

Quota Transfer Assessment Policy and Procedures

Policy

- 1) Quota that was issued prior to 2005 is subject to a 5% assessment each time it is transferred
- 2) Quota that has been purchased by a producer is subject to a 5% assessment each time it is transferred
- 3) All quota issued pro-rata after 2005 is subject to a 10/10/10 transfer assessment the first time it is transferred, each subsequent transfer results in a 5% transfer assessment as per 2 above.
- 4) All incentive quotas given to New Producers through the New Producer Program is subject to a 10/10/10 transfer assessment the first time it is transferred, each subsequent transfer results in a 5% transfer assessment as per 2 above.

This table illustrates the 10/10/10 assessment policy:

Anniversary Date	Years of Vested Interest	% to BCEMB	% to Producer
Prior to 1st	0	100%	0
After 1st	1	90%	10
After 2nd	2	80%	20
After 3rd	3	70%	30
After 4th	4	60%	40
After 5th	5	50%	50
After 6th	6	40%	60
After 7th	7	30%	70
After 8th	8	20%	80
After 9th	9	10%	90

- 5) When determining what quota will be transferred when partial transfers occur, the BC Egg Marketing Board uses a Last In First Out (LIFO) policy whereby that last quota issued or bought is the first quota to be transferred.
- 6) Some types of transfers are exempt from the transfer assessment policy, these include:
 - a. When layer quota is transferred to a spouse, child or child and child's spouse
 - b. When layer quota is transferred, via a whole farm transfer, to a sibling (all quota as well as the independent production unit)
 - c. When the transfer results in all shareholders keeping the same proportionate share of the quota that they had prior to the transfer
- 7) A change in the proportionate ownership of quota amongst shareholders is classified as a transfer.

Procedures

This section illustrates how the BC Egg Marketing Board has interpreted the policy stated above for the purposes of implementing the quota transfer assessment policy. We will start with a sample farm (ABC Farms) and take a look at how different types of transfers will affect his quota holdings.

Producer:		ABC Farms	
Total Quota		12,274	
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	
Base Quota	10,000	Sep-04	
3.00%	300	08-Nov-09	
3.46%	356	28-Nov-10	
3.25%	346	19-Oct-14	
2.70%	297	26-Apr-15	
2.65%	299	26-Jul-15	
2.587%	300	03-Apr-16	
3.148%	375	02-Apr-17	

1) **Transfer of all quota to an exempt person** (spouse, child, child and child's spouse)

ABC Farms has decided to transfer their entire quota to their son who is just starting out as 123 Farms. ABC Farms starts as illustrated above and 123 Farms ends up with an identical quota split to what ABC Farms had with the same amount of time invested in the pro-rata issuances.

Producer:		123 Farms	
Total Quota		12,274	
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	
Base Quota	10,000	Sep-04	
3.00%	300	08-Nov-09	
3.46%	356	28-Nov-10	
3.25%	346	19-Oct-14	
2.70%	297	26-Apr-15	
2.65%	299	26-Jul-15	
2.587%	300	03-Apr-16	
3.148%	375	02-Apr-17	

2) Shareholder proportional split

ABC Farms has 2 shareholders – Shareholder A has 70% ownership, Shareholder B has 30% ownership. ABC Farms decides to end their business relationship and each shareholder goes their separate ways forming two distinct Independent Production Units each with their own company names (AAA Farms and BBB Farms). Because they take their proportionate amount of quota, they are assessment exempt. (Both shareholders are leaving with the same proportionate amount of quota that they entered into business with).

Holdings before transfer:

Producer:	ABC Farms					
Transfer Date:	April-05-17					
Total Quota	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					2,191	10,083

Holdings after transfer:

Producer:	BBB Farms					
Transfer Date:	April-05-17					
Total Quota	3,682					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	3,000	Sep-04		5%	150	2,850
3.00%	90	08-Nov-09	7	30%	27	63
3.46%	107	28-Nov-10	6	40%	43	64
3.25%	104	19-Oct-14	2	80%	83	21
2.70%	89	26-Apr-15	1	90%	80	9
2.65%	90	26-Jul-15	1	90%	81	9
2.587%	90	03-Apr-16	1	90%	81	9
3.148%	112	02-Apr-17	0	100%	112	0
TOTAL:					657	3,025
Producer:	AAA Farms					
Transfer Date:	April-05-17					
Total Quota	8,592					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	7,000	Sep-04		5%	350	6,650
3.00%	210	08-Nov-09	7	30%	63	147
3.46%	249	28-Nov-10	6	40%	100	149
3.25%	242	19-Oct-14	2	80%	194	48
2.70%	208	26-Apr-15	1	90%	187	21
2.65%	210	26-Jul-15	1	90%	189	21
2.587%	210	03-Apr-16	1	90%	189	21
3.148%	262	02-Apr-17	0	100%	262	0
TOTAL:					1,534	7,058

AAA Farms and BBB Farms are both subject to the same assessments that ABC Farms was prior to the transfer despite the fact that they are now two distinct farms.

3) Whole Farm Transfer

ABC Farms completes a whole farms transfer to 123 Farms. This transfer does not meet any of the exemption criteria and is subject to all assessments.

Holdings before transfer:

Producer:	ABC Farms					
Transfer Date:	April-05-17					
Total Quota	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
		TOTAL:			2,191	10,083

Holdings after transfer:

Producer:	ABC Farms					
Transfer Date:	April-05-17					
Total Quota	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
		TOTAL:			2,191	10,083

Producer:	123 Farms					
Transfer Date:	April-05-17					
Total Quota	10,083					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,083	Apr-17		5%	504	9,579
		TOTAL:			504	9,579

As a result of the transfer 2,191 quota units were assessed by the Board and the going concern operation that could hold 12,274 hens is now only allowed to keep 10,083 hens, reducing efficiency by 17.9%. 123 Farms purchased 10,083 quota units and they now have a transferrable quota of 9,579 immediately losing 5% of their initial investment.

4) **Partial quota transfer, non-exempt**

ABC Farms transfers 1000 quota units to 123 Farms.

Holdings before transfer:

Producer:	ABC Farms					
Transfer Date:	April-05-17					
Total Quota	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					2,191	10,083

Transfer Assessment Calculation:

Producer:	ABC Farms					
Exchange Date:	April-05-17					
Total Quota Before Transfe	12,274					
Total Quota Transferred	2,713					
Total Quota Remaining	9,561					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	439	Sep-04		5%	22	417
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					1,713	1,000

Holdings after transfer:

Producer:	ABC Farms					
Exchange Date:	April-05-17					
Total Quota After Transfer	9,561					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	9,561	Sep-04		5%	478	9,083
TOTAL:					478	9,083

Producer:	123 Farms					
Exchange Date:	April-05-17					
Total Quota Before Transfer	-					
Total Quota Transferred	1,000					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	1,000	Apr-17		5%	50	950
TOTAL:					50	950

In order to sell 1000 quota units, ABC Farms was assessed 1713 quota units leaving ABC Farms with a balance of 9,561 units. This represents an assessment representing 173% of the quota sold and 13% of ABC Farms initial quota holdings.

5) Partial Quota Transfer, exempt

ABC Farms transfers 3000 quota units to their son at 123 Farms to help him enter the industry.

Holdings before transfer:

Producer:	ABC Farms					
Transfer Date:	April-05-17					
Total Quota	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					2,191	10,083

Holdings after transfer:

Producer:	ABC Farms					
Exchange Date:	April-05-17					
Total Quota Before Transfer	12,274					
Total Quota Transferred	3,000					
Total Quota Remaining	9,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	9,274	Sep-04		5%	464	8,810
TOTAL:					464	8,810

Producer:	123 Farms					
Exchange Date:	April-05-17					
Total Quota Before Transfer	-					
Total Quota Transferred	3,000					
Total Quota Remaining						
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	726	Sep-04		5%	36	690
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					1,727	1,273

Due to the Last In First Out requirement, the child (123 Farms) purchases the quota that was most recently allocated to ABC Farms and as the transfer is exempt from assessments, the child (123 Farms) assumes the quota subject to the same ownership % as the parent (ABC Farms).

6) Shareholder Restructuring

ABC Farms has decided to restructure and modify their ownership %. Initially, Shareholder A had 70% ownership and shareholder B had 30%. After the restructuring, Shareholder A has 50% ownership and shareholder B has 50% ownership. This is not exempt and would be subject to assessments as though it was a whole farm transfer.

Before Restructuring:

Producer:	ABC Farms	at 70/30				
Restructure Date	April-05-17					
Total Quota Offered	12,274					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	08-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	1	90%	267	30
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	03-Apr-16	1	90%	270	30
3.148%	375	02-Apr-17	0	100%	375	0
TOTAL:					2,191	10,083

After Restructuring:

Producer:	ABC Farms	at 50/50				
Restructure Date	April-05-17					
Total Quota	10,083					
Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,083	Apr-17		5%	504	9,579
TOTAL:					504	9,579

In order for ABC Farms to restructure, or add/remove a shareholder, they would be assessed 2,191 quota units and lose 18% of their quota.