. 29 (repeated) outline obligations that bind sellers and buyers vis-a-vis sales contracts: FOB, C&F, CIF, Ex-ship, Ex-quay and Ex-Free Zone.

Clause 1: Cotton is sold according to the type pertaining to the grade, the length and properties of the staple.

Clause 2: In case of non-execution of the contract or if it becomes impossible to execute it for any reason, the contract will not be deemed cancelled but will be settled through invoicing back, in accordance with the rules in force at the time of contracting.

Clause 3: If the seller proves that it is impossible to execute the contract for difficulties in buying or selling cotton due to uncontrollable reasons such as unforeseen impediments in transport, or due to strikes, lock-outs, riots, quarantine or any other force majeure, or for the inability of the buyer to take delivery of the cotton due to the same unforeseen circumstances and should the two parties fail to reach an agreement, the arbitrators should take into consideration such circumstances when rendering their award.

Clause 4: In case of war or any circumstances leading to the cessation of trade relations between Arab Republic of Egypt and the country of the buyer, the contracting parties will, within four days from the date fixed by the Management Committee, reach an agreement on the ways and means of executing the contract. On failing to reach an agreement within the fixed period, each party will submit a request to the President of the Management Committee for the liquidation of the contract through invoicing back. The Committee will issue its decision as to the price according to which clearance shall be made, taking into consideration the prevailing export prices or the spot cotton price in the month or months of delivery or shipment mentioned in the contract, due dates agreed upon by the two parties, the freight rates and all other considerations that the Committee deems necessary. The Committee's decision is considered final and binding to both parties.

Clause 5: Any difference between the declared price referred to in the preceding article and the price specified in the contract will be credited to the buyer or to the seller's account, as the case may be, and settlement shall be made according to the Association's instructions, which in this case abide by laws, decrees and other instructions given by the Competent Authorities in the Arab Republic of Egypt.

Clause 6: The date of the bill of lading signed by the captain of the ship after the effective shipping of cotton, or signed when cotton is sent to the port and delivered to the shipping company shall be reckoned, being the date of shipment specified in the contract.

Clause 7: Arbitration on cotton arriving at destination by more than one ship will be carried out for each shipment separately, unless otherwise stipulated in the contract.

Clause 8: If cotton grade is inferior to that agreed upon in the contract by no more than one fourth of a grade, or if the staple is lower than the type by a rate not exceeding 1.5%, both parties may agree amicably to reduce the grade, provided that the seller notifies the Government Commissioner at the Cotton Exporters' Association, who should submit the cotton subject to this agreement to a committee of three sworn experts to verify the grade of the cotton ready for delivery and approve the reduction. Should the committee does not admit such reduction or modify its rate, the two parties have the choice either to accept the committee's decision or resort to arbitration.

Clause 9: The contracted weight is to be measured by Metric Ton (1000 kg) or the equivalent in bales with allowance of $\pm 5\%$, prior to determining the eventual humidity percentage by the Cotton Arbitration and Testing General Organization. Bales are weighed to the nearest half kilo for weight calculation 45.35 kg equal 100 lbs. The above provisions are applicable to "Sekina", "Scarto", "mixed cotton" and the like.

Clause 10: Cotton having an official certificate issued by the Cotton Arbitration and Testing General Organization will not be subject to any settlement, either for weight or for humidity.

Clause 11: According to article 56 of Ministerial Decree No. 507/1994, ALCOTEXA shall periodically fix expenses due for the delay of shipment beyond the agreed date, which consist of a) interest b) storage c) insurance.

Clause 12: In case of non-execution of the contract by one of the parties, the other party has the right to require its dissolution by invoicing back (extourne), unless otherwise explicitly stipulated in the contract. The buyer has no right to invoicing back for cotton, which shipment has been delayed, if same was already shipped before the arrival of the notice demanding the dissolution by invoicing back to the seller. If the dissolution demand is based on the partial non-execution of the contract, the party asking for it has the right only for the unfulfilled part of the contract. In all cases, the invoicing back price is fixed by arbitration. The arbitrators should take into consideration month or months of delivery or shipment set forth in the contract, guided by the prevailing export and spot market prices and other considerations referred to in Article 33 of the Regulations.

Clause 13: Any dispute pertaining to cotton quality (variety, grade and staple), contract terms or non-execution thereof or other legal matters will be subject to arbitration.

Clause 14: Every application for arbitration should be submitted (in two copies) to the President of the Association as per registered letter or by Facsimile. The words (Application for Arbitration) have to be written on the envelope. Decisions of First Degree or Appeal Arbitration Committees should be communicated to both parties by registered mail.

Clause 15: Applications for arbitration pertaining to quality may be submitted before or after shipment of the cotton. If cotton is still unshipped, the arbitration samples have to be withdrawn by the Cotton Arbitration and Testing General Organization, in the presence of both the Association's representative and an accredited expert chosen from the store-keepers' list kept at the Association, provided not being an interested party. At least 5% of the steam pressed bales have to be opened and the samples should be sent to the office of the Cotton Exporters' Association at Mina- El -Bassal where they are kept for eventual arbitration and appeal purposes. For cotton already shipped, applications for arbitration have to be submitted within 30 days from date of unloading cotton, provided that samples subject to arbitration should be available within 50 days from the last day of unloading, unless otherwise agreed between the seller and the buyer, or if an extension has been granted in accordance with provisions of Article 77 of the Regulations.

Clause 16: The Management Committee may extend the specified period for submitting the arbitration petition or for calling the Arbitration Committee, also it may extend the period specified in Article 75 of the Regulations upon a written request submitted by either of the parties, at least three days before the end of the specified period, and provided that such request is substantiated by reasons accepted by the Management Committee. However, if either of the parties applies for arbitration after the deadline and the other party agrees, the Management Committee may accept same if causes invoked are plausible. The Committee may also accept applications for appeal after the deadline if it is warrantable.

Clause 17: Arbitration on cotton is carried out on the basis of a certain type to be submitted by either or both parties, signed and sealed by them and weighing not less than half a kilo. It will be compared with cotton samples subject of dispute.

Clause 18: The samples are withdrawn from the inside of the bales, in the presence of a committee composed of the representatives of the buyer, the seller, the Association, the Cotton Arbitration and Testing General Organization and of an expert store-keeper, who should not be an interested party, chosen by ballot by the Management Committee's President from the list of expert store-keepers accredited at the Association. The Management Committee will fix the expert storekeeper's fees, which should be borne by the seller. The total weight of the samples should not be less than three kgs. For each 100 bales or part thereof. Samples should be withdrawn from bales representing at least 5% of total number of the bales subject of dispute, with a minimum level as follows:

* One bale for each ten bales or less. * Two bales for each twenty bales or less * Three bales for more than twenty bales.

Clause 19: Charges for samples withdrawal and expertise in first degree and appeal for all arbitration cases before shipment should be equally shared by both parties. In case of arbitration on disputes between the two parties, the losing one will bear the referred to charges and fees.

Clause 20: Samples and types sent from abroad either for amicable or formal arbitrations, which should be withdrawn by an accredited international control bureau, have to be dispatched to the following address: Alexandria Cotton Exporters' Association, 12 Mohamed Talaat Nooman Str., Alexandria, A.R.E.

The samples sent from abroad should be submitted to the Agricultural Quarantine Department- Ministry of Agriculture.

Clause 21: Fees for first-degree arbitration are fixed at eighteen pounds per portion of fifty bales or part thereof. Said fees are equally shared by both parties for pre-shipment arbitration and borne by the losing party in case of arbitration following a dispute.

Clause 22: Both parties are entitled to lodge an appeal against the decision given by the first degree arbitration, If cotton was subject to first degree pre-shipment arbitration, the appeal request is submitted in writing within thirty days following the last day of unloading. For an importing country having no seaports, the period will be extended for further thirty days. However, if either of the parties requests appeal against the expertise decision before shipment of cotton, he should submit his appeal request within 48 hours from notification of said decision, holidays excluded. If cotton was subject to first-degree arbitration after shipment, he should submit the appeal request within ten days from date of notification of the expertise decision, holidays excluded. The seller may not lodge an appeal against arbitration decision except when a fine is imposed on cotton.

Clause 23: Fees for appeal are fixed at fifty-four pounds per each portion of 50 bales or part thereof. If the appeal decision indicates that cotton is inferior to the type specified in the contract, fees due are borne by the seller. But if the decision states that the cotton is equal to the agreed type, the fees are borne by the buyer.

Clause 24: If it is found, in first degree arbitration or appeal, that cotton is inferior to the type by more than one quarter of a grade, or if staple is below that of the type by more than 1.5%, the buyer will then have the right to reject the cotton if still unshipped. Cotton already shipped is, under no circumstances, subject to rejection. In case of rejection of a lot, the seller will replace it within the period specified in the contract. If the new lot is likewise rejected, this portion of the sale will be liquidated by invoicing back in accordance with provisions of Article 65 of the Regulations, unless otherwise stipulated in the contract.

Clause 25: Applications for arbitration on disputes pertaining to legal issues, terms of the contract, non-execution thereof and other disputes must be submitted within eight days from the date on which amicable settlement is deemed impossible. The Management Committee may, if it is necessary and at its discretion, extend this period in accordance with prevailing circumstances.

Clause 26: The party applying for arbitration will pay a provisional deposit of one hundred pounds to the Association's Treasury on account of arbitration dues. Arbitrators specify in their decision the party bearing such charges or the portion to be paid by each party, as the case may be.

Clause 27: Appeal against decision taken by the First Degree Arbitration Commission may be allowed. The appeal application is submitted in writing and in duplicate to Association's President within eight days from notification of the first-degree decision.