



NEWARK REFRIGERATED WAREHOUSE

AVENUE C AND VANDERPOOL STREET, NEWARK, NEW JERSEY 07114

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Dear Juice Customer,

As you know the Apple Juice Futures trading will begin on August 13, you may wish to qualify inventory either of product to be received in the future by us or currently in your inventory. The procedures require us to do all of the background work of notifying the USDA, taking samples, coordinating with the USDA, labeling drums and bins, etc. The procedures include our paying the USDA of the sampling and testing. At this time, we think that will be around \$800 for each required sample which will be one sample from each manufacturer's lot or batch number which batch may not exceed 40,000 gallons. If you wish to qualify more than 40,000 gallons from the same manufacturer's lot, an additional sample(s) will be required. Before you can deliver a qualified inventory, the exchange requires that all fees including the USDA fees be paid. So we will bill you as soon as we receive the USDA charges.

We have posted with MGEX storage and handling rates of \$16 a pallet for qualified inventory, but you will be charged you normal rates so we will be essentially issuing you a discount equal to the difference between \$26 and your normal rates. We will also be billing you for the charges necessary to meet the USDA and MGEX requirements. A \$100 fee will be charged, for each test lot, for the general bookkeeping and coordination with the USDA, sampling charges will be \$25 for each sample, labeling is required for each drum or bin and that charge will be \$.50/label. If you transfer the qualified inventory to someone else, the charge is the normal \$9.00 per lot transferred and, if you deliver it to a buyer, the charge is \$3.50 per lot delivery. With the exception of the \$100 USDA coordinating and bookkeeping fee, all of the above charges are normal. So in net, your total cost will be the normal storage and handling charges plus the above mentioned fees. For instance, if you instruct us to qualify 10 contracts at one time, all from the same inbound or from you existing inventory, you will be charged a single \$100 fee for coordinating the 10 contract effort, a \$25 sampling fee for each sample required, \$.50 for each drum or bin labeled, \$9.00 if and when you transfer a lot, and \$3.50 per lot is and when you deliver one. These charges should be significantly less than the posted \$16 handling and storage a pallet after we discount them back to your rates. You are our customer and you will charged you normal rates; we simply wish to be reimbursed for the abnormal additional costs or the \$100 required for the additional effort of record-keeping, communications, etc. required by MGEX. As far as we are concerned, qualified inventory is simply an additional service to our existing customers.

When you deliver the qualified inventory under your contract, you must allocate the remaining storage charge for that last month to the entity to whom you are transferring the product. Please use the posted \$16 a pallet storage rate for that calculation. All of your arrangements and dealings with us are confidential and we both benefit by keeping them that way.

A final thought. Many traders will want to "roll over" qualified inventory repeatedly. The exchange is assuming the concentrate will lose 1 point in color each month after the 1st month so if you wish your USDA letter report to be effective for a full year, the original color must be 52 ($52 - 11 = 41$). The lowest allowed delivery color is 41 and 12 months after the initial certification is 11 subsequent months. We can test color before you submit a specific batch number or at any time thereafter. Color tests are available on the same day you request it. We can also do several other tests if you need them (PH, TPC, yeast, mold, and acid).

Thank you for your business. If you have any questions about this e-mail, please don't hesitate to call me on my cell phone at 973-951-9848.

Gerard N. von Dohlen
President