

JOINT VENTURE POLICY
A POLICY DEFINING THE RULES GOVERNING JOINT VENTURES UNDER THE
DAIRY FARMERS OF NEW BRUNSWICK
(the "**APPENDIX B TO DAILY QUOTA ORDER**")

ABOLITION OF POLICY: This Policy will be abolished December 31, 2011.

DEFINITION: A joint venture (JV) means two or more individuals who have entered into a particular contract as between themselves to jointly contribute to and engage in the production and marketing of milk within New Brunswick for profit or gain, while at all times ensuring that each individual will have some degree of control over the venture, that each individual will maintain its individual rights and obligations as provided and required under the Natural Products Act and the regulations made thereunder, and that the adventure is subject, in all regards, to the Natural Products Act and the regulations made thereunder.

ELIGIBILITY A participant in a Joint Venture must be a Producer who meets the criteria as set out in the Daily Quota Order of the Board and who has sold no more than 25% of his or her Daily Quota holdings in the 12 months prior to making application to the Board to enter into a Joint Venture. New Entrants are not permitted to enter into Joint Ventures.

APPLICATION PROCESS Producers wishing to enter into a Joint Venture must submit:

- A written request to the Board providing the reasons and objectives of the Joint Venture they wish to form; identifying the individuals who hold the controlling interest of each Producer participating in the Joint Venture.
- A \$2000 application fee and be prepared to accept any additional legal fees that DFNB may incur to thoroughly investigate the validity of the Joint Venture.

The DFNB's Joint Venture Committee comprised of 2 directors and a producer at large will review the written request and may request the assistance of a legal advisor to interpret the request. The Joint Venture Committee may request additional information from the applicants or request the applicants to appear before the Committee. The Joint Venture Committee will then present a recommendation to the Board to accept or deny the application. The Board will then grant or deny the privilege to the Producers to form the Joint Venture as presented to the Committee.

TERMS & CONDITIONS APPLICABLE TO PRODUCERS PARTICIPATING IN A JOINT VENTURE

- A Producer can participate in only one Joint Venture at a time.
- An unlimited number of Producers can participate in a single Joint Venture.
- Producers party to a Joint Venture will be required to file each year with the Board the necessary information proving that the contractual agreement between the Producers has not changed.
- A Joint Venture will have to be renewed with the Board after three years. A renewal fee will be determined at a later date and that the program be implemented effective August 1, 2008.
- Producers who participated in a Joint Venture that dissolves prior to the end of its third year of existence will have to wait a minimum of 12 months before entering into any other Joint Venture.

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- Producers entering into a Joint Venture will not be able to sell quota for a minimum of 12 months following the formation of the Joint Venture.
- Daily Quota will continue to be tracked for each individual Producer participating in the Joint Venture.
- Producers party to the Joint Venture will retain their right to purchase or sell Daily Quota through the Daily Quota exchange.
- Daily Quota of Producer party to the Joint Venture will be subject to general increases or decreases.
- Producers party to a Joint Venture will only be able to appoint one individual to act as the Voting Representative for all Producers party to the Joint Venture.
- In any of the following cases, an application must be made to the Board to discontinue operation of the JV as it heretofore exists
 - Termination of the JV
 - An entity in the JV desires to terminate its participation in the JV
 - An additional entity desires to participate in the JV

TREATMENT OF THE JOINT VENTURE BY THE BOARD

- The Joint Venture shall be recognized as a single production unit for the purposes of the production control and producer payment policies of the Board including, but not limited to the following.
 - Daily Quota:
 - The Daily Quota available to the Joint Venture will represent the sum of the Daily Quota held by the Producers participating in the Joint Venture.
 - Credits
 - Maximum and Minimum Credits will be based on the Daily Quota available to the Joint Venture.
 - Credit Position:
 - The Beginning Credit position of the Joint Venture will be established as the sum of the Ending Credits of those Producers party to the Joint Venture.
 - Credit Exchange
 - The Joint Venture will be allowed to participate in the Credit Exchange.
 - SNF Target Ratio
 - The SNF Target Ratio of the Joint Venture will be determined by weighting each Producer's respective SNF Target Ratio in proportion to each Producer's share of Daily Quota at the time the Joint Venture is formed and updated every July 31st for weighting and to apply the province's SNF Target on any Daily Quota purchases that occurred during the course of the dairy year.
 - Quality
 - The quality infraction history of the Producers entering the Joint Venture shall be shifted to the Joint Venture. The Joint Venture will be subject to any penalties and re-earn programs.

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- Producer Requested Deduction
 - A Joint Venture will not be allowed to request Producer Requested Deductions.
- Producer Pay
 - One Producer Statement will be issued to the Joint Venture

TERMS AND CONDITIONS APPLICABLE UPON DISSOLUTION OF THE JOINT VENTURE

- Upon dissolution of the Joint Venture Producers will have 6 months to sell their Daily Quota through the Quota Exchange or recommence shipping from the original Producer's site as Licensed by the NB Farm Products Commission.
- Those Producers exiting a Joint Venture and who wish to remain as a Producer will be provided with the following:
 - Daily Quota will revert to each individual Producer
 - SNF Target Ratios will revert to each Producer
 - The Beginning Credit Position of each Producer will be established based on the Ending Credit Position of the Joint Venture at the time of its dissolution.
 - The Infraction or Penalty History of each Producer will be set to the level to which the Joint Venture has been set.