Chapter 63
Lumber Futures

6300. SCOPE OF CHAPTER
This chapter is limited in application to Lumber Futures. In addition to this chapter, Lumber Futures shall be subject to the general rules and regulations of the Exchange as applicable.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The terms “reload” and “transload” shall mean any facility able to receive railcars where multiple entities have unloading and storage capabilities.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate Central Prevailing Time (CPT).

6301. CONTRACT SPECIFICATIONS
Each delivery unit shall consist of nominal 2x4’s of random lengths from 8 feet to 20 feet. Each delivery unit shall consist of and be grade stamped #1 or #2 Better. Each delivery unit shall contain lumber produced from and grade stamped Hem Fir (HF), Douglas Fir (DF), Fir Larch (FL), or Spruce Pine Fir (SPF).

6302. TRADING SPECIFICATIONS
6302.A. Trading Schedule
Futures contract shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Exchange.

6302.B. Trading Unit
The unit of trading shall be 27,500 board feet.

6302.C. Price Increments
Minimum price fluctuations shall be in multiples of $0.50 per thousand board feet (mbf).

6302.D. Special Price Fluctuation Limits
At the commencement of each trading day, the contract shall be subject to special price fluctuation limits and daily price limits as set forth in Rule 589 and in the Special Price Fluctuation and Daily Limits Table in the Interpretations & Special Notices Section of Chapter 5.

There shall be no price limit in the expiring month contract beginning on the first Business Day of the contract month.

6302.E. Position Limits, Exemptions, Position Accountability and Reportable Levels
The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

6302.F. Termination of Trading
Trading shall terminate on the Business Day immediately preceding the 16th calendar day of the contract month. Any contracts remaining open after the last day of trading must be either:
(a) Settled by delivery; or
(b) Liquidated by means of a bona fide Exchange for Related Positions pursuant to CME Rule 538, no later than 5:45 p.m. CPT two Business Days prior to the 26th calendar day of the contract month.

6302.G. Transfers of Cash for Lumber
The cash merchandise transferred for Lumber Futures after termination of trading may only be deliverable species dimension lumber with variances for grade/size and tally; provided, however, that the quantities transferred both before and after termination of trading are comparable to the quantities specified in the futures contract and provided further, that there is an unconditional transfer of title to the buyer of the cash and the seller of the futures contract evidenced by, at a minimum, payment for the cash merchandise.

The shipment or transfer of the cash merchandise should be delivered to a destination normally used by the buyer or one that is common to the cash market. The buyer must retain ownership of the transferred product for personal use or resale to his customers and may not resell the product either directly or indirectly to the original seller.

6303. SETTLEMENT PROCEDURES
In addition to the procedures and requirements of Chapter 7, the following shall specifically apply to the delivery of Lumber Futures.

6303.A. Delivery
All remaining open positions on two (2) Business Days prior to the 26th calendar day of the contract month will be matched for Exchange delivery on the Business Day prior to the 26th calendar day of the contract month.

Delivery shall be made in a railcar by a producing mill and delivered to a location within the Chicago Switching District. Title to each delivered unit of lumber shall pass to the buyer upon buyer's receipt of documentation supplied at the final destination within the Chicago Switching District.

The delivery will be considered complete when delivery and any final payments are completed.

Exchange delivery shall be made in increments of four (4) contracts by both sellers and buyers. Any final positions going into delivery in an increment different from four (4) contracts will be assessed a penalty of $5,000 per party (seller or buyer) payable to the Clearing House.

6303.B. Responsibilities of Clearing Members
1. Notice of Intention to Accept
Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 12:00 p.m. the Business Day prior to the 26th of the contract month providing number of contracts, customer and any other information required by the Exchange.

2. Notice of Intention to Deliver
Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 12:00 p.m. the Business Day prior to the 26th of the contract month providing number of contracts, lumber species, customer and any other information required by the Exchange.

3. Initial Payment
The buyer's Clearing Member, on behalf of the buyer, shall deposit with the Clearing House no later than 10:00 a.m. on the Business Day following assignment initial funds in an amount equal to 27.5 times the settlement price on the last day of trading in the contract month.

4. Delivery Destination
Upon receipt from the Exchange to Clearing Members of an assignment notice, Buying or Selling Clearing Members shall obtain from buyers or sellers delivery instructions and submit to the Clearing House by 4:00 p.m. two (2) Business Days following receipt of an assignment notice in a form as prescribed by the Clearing House.

5. Tally and Delivery Information
By 4:00 p.m., within one (1) Business Day after acceptance by the railroad, the seller’s Clearing Member shall receive from the seller and submit to the Clearing House a uniform straight bill of lading (or a copy thereof), tallies and any other documentation specifying grade,
car number, piece count by length, unit size, total board footage, date of acceptance and any other information required by the Exchange. The date of acceptance by the railroad is the date of the bill of lading, signed and/or stamped by the originating carrier, except when determined otherwise by the Clearing House.

6. Delivery Notice and Confirmation
By 4:00 p.m., within one (1) Business Day of buyer’s receipt of lumber, the buyer’s Clearing Member shall receive from the buyer and submit to the Clearing House in a form prescribed by the Exchange the delivery (received) date and any amendments to tally details along with final documentation specifying the lumber species received, car number, final tallies including piece count by length, unit size, total board footage and any other information required by the Exchange.

7. Payment
Final payment will be made on the basis of the exact quantity delivered. Any additional funds due from buyers and sellers once delivery has been completed shall be due to the Clearing House no later than 10:00 a.m. on the Business Day following delivery confirmation.

6303.C. Seller’s Duties
1. Delivery Destination
If the delivery between a buyer and seller is not in increments of four (4) contracts on each side, the seller will designate a transload or reload facility within the Chicago Switching District and provide delivery destination details to the buyer and to the Clearing House by 4:00 p.m. within two (2) Business Days of the receipt of Notice of Intent. The seller’s Clearing Member shall receive from the seller and submit to the Clearing House, within two (2) Business Days of receipt of the Notice of Intent, shipping instructions to include the full address of the transload or reload facility within the Chicago Switching District, contact name, telephone number, rail line and any other information required by the Exchange.

The seller shall ensure their designated facility within the Chicago Switching District has all information required by the facility.

Amendments to delivery destination details are allowed prior to shipment and upon mutual agreement between the buyer and seller.

2. Shipment
The seller shall follow the shipping instructions within ten (10) Business Days after receipt of such instructions.

3. Tally and Delivery Information
By 4:00 p.m., within one (1) Business Day after acceptance by the railroad the seller must provide to their Clearing Member a uniform straight bill of lading (or a copy thereof), tallies and any other documentation specifying grade, car number, piece count by length, unit size, total board footage, date of acceptance and any other information required by the Exchange. The date of acceptance by the railroad is the date of the bill of lading, signed and/or stamped by the originating carrier, except when determined otherwise by the Clearing House.

If the seller fails to fulfill any of the aforementioned duties within the prescribed time, penalties will be assessed by the Clearing House in accordance with the current penalty schedule. The delivery shall reach the destination within the Chicago Switching District by the last Business Day of the calendar month following the contract month.

6303.D. Buyer’s Duties
1. Initial Payment
On behalf of buyer(s) assigned a notice of intent, the buyer’s Clearing Member shall deposit with the Clearing House no later than 10:00 a.m. on the Business Day following assignment initial funds in an amount equal to 27.5 times the settlement price on the last day of trading in the contract month.
2. Delivery Destination
If the delivery is assigned between a buyer and seller and is in increments of four (4) contracts on each side, the buyer will designate a delivery destination within the Chicago Switching District and provide shipping instructions to the seller and to the Clearing House by 4:00 p.m. within two (2) Business Days of the receipt of Notice of Intent. The buyer’s Clearing Member shall receive from the buyer and submit to the Clearing House, within two (2) Business Days of receipt of the Notice of Intent, shipping instructions, to include the full address of the delivery destination within the Chicago Switching District, contact name, telephone number and any other information required by the Exchange.

The buyer shall ensure their designated facility within the Chicago Switching District has all information required by the facility, including contact and payment information.

Amendments to delivery destination details are allowed prior to shipment and upon mutual agreement between the buyer and seller.

4. Delivery Confirmation
By 4:00 p.m., within one (1) Business Day of receipt of the delivery into the designated facility or the transload or reload designated by the seller or buyer, the buyer shall provide to the buyer’s Clearing Member documentation providing the receipt date, final tally details including piece count by length, unit size, and total board footage and any other information required by the Exchange.

6303.E. Payment
Final payment will be made on the basis of the exact quantity delivered. After a delivery is confirmed, additional funds are due by Clearing Members on behalf of buyers and sellers by 10:00 a.m. one (1) Business Day following delivery confirmation.

Upon the fulfillment of the delivery and receipt of final payments due, the Clearing House shall transfer to the seller the amount due, payment to be made in U.S. dollars.

Any related government duties, fees and charges shall be the responsibility of the seller.

6304. PAR DELIVERY AND SUBSTITUTIONS
6304.A. Par Delivery
Delivery shall be made in a railcar from a producing mill. The delivery unit must be loaded at the on-site siding of the producing mill or, if a mill normally uses an off-site location for rail loading because rail access does not exist, then a delivery unit may be loaded on track at that designated off-site location by the producing mill. The unit must be shipped on a uniform straight bill of lading and the mill number must be noted on the bill of lading. A single delivery unit must be delivered from the same mill. Mills are limited to one location for purposes of delivery and, if off-site, must receive approval of the site from the Exchange prior to making delivery from that location.

The lumber shall be wrapped in paper, poly or their industry recognized equivalents and loaded on a flat car. All lumber delivered shall include only pieces produced directly from logs or mill run rough lumber, with no pre-sorting for grade prior to planing. Remanufactured pieces made from previously planed lumber are not acceptable for delivery.

1. Size
A delivery unit shall be 27,500 board feet of random length 2x4’s, provided the tally is within the following limits:

<table>
<thead>
<tr>
<th>Length</th>
<th>Percent of Total Board Feet Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>8'</td>
<td>3% to 10%</td>
</tr>
<tr>
<td>10'</td>
<td>5% to 12%</td>
</tr>
<tr>
<td>12'</td>
<td>10% to 20%</td>
</tr>
<tr>
<td>14'</td>
<td>10% to 24%</td>
</tr>
<tr>
<td>16'</td>
<td>35% to 60%</td>
</tr>
<tr>
<td>18'</td>
<td>0% to 15%</td>
</tr>
<tr>
<td>20'</td>
<td>0% to 15%</td>
</tr>
</tbody>
</table>
16' + 18' + 20' 45% to 60%

The lumber shall be double end trimmed, surfaced four sides, eased edge and of minimum dressed dimensions, as specified in Voluntary Product Standard 20-94, American Softwood Lumber Standard, published by the United States Department of Commerce, or any subsequent revisions (hereinafter referred to as PS 20) or its Canadian equivalent (CSA O141). The lumber must be stamped by an agency accredited by either the Canadian Lumber Standards Accreditation Board or the American Lumber Standard Committee.

The tally (i.e., "piece count by length") reported to the Clearing House by the seller’s Clearing Member on behalf of the seller must meet the specifications of this Rule. If the seller's actual tally does not meet the specifications of this Rule, the seller may adjust the reported tally, as described below, to bring the reported tally into conformance with these specifications. If the reported tally is adjusted to meet contract specifications, the seller’s Clearing Member on behalf of the seller must provide the Clearing House with both the actual tally and the adjusted tally.

If the Clearing House must adjust a seller's reported tally or if the reported tally does not agree with the actual tally (actual wood received), the seller shall be charged with fines/penalties in accordance with the current penalty schedule.

If the reported tally cannot be adjusted to meet contract specifications, or if the actual tally does not meet specifications and cannot be adjusted to meet specifications, the delivery unit may be rejected by the buyer. The seller would then be required to reship and be fined/penalized in accordance with the current penalty schedule.

Delivery units (actual and reported tally) may be adjusted to meet contract specifications by deleting one or more banded units or individual pieces from the delivery unit, as long as such deletion does not cause the balance of the lumber to become inconsistent with any other rule in the Lumber contract. If lumber is deleted from the delivery unit in order to meet tally specifications, the buyer shall retain title to such lumber but shall not be billed for either the lumber which is to be disregarded or for the freight associated with it. A seller may not meet contract specifications by "pencil trimming" of lengths (e.g., assuming that a 20' piece is only an 18' piece). In addition, if a seller cannot meet tally specifications by deleting banded units or individual pieces, or if they cannot meet total board footage specifications even though tally specifications are met, the seller will be required to ship another load and be subject to appropriate fines, penalties and/or damages.

2. Packaging
   The lumber shall be unitized; that is, banded. In addition, all units shall contain lumber of equal lengths, except 18 foot and 20 foot lengths which may be banded together. The units shall be individually wrapped in paper, poly or their industry recognized equivalents.

3. Quality
   The lumber shall meet the requirements of PS 20 or CSA O141 and shall comply with the requirements for inspection and reinspection of an agency accredited by the American Lumber Standards committee and/or Canadian Lumber Standards Accreditation Board.

4. Moisture Content
   The moisture content of each piece shall not exceed 19% as determined by moisture meter readings in accordance with the "Standard Method of Tests for Moisture Content of Wood," ASTM International (formerly, American Society for Testing and Materials), D4442-20.

5. Marking
   All pieces shall be grade marked with the registered symbol of an accredited agency recognized by the American Lumber Standard Committee and/or the Canadian Lumber Standards Accreditation Board. All pieces shall be marked with the mill name and/or association identification number, grade, seasoning and species according to the stamping requirements of the accredited agency, and shall meet all other requirements of state and federal law.
6304.B. Variations in Quantity
Variations in quantity of the delivery unit between 26,000 and 29,000 board feet shall be permitted without penalty, but payment shall be made on the basis of the exact quantity delivered.

6305. INSPECTIONS
Inspection shall conform to PS 20 or CSA O141 and any other requirements that may thereafter be promulgated under PS 20 or CSA O141. Inspection service and compliance shall be subject to the customer lumber industry practice.

In case of claim on grade, moisture content, tally or manufacture, the buyer shall demand reinspection through the Clearing House to an agency accredited by the American Lumber Standard Committee and/or the Canadian Lumber Standards Accreditation Board. Findings of the reinspection shall be final and binding upon the buyer and seller.

6306. ASSOCIATED COSTS AND PENALTIES/FINES
The following penalties or fines will apply.

<table>
<thead>
<tr>
<th>Cause</th>
<th>Penalty / Fine</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Materially incomplete, late, or erroneous shipping instructions after two (2) Business Days upon receipt of Notice of Intent.</td>
<td>$200 per Business Day (assessed against the responsible party and payable to the counterparty).</td>
</tr>
<tr>
<td>B. Failure by the seller to properly follow shipping instructions within ten (10) Business Days after receipt of instructions.</td>
<td>$500 per Business Day (assessed against the seller and payable to buyer).</td>
</tr>
<tr>
<td>C. Failure by a buyer or seller to submit required/prescribed documentation to the Clearing House by the deadlines set forth in the Rules.</td>
<td>$150 per Business Day and per contract (assessed against the responsible party) and payable to the Clearing House.</td>
</tr>
<tr>
<td>D. Incomplete, erroneous or material adjustment to delivery forms.</td>
<td>$150 per contract (assessed against the responsible party and payable to the Clearing House).</td>
</tr>
<tr>
<td>E. Final positions that go into Delivery in an increment outside of four (4) contracts.</td>
<td>$5,000 per delivery period and per buyer or seller (assessed against the responsible party and payable to the Clearing House).</td>
</tr>
</tbody>
</table>