

PROVINCIAL QUOTA EXCHANGE POLICIES & PROCEDURES

Introduction

All producers wishing to sell quota must do so through the Provincial Quota Exchange. Exemptions from this rule only include full farm transfers, direct family transfers (spouse, son, daughter, brother, sister), and business reorganization where percentage of ownership does not change.

A Provincial Egg Quota Exchange is a program by which persons are able to buy and sell egg marketing quota (excluding farm lands and buildings). It operates on the premise that each buyer who wishes to buy quota has a maximum price that he is willing to pay for it and each seller has a minimum price that he is willing to accept. Similarly, a buyer will not pay more than his maximum price, although he would choose to pay less if afforded the opportunity. A seller would not sell for less than his price but would accept more than his minimum price. At the point where the volumes of quota and prices offered for sale equals or comes closest to the amount of quota bid for, the quota is exchanged.

All producers who wish to sell quota must submit offers to the Provincial Quota Exchange indicating they have a certain volume of quota for sale and that they would like to sell it at a certain price per laying hen. Once there is notification that there is an offer to sell, buyers must submit bids to the Provincial Quota Exchange indicating that they would like to buy a certain volume of quota and that they are willing to pay so much per laying hen for it.

All quota transferred through the Provincial Quota Exchange is subject to an assessment as defined in SECTION 9 of the BC Egg Marketing Board's Standing Order.

All of the offers to sell quota, and all of the bids to buy quota, must be submitted to the third party Quota Exchange Administrator at the address shown on the Bid and Offer forms.

1. General

- (1) The Board reserves the right to limit a Person's participation in the Provincial Quota Exchange.
- (2) The Board has no liability or obligation to a Person in the event a Provincial Quota Exchange is cancelled or quota does not transfer.
- (3) The exchange will only run when there is an Offerer. All Quota Exchanges will be held on the first Wednesday of each month. If there is an offer, notification will be given on the BCEMB website at least 20 days in advance of the exchange taking place.
- (4) For Provincial Quota Exchanges that are successful, the quota will transfer on the first Wednesday of the month in which the transfer is effective which must be at least one month following the date of the exchange.

- (5) Producers wishing to transfer quota at a future date can file their Offer of Quota forms specifying both which exchange they wish to participate in and which month, at least one month after the exchange, in which they wish to make their quota transfer effective. Offers will be posted on the BCEMB website in advance allowing for early notification to prospective Bidders.
- (6) The Provincial Quota Exchange will be operated by a third party Quota Exchange Administrator who will receive bids and offers, administer the exchange of monies and run the exchange.
- (7) For Offerers, a condition of participating on an exchange is that 10 days prior to the running of the exchange that all outstanding requirements under the Board's Standing Order are cleared. eg. All levies and marketings are up to date and all required paperwork has been received.
- (8) To be eligible to transfer quota, a producer must offer his quota, on a bona fide basis, within the Short Market Types, on at least two Provincial Quota Exchanges. If all or a portion of the quota offered does not transfer on these two exchanges, the quota may be offered to all market types. For all quota issued from the Market Responsive Allocation Pool (MRAP), the first transfer must be within the product type for which the quota was allocated and no product type switching is allowed prior to the first transfer. SECTION 7(r) requires that the Board must approve the type of egg to be produced by all transferees.
- (9) Short Market Types for the purpose of the Provincial Quota Exchange means any type of egg other than caged layer where the supply is short of the demand. Bidders must have a grader signature on their Bid To Receive Quota form to indicate that the market type they wish to produce for qualifies as a Short Market Type and that there is a grader wishing to supply that market.
- (10) Quota may move between regions provided it is offered within the region on a bona fide basis on at least two Provincial Quota Exchanges where all or part of it does not trade.
- (11) If quota is offered on a total of four exchanges and does not trade, it then may be offered on the National Quota Exchange, subject to the applicable transfer assessment and Board approval.

2. Security Over Quota

If an Offerer has given an assignment of his quota to a financial institution or other Person, the Offerer's Offer of Quota form must be accompanied by a written acknowledgement from that financial institution or other Person concerning the Offerer's intended participation in a Quota Exchange. If there are assignments held by financial institutions or other Persons at the time of the Provincial Quota Exchange then the Quota

Exchange Administrator is instructed to make any cheque(s) in settlement of a Provincial Quota Exchange payable jointly to the Offerer and all financial institutions or other Persons holding assignments.

3. How to Use the Exchange

- (1) Persons intending to use the Provincial Quota Exchange to offer quota must provide the Quota Exchange Administrator with a completed Offer of Quota form (available from the BCEMB website or the Board office) not less than 25 days before the date of the Provincial Quota Exchange the Offerer wishes to participate in.

Persons intending to use the Provincial Quota Exchange to receive quota must provide the Quota Exchange Administrator with a completed Bid to Receive Quota form (available from the BCEMB website or the Board office) by 4:00 PM Tuesday, the day before the Provincial Quota Exchange that the Bidder wishes to participate in.

The forms must be signed by the Offerer or Bidder, as the case may be. In the case of a partnership, or corporation, the form must be signed by all partners, or by the corporation's legally authorized signatories, as the case may be. All signatures must be witnessed.

- (2) Persons intending to offer quota must indicate on their Offer of Quota form the first Wednesday of the month in which they wish to offer their quota for transfer and the first Wednesday of the month in which they wish to have their transfer effective.
- (3) No prospective Offerer or Bidder can withdraw an Offer of Quota or Bid to Receive Quota unless written notice of withdrawal is received by the Quota Exchange Administrator not less than 4:00 PM Tuesday, the day before the Provincial Quota Exchange.
- (4) Offers of Quota forms or Bids to Receive Quota forms that are not received by the Quota Exchange Administrator within time will not be considered for that Provincial Quota Exchange, and must be resubmitted for a subsequent Provincial Quota Exchange in order to be processed.
- (5) The Quota Exchange Administrator will notify any Person who is eliminated from the Provincial Quota Exchange of that fact.
- (6) The Offerer must declare on their Offer of Quota form, any restrictions relating to the Proportional Fulfillment clause that they wish to apply to the Offer of Quota. eg All quota must sell.

4. Effective Date of Transfer

Quota transfers will be effective on the first Wednesday of any month that is at least one month following the date of the Provincial Quota Exchange specified on the Offer of Quota form.

5. Minimum Sale Price

- (1) The offer of quota price contained in the Offer of Quota form shall be the minimum price that the Offerer is prepared to accept for the Quota on a specified effective date, and must be expressed as an amount per laying hen to the nearest cent.
- (2) If the market clearing price for a specified effective date is below the minimum price specified by the Offerer, the Quota will not be transferred.
- (3) If the market clearing price for a specified closing date is equal to or greater than the minimum price specified by the Offerer, then subject to the Proportional Fulfillment requirement, and any specified restrictions by the Offerer, the Quota may be transferred.

6. Maximum Purchase Price

- (1) The offer to receive price contained in the Bid to Receive Quota form shall be the maximum price that the Bidder is prepared to pay for Quota on a specified effective date, and must be expressed as an amount per laying hen to the nearest cent.
- (2) If the market clearing price for a specified effective date is above the maximum price specified by the Bidder, the Quota will not be transferred.
- (3) If the market clearing price for a specified effective date is equal to or less than the maximum price specified by the Bidder, then subject to the Proportional Fulfillment requirement and any specified restrictions by the Offerer, the Quota may be transferred.

7. Calculation of the Market Clearing Price

- (1) All Bids and Offers with the same effective dates are pooled. All pooled Bids and Offers are run as separate exchanges. Each monthly exchange can have many separate exchanges, depending on the number of different effective dates of the Offers and Bids.

The Clearing Price is determined by comparing the Bids and Offers in the following way:

The Offers are accumulating in ascending order from the lowest value offer to the highest value offer.

The Bids are accumulated in descending order from the highest value bid to the lowest value bid.

Placing the two Offer and Bid columns side by side, sorted by value, the cumulative Offers are subtracted from the cumulative Bids for each value stratum.

The value stratum where the difference between the cumulative Offers and cumulative Bids is the least, subject to the Proportional Fulfillment clause, is the Market Clearing Price.

8. Proportional Fulfillment

Subject to any restriction placed by an Offerer, if there is insufficient Quota offered for sale, for a specified effective date, to satisfy all Bids to Receive Quota for that specified effective date, but the bids meet or exceed 75% of the quota offered, then the available Quota will be transferred to each purchaser on a percentage basis – i.e. if there is enough quota offered for sale to fill 95% of the Bids to Receive Quota, then each Bid to Receive Quota will be 95% filled. Where there is a restriction placed on quota offered for sale that all the quota must transfer or nothing must transfer and this requirement is not met, that Offerer's quota will be withdrawn and the remaining Offers of Quota, if any, will constitute the exchange.

Conversely, subject to any restriction placed by an Offerer, if there are insufficient Bids to Receive Quota to satisfy all Quota offered for sale, but the bids meet or exceed 75% of the quota offered, then the Quota transferred from each Offerer will transfer on a percentage basis to each purchaser.

9. Minimum Amount of Quota for Offer to Sell or Offer to Purchase

There is no minimum amount of Quota which a Person may offer to sell or to purchase in an Offer of Quota or Bid to Receive Quota form.

10. Security

- (1) Every Bid to Receive Quota sent to the Quota Exchange Administrator must be accompanied by:
 - (a) confirmation of an automatic download of funds to the BC Egg Marketing Board -Trust Account (administered by the Quota Exchange Administrator) or a certified cheque drawn on a bank account of such Bidder, or Irrevocable Letter of Credit, made payable to the British Columbia Egg Marketing Board – In Trust, in an aggregate amount equal to or in excess of ten percent (10%) of the full value of the Bid to Receive Quota. Personal cheques will not be accepted.
 - (b) The “Certification by Financial Institution” section of the Bid to Receive Quota form must be completed by a responsible financial institution indicating that the Person making such Bid to Receive Quota has made the necessary financial arrangements to purchase the full value of the Quota set out in the Bid to Receive Quota.
- (2) Subject to these Rules, any monies received on behalf of the Board hereunder shall be payable to the British Columbia Egg Marketing Board – In Trust, as a deposit payment towards the purchase price of Quota and

such monies shall be non-refundable except in the case where the offer or bid is withdrawn prior to 4:00 PM on the Tuesday before a specified Quota Exchange is to be run, as permitted by these rules, or the Bid to Receive Quota is unsuccessful or withdrawn, as the rules apply, and the Board does not elect to retain the deposit payment, as permitted herein.

- (3) Any monies received on behalf of the Board hereunder will be placed in a separate trust account administered by the Quota Exchange Administrator.
- (4) Subject to these Rules any excess monies, other than interest earned on the account, will be returned to the Bidders entitled to same.

11. Notification and Payment

- (1) Once the outcome of a Provincial Quota Exchange is known, all participating Persons will be notified of the results. Persons who successfully bid on quota or successfully offered Quota will be provided payment statements. Every Person who successfully bid on Quota shall be required to deliver to the Quota Exchange Administrator, not less than 10 days before the first Wednesday of the effective month, by direct deposit or a certified cheque, an amount equal to the balance of the purchase price required for the purchase of Quota.

If the funds are not provided in the prescribed manner then:

- (a) the application made by such Person not providing such funds, as required, shall be considered as withdrawn by such Person;
 - (b) the Quota Exchange Administrator shall not consider for that Provincial Quota Exchange any of the applications made by such Person; and
 - (c) the whole or any part of the deposit made by such Person shall, at the sole option of the Board, be forfeited to the Board.
- (2) The Quota Exchange Administrator shall advise any Person so eliminated from the Provincial Quota Exchange as a result of non-payment or non-acceptable funds of that fact.
 - (3) Any monies paid to the British Columbia Egg Marketing Board – In Trust, from a Person not successful in purchasing Quota shall be returned to that Person by the Quota Exchange Administrator.
 - (4) If a Person, successful in bidding on Quota, fails to deliver the required funds to the Quota Exchange Administrator before the expiry of the deadline set out herein, then no Quota shall be transferred to such Person. Subject to Section 8 and any condition prescribed by the Offerers, the amount of Quota sold by the successful Offerers will be

reduced proportionately by the amount of Quota not transferred to such Person. The whole or any part of the deposit made by such Person shall, at the sole option of the Board, be forfeited to the Board.

- (5) Payment to a successful Offerer will be calculated by multiplying the Market Clearing Price for a Provincial Quota Exchange by the amount of Quota sold by that Offerer on that Provincial Quota Exchange.
- (6) Payment to a successful Offerer will be made by cheque from the BC Egg Marketing Board - Trust Account on the effective date specified on the Offerer's Offer of Quota form.

12. Transfer restrictions

The BCEMB Standing Order has criteria in regard to the Provincial Quota Exchange resulting in the following:

First Exchange: Only persons wishing to produce Short Market Type products within the region the quota is being offered, may bid

Second Exchange: All persons wishing to produce any Market Type within the region the quota is being offered, may bid.

The first attempt at attaining a successful exchange will only include those persons wishing to produce Short Market Type products within the region the quota is being offered.

If no match is found then:

The second attempt at attaining a successful exchange will include persons wishing to produce any Market Type within the region the quota is being offered.

Third Exchange: All persons wishing to produce any Market Type in any region, may bid.

The first attempt at attaining a successful exchange will include persons wishing to produce any Market Type within the region the quota is being offered.

If no match is found then:

The second attempt at attaining a successful exchange will only include those persons wishing to produce Short Market Type products in any region.

If no match is found then:

The third attempt at attaining a successful exchange will include all persons wishing to produce any Market Type in any region