



Egg Quota Policy

Application and Purpose

1. Quota belongs to the Board and is administered by the Board to ensure the orderly marketing of eggs in Ontario as part of Canada's comprehensive supply management system.
2. This Egg Quota Policy forms the basis on which quota is fixed and allotted by the Board. Quota holders are required to comply with this Quota Policy at all times.
3. This Egg Quota Policy is subject to revision, revocation and interpretation by the Board in its discretion. This Egg Quota Policy is for quota holders' convenience and is not absolute. Quota holders planning any quota dealings should contact the Board office.
4. Any request for an exemption from this Egg Quota Policy must be made to the Board in writing, with reasons.
5. As of January 1, 2014, all quota transactions, unless otherwise provided for such as Family Ownership Updates, special relocations, transfers between family members and transfers with a sale of registered premises, must be conducted through the EFO Quota Transfer System (QTS).
6. This Egg Quota Policy must be read in conjunction with the General Regulations of the Board. Quota holders who qualify for the exemptions from quota in the General Regulations are exempt from this Egg Quota Policy.

Interpretation

7. [a] **"Board"** means Egg Farmers of Ontario;
- [b] **"Buy Bid"** means a bid to buy a number of units of quota, at a specified per unit price, through a Quota Transfer System (QTS);
- [c] **"Buyer"** means a person who proposes to buy quota;
- [d] **"EFC"** means Egg Farmers of Canada [formerly Canadian Egg Marketing Agency];
- [e] **"Effective Date"** in respect of a transfer of quota means the date on which a seller will have removed birds from the registered premises of the seller and the date on which the buyer will place birds at the registered premises of the buyer;
- [f] **"EFO"** means Egg Farmers of Ontario (the Board);
- [g] **"Egg Quota"** means a quota for producing and a quota for marketing the maximum number of eggs that the quota holder is entitled to market;
- [h] **"Encumbrancer"** means the holder of any lien registered against the title of the registered premises at the appropriate land registry office or a security holder under the *Personal Property Security Act (PPSA)*;
- [i] **"Equilibrium Price" (EP)** is the price established by the Board's agent conducting the QTS to determine successful Sell Bids and Buy Bids;
- [j] **"Family Member"** means a spouse, daughter, daughter-in-law, son, son-in-law, mother, father, sister, sister-in-law, brother, or brother-in-law;
- [k] **"Fowl Quota"** means a quota for possessing the maximum number of fowl that the quota holder is entitled to possess;
- [l] **"Good Standing"** a producer must be in conformity with all EFO Regulations, Policies, Orders, Directions and decisions, including housing density. Producers must have all the paperwork filed at the EFO office as outlined in the EFO General Regulations; and be up-to-date with all licence fees, levies and any other amounts owing to EFO;



- [m] **"HACCP / On Farm Food Safety / Start Clean Stay Clean"** HACCP is an internationally recognized method of identifying hazards to food safety and analyzing the critical points at which those hazards can be controlled
- [n] **"Quota"** means egg quota and fowl quota;
- [o] **"Quota Holder"** means a producer to whom a quota has been fixed and allotted;
- [p] **"Quota Transfer System" (QTS)** means the Board's procedure for the purchase and sale of quota through the Board's quota exchanges;
- [q] **"Registered Premises"** means the lands and buildings used for egg production in respect of which the Board has fixed and allotted quota;
- [r] **"Sell Bid"** means an offer to sell a number of units of quota, at a specified per unit price, through a QTS;
- [s] **"Seller"** means a quota holder who proposes to sell quota;
- [t] **"Transfer"** means a sale or purchase of quota.

Transfer of Quota With Registered Premises

8. [a] A quota holder may apply to the Board to transfer the whole quota together with a transfer of title of the registered premises.
- [b] The Board will consider an application once complete and may approve same, if satisfied that all of its requirements have been met.
- [c] Subject to subsection [d], there is no limit to the amount of quota that may be acquired when it is part of the acquisition of the title to the registered premises in respect of which the quota is fixed and allotted.
- [d] On any transfer in excess of 25,000 units of quota, the quota holder is required to place 10% of the quota in excess of 25,000 units as a Sell Bid on the next QTS at a sale price per unit of quota as determined by the quota holder.
- [e] Upon approval, subject to subsection [d], the Board will cancel the quota of the seller and fix and allot a like amount of quota to the buyer.

Seller:

- [f] No application under subsection [a] will be approved by the Board where the seller is:
- [i] not in good standing; and
 - [ii] has not been the owner of the applicable registered premises for at least twenty-four months prior to the Effective Date of the transfer.
- [g] The seller shall:
- [i] complete and file with the Board,
 - (a) an application in Form 3-14 'Seller's Application';
 - (b) a legal opinion of the seller's solicitor confirming:
 - (i) the identity of the seller and the names of any partners or shareholders of the seller, where applicable;
 - (ii) that the seller is the registered owner of the registered premises in accordance with the deed/transfer;
 - (c) Consent of Encumbrancer or Security Holder, Form 5-14
 - (d) Quota Release Statement, Form 6-14
 - [ii] pay to the Board an application fee of \$100.00 plus HST (payable by cheque, Visa or Mastercard);
 - [iii] where subsection [d] applies, submit a Sell Bid on the next QTS as required by subsection [d].

Buyer:

- [h] The buyer shall:
- [i] complete and file with the Board,
 - (a) an application in Form 4-14 'Buyer's Application';



- (b) a legal opinion of the buyer's solicitor confirming:
 - (i) the identity of the buyer and the names of any partners or shareholders of the buyer, where applicable;
 - (ii) that the buyer is the registered owner of the registered premises in accordance with the deed/transfer;
- [ii] have a Pullet Order Report on file with the Board prior to the transfer being processed;
- [iii] satisfy the Board that the buyer will have the care and management of the egg production facility.

Transfer of Quota Without Registered Premises

as amended August 2015

9. Family Members

- [a] A quota holder, who has been the owner of the quota for at least twenty-four months prior to the Effective Date of the transfer, may apply to the Board to transfer all or part of a quota without a transfer of registered premises to a Family Member by completing and filing with the Board:
 - [i] An application in Form 3-14 'Seller's Application';
 - [ii] A legal opinion of the quota holder's solicitor confirming:
 - [1] the parties to the transaction;
 - [2] details of any partners or shareholders of the quota holder;
 - [3] that the Family Member is the registered owner of the registered premises in accordance with the Deed/Transfer.
 - [iii] Consent of Encumbrancer Form 5-14;
 - [iv] Quota Release Statement Form 6-14.
- [b] The Family Member applying to acquire the quota from another Family Member shall complete and file with the Board:
 - [i] An application in Form 4-14 'Buyer's Application';
 - [ii] A legal opinion of the Family Member's solicitor confirming:
 - [1] the parties to the transaction, including the relationship to the Family Member;
 - [2] details of any partners or shareholders of the Family Member;
 - [iii] that the Family Member is the registered owner of the registered premises in accordance with the Deed/Transfer;
 - [iv] Have a pullet order report on file with the Board prior to the Effective Date; and
 - [v] Satisfy the Board that the Family Member will have the care and management of the egg production facility.
- [c] An application will be considered once complete and may be approved if all of its requirements have been satisfied as outlined in the Policy.
- [d] Upon approval, the Board will cancel the quota of the seller and fix and allot a like amount of quota to the Family Member.

Quota Transfer System (QTS)

- 10. [a] The Board will conduct QTS quota exchanges in accordance with the QTS Transfer Schedule and subject to the QTS criteria as determined by the Board in its discretion.
 - [b] Each QTS will be conducted in response to at least one Sell Bid and at least two Buy Bids.
11. Sell Bids
- [a] A quota holder desirous of selling quota without registered premises must submit the following to the Board office prior to the QTS sell deadline as outlined in the QTS Transfer Schedule:



- [i] QTS Form 1-14 Sell Bid;
 - [ii] \$100.00 plus HST application fee, non-refundable (payable by cheque, Visa or Mastercard);
 - [iii] a Consent of Encumbrancer in respect of any letter of direction on file with the Board in Form 5-14;
 - [iv] a legal opinion of the seller's solicitor confirming:
 - [1] the name of the quota holder as recorded on the registered Deed/Transfer of the registered premises; and
 - [2] details of any partners or shareholders of the seller;
 - [v] Quota Release Statement Form 6-14;
 - [vi] No application for a quota transfer will be approved by the Board where the seller has not been the owner of the quota for at least twenty-four months prior to the Effective Date of the transfer.
- [b] The Board will notify each quota holder upon receipt of that quota holder's Sell Bid and advise:
- [i] That the Sell Bid has been accepted and will proceed through the QTS in accordance with the QTS Transfer Schedule; or
 - [ii] That the Sell Bid has been rejected as incomplete or from an ineligible quota holder and that the Sell Bid can be resubmitted when completed or upon the quota holder becoming eligible providing the Sell Bid is received at the Board office before the QTS Sell Bid deadline.
- [c] Upon acceptance under section [b] [i], a Sell Bid is irrevocable for that QTS;
- [d] All accepted Sell Bids will be held by the Board until the QTS Sell Bid deadline, after which the Board will give notice that a QTS will be held setting out the number of units of quota offered for sale and the QTS Buy Bid deadline date, or that a QTS will not be held and providing a revised QTS schedule.

12. Buy Bids

- [a] After the QTS sell deadline, if there is at least one eligible Sell Bid, the Board will give notice of a QTS quota exchange in accordance with the QTS Transfer Schedule.
- [b] Any person desirous of acquiring quota without registered premises must submit the following to the Board office prior to the QTS Buy Bid deadline:
- [i] QTS Form 2-14 Buy Bid;
 - [ii] A cheque payable to EFO in an amount equal to 10% of the total Buy Bid price to be held and applied in accordance with the QTS criteria;
 - [iii] A legal opinion of the buyer's solicitor confirming:
 - (1) The identity of the buyer and the names of any partners or shareholders of the buyer were applicable; and
 - (2) That the buyer is the registered owner of the registered premises in accordance with the Deed/Transfer.
 - [iv] A pullet order report on file with the Board prior to the Effective Date; and
 - [v] Satisfy the Board that the buyer will have the care and management of the egg production facility.
- [c] The Board will notify each party upon receipt of that party's Buy Bid and advise:
- [i] That the Buy Bid has been accepted and will proceed through the QTS in accordance with the QTS Transfer Schedule; or
 - [ii] That the Buy Bid has been rejected as incomplete or from an ineligible party and that the Buy Bid can be resubmitted when completed or upon the party becoming eligible providing the Buy Bid is received at the Board office on or before the QTS buy deadline.
- [d] Upon acceptance under [c][i], the Buy Bid is irrevocable for that QTS.



QTS Results

13. [a] All accepted Sell Bids and Buy Bids will be summarized by the Board on a no name basis spreadsheet and submitted to the Board's independent third party agent for determination of the Equilibrium Price and the successful bids.
- [b] A Sell Bid at a per unit of quota price at or below the Equilibrium Price will be accepted for a quota transfer at the Equilibrium Price subject to qualified Buy Bids and subject to any reduction in the number of units of quota to be transferred to match the volume of accepted Buy Bids.
- [c] A Buy Bid at or above the Equilibrium Price, which is closest to the Equilibrium Price, will, subject to availability, be accepted for a quota transfer at the Equilibrium Price.
- [d] Each successful seller and buyer will be advised of the terms of the quota transfer approved, including the number of units of quota, the Equilibrium Price determined, the total price payable, the payment date and the terms of payment.
- [e] Successful buyers must make payment in full of the Equilibrium Price times the number of units of quota, less any deposit paid to the Board office by wire transfer or bank draft as follows:
- [i] If the buyer's Effective Date is prior to the seller's Effective Date within 10 business days prior to the buyer's Effective Date;
 - [ii] If the buyer's Effective Date is after the seller's Effective Date within 10 business days prior to the seller's Effective Date.
- [f] Successful sellers will be paid by the Board within 10 business days of the latest of:
- [i] The seller's Effective Date;
 - [ii] Confirmation of removal of the birds from the seller's barn;
 - [iii] Receipt of payment at the Board in cleared funds from the successful buyer.
- [g] Payment will be made by the Board in the name of the quota holder at the address of that quota holder on record with the Board, unless otherwise directed by the seller in writing.
- [h] All quota holders whose Sell Bids were not successful will be advised accordingly with the Equilibrium Price for that QTS, and provided with a QTS Transfer Schedule with the next four QTS auction dates and procedures. Where a Sell Bid resulted in no quota transfer, the Board will return the seller's application and letter of direction if applicable.
- [i] All parties whose Buy Bids were not successful, will be advised accordingly with the Equilibrium Price for that QTS and provided a QTS Transfer Schedule with the next four QTS auction dates and procedures. Where a Buy Bid resulted in no quota transfer, the Board will return the buyer's application and the 10% deposit paid.
14. [a] The Board will consider the results of the QTS and may approve any quota transfer if satisfied that all of its requirements have been met.
- [b] Upon approval, the Board will cancel the quota of the seller and fix and allot a like amount of quota to the buyer.

QTS CRITERIA

15.

Sell Bids:

- [1] A Sell Bid shall contain all the information required on QTS Form 1-14 and shall specify the number of units of quota for sale and the price per unit of quota.



- [2] No quota holder submitting a Sell Bid can have a pullet order outstanding and shall not place a pullet order in respect of the number of units of quota in the Sell Bid until the Sell Bid has been determined as a result of the QTS.
- [3] No Sell Bid may be withdrawn if the QTS has resulted in the sale of the total number of units of quota in the Sell Bid.
- [4] If the QTS results in the sale of less than the total number of units of quota in the Sell Bid, the unsold number of units of quota reverts to the quota holder, but may be the subject of a Sell Bid in the next consecutive QTS's without payment of any further application fee.
- [5] A new application fee is required by a quota holder who has not submitted a Sell Bid to the immediately preceding QTS.
- [6] No quota holder may submit more than one Sell Bid per QTS.
- [7] Each quota holder submitting a Sell Bid represents and warrants that the quota holder has the sole authority to make the Sell Bid free of liens, encumbrances or any third party interests of any kind, unless and to the extent that a Consent of Encumbrancer has been filed with the Sell Bid.
- [8] Sell Bids may be submitted up to 12 months prior to the proposed Effective Date.

Buy Bids:

- [9] No buyer may acquire more than 5,000 units of quota through any QTS.
- [10] No person may acquire more than 25,000 units of quota over a five [5] years period beginning with the Effective Date of the first unit of quota transferred through a QTS.
- [11] No person may submit more than one Buy Bid per QTS.
- [12] The Board reserves the right to request a letter of credit, wire transfer or bank draft in respect of any Buy Bid.
- [13] By submitting a Buy Bid, each buyer represents and warrants that the Buy Bid is not the product of any collusive or other anti-competitive agreement and is consistent with Canadian competition and other laws.
- [14] Where a Buy Bid is rejected as incomplete, late, is from an ineligible buyer or is not successful, the 10% deposit cheque will be returned.
- [15] Upon a successful Buy Bid, the quota holder will be required to adjust the balance taking into consideration the 10% deposit cheque, which will be applied to the total purchase price of the Buy Bid.
- [16] A new or existing quota holder may submit Buy Bids for enough quota units to build an egg production facility on the registered premises of that quota holder and may place the birds into the layer leasing pool for a minimum of one year to a maximum of five years.
- [17] A party making a buy bid who is not the owner of the registered premises at the time of the buy bid may submit a binding agreement of purchase and sale for such premises with the closing date on or before the effective date and providing a copy of the registered deed / transfer; must be submitted to the Board on or before the Effective Date.
- [18] The Board will hold all deposit cheques received in connection with Buy Bids pending the results of the QTS.
- [19] Any interest earned by the Board on deposits held by it on account of QTS quota transactions shall be for the sole account of the Board and neither a buyer nor a seller of any quota through the QTS has any claim to any such interest.
- [20] Where a successful Buy Bid is not completed due to the default of the buyer, the Board may, in its discretion, retain in whole or in part, the 10% deposit paid. The buyer acknowledges and agrees that:
 - [i] It would be extremely difficult and impractical to determine precisely the actual damages such a default would cause to the Board and to Ontario's egg and pullet farmers.



- [ii] The amount of the deposit paid by the buyer is a fair and reasonable approximation of the amount of the actual damages that would be suffered by the Board and by Ontario's egg and pullet farmers as a result of the default and constitutes a genuine pre-estimate of liquidated damages and is not a penalty.

Buyer and Seller:

- [21] No person shall submit a Sell Bid and a Buy Bid to the same QTS.
- [22] The Board retains the confidentiality of all Sell Bids, Buy Bids and QTS results with the exception of disclosing the total number of units of quota offered in Sell Bids.
- [23] All Sell Bids and Buy Bids are conditional upon all of the Board's requirements being met to the Board's satisfaction.
- [24] The QTS results summary will give the number of Sell Bids, the total number of units of quota for sale, the number of Buy Bids, the total number of units of quota for purchase, the Equilibrium Price, the number of units of quota eligible for transfer and the number of units of quota actually transferred as a result of the QTS.
- [25] The Board retains its discretion to refuse any Sell Bid or Buy Bid for any reason it considers proper.
- [26] Sell Bids, Buy Bids and the right to participate in a QTS cannot be assigned.
- [27] No quota holder who is not in good standing may submit a Sell Bid or a Buy Bid.
- [28]
 - [i] The Board will attempt to match up Sell Bids and Buy Bids with the same Effective Date.
 - [ii] Where the buyer's Effective Date is prior to the seller's Effective Date, the seller may be given the option of Early Fowl Removal or early removal and a "reverse" quota credit being offered to the seller. Example: seller removes 1,000 birds 60 days early, a quota credit may be offered of $53 \times 1,000 \div 365 = 145$ birds on the next placement.
 - [iii] Where the buyer's Effective Date is after the seller's Effective Date, a quota credit may be offered to the buyer as the buyer will have to submit payment in full for the birds prior to the buyer's Effective Date. This quota credit will be calculated from the invoice payable date to the buyer's Effective Date using the quota credit calculation as above.
 - [iv] The Board may also elect to "double" inventory during the period between the effective dates with no incentives to the seller or the buyer.
 - [v] The Board will determine the matching of buyers and sellers and the application of any quota credits, Early Fowl Removal or no action needed on a case by case basis.

General:

- [29] Each QTS is operated for the convenience of producers and the Board accepts no liability or obligation whatsoever in the event that a QTS is cancelled for any reason.
- [30] The Board shall not under any circumstances be liable for any loss or damage, including but not limited to actual, incidental or other consequential damages resulting to either a buyer or a seller as a result of any QTS.
- [31] The QTS, as well as the seller's, buyer's and the Board's respective rights and obligations hereunder shall be governed by and construed and enforced in accordance with the laws of and subject to the exclusive jurisdiction of the courts of the Province of Ontario.
- [32] Notices from the Board will be given by postings on the Board's website, by email to producers and by publication in the Cackler or such other means as the Board considers proper.
- [33] The QTS Transfer Schedule and QTS results summaries will be updated regularly on the EFO website and in the Cackler.



- [34] The Board may, in its discretion, waive QTS Rules or other Quota Policy requirements upon application in case of force majeure events, such as death or family emergency.
- [35] A quota holder who has acquired quota through a transfer of registered premises is eligible to purchase up to 25,000 units of quota through the QTS with a maximum of 5,000 units on any single QTS.
- [36] There must be a minimum of at least one quota holder submitting sell bid[s] and at least two quota holders submitting buy bids for a QTS to take place.

Special Relocations

16. [a] **Temporary**

A quota holder, who wishes to renovate a building on the registered premises, may apply to the Board to have the quota temporarily relocated to another building for a maximum period of one year or until disposal of the fowl by completing and filing with the Board an application in Form 7-14, subject to the following:

- [i] The temporary building location can only contain fowl owned by the quota holder, and no others;
- [ii] All eggs marketed from the temporary building location shall be marketed by the quota holder and recorded under that quota holder's number.

[b] **Permanent**

A quota holder may apply to the Board for a permanent relocation of the quota to other premises owned by the quota holder by completing and filing with the Board an application in Form 7-14. The Board will not allow any relocation of quota by a quota holder from one registered premises to another registered premises owned by the same quota holder until the expiry of five [5] years (60 months) from the date such quota was acquired by the quota holder.

[c] **Conditions to Board Approval**

The Board will only approve a transfer under subsection [a] or [b] where it is satisfied that:

- [i] all conditions for relocation have been met;
- [ii] there are no outstanding licence fees, levies, interest or other monies owing to the Board or EFC by the quota holder;
- [iii] the quota holder is not in violation of any Regulation, policy, order or direction of the Board or EFC;
- [iv] the quota holder is the owner of the other premises in respect of which the quota is to be transferred (applies to permanent relocations, Section [b] above) and has filed with the Board, a legal opinion confirming ownership of the registered premises.

- [d] Upon approval, the Board will cancel the quota fixed and allotted in respect of the registered premises and fix and allot the quota to the quota holder in respect of the new registered premises.

Amalgamation of Quotas

- 17. [a] For purposes of this Quota Policy "amalgamation of quota" means the cancellation of two or more quotas and the fixing and allotting by the Board to the quota holder of an amount of quota equaling the total of the two or more quotas cancelled, as aforesaid, under a new quota number in respect of one specified registered premises.
- [b] A quota holder who has two or more quotas, in respect of separate registered premises may apply to the Board for the amalgamation of those quotas in respect of one specified registered premises by completing and filing with the Board an application in Form 7-14. The Board will not allow any amalgamation of quotas by the quota holder until the expiry of five [5] years (60 months) from the date such quota was acquired by the quota holder.



- [c] Where two or more quota holders are holders of quota in respect of separate registered premises, they may apply to the Board for the amalgamation of all or part of said quotas in respect of one specified registered premises by completing and filing with the Board an application in Form 7-14. The Board will not allow any amalgamation of quotas by the quota holders until the expiry of five [5] years (60 months) from the date such quota was acquired by the quota holder.

One Quota per Barn

18. The Board does not permit more than one quota to be fixed and allotted in respect of the same barn as part of the registered premises. Where such situations exist, the quota holders must apply to the Board, under section 17, to amalgamate the quotas, failing which the Board may consider cancellation or reduction of same.

Multiple Quotas

19. Where a quota holder has more than one quota:
- [i] none of such quotas may be exceeded, even though another quota of the same quota holder is not being fully utilized;
 - [ii] sufficient, separate production facilities must be part of the quota holder's registered premises to allow production to the maximum amount permitted under each quota in compliance with Section 27 [On Farm Food Safety], and with Section 28 [Housing Density] of this Quota Policy.

Maximum Quota Holdings

20. While there is no set maximum quota holdings under this Policy, the Board reserves the right to decline to approve any transfer of quota, where it determines that an undue concentration of quota would be vested in any one individual or group to the detriment of other quota holders.

24 Month Rule

21. No application for a quota transfer will be approved by the Board where the seller has not been the owner of the quota for at least 24 months prior to the Effective Date of the transfer.

Family Ownership Updates

22. [a] In this policy a Family Ownership Update is the addition or deletion of a family member as a holder of quota or as a partner or shareholder in a partnership or corporation which holds quota.
- [b] Where a quota holder, whether as an individual, as a shareholder of a corporation or a partner in a partnership, is desirous of including or removing a family member as part of the ownership, such a change, so long as it only involves a family member, need only be reported in writing to the Board in the form of an updated Legal Opinion. No transfer of quota application is required.
- [c] Where the change also involves a change in the ownership of the registered premises, a copy of the registered transfer of title must be filed with the Board.
- [d] No deletion of the interest of a family member can be accepted by the Board unless that family member (or estate where deceased) has filed a written consent with the Board.



- [e] Only family members of legal age and resident in Ontario are eligible to be noted under a Family Ownership Update.
- [f] A Family Ownership Update is not effective unless and until the necessary forms and supporting documentation, where applicable, have been completed and filed with the Board.
- [g] Where a Family Ownership Update is occasioned by a death of a family member, in addition to a Legal Opinion, a copy of the Certificate of Appointment of an Estate Trustee with the Will or a legal opinion from a lawyer acting for the estate confirming the deletion of the interest of the deceased is required.
- [h] It is the quota holder's responsibility to obtain appropriate legal and tax advice as to the implications of any proposed Family Ownership Update.

Partnerships and Corporations

23. [a] Any change in the ownership of a partnership or of shares in a corporation, which is a quota holder, constitutes a transfer of quota and requires approval of the Board pursuant to this policy (exclusive of Family Ownerships, Section 22).
- [b] Where any change in the ownership under paragraph (a) is proposed, written notice of same shall be filed by the quota holder with the Board not less than 30 days prior to its proposed effective date.
- [c] Every proposed buyer, by making application to the Board, specifically authorizes the Board to inspect all books, records and documents relating in any way to the transfer, including where appropriate, the minute books, shareholders' register and any other corporate or partnership record or agreements that deal with ownership and control of the proposed buyer and to take such action as the Board deems necessary to verify any such information.
- [d] Where a corporation or partnership which is a quota holder is owned in whole or in part by another corporation or partnership, every such corporation or partnership having any interest therein shall likewise provide the Board with full ownership information to the satisfaction of the Board.

Encumbrancer

24. No encumbrance such as a mortgage against the registered premises or a security interest under the PPSA applies to the quota which is under the Boards' exclusive control.
The Board only gives notice of quota transfer applications to encumbrancers of which it has notice through a letter of direction signed by the quota holder.
The Board may, upon application and after notice to any interested parties, approve a quota transfer application without the consent of an encumbrancer.

Sanctions

25. [a] All applications for quota transfer are subject to the Board's inspection and verification procedures.
- [b] Where a quota holder, who acquires or relocates quota pursuant to this Policy, is found to have breached any of the requirements of the transfer application, or failed to make a transfer application when required to do so, the Board may cancel or reduce the quota.
- [c] Where a seller is found to be in arrears of any licence fees, levies, interest, or other monies owing to the Board or EFC, and the seller does not pay same after a demand by the Board, the Board may assess and collect same from the buyer.
- [d] The Board may cancel or reduce, refuse to increase, refuse to fix and allot a quota fixed and allotted to any person for any reason that the Board considers proper.



- [e] Without limiting the generality of the foregoing, in the case of a quota to possess fowl or to produce eggs or pullets the Board may cancel or reduce any such quota as a penalty where the Board has reasonable grounds for belief that the person to whom the quota was fixed and allotted has contravened the Act or the Regulations.
- [f] Additional or alternative sanctions may apply under Section 26 [Quality Standards], Section 27 [On Farm Food Safety] and Section 28 [Housing Density] of this Quota Policy.
- [g] Indirect methods to circumvent these policies will not be permitted and where identified may result in an appropriate reduction or cancellation of quota.

Quality Standards

26. [a] The Board may require a quota holder to satisfy the Board that:
- [i] production of eggs from the quota holder's registered premises is lawful in all respects in accordance with any land use restrictions, zoning by-laws, environmental regulations or requirements;
 - [ii] all industry standards as determined by the Board, from time to time, are met.
- [b] Every quota holder shall have a storage area for eggs that shall be maintained at a temperature of no higher than 13 degrees Celsius.
- [c] Every quota holder shall permit the Board to inspect the quota holders' registered premises as part of its Salmonella testing program and otherwise as deemed necessary by the Board.
- [d] Every quota holder shall have and maintain in place S.e. insurance.
- [e] Every quota holder shall comply with EFO's mandatory one week downtime, as the producer changes flocks.
- [f] Quota holders shall only house egg type layer birds in any layer facility. Additionally, if a facility is changing species, a negative S.e. test must be received before the layer pullets are placed.
- [g] Where the Board determines that a quota holder is not in compliance with subsection [a], [b], [c], [d], [e] or [f] the Board may require that the quota holder dispose of the eggs produced by that quota holder at the premises in question to a grading station as industrial product and not for the table market in accordance with the pricing structure in place at that time for such eggs. In addition or as an alternative thereto the Board may cancel or reduce or refuse to increase or transfer the quota of the quota holder.

On Farm Food Safety – HACCP / Start Clean-Stay Clean

as amended February 12, 2014

27. [a] The Board has adopted the Start Clean – Stay Clean program as set out on Appendix "A".
- [b] All quota holders must obtain Start Clean – Stay Clean certification from the Board and maintain a minimum score of 90% on yearly Part 1 & 2 ratings. New layer quota holders must be in a certifiable position by end of the first flock. A full audit (part 3) must be completed as soon as possible in the second flock.
- [c] A quota holder who has failed to achieve Start Clean – Stay Clean certification may be subject to a five per cent (5%) utilization reduction against the total quota of that quota holder for the entire life of the next flock placed by that quota holder.
- [d] Notwithstanding such five per cent (5%) utilization reduction, the quota holder shall remain liable for licence fees and levies in respect of one hundred per cent (100%) of that quota holder's quota.
- [e] A quota holder against whom the Board has applied a utilization reduction under paragraph (c) may apply to transfer all or part of the quota, which transfer, if approved by the Board, may cancel the utilization reduction [subject to Housing Density compliance].



- [f] Failure to maintain the minimum score of 90% on the yearly rating, thus causing a return visit by the Inspector, will result in an administration fee of \$275. The quota holder will have 30 days to make any corrections to achieve a score of >90%. Failure to do so will result in a second administration fee and a potential hearing by the Board.
- [g] The quota of a quota holder who has not achieved Start Clean – Stay Clean certification on or before June 30, 2010, may be cancelled by the Board.
- [h] One week downtime is mandatory as quota holders change flocks.
- [i] Egg quota holders are required to use HACCP certified pullets in order to maintain HACCP certification.
- [j] Quota holders are subject to an unannounced visit at least once per year at which time they must obtain a score of 90% on this site inspection report. Failure to do so will result in the same conditions as outlined in section [f].

Housing Density

<i>as amended January 9, 2014</i>

28. [a] Based on the Density Guidelines, as set out in the 2003 Code of Practice published by Agriculture and Agri-Food Canada, EFO's Board has established Housing Density Requirements [HDR] which apply to all quota holders.
- [b] The Housing Density Requirements (HDR's) are as follows:
- [i] all quota holders who have installed cages after December 31st, 2003, must house white hens at a minimum of 67 square inches of cage space (useable space);
 - [ii] all quota holders who have installed cages after December 31st, 2003 must house brown hens at a minimum of 75 square inches of cage space (useable space);
 - [iii] quota holders with older equipment (prior to December 31st, 2003) must comply with the previous Code of Practice. White hens must be housed at a minimum of 64 square inches and brown birds at a minimum of 70 square inches of cage space;
 - [iv] as of Jan 1, 2020 all birds placed after Jan 1, 2020 have to meet the minimum square inches of 67 for white and 75 for brown, based on useable space (useable space is defined as the square measurement of the floor area with no deduction for baffles, air vents or additions because of cage door extensions).
- [c] All birds placed on or after January 1st, 2010, must meet the Housing Density Requirements. No house averaging will be allowed.
- [d] A quota holder not able to meet the Housing Density Requirements under section [c], will have the option of:
- [i] applying to the Board for the transfer of the number of units of quota necessary to achieve the Housing Density Requirements; or;
 - [ii] in conjunction with other quota holders not able to meet the Housing Density Requirements, seeking Board approval for the establishment of a separate egg production facility for the placement of fowl for the purpose of achieving the Housing Density Requirements at each of the quota holder's individual egg production facilities.
- [e] Effective January 1, 2010, no transfer of quota into an egg production facility will be approved unless the Board is satisfied that placement pursuant to said quota will be within the Housing Density Requirements of the transferee.
- [f] The Housing Density Requirements [HDR] form part of the basis for the fixing and allotting of quotas by the Board.



[g] Compliance procedures:

Phase I

EFO's Inspector will invoice the farmer a levy of \$2.00 per week per regulated hen in excess of their Housing Density. The penalty for being in excess of Housing Density will be a reduction in quota double the amount of birds found to be in excess of the farmer's total Housing capacity for one year. EFO's Inspector will notify the Board Office forthwith of any discrepancies revealed by the inspection. EFO's Inspector will return to the facility in seven to ten days to perform a second inspection to ensure the flock[s] are within Housing Density Requirements.

Phase II

EFO's Inspector will return to the farmer's facilities within 7 to 10 days for the purpose of performing a second inspection. In the event that EFO's Inspector determines the farmer is still in excess of their Housing Capacity, the farmer will be issued a second invoice and will be subject to a Hearing before the Board and the Board may cancel, reduce, refuse to issue, or decrease the farmer's quota.

EFO DISCRETION

29. Egg Farmers of Ontario's Quota Policies are subject to the Board's discretion to refuse a transfer of quota for any reason it considers proper and to make such exceptions or amendments as it deems necessary or advisable.

Revocation

30. [Egg] Quota Policy 2011 made by the Board on the 1st day of December, 2010 is hereby revoked, and this [Egg] Quota Policy is substituted therefore, provided that no such revocation shall affect the previous effect of such quota policy or anything done, or rights or obligations owing there under.

Policy Effective Date & Amendment

31. This [Egg] Quota Policy takes effect on the 1st day of January, 2014.

Egg Farmers of Ontario

Scott Graham, Chair

Harry Pelissero, General Manager

Dated at Mississauga, this 18th day of December, 2013.