

ASSIGNMENTS

The following documents provided herein outline the policy and procedure of DFNS respecting assignment of Total Production Quota, and the forms shall be used by lenders when assigning quota.

- (a) Section 10 of TPQ Regulations;
- (b) Assignments Made Easy;
- (c) Information Release Form;
- (d) Total Production Quota Assignment; and
- (e) Calling Quota Assignment Policy.

If further information is required, please contact DFNS at 893-6455.

Assignment of TPQ

- 10 (1)** In this Section, “recognized lending institution” means any of the following:
- (a) a bank listed in Schedule I or Schedule II of the *Bank Act* (Canada);
 - (b) a credit union to which the *Credit Union Act* applies;
 - (c) the Nova Scotia Farm Loan Board;
 - (d) Farm Credit Canada;
 - (e) a lender approved by the Board.
- (2)** On receiving a completed assignment of TPQ in a form approved by the Board, made between a recognized lending institution and a producer for the purpose of a secured transaction, the Board may consent to the assignment on any terms and conditions that the Board considers appropriate.
- (3)** The consent of the Board to an assignment of TPQ does not in any circumstances, nor is it deemed to, warrant the validity of the assignment, and the Board is not liable for any loss or damage that may be suffered by the lending institution as a result of its reliance on the assignment.

Subsection 10(4) repealed: N.S. Reg. 112/2010.



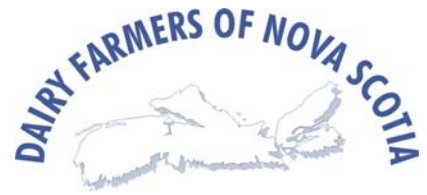
4060 Highway 236
Lower Truro NS B6L 1J9
Phone: (902) 893-6455
Fax: (902) 897-9768
www.dfns.ca

ASSIGNMENTS MADE EASY

- All documents should indicate the registered quota holder's DFNS Registration Number (5 digit number ending in 2).
- Adequate unassigned Saleable TPQ holdings must be available before an assignment can be recorded.
- If an assignment on TPQ is dependent upon the pending release of an assignment from another lending agency, it is helpful to note this. This saves DFNS having to contact the assigning lender.
- DFNS staff can provide specific information on TPQ holdings and assignments upon receipt of an information waiver form signed by the TPQ holder (form is available from DFNS office).
- The registered TPQ holder must sign all assignment documents, including waiver forms. In the case of a partnership all partners must sign, in the case of a corporate quota holder the designated signing officer(s) must sign.
- When a loan is paid off and you wish to release an assignment on TPQ, please forward a release form to DFNS as soon as possible. An email containing the appropriate direction is acceptable. The most recent assignment is released first.
- When TPQ is sold on the Quota Exchange and some or all the TPQ sold is assigned, the producer receives a cheque jointly payable to the registered TPQ holder and the lender holding the most recent assignment.
- When the ownership status of the registered TPQ holder changes (i.e., partnership to limited company) all lenders holding any assignments against the TPQ must approve the change before DFNS will recognize it.

Dwane Mellish P.Ag.
Operations Officer

August 11, 2010



Date: _____

To: Dairy Farmers of Nova Scotia ("DFNS")
Suite 100, 4060 Hwy 236
Lower Truro, NS. B6L 1J9

From: _____

(Financial Institution Name and Address)

("CREDITOR")

RE: Credit, Quota, and Production Information ("INFORMATION")

The undersigned producer hereby authorizes DFNS to exchange credit, quota, and production information on the undersigned with the CREDITOR, until this consent is revoked in writing.

Name of Producer
(please print)

DFNS Registration No. 2

Signature of Producer
(if a partnership, all partners must sign)
(if a company, the president must sign)

TOTAL PRODUCTION QUOTA ASSIGNMENT



BETWEEN:

DFNS registration number _____
(hereinafter referred to as "the Producer")

- and -

Branch/Address: _____
(hereinafter referred to as "the Lender")

TAKE NOTICE that, for value received, the Producer hereby assigns all of the Producer's right, title, and interest in and to _____ kilograms of the Producer's Total Production Quota (the "Assigned Quota") to the Lender for the purposes of securing certain indebtedness that from time to time the Producer may owe to the Lender (the "Indebtedness").

Pursuant to this Assignment, the Producer has assigned to the Lender the amount of Assigned Quota as stated above. Including the quota assigned herein, the Producer has now a total of _____ kgs of TPQ assigned to the Lender.

IN ACCORDANCE with this Assignment, the Producer:

- (a) represents that the Assigned Quota has been allotted to the Producer, being the registered quota holder, by Dairy Farmers of Nova Scotia ("DFNS") pursuant to regulations respecting milk quotas made by DFNS;
- (b) covenants, promises and agrees that so long as this Assignment remains in effect:
 - (i) the Assigned Quota shall be maintained by him in good standing;
 - (ii) he shall not apply to DFNS for permission to sell, transfer, or otherwise dispose of or cancel all or any part of the Assigned Quota without the consent of the Lender;
 - (iii) in the event that all or any part of the Assigned Quota is sold, transferred, or otherwise disposed of or cancelled, unless the Producer and Lender have agreed otherwise, he shall pay or cause to be paid to the Lender an amount from the proceeds (if any), sufficient to retire the Indebtedness that was secured by the Assigned Quota;
- (c) agrees that the Lender may apply in writing to DFNS to consent to this Assignment upon such terms and conditions as may be acceptable to both DFNS and the Lender;
- (d) hereby irrevocably constitutes and appoints the Lender his attorney during the term of this Assignment with full power and absolute discretion to act for him in any dealing or application with respect to the Assigned Quota, including its sale or other disposition, PROVIDED THAT the Lender may act as the Producer's attorney only during such time(s) as the Producer is in default of his obligations to the Lender pursuant to the terms and conditions of the Indebtedness;
- (e) agrees that, for the purposes of this Assignment, where the Producer is in default of his Indebtedness to the Lender, the Lender shall provide evidence to DFNS of the default by way of a statutory declaration or affidavit of a representative of the Lender stating that default in respect of the Indebtedness has occurred, and where DFNS receives and relies upon such a statutory declaration or affidavit, DFNS shall be deemed to have acted in good faith in allowing the Lender to exercise rights as an attorney with respect to the Assigned Quota;
- (f) covenants to release and forever discharge DFNS from any and all actions, claims, suits, and rights that the Producer may have against DFNS or its successors or assigns as a consequence of losses the Producer sustains from anything done by DFNS, in good faith, in dealing with the Assigned Quota at the direction of the Lender when DFNS believed, in good faith, that the Lender possessed a valid power of attorney to deal with the Assigned Quota in accordance with the provisions paragraph (e); and
- (g) covenants, promises, and agrees that upon breach of any of the provisions in this Assignment, the Indebtedness shall, at the option of the Lender, immediately become due and payable.

AND FURTHERMORE, this Assignment will remain in full force and in effect only until the date it is revoked or withdrawn by both the Producer and the Lender, at which time it will cease to apply without any further act or formality.

The Lender hereby recognizes that DFNS does not operate a quota registry and does not take responsibility for assignments. The Lender asks that DFNS take notice of and consent to this Assignment and acknowledge that, as far as the records of DFNS indicate, the amount of the Assigned Quota stated herein is available for assignment, and the Assignment is now recorded in the name of the Lender.

The Lender further acknowledges that, where a Producer has executed more than one Assignment of their TPQ, assignments will be honoured on a "last in, first out" basis, such that the TPQ most recently assigned will be deemed to be the first sold, and the most recent Assignment will be the first honoured.

The Lender further agrees to notify DFNS and withdraw the Assignment from DFNS's records when the Assignment is no longer of any force or effect.

The Lender further covenants to release and forever discharge DFNS from any and all actions, claims, suits, and rights that it may have against DFNS or its successors or assigns as a consequence of losses the Lender sustains from anything done or not done by DFNS in relation to this Assignment and the Assigned Quota.

The Producer and Lender request that DFNS consent to this Assignment in the amount of the Assigned Quota described above, or if the Producer does not have enough unassigned TPQ available, that the amount of Assigned Quota be reduced to the amount of unassigned TPQ available. The parties acknowledge that DFNS's consent, if granted, will be granted pursuant to section 10 of the *Total Production Quota Regulations* made under the *Dairy Industry Act* of Nova Scotia, and will be recorded in DFNS's Production and Quota System.

The Producer and Lender acknowledge that this Assignment is subject to the provisions of the *Dairy Industry Act* and regulations made under that Act, and if there is any conflict between the terms of this Assignment and the Act or regulations, the Act or regulations (as the case may be) prevail.

The Producer signing below is the registered quota holder. In the case of a partnership, all partners must sign, and in the case of a corporate quota holder, the designated signing officer(s) must sign.

DATED at _____, Nova Scotia, this _____ day of _____, 20_____.

) **PRODUCER**

)

)

)

Witness

)

Per: _____

)

)

Witness

)

Per: _____

)

DATED at _____, Nova Scotia, this _____ day of _____, 20_____.

) **LENDER**

)

)

)

Witness

)

Per: _____

)

FOR DFNS USE ONLY

DFNS hereby confirms that there is sufficient unassigned TPQ available according to our records for the Producer to assign the full amount of the Assigned Quota;

OR

The amount of the Assigned Quota is being reduced to _____ kilograms, being the amount of unassigned TPQ available as of the date this Assignment is being recorded by DFNS. If the Producer acquires more TPQ, DFNS will not adjust the amount of the Assigned Quota unless another Assignment is provided.

CONSENTED TO AND RECORDED BY DAIRY FARMERS OF NOVA SCOTIA on _____, 20_____.

Per: _____



Calling Quota Assignment Administrative Procedure

Under regulation and based on the assignment agreement, the lender can act as the producer in selling assigned quota. The following procedure covers a situation where a lender calls an assignment by offering the assigned TPQ for sale on the quota exchange.

- 1) DFNS requires five (5) business days notice in advance of a quota exchange of a lender's intent to sell assigned TPQ on the quota exchange. This intent will be an exchange form as provided by the Board with the quantity and price of TPQ offered for sale, signed by the lender. Along with the exchange form, the lender must provide an affidavit or statutory declaration, sworn by an authorized representative of the lender, stating that the producer is in default of its obligations under the terms of the loan to which the assignment relates. Forms received less than five business days before an exchange deadline will be held over for inclusion on the subsequent exchange. Quota exchanges operate on the last business day before the 19th of each month.
- 2) Upon receipt of this notice, DFNS will provide written notification to the producer including the following information:
 - Notice that ___ lender has submitted ___ Kg assigned TPQ for sale on the exchange for the month _____,
 - That DFNS has confirmed the assignment and intends to act on the lender's submission, and
 - The producer should raise any questions or concerns over this action directly with his lender and / or discuss the issue with his lawyer.
- 3) The offer to sell from the lender will be processed, including all applicable administrative fees.
- 4) If the quota is successfully sold on the exchange, DFNS will issue the total sale amount solely payable to the lender.
- 5) DFNS will not consent to an assignment of any quota that will revert to DFNS by way of an assessment when the quota is sold by the producer.
- 6) If the entire producer's TPQ was sold on the exchange, the producer's license will expire on the last day of the month the entire TPQ was sold.
- 7) If some unsold TPQ (assigned and/or unassigned) remains, the producer's license remains active.
- 8) Producers can lease in or out up to 25% of their quota within a month they sell quota if they are still shipping milk on the lease deadline (5th last business day of a month).
- 9) All producers have four (4) quota exchanges following the cessation of shipping milk to sell their entire TPQ.

This procedure is recommended to clarify, not constrain, the eventualities of having a lender call a quota assignment and it applies to all existing and future quota assignment agreements.

May 2007