

## PART VI - PROVINCIAL QUOTA EXCHANGE RULES

### 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 in the event that Layer Quota does not Transfer.
- (3) Provided that at least one offer to sell has been submitted by a prospective Transferor, a Provincial Quota Exchange will be held on the first Wednesday of March, June, September and December.
- (4) Notice of a pending Provincial Quota Exchange will be published on the Board's website at least 21 days in advance of the date on which the Provincial Quota Exchange is to be held.
- (5) All Transfers of Layer Quota shall be effective on the first Wednesday of the month following the date on which the Provincial Quota Exchange is held.
  - (a) Transferees will be responsible for levy on the quota as of the effective date.
  - (b) If a transferee is unable to house the layers immediately, they may choose to lease the transferred quota to another Registered Producer for a maximum of one year. Part VIII (1) Obligation to Produce applies.
    - i. Transferees unable to house the layers immediately may choose to instead earn quota credits on their transferred quota for a maximum of 91 days. The total days that the transferee chooses to earn quota credits will be deducted from the one year allowance in Part VI 1. (5)(b).
- (6) All Provincial Quota Exchanges will be conducted by a Provincial Quota Exchange Administrator who will:
  - (a) receive offers to sell, offers to buy, and applicable administration fees; and
  - (b) administer the exchange of monies.
- (7) To be eligible to participate in a Provincial Quota Exchange, prospective Transferors and prospective Transferees must be in good standing with all applicable requirements of the Consolidated Order at least 10 days prior to the date on which the Provincial Quota Exchange is to be held.
- (8) Where applicable, one exchange will be conducted for each region. Quota must first be offered to Prospective Transferees within the Transferors region. If the offer to sell is not fulfilled from within the Transferors Region, the quota will be placed on the exchange in the region with the lowest offer to buy fill rate.

### 2. How to Use the Exchange

- (1) Prospective Transferors must provide the Provincial Quota Exchange Administrator with a completed offer to sell (available from the Board's website or at the Board's office) together with the applicable administration fee not less than 28 days before the date on which the Provincial Quota Exchange is to be held.

- (2) Prospective Transferors must specify in the offer to sell the date of the Provincial Quota Exchange in which the Layer Quota is to be offered for sale (which must be the first Wednesday of a month).
- (3) If a prospective Transferor has given an assignment or other form of security to a financial institution with respect to Layer Quota sought to be transferred, the applicable financial institution must complete the section on the reverse of the offer to sell acknowledging the prospective Transferor's intention to participate in the Provincial Quota Exchange.
- (4) Prospective Transferees must provide the Provincial Quota Exchange Administrator with a completed offer to buy (available from the Board's website or at the Board's office) together with the applicable administration fee:
  - (a) no sooner than 27 days before the date on which the Provincial Quota Exchange is to be held; and
  - (b) no later than 4:00 pm on the Tuesday immediately preceding the date on which the Provincial Quota Exchange is to be held.
- (5) Every offer to buy must include:
  - (a) confirmation of an automatic download of funds to the Board's trust account (administered by the Provincial Quota Exchange Administrator), or a certified cheque drawn on a bank account of the prospective Transferee, or irrevocable letter of credit, made payable to the Board "in trust", in an aggregate amount equal to or in excess of ten percent (10%) of the full value of the offer to buy; and
  - (b) certification by a responsible financial institution indicating that the prospective Transferee has made the necessary financial arrangements to purchase the full value of the Layer Quota set out in the offer to buy.
- (6) A Person or Related Corporate Producers may submit only one offer to sell or offer to buy on each Provincial Quota Exchange
- (7) Any monies received on behalf of the Board hereunder shall be payable to the Board "in trust", as a deposit payment towards the purchase price of Layer Quota and such monies shall be non-refundable except where:
  - (a) the offer to buy is withdrawn prior to 4:00 pm on the Tuesday immediately preceding the date on which the Provincial Quota Exchange is to be held;
  - (b) the offer to buy is unsuccessful; or
  - (c) the Board elects, in its sole discretion, not to retain the deposit payment.
- (8) Offers to sell and offers to buy must be signed by the prospective Transferor or the prospective Transferee, as the case may be. In the case of a partnership, or corporation, the offer must be signed by all partners, or by the corporation's legally authorized signatories, as the case may be. All signatures must be witnessed.
- (9) No offer to sell may be withdrawn unless written notice of withdrawal is received by the Provincial Quota Exchange Administrator no later than 4:00 pm 28 days prior to the date on which the Provincial Quota Exchange is to be held.

- (10) No offer to buy may be withdrawn unless written notice of withdrawal is received by the Provincial Quota Exchange Administrator no later than 4:00 pm on the Tuesday immediately preceding the date on which the Provincial Quota Exchange is to be held.
- (11) All offers to sell and all offers to buy that are not received by the Provincial Quota Exchange Administrator within the applicable deadline will be rejected, and must be resubmitted for a subsequent Provincial Quota Exchange in order to be processed.
- (12) Where an offer to sell or an offer to buy has been rejected, the Provincial Quota Exchange Administrator will notify the applicable prospective Transferor or prospective Transferee, as the case may be.
- (13) A Registered Producer who relies on one or more Grading Station Operators to market the majority of their Regulated Product over the past 12 months must obtain signed confirmation from each Grading Station Operator.

### **3. Minimum and Maximum Amounts**

- (1) A prospective Transferor may specify in an offer to sell that the offer is to be withdrawn from the Quota Exchange if there are insufficient offers to buy to clear 100% of the Layer Quota offered for sale in that offer to sell.
- (2) A prospective Transferee may specify in an offer to buy that the offer is to be withdrawn from the Quota Exchange if there are insufficient offers to sell to clear a specified minimum amount of Layer Quota sought to be purchased in that offer to buy.
- (3) The total amount of Layer Quota offered for sale must not exceed the amount of Layer Quota that the Person has available for Transfer.
- (4) The maximum amount of Layer Quota which may be contained in an offer to buy is 20,000 Layers, less the number of Layers acquired by the prospective Purchaser through the Provincial Quota Exchange in the preceding 5 year period.

### **4. Market Clearing Price**

- (1) The market clearing price for the first Provincial Quota Exchange conducted after October 29, 2015 shall be \$345.00 for each unit of Layer Quota. All future exchanges will remain the same market clearing price from the previous exchange except where the conditions set out in subsections (2) or (3) are met.
- (2) Subject to subsection (1), if:
  - (a) the volume of Layer Quota subject to offers to sell was greater than 1.5% of BCEMB's total allocated quota; and
  - (b) the volume of Layer Quota subject to offers to buy has exceeded the volume of Layer Quota subject to offers to sell; and the offers to buy have been filled to 50% or less;the market clearing price shall be increased by \$5.00 per Layer for the next Provincial Quota Exchange.

- (3) Subject to subsection (1), if the volume of Layer Quota subject to offers to sell exceeds the volume of Layer Quota subject to offers to buy by 50% or more, the market clearing price shall be reduced by \$5.00 per Layer for the next Provincial Quota Exchange.

## 5. Fulfillment

- (1) Where there are insufficient offers to sell to satisfy all offers to buy, the available Layer Quota will be Transferred from each prospective Transferor on a *pro rata* basis to prospective Transferees as follows:
  - (a) the first 1,000 units of available Layer Quota will be Transferred to each prospective Transferee who then has an issuance of not more than 6,000 units of Layer Quota, in an amount that is the lessor of:
    - (i) 1,000, divided by the number of prospective Transferees who then each have an issuance of not more than 6,000 units of Layer Quota; and
    - (ii) the amount of Layer Quota contained in the offer to buy.
  - (b) any remaining Layer Quota will be Transferred to each prospective Transferee who still has an offer to buy that has not been satisfied in full, in an amount that is the lesser of:
    - (i) the amount of the remaining Layer Quota divided by the number of prospective Transferees who still have an offer to buy that has not been satisfied in full; and
    - (ii) the amount of Layer Quota contained in the offer to buy.
- (2) Where there are insufficient offers to buy to satisfy all offers to sell:
  - (a) the Quota Exchange Administrator may, in his or her sole discretion, cancel the Quota Exchange, in which event no offers to sell or offers to buy will be satisfied in whole or in part;
  - (b) if the Quota Exchange Administrator elects to run the Quota Exchange, the available Layer Quota will be Transferred from each prospective Transferor (other than those that have had their offers withdrawn because they had specified in their respective offers to sell that the offer is to be withdrawn from the Quota Exchange if there are insufficient offers to buy to clear 100% of the Layer Quota offered for sale in their offer to sell) on a *pro rata* basis to prospective Transferees.

## 6. Notification and Payment

- (1) The Board will notify all Persons participating in a Provincial Quota Exchange of the results of the Provincial Quota Exchange when known.
- (2) The Board will provide all successful Transferors and Transferees with payment statements. Every successful Transferee shall be required to pay an amount equal to the balance of the purchase price required for the purchase of Layer Quota. Such payment shall be made to the Provincial Quota Exchange Administrator, not later

than the Monday immediately preceding the effective date of Transfer, by direct deposit, certified cheque, money order or bank draft.

- (3) If payment is not made in accordance with subsection (2):
  - (a) the offer to buy made by the defaulting Transferee shall be deemed to have been withdrawn;
  - (b) the whole or any part of the deposit paid by the defaulting Transferee, together with any accrued interest thereon, shall be forfeited to the Board; and
  - (c) the amount of Layer Quota sold by all successful Transferors will be reduced proportionately by the amount of Layer Quota not Transferred to the defaulting Transferee.
- (4) Payment to a Transferor will be calculated by multiplying the market clearing price for a Provincial Quota Exchange by the amount of Layer Quota sold by that Transferor on that Provincial Quota Exchange.
- (5) Payment to a successful Transferor will be made by cheque drawn on the Board's trust account on the effective date of Transfer.
- (6) Interest earned on account of a deposit payment made by a successful Transferee shall remain with the administration.