

USA Rice Millers' Association

ARBITRATION RULES

1. AGREEMENT OF THE PARTIES

Parties to a transaction governed by Rice Millers' Association (RMA) Terms and parties who have agreed in writing to submit their disputes to arbitration in accordance with the rules of the USA Rice Millers' Association shall be deemed to have made these rules a part of their arbitration agreement. These rules and any amendments thereof shall apply in the form existing at the time the arbitration is initiated. References in these rules to the Arbitration Committee shall mean the Arbitration Committee of the USA Rice Millers' Association, as the same shall be constituted from time to time in accordance with the procedures and bylaws thereof. The USA Rice Millers' Association shall accept for arbitration any dispute arising out of a transaction or contract governed by RMA Terms and may accept for arbitration any dispute arising out of a transaction or contract relating directly or indirectly to rice, rice products, or rice by-products.

2. INITIATION OF ARBITRATION

An arbitration pursuant to these rules may be commenced by any party ("Claimant") by serving a written notice with the other party ("Respondent") of its intention to arbitrate ("Demand"). The Demand for arbitration shall contain the following information:

- (a) Names in full, descriptions and addresses of the parties;
- (b) a brief but specific statement of the dispute to be arbitrated, the amount claimed, if any, and the relief sought;
- (c) the relevant agreements, and in particular the agreement to arbitrate, and such documentation or information as would serve to establish the circumstances of the case.

In addition, the Claimant shall file three copies of the Demand, as submitted to the Respondent, with the USA Rice Millers' Association together with the administrative fee as provided in the Administrative Fee Schedule.

3. ANSWER TO THE REQUEST

The Respondent shall within 20 business days after receiving the Demand serve its Answer on the Claimant, except that a Respondent located outside the United States shall have 40 business days in which to serve its Answer. The Answer shall contain the following information:

- (a) A brief but specific statement of defenses; and
- (b) such documentation or information as will serve to establish the circumstances of the case.

In addition, Respondent shall file three copies of the Answer with the USA Rice Millers' Association together with the administrative fee as provided in the Administrative Fee Schedule.

If no Answer is filed within the stated time, it will be assumed that the claim is denied. Failure to file an Answer will not operate to delay the arbitration. If Respondent fails to pay its administrative fee, the Claimant shall pay such fee, in which case (i) the arbitration shall proceed, (ii) Respondent shall not be permitted to offer evidence or argument in its defense, and (iii) such payment shall be without prejudice to the arbitrators' authority to assess arbitration expenses against either or both parties pursuant to Rule 11(c).

4. COUNTERCLAIM

A Respondent may bring a counterclaim if it arises out of or relates to the claim or controversy that is the subject of the Demand. A Counterclaim shall be served and filed at the same time as the Answer, together with the administrative fee as provided in the Administrative Fee Schedule.

5. REPLY

Claimant may file an Answer to a Counterclaim and a Reply to Respondent's Answer within five business days after receiving the Answer and any counterclaim.

6. JURISDICTION

(a) **Absence of Arbitration Agreement.** Where there is no prima facie agreement to arbitrate between the parties or where there is an agreement but it does not specify RMA Terms or the Arbitration Rules of the USA Rice Millers' Association, and the Respondent does not file an Answer as provided in Section 3 or refuses to arbitrate before the USA Rice Miller's Association, the Claimant shall be informed that the arbitration cannot proceed. If in

these circumstances, the Respondent does file an Answer without objection or otherwise manifests its willingness to arbitrate, and the transaction or contract at issue involves rice, rice products, or rice by-products, the arbitration shall proceed.

(b) Challenges to Validity of Agreement. By filing its Demand, a Claimant acknowledges the existence and validity of an agreement to arbitrate and may not subsequently challenge the same. A Respondent similarly acknowledges the existence and validity of an agreement to arbitrate by filing an Answer without objection or challenge to such existence and validity.

(c) Determining Validity of Agreement. If a Respondent challenges the existence or validity of the agreement to arbitrate on which Claimant relies, the Arbitration Committee shall notify the Claimant that the arbitration cannot proceed if it is convinced that the challenge is sound. Otherwise, and without prejudice to the merits of the challenge, it shall permit the arbitration to proceed, in which case the arbitrators shall finally decide the issue.

(d) Refusal of a Party to Participate. If there is an agreement to arbitrate between the parties but one party refuses or fails to take part in the arbitration, the arbitration shall proceed notwithstanding such refusal or failure.

7. PLACE AND TIME OF HOLDING THE ARBITRATION

All arbitrations shall be held at a place and time designated by the Arbitration Committee.

8. ARBITRATORS

(a) Appointment. Arbitrations under these rules shall be held before either three, five, or seven arbitrators, as the Arbitration Committee shall in each case decide. The arbitrators in each case shall be appointed by the Arbitration Committee and shall normally be drawn from the membership of that Committee, one of whom shall serve as Chair. The Arbitration Committee may in a particular case appoint one or more arbitrators who are not members of that Committee.

(b) Disqualification. No person shall serve as an arbitrator in any arbitration if he has any financial or personal interest in the result of the arbitration, unless all parties waive such disqualification in writing and after full disclosure of the circumstances. A person appointed as an arbitrator shall disclose to the Arbitration Committee any circumstances likely to affect his impartiality, including any bias, any financial or personal interest in the result of the arbitration, or any past or present relationship with the parties. Upon receipt of such disclosure, or upon a challenge by a party to the impartiality of an arbitrator, the Arbitration Committee shall determine whether the arbitrator should be disqualified, which determination shall be final.

(c) Vacancies. If an arbitrator resigns, withdraws, dies, refuses to serve, is disqualified or is unable to perform, the Arbitration Committee shall appoint a substitute arbitrator. Unless the parties agree otherwise, in writing, the matter shall continue to be heard without any need to hear and consider the case and all the evidence and statements anew.

9. THE ARBITRAL PROCEEDINGS

(a) Timing. The arbitrators shall proceed expeditiously to establish the facts of the case by all appropriate means.

(b) Evidence. The parties may offer such evidence as they desire and shall produce such additional evidence as the arbitrators deem necessary to an understanding and determination of the dispute. Such evidence may include affidavits and documents. The arbitrators may order the parties to produce documents. The arbitrators shall be the judge of the relevance and materiality of the evidence and conformity to legal rules of evidence shall not be necessary.

(c) Hearings. After consideration of the written evidence submitted by the parties and all documents relied upon, the arbitrators shall hear the parties together in person, if one of them so requests, and failing such request the arbitrators may on their own motion decide to hear the parties or they may choose to decide the matter on the written evidence and documents only. In addition, the arbitrators may decide to hear any other person in the presence of the parties, either on their own motion or upon the request of a party. The arbitrators shall give reasonable notice of the time and place of any hearing. If a party having been duly notified fails to appear, the arbitrators may nonetheless proceed with the hearing. The arbitrators shall conduct any hearing as they deem fit.

(d) Experts. The arbitrators may appoint one or more experts and receive their reports in writing or hear them in person, in the presence of the parties.

(e) Attorneys. The parties may appear in person through their designated representative. Parties may be allowed to have one attorney, agent or other advisor present. However, attorneys, agents or advisors for the parties shall not be permitted to present argument or conduct cross examination, except as permitted by the arbitrators.

(f) Written Argument. Prior to rendering a decision, the arbitrators shall afford the parties an opportunity to submit written argument on the dispute, but absent special circumstances, such written argument shall be submitted together with the Demand, Answer and/or Reply, and in no event may be submitted later than 14 days before the hearing date, unless the arbitrators agree or direct otherwise.

10. RULES FOR AN ARBITRATION ON QUESTIONS OF QUALITY

(a) **Delivery and Payment.** In the case of an arbitration on a question of quality of any delivery of rice, the buyer shall pay draft and take charge of goods, pending the decision of the arbitrators.

(b) **Availability for Sampling.** Arbitration with respect to the question of quality cannot be held on any lot of rice, all of which is not available for sampling, unless both buyer and seller agree to and request such arbitration.

(c) **Sampling.** In the case of an arbitration on a question of quality of any delivery of rice where the sale was made on type or sample, the seller or his representative, and the buyer, shall each send to the arbitrators sealed samples representing the rice on which the sale was made. Samples of the delivery shall be drawn by a public sampler, and shall be taken from not less than ten (10) percent of the entire shipment, and from sound pockets only. If there is no public sampler available for the drawing of such samples, the samples may be drawn in the presence of both buyer and seller by any competent and disinterested party agreeable to both buyer and seller.

(d) **Certificates *Prima Facie* Evidence.** On arbitrations where a question of quality constitutes the only issue involved, the sales type and samples of the shipment or a lot certificate of inspection issued by a federal or federal state grading office, furnished in accordance with these rules, shall constitute the evidence, and no representative of either party may make a personal appearance.

(e) **Minor Quality Differences.** On questions of quality where the difference found by the arbitrators is less than one-quarter (1/4) of one cent per pound, buyer shall accept goods at the allowance, except if the transaction was made on the basis of U.S. Grade Standards for rice, and is accompanied by an inspection certificate issued by the U.S. Department of Agriculture. If the difference amounts to one-quarter (1/4) of one cent per pound or more, or if the transaction is based on U.S. Grade Standards for rice, buyer shall have the option to accept the goods at the allowance made by the arbitrators, or require that another shipment be made within ten (10) days from date of notice to seller. Buyer must, within twenty-four (24) hours after receipt of the decision of the arbitrators, notify the seller which option he wishes to exercise, otherwise he must accept the shipment according to findings of the arbitrators. In this instance, receipt of telegraphic, telex, telecopy or similar advice shall be considered as due notice of the decision of the Arbitration Committee.

11. DECISION AND AWARD

(a) **Majority Decisions.** All decisions of the arbitrators shall be made by at least a majority thereof.

(b) **Written Awards.** The award shall be made promptly by the arbitrators. The award shall be in writing and be signed by at least a majority of the arbitrators. The arbitrators may grant any remedy or relief which they deem just and equitable, including but not limited to, specific performance of a contract and post-award interest. The award may, but need not, contain a statement of the arbitrators' reasons and conclusions. The arbitrators shall base their awards on what reasonably prudent business persons would do in comparable circumstances.

(c) **Costs.** The arbitrators in their award shall assess the arbitration expenses against either or both parties. The expenses of the arbitration shall include the administrative costs fixed in accordance with the Administrative Fee Schedule, the expenses, if any, of the arbitrators and the Arbitration Committee, the fees and expenses of any experts and of consultants to the arbitrators and the Arbitration Committee. The arbitrators may also award the prevailing party its attorneys' fees.

12. SPECIAL PROVISIONS

(a) **Filings.** All documents shall be served or filed by hand, by electronic mail, or by U.S. Postal Express Mail Service or any similar service guaranteeing overnight delivery. Any filing which under these rules is to be accompanied by an administrative fee shall be disregarded if it is not so accompanied.

(b) **Conservation of Property.** The arbitrators may issue such orders as they consider necessary to safeguard the property which is the subject matter of the arbitration without prejudice to the rights of the parties or to the final determination of the dispute.

13. FINALITY

The award of the arbitrators shall be final, and no appeal may be taken therefrom. By submitting the dispute to arbitration by the USA Rice Millers' Association, both parties are deemed to have undertaken to carry out the award without delay and to waive their right to any appeal insofar as such waiver can be validly made.

14. SECURITY FOR PAYMENT.

The arbitrators may at any time or from time to time require the parties to deposit sums in excess of the administrative fee, to serve as security for and to be applied against arbitration expenses. Such deposits shall be held by the USA Rice Millers' Association, shall be without prejudice to the arbitrators' authority to assess arbitration expenses against either or both parties pursuant to Rule 11(c), and shall be refunded to the parties to the extent they are not needed to defray expenses.

RMA ARBITRATION ADMINISTRATIVE FEE SCHEDULE

Approved February 9, 2009

AMOUNT OF CLAIM	ADMINISTRATIVE FEE PAYABLE BY EACH PARTY
\$1 TO \$50,000	\$5,000
\$50,001 to \$250,000	\$10,000 plus 1% of excess over \$50,000
\$250,001 to \$1,000,000	\$15,000 plus 1/2% of excess over \$250,000
\$1,000,001 plus	\$20,000 plus 1/4% of excess over \$1,000,000

If no amount is stated when the demand is filed, the administrative fee is \$10,000 from each party subject to adjustment (i) in accordance with the above schedule as soon as an amount can reasonably be stated, or (ii) in the discretion and at the request of the Arbitration Committee.

Any of the above fees may be increased at the sole discretion of the Arbitration Committee if deemed necessary by the Committee to cover the USA Rice Millers' Association expenses.

REFUND SCHEDULE

If an arbitration is settled or withdrawn prior to rendering an award or hearing the parties, all of the administrative fee in excess of the greater of (i) \$1,500 or (ii) one-half of the arbitration expenses shall be refunded to each party.