CWB

Effective August 13, 2007

Selected barley, feed barley

For office use only

2007-08 Fixed Price Contract and Basis Payment Contract Quality Transfer

Quality transfers can be made to a producer's existing Fixed Price Contract (FPC) or Basis Payment Contract (BPC) for selected barley or feed barley, if the quality has changed since the original sign-up date.

Quality transfers from feed barley to selected barley are limited to Pool A, and terminate on January 31, 2008.

Quality transfers from selected barley to feed barley, based on rejections, can be completed until July 31, 2008.

Transfer/details - Please complete one form per transfer.

I, ______________________ Producer CWB Identification No. ____|____|____|____|____|____|____|____|____|____

A) wish to transfer my:

☐ FPC Selected barley to feed barley ☐ BPC Selected barley to feed barley

Original Contract No. ☐☐☐☐☐☐ **Total tonnes to be transferred**

Net Tonnes (Selected barley)

__________.000

Minimum of 20 tonnes

B) wish to transfer my:

☐ FPC Feed barley to selected barley ☐ BPC Feed barley to selected barley

Original Contract No. ☐☐☐☐☐☐ **Total tonnes to be transferred**

Net Tonnes (Feed barley)

__________.000

Minimum of 20 tonnes

The basis and adjustment factor values reflecting the new quality of your barley will be applied to the tonnage being transferred, based on the date of this application.

Any futures associated with the original contract commitment are maintained upon completion of the quality transfer.

READ THE FOLLOWING CAREFULLY.
I (the Producer) have read the Terms and Conditions for the applicable program (available on our Web site at www.cwb.ca and Fax on Demand at 1-800-275-4292) and agree that all said Terms and Conditions apply to this transfer. I further agree that I am obliged to comply with the said Terms and Conditions fully, in each case.

______________________ Producer's Signature

______________________ Position in Company (If Applicable)

______________________ Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

CWB

2007-08 Barley Quality Transfer information

For 2007-08, the CWB has simplified the barley quality transfer clause for the BPC and FPC.

Producers wanting to transfer between a feed barley and selected barley BPC or FPC will retain the original futures value and receive the basis in effect on the date of the transfer. In the case of a BPC with futures only, the contract will simply be converted and the producer has until the sign-up deadline to lock in the basis. Also on the transfer date, the late sign-up adjustment factor for the new grade will be applied to the contract.

Producers transferring from feed barley to selected barley would also have to sign a *Selected Barley Storage and Delivery Contract (SBSDC)* and subsequently have their barley accepted.

Those transferring from selected barley to feed barley would have to sign a Guaranteed Delivery Contract (GDC) for immediate delivery.

For feed barley, this clause is limited to Pool A and must be invoked on or before January 31, 2008. The quality transfer is not available for feed barley BPC and FPC contracts offered for Pool B because producers will be in a better position to assess the quality of their barley before making a pricing commitment.

The quality transfer is allowed only one time per contract, to adjust for the barley quality before making settlement.

Example 1 Selected barley to feed barley

A producer signs an FPC for two-row selected barley on June 2, at $200 per tonne. The futures value is $170 per tonne, the basis is $30 per tonne and the late sign-up adjustment factor is $0 per tonne. On September 15, the barley is rejected for malting and the producer contacts the CWB to invoke the quality transfer clause. The feed barley basis is -$10 per tonne and the late sign-up adjustment factor is $3 per tonne.

The futures have declined to $150 per tonne, but the producer can use the quality transfer to settle against the higher futures value that was locked in on June 2.

Producer's feed barley FPC = original futures + current feed barley basis + current feed barley late sign-up adjustment factor
= $170 + (-$10) + $3
= $163 per tonne

Example 2 Feed barley to selected barley

A producer signs an FPC for feed barley on June 2 at $155 per tonne. The futures value is $170 per tonne, the basis is -$15 per tonne and the late sign-up adjustment factor is $0 per tonne. On September 15, the barley is selected for malting and the producer contacts the CWB to invoke the quality transfer clause. The two-row selected barley basis is $35 per tonne and the late sign-up adjustment factor is $3 per tonne.

The futures have declined to $150 per tonne but the producer can use the quality transfer to settle against the higher futures value that as locked in on June 2.

Producer's selected barley FPC = original futures + current two-row selected barley basis + current two-row selected barley late sign-up adjustment factor
= $170 + $35 + $3
= $208 per tonne

2007-08 CWB BASIS PAYMENT CONTRACT FOR FEED BARLEY: *TERMS AND CONDITIONS*

1. DEFINITIONS

a. *"Actual Grade"* is the grade of the *Feed Barley* actually delivered by the producer as reported on the Producer Certificate as defined in *The Canadian Wheat Board Act*.
b. *"Adjustment Factor"* is the value that adjusts the price to reflect the sales position of the pool account with respect to the spot futures value as specified in the *Pricing Schedule.*
c. *"Approved Methods of Acceptance"* are as set out in paragraph 2.f. below.
d. *"Available Futures Months"* are those published in the *Pricing Schedule.*
e. *"Basis"* is the value identified as such in the *Pricing Schedule*.
f. *"BPC"* is the basis payment contract as provided for herein.
g. *"Basis Contract Month Expiry Date"* is the date on which the *Futures Price* expires and the date before which the producer must lock in a *Futures Price*, as specified in the *Pricing Schedule*.
h. *"BPC Sign-up Expiry Date"* is 7:30 a.m. Central Time (CT) on November 1, 2007 for *Pool A Feed Barley* and 7:30 a.m. (CT) on February 29, 2008 for *Pool B Feed Barley*, or such other date as the CWB designates
i. *"Buyout Price"* is the price available from the CWB from time to time at which the CWB will allow the producer to buy out their obligations under this Agreement. The formula by which the *Buyout Price* is calculated shall be equal to the greater of:
{(current futures + current basis + current adjustment factor) - (producer's lock in futures + producer's lock in basis + producer's lock in adjustment factor)} if negative equal to zero
and
(current futures - producer's lock in futures) if negative equal to zero.
In addition, the producer will be charged an administration fee of $15 per transaction.
i. *"CWB Act"* means *The Canadian Wheat Board Act*, as amended.
j. *"Contract Date"* is the date on which the producer enters into a *BPC* and commits the *Net Tonnes*
k. *"Delivery Opportunities"* are the opportunities for the delivery of *Feed Barley* through CWB delivery calls made by the CWB from time to time during the 2007-08 crop year. Delivery and settlement must occur within the 2007-08 crop year pool delivery period in which the *Feed Barley* was committed to the *BPC*.
l. *"Fax Form"* means the following forms, as applicable: the "2007-08 Basis Payment Contract Sign-up Application", the "2007-08 Basis Payment Contract Futures Price or Basis Lock-in", the "2007-08 Fixed Price Contract and Basis Payment Contract Target Pricing", the "2007-08 Target Pricing Order Cancellation", the "2007-08 Basis Payment Contract Futures Month Rollover" and the "2007-08 Fixed Price Contract and Basis Payment Contract Quality Transfer".
m. *Feed Barley* is No. 1 Canada Western (CW) and No. 2 CW Feed Barley.
n.
o. *"Futures Price"* is the price, published by the CWB, that the producer can apply to all or a portion of the *Net Tonnes* by locking in that price pursuant to this Agreement.
p. *"Incremental Payment"* is an amount identified as such in the *Pricing Schedule*, representing the producer's time value of money for deferred delivery.
q. *"Initial Payment"* is the payment made by the CWB or its agents at the time of delivery for *Feed Barley* of the *Actual Grade* in accordance with the *CWB Act*.
r. *"Net Tonnes"* is the number of net tonnes of *Feed Barley* that the producer has signed up under the *BPC* and has agreed to deliver to the CWB. The *Net Tonnes* must be a minimum of 20 net tonnes.
s. *"Option Payment"* is the amount that the producer will be paid for the *Net Tonnes* as set out herein in respect of the *BPC* as applicable, instead of any and all payments that would have been made to the producer in respect of the *Net Tonnes* through participation in the CWB Pool Account.
t. *"Pool A"* is the delivery period for *Feed Barley* that runs from August 1, 2007 to January 31, 2008 inclusive.
u. *"Pool B"* is the delivery period for *Feed Barley* that runs from February 1, 2008 to July 31, 2008 inclusive.
v. *"Pricing Damages"* means the amount calculated using the *Buyout Price* as of January 31, 2008 for *Pool A* and July 31, 2008 for *Pool B*.
w. *"Pricing Schedule"* is the schedule published by the CWB from time to time that identifies: the *Incremental Payment* being offered at that time; the *Basis* being offered at that time; the *Adjustment Factor* being offered at that time; the *Futures Price* being offered at that time; the *Basis Contract Month Expiry Dates and* the *Reference Grade.*
x. *"Reference Grade"* is No. 1 CW Feed Barley.
y. *"Rollover Adjustment"* is an adjustment that is made to the *Basis* when a producer enters into a rollover transaction to reassess the contracted *Basis* and is the difference between the contracted *Basis* month *Futures Price* and the *Futures Price* for the month that the contract is being rolled into on such date.
z. *"Selected Barley"* is barley that has been selected and accepted for use as pot barley or in malting or pearling, except sample grades.
aa. *"SBSDC"* is the 2007-08 Selected Barley Storage and Delivery Contract.
bb. *"Settlement Date"* is the date on which a Producer Certificate, as defined in the *CWB Act*, is issued in respect of *Feed Barley* priced under a *BPC.*
cc. *"Target Price"* is the *Futures Price* or *Basis* at which the producer indicates to the CWB that he/she is willing to accept the offer.
dd. *"Transfer Date"* is the date the producer initiates the Quality Transfer option of this Agreement.

2. OFFER AND ACCEPTANCE

a. In accordance with these Terms and Conditions, the CWB offers to pay the producer the *Option Payment* for the *BPC* as calculated according to the relevant payment formula set out in paragraph 6.3 below subject to the conditions outlined in paragraph 2.c. below (the *"Offer"*).
b. The *Offer* for *Pool A Feed Barley* is open for acceptance by the producer from August xx, 2007, until the earlier of 7:30 a.m. (CT) on November 1, 2007 and such time as the *Offer* is withdrawn by the CWB in its sole discretion. The *Offer* for *Pool B Feed Barley* is open for acceptance by the producer from November 1, 2007 until the earlier of 7:30 a.m. (CT) on February 29, 2008 and such time as the *Offer* is withdrawn by the CWB in its sole discretion. The CWB reserves the right to withdraw the *Offer* at any time and without prior notice.
c. The CWB reserves the right to reject an individual's acceptance of the Offer in its sole discretion for any reason including where the producer has outstanding *Pricing Damages* on a previous payment options contract. The CWB may declare a producer ineligible to participate in this contract and may refuse to enter into a contract with such producer.
d. The producer's acceptance of the *Offer* will not be valid unless it is made in strict compliance with one of the *Approved Methods of Acceptance*.
e. The producer's acceptance of the *Offer* will not be valid unless it is actually received at the head office of the CWB prior to the withdrawal of the *Offer* or the expiration of the time for acceptance, whichever comes first.
f. The *Approved Methods of Acceptance* are:
   i. Telephoning the CWB at 1-800-275-4292 and following the instructions of the CWB operator when asked to provide the producer's 10-digit CWB identification number and confidential Personal Identification Number (PIN) and indicating the number of tonnes of feed barley for sign-up, lock-in, Quality Transfer or rollover transaction to reassess the *Basis* value for the *Net Tonnes*. The CWB's records of such telephone call, including any written confirmation, are conclusive and binding on the producer.
   ii. Faxing a *Fax Form* to the CWB at 1-204-983-8031. The *Fax Form* must be completed fully and accurately and the producer must sign it. In

the event of any uncertainty as to the information provided by the producer in the *Fax Form*, the CWB may, in its sole discretion, reject the acceptance, the lock-in, rollover, or Quality Transfer as invalid. The *Fax Form* will be deemed to have been received at the time printed on the fax by the CWB's fax machine.

iii. The producer may telephone or fax his/her *Target Price* using either of the methods set out in (i) or (ii) above.

3. LOCKING IN BPC VALUES

3.1. LOCKING IN THE BPC VALUE

a. The producer must lock in the *Basis* or the *Futures Price* on the *Contract Date* in accordance with the *Pricing Schedule* in effect on that date; and

b. If a producer locked in the *Basis* on the *Contract Date* he/she must lock in a *Futures Price* as specified in the *Pricing Schedule* on or before the *Basis Contract Month Expiry Date*. In the alternative, if the producer locked in the *Futures Price* on the *Contract Date* he/she must lock in the *Basis* as specified in the *Pricing Schedule* on or before 7:30 a.m. (CT) on November 1, 2007 for *Pool A Feed Barley* and on or before 7:30 a.m. (CT) on February 29, 2008 for *Pool B Feed Barley*.

3.2. The *Adjustment Factor* is automatically locked in on the *Contract Date*.

3.3. The producer must lock in the said values indicated in 3.1 above in accordance with one of the *Approved Methods of Acceptance*.

4. CWB'S OBLIGATIONS

The CWB agrees as follows:

a. To guarantee that it will accept delivery of the *Net Tonnes* contracted pursuant to this Agreement. If sufficient *Delivery Opportunities* are not provided during the 2007-08 crop year, the CWB will provide additional delivery opportunities. However, the CWB is not obliged to accept delivery of the *Net Tonnes* unless it is satisfied, in its sole discretion, that the producer took full advantage of all *Delivery Opportunities* for *Feed Barley* that were available to the producer from time to time during the 2007-08 crop year..

b. To pay the producer in accordance with the terms herein contained.

5. PRODUCER'S OBLIGATIONS

a. The producer undertakes to deliver the *Net Tonnes* in accordance with the CWB's *Delivery Opportunities* and this Agreement.

b. The producer acknowledges that, except to the extent that any provisions may be inconsistent, this Agreement does not alter the producer's obligations under any delivery contract entered into between the producer and the CWB. The producer agrees that this shall be the case regardless of whether such delivery contract is entered into prior to or subsequent to the producer entering into this Agreement. In the event of such an inconsistency, the provisions of this Agreement will prevail.

c. For the sake of clarity, the producer acknowledges that the only payment they will receive in respect of the *Net Tonnes* is the *Option Payment*.

6. PRICING

6.1. Subject to paragraph 6.3(b)(i) below, the producer may lock-in a *Basis* or a *Futures Price* for all or a portion of the *Net Tonnes* to which the price available at the time is to apply at the value indicated on the *Pricing Schedule* on such date.

6.2. Beginning August 1, 2007, the producer may roll forward or backward all or a portion of the *Net Tonnes* to other available futures months (the "*Rollover*").

6.3 Payment

a. The producer will be paid the *Initial Payment* in effect on the *Settlement Date* for the *Actual Grade* of *Feed Barley* delivered.

b. The *Option Payment* for a *BPC* is calculated as follows for each *Net Tonne* of *Feed Barley*:

i. Add the aggregate *Basis* amount (including any adjustments to the *Basis* resulting from *Rollovers*, as applicable);

ii. Add the *Incremental Payment* shown in the *Pricing Schedule* in effect on the *Contract Date* that corresponds to the *Settlement Date*;

iii. Add the *Futures Price*;

iv. Add the *Adjustment Factor* in effect on the *Contract Date,* or the *Transfer Date* if applicable.

If the producer has locked in multiple deliveries, with respect to each delivery the *Futures Price* and/or *Basis*, as applicable, will be applied on a first in, first applied basis;

v. Adjust for the CWB's grade spread between the *Reference Grade* and the *Actual Grade* based on the *Initial Payment* on the *Settlement Date*;

vi. Subtract the administration fee shown in the *Pricing Schedule* for *Rollover Adjustments,* if applicable. An administration fee of $1 per tonne is charged for each *Rollover Adjustment*;

vii. Subtract all deductions authorized under the *CWB Act* or under this Agreement or otherwise required by law, including, without limitation; , deductions under the *Agricultural Marketing Programs Act*, the *Prairie Grain Advance Payment Act* and the *Spring Credit Advance Program*.

c. If the *Option Payment* less the *Initial Payment* results in a positive number the CWB agrees to forthwith pay same to the producer. If the *Option Payment* less the *Initial Payment* results in a negative number such amount will be deducted from future payments owing to the producer.

6.4 Designating the *Net Tonnes*

The producer undertakes to designate at the time of delivery the *Net Tonnes* to be priced under the *BPC*. Such designation must be made on or before the *Settlement Date* and shall be made by providing the contract number of the *BPC* to the CWB's agent at the location where the *Feed Barley* is delivered. Settlement for *Pool A Feed Barley* must occur within the *Pool A* delivery period of the 2007-08 crop year. Settlement for *Pool B Feed Barley* must occur within the *Pool B* delivery period of the 2007-08 crop year.

7. QUALITY TRANSFER

a. A producer who has entered into a *Feed Barley BPC* for *Pool A* delivery and who subsequently has the *Feed Barley* selected under an *SBSDC* may transfer the obligations of the *Feed Barley BPC* to a *Selected Barley BPC*. The producer will be charged an administration fee of $15 per transaction.

b. Quality Transfers may be for all or a portion of the *Net Tonnes* but must be a minimum of 20 tonnes.

c. The Quality Transfer must be completed on or before January 31, 2008.

d. The producer's exercise of the Quality Transfer clause will not be valid unless it is made in strict compliance with one of the *Approved Methods of Acceptance*.

e. The producer's *BPC* values for each *Net Tonne* transferred to the *Selected Barley BPC* will be adjusted on the *Transfer Date*, for the purpose of calculating the *Option Payment,* as follows.

i. The *Futures Price* locked in (if applicable) for *Feed Barley* will be transferred to the *Selected Barley BPC;*

   ii. The *Basis* locked in (if applicable) for *Feed Barley* will be replaced with the *Basis* for *Selected Barley* shown in the *Pricing Schedule* on the *Transfer Date* to reflect the quality change*;* and
   iii. The *Adjustment Factor* for *Selected Barley* shown in the *Pricing Schedule* on the *Transfer Date* will be applied to the *Selected Barley BPC.*

f. The *Option Payment* will be calculated using the *Incremental Payment* for *Selected Barley* shown in the *Pricing Schedule* on the *Contract Date.*
g. The Quality Transfer is not available for the *Feed Barley BPC* offered for *Pool B.*
h. The producer is subject to the Terms and Conditions of the *Selected Barley BPC* upon exercising the Quality Transfer.
i. Any *Net Tonnes* transferred from a *Feed Barley BPC* to a *Selected Barley BPC* are not eligible for any future Quality Transfers.

8. DEFAULT

a. The producer shall be deemed to be in default under the *BPC* if the producer fails, for any reason, to deliver all of the *Net Tonnes* during the 2007 – 2008 crop year. If the CWB, in its sole discretion, determines that the producer has fully utilized all of the available *Delivery Opportunities* but has not been able to deliver all of the Net Tonnes, additional *Delivery Opportunities* will be provided.
b. In the event that the producer is in default under paragraph 8.a. above, the CWB may cancel the *BPC* and any or all other contracts to which the CWB and the producer are party.
c. Further, the producer shall pay *Pricing Damages* to the CWB to compensate the CWB for its actual losses incurred as a result of the producer's default. Such *Pricing Damages* shall be equal to the *Buyout Price* in effect at the time of such default. The producer is responsible to deliver 100 per cent of the contracted *BPC* tonnage and any shortfall is subject to *Pricing Damages*.
d. In the event that the producer is in default as a result of his failure to deliver the *Net Tonnes,* the *Pricing Damages* assessed in accordance with this paragraph will be paid in addition to any liquidated damages which may be assessed pursuant to any delivery contract entered into with the CWB.
e. The producer and the CWB agree that *Pricing Damages* determined in this manner are a genuine pre-estimate of the actual damages the CWB will incur as a result of the default by the producer and that such damages are not a penalty.
f. *Pricing Damages* may be set-off by the CWB against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit, or under any and all delivery permits in which the producer has an interest and is considered a related producer. Any such delivery permit may be so endorsed.

9. GENERAL PROVISIONS

a. This Agreement constitutes the entire Agreement between the CWB and the producer with respect to the pricing of the *Net Tonnes*. There are no representations, warranties, terms or conditions, whether express or implied, beyond those contained herein. There shall be no changes or modifications to this Agreement unless they are made in writing, and signed by both the producer and the CWB. For greater certainty, the term "this Agreement" as used herein shall include the *Fax Form* and the *Pricing Schedule*.
b. If any provision, or part thereof, of this Agreement is determined to be void, invalid, or unenforceable, it will be severed and will not void, invalidate, or make unenforceable any other provision of this Agreement.
c. This Agreement shall be governed and construed in accordance with the laws of the Province of Manitoba and the courts of the Province of Manitoba shall have exclusive jurisdiction in the case of any dispute.
d. The producer represents that they are of the age of majority in the province in which they reside. Where the producer is a corporation, partnership, cooperative or other business entity, the producer and the person signing on behalf of the producer represent that the person signing on behalf of the producer are of the age of majority in the province in which the producer resides.
e. This Agreement shall enure to the benefit of the heirs, administrators, executors, legal representatives, successors and permitted assigns of the producer and the CWB. However, no assignment of this Agreement by the producer will bind the CWB without its prior written consent.
f. If the producer is a corporation, partnership, cooperative or other business entity, this Agreement must be signed in the entity's name and the authorized officer, agent or partner(s) who sign(s) on behalf of the entity must state their position and authority.
g. The producer shall fully indemnify the CWB for any and all legal expenses associated with the enforcement of this Agreement on a solicitor client basis.
h. If the payment received by the producer in respect of deliveries made against this Agreement exceeds the *Option Payment*, the CWB has the right to set-off against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit. Any such delivery permit may be so endorsed.
i. The exercise by the CWB of any right or remedy provided herein shall not affect any other remedy that the CWB may have for the same default. Nor shall the failure of the CWB to exercise any right or remedy be considered a waiver of any right or remedy it may have.
j. Any deliveries made against this Agreement may be made to the benefit of any producer listed under the producer's permit book.
k. Time shall be of the essence of this Agreement.
l. The producer may, at any time after entering into this Agreement, buy out his or her obligations hereunder by paying the CWB the *Buyout Price*.
m. The producer (assignor) may assign all of the rights and obligations of the producer under this Agreement to another producer (assignee) upon the receipt of written consent from the CWB. The producer will be charged an administration fee of $15 per transaction.

1. DEFINITIONS

a. *"Actual Grade"* is the grade of the *Selected Barley* actually delivered by the producer as reported on the Producer Certificate as defined in *The Canadian Wheat Board Act*.
b. *"Adjustment Factor"* is the value that adjusts the price to reflect the sales position of the pool account with respect to the spot futures value as specified in the *Pricing Schedule.*
c. *"Approved Methods of Acceptance"* are as set out in paragraph 2.f. below.
d. *"Available Futures Months"* are those published in the *Pricing Schedule.*
e. *"BPC"* is the basis payment contract as provided for herein.
f. *"Basis Contract Month Expiry Date"* is the date on which the *Futures Price* expires and the date before which the producer must lock in a *Futures Price*, as specified in the *Pricing Schedule*.
g. *"Basis"* is the value identified as such in the *Pricing Schedule*.
h. *"Buyout Price"* is the price available from the CWB from time to time at which the CWB will allow the producer to buy out their obligations under this Agreement. The formula by which the *Buyout Price* is calculated shall be equal to the greater of:
{(current futures + current basis + current adjustment factor) - (producer's lock in futures + producer's lock in basis + producer's lock in adjustment factor)} if negative equal to zero
and
(current futures - producer's lock in futures) if negative equal to zero.
In addition, the producer will be charged an administration fee of $15 per transaction.
i. *"CWB Act"* means *The Canadian Wheat Board Act*, as amended.
j. *"Contract Date"* is the date on which the producer enters into a *BPC* and commits the *Net Tonnes.* If the producer elects to have the Force Majeure provision included in the Agreement, the producer must do so on the *Contract Date.*
k. *"Delivery Opportunities"* are the opportunities for the delivery of *Selected Barley* through contract calls made by the selector, named in the *SBSDC*, from time to time during the 2007-08 crop year. Delivery and settlement must occur within the 2007-08 crop year.
l. *"Fax Form"* means the following forms, as applicable: the "2007-08 Basis Payment Contract Sign-up Application", the "2007-08 Basis Payment Contract Futures Price or Basis Lock-in", the "2007-08 Fixed Price Contract and Basis Payment Contract Target Pricing", the "2007-08 Target Pricing Order Cancellation", the "2007-08 Basis Payment Contract Futures Month Rollover" and the "2007-08 Fixed Price Contract and Basis Payment Contract Quality Transfer".
m. *Feed Barley* is No. 1 Canada Western (CW) and No. 2 CW Feed Barley.
n. *"BPC Sign-up Expiry Date"* is 7:30 a.m. Central Time (CT) on November 1, 2007, or such other date as the CWB designates
o. *"Futures Price"* is the price, published by the CWB, that the producer can apply to all or a portion of the *Net Tonnes* by locking in that price pursuant to this Agreement.
p. *"Incremental Payment"* is an amount identified as such in the *Pricing Schedule*, representing the producer's time value of money for deferred delivery.
q. *"Initial Payment"* is the payment made by the CWB or its agents at the time of delivery for *Selected Barley* of the *Actual Grade* in accordance with the *CWB Act*.
r. *"Net Tonnes"* is the number of net tonnes of *Selected Barley* that the producer has signed up under the *BPC* and has agreed to deliver to the CWB. The *Net Tonnes* must be a minimum of 20 net tonnes.
s. *"Option Payment"* is the amount that the producer will be paid for the *Net Tonnes* as set out herein in respect of the *BPC* as applicable, instead of any and all payments that would have been made to the producer in respect of the *Net Tonnes* through participation in the CWB Pool Account.
t. *"Pricing Damages"* means the amount calculated using the *Buyout Price* as of July 31, 2008.
u. *"Pricing Schedule"* is the schedule published by the CWB from time to time that identifies: the *Incremental Payment* being offered at that time; the *Basis* being offered at that time; the *Adjustment Factor* being offered at that time; the *Futures Price* being offered at that time; the *Basis Contract Month Expiry Date;and* the *Reference Grade.*
v. *"Reference Grade"* for two-row barley is Standard Select Two-Row; for six-row barley it is Standard Select Six-Row.
w. *"Rollover Adjustment"* is an adjustment that is made to the *Basis* when a producer enters into a rollover transaction to reassess the contracted *Basis* and is the difference between the contracted *Basis* month *Futures Price* and the *Futures Price* for the month that the contract is being rolled into on such date.
x. *"Selected Barley"* is barley that has been selected and accepted for use as pot barley or in malting or pearling, except sample grades.
y. *"SBSDC"* is the 2007-08 Selected Barley Storage and Delivery Contract.
z. *"Settlement Date"* is the date on which a Producer Certificate, as defined in the *CWB Act*, is issued in respect of *Selected Barley* priced under a *BPC.*
aa. *"Target Price"* is the *Futures Price* or *Basis* at which the producer indicates to the CWB that he/she is willing to accept the Offer.
bb. *"Transfer Date"* is the date the producer initiates the Quality Transfer option of this Agreement.

2. OFFER AND ACCEPTANCE

a. In accordance with these Terms and Conditions, the CWB offers to pay the producer the *Option Payment* for the *BPC* as calculated according to the relevant payment formula set out in paragraph 6.3 below subject to the conditions outlined in paragraph 2.c. below (the *"Offer"*).
b. The *Offer* for is open for acceptance by the producer from August xx, 2007, until the earlier of 7:30 a.m. (CT) on November 1, 2007 and such time as the *Offer* is withdrawn by the CWB in its sole discretion. The CWB reserves the right to withdraw the *Offer* at any time and without prior notice.
c. The CWB reserves the right to reject an individual's acceptance of the Offer in its sole discretion for any reason including where the producer has outstanding *Pricing Damages* on a previous payment options contract. The CWB may declare a producer ineligible to participate in this contract and may refuse to enter into a contract with such producer.
d. The producer's acceptance of the *Offer* will not be valid unless it is made in strict compliance with one of the *Approved Methods of Acceptance*.
e. The producer's acceptance of the *Offer* will not be valid unless it is actually received at the head office of the CWB prior to the withdrawal of the *Offer* or the expiration of the time for acceptance, whichever comes first.
f. The *Approved Methods of Acceptance* are:
   i. Telephoning the CWB at 1-800-275-4292 and following the instructions of the CWB operator when asked to provide the producer's 10-digit CWB identification number and confidential Personal Identification Number (PIN) and indicating the number of tonnes of *Selected Barley* for sign-up, lock-in, Quality Transfer or rollover transaction to reassess the *Basis* value for the *Net Tonnes*. The CWB's records of such telephone call, including any written confirmation, are conclusive and binding on the producer.
   ii. Faxing a *Fax Form* to the CWB at 1-204-983-8031. The *Fax Form* must be completed fully and accurately and the producer must sign it. In the event of any uncertainty as to the information provided by the producer in the *Fax Form*, the CWB may, in its sole discretion, reject the acceptance, the lock-in, rollover, or Quality Transfer as invalid. The *Fax Form* will be deemed to have been received at the time printed on the fax by the CWB's fax machine.
   iii. The producer may telephone or fax his/her *Target Price* using either of the methods set out in (i) or (ii) above.

3. LOCKING IN BPC VALUES

3.1. LOCKING IN THE BPC VALUE

a. The producer must lock in the *Basis* or the *Futures Price* on the *Contract Date* in accordance with the *Pricing Schedule* in effect on that date; and
b. If a producer locked in the *Basis* on the *Contract Date* he/she must lock in a *Futures Price* as specified in the *Pricing Schedule* on or before the *Basis Contract Month Expiry Date*. In the alternative, if the producer locked in the *Futures Price* on the *Contract Date* he/she must lock in the *Basis* as specified in the *Pricing Schedule* on or before 7:30 a.m. (CT) on November 1, 2007.

3.2. The *Adjustment Factor* is automatically locked in on the *Contract Date*.
3.3. The producer must lock in the said values indicated in 3.1 above in accordance with one of the *Approved Methods of Acceptance*.

4. CWB'S OBLIGATIONS

b. The CWB agrees to pay the producer in accordance with the terms herein contained in respect of the *BPC.*

5. PRODUCER'S OBLIGATIONS

a. The producer undertakes to deliver the *Net Tonnes* in accordance with the CWB's *Delivery Opportunities* and this Agreement.
b. The producer acknowledges that, except to the extent that any provisions may be inconsistent, this Agreement does not alter the producer*'s* obligations under any delivery contract entered into between the producer and the CWB. The producer agrees that this shall be the case regardless of whether such delivery contract is entered into prior to or subsequent to the producer entering into this Agreement. In the event of such an inconsistency, the provisions of this Agreement will prevail.
c. For greater certainty, the producer acknowledges that the only payment he will receive in respect of the *Net Tonnes* is the *Option Payment*.

6. PRICING

6.1. Subject to paragraph 6.3(b)(i) below, the producer may lock-in a *Basis* or a *Futures Price* for all or a portion of the *Net Tonnes* to which the price available at the time is to apply at the value indicated on the *Pricing Schedule* on such date.
6.2. Beginning August 1, 2007, the producer may roll forward or backward all or a portion of the *Net Tonnes* to other available futures months (the "*Rollover*").

6.3. Payment
a. The producer will be paid the *Initial Payment* in effect on the *Settlement Date* for the *Actual Grade* of *Selected Barley* delivered.
b. The *Option Payment* for a *BPC* is calculated as follows for each *Net Tonne* of *Selected Barley*:
   i. Add the aggregate *Basis* amount (including any adjustments to the *Basis* resulting from *Rollovers*, as applicable);
   ii. Add the *Incremental Payment* shown in the *Pricing Schedule* in effect on the *Contract Date* that corresponds to the *Settlement Date*;
   iii. Add the *Futures Price*;
   iv. Add the *Adjustment Factor* in effect on the *Contract Date* or the *Transfer Date,* if applicable.

   If the producer has locked in multiple deliveries, with respect to each delivery the *Futures Price* and/or *Basis* as applicable, will be applied on a first in, first applied basis;

   v. Adjust for the CWB's grade spread between the *Reference Grade* and the *Actual Grade* based on the *Initial Payment* on the *Settlement Date*;
   vi. Subtract the administration fee shown in the *Pricing Schedule* for *Rollover Adjustments,* if applicable. An administration fee of $1 per tonne is charged for each *Rollover Adjustment*;
   vii. Subtract all deductions authorized under the *CWB Act* or under this Agreement or otherwise required by law, including, without limitation, deductions under the *Agricultural Marketing Programs Act*, the *Prairie Grain Advance Payment Act* and the *Spring Credit Advance Program*.
c. If the *Option Payment* less the *Initial Payment* results in a positive number the CWB agrees to forthwith pay same to the producer. If the *Option Payment* less the *Initial Payment* results in a negative number such amount will be deducted from future payments owing to the producer.

6.4 Designating the *Net Tonnes*

Deliveries of *Selected Barley* made against an *SBSDC* after the *Contract Date* of the *BPC* will be automatically applied to this Agreement until all of the *Net Tonnes* have been delivered. Settlement must occur within the 2007-08 crop year.

7. QUALITY TRANSFER

a. A producer who has entered into a *Selected Barley BPC* and who subsequently has the *Selected Barley* rejected under an *SBSDC,* may transfer the obligations of the *Selected Barley BPC* to a *Feed Barley BPC.* The producer will be charged an administration fee of $15 per transaction.
b. Quality Transfers may be for all or a portion of the *Net Tonnes* but must be a minimum of 20 tonnes.
c. The Quality Transfer must be completed in the 2007-08 crop year.
d. The producer's exercise of the Quality Transfer clause will not be valid unless it is made in strict compliance with one of the *Approved Methods of Acceptance*.
e. The producer's *BPC* values for each *Net Tonne* transferred to the *Feed Barley BPC* will be adjusted on the *Transfer Date* as follows.
   i. The *Futures Price* locked in (if applicable) for *Selected Barley* will be transferred to the *Feed Barley BPC;*
   ii. The *Basis* locked in (if applicable) for *Selected Barley* will be replaced with the *Basis* for *Feed Barley* shown in the *Pricing Schedule* on the *Transfer Date,* to reflect the quality change*;* and
   iii. The *Adjustment Factor* for *Feed Barley* shown in the *Pricing Schedule* on the *Transfer Date* will be applied to the *Feed Barley BPC.*
f. The *Option Payment* will be calculated using the *Incremental Payment* for *Feed Barley* shown in the *Pricing Schedule* on the *Contract Date.*
g. The producer is subject to the Terms and Conditions of the *Feed Barley BPC* upon exercising the Quality Transfer.
h. Any *Net Tonnes* transferred from a *Selected Barley BPC* to a *Feed Barley BPC* are no longer eligible for selection under an *SBSDC* and are subject to immediate delivery.

8. DEFAULT

a. The producer shall be deemed to be in default under the *BPC* if the producer fails, for any reason, to deliver all of the *Net Tonnes* through *Delivery Opportunities*.
b. In the event that the producer is in default under paragraph 8.a. above, the CWB may cancel the *BPC* and any or all other contracts to which the CWB and the producer are party.
c. The producer shall pay *Pricing Damages* to the CWB to compensate the CWB for its actual losses incurred as a result of the producer's default. Such *Pricing Damages* shall be equal to the *Buyout Price* in effect at the time of such default. The producer is responsible to deliver 100 per cent of the contracted *BPC* tonnage and any shortfall is subject to *Pricing Damages*.

d. In the event that the producer is in default as a result of their failure to deliver all of the *Net Tonnes,* the *Pricing Damages* assessed in accordance with this paragraph will be paid in addition to any liquidated damages which may be assessed pursuant to any delivery contract entered into with the CWB.
e. The producer and the CWB agree that *Pricing Damages* determined in this manner are a genuine pre-estimate of the actual damages the CWB will incur as a result of the default by the producer and that such damages are not a penalty.
f. *Pricing Damages* may be set-off by the CWB against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit, or under any and all delivery permits in which the producer has an interest and is considered as a related producer. Any such delivery permit may be so endorsed.

9. GENERAL PROVISIONS

a. This Agreement constitutes the entire Agreement between the CWB and the producer with respect to the pricing of the *Net Tonnes*. There are no representations, warranties, terms or conditions, whether express or implied, beyond those contained herein. There shall be no changes or modifications to this Agreement unless they are made in writing, and signed by both the producer and the CWB. For the greater certainty, the term "this Agreement" as used herein shall include the *Fax Form* and the *Pricing Schedule*.
b. If any provision, or part thereof, of this Agreement is determined to be void, invalid, or unenforceable, it will be severed and will not void, invalidate, or make unenforceable any other provision of this Agreement.
c. This Agreement shall be governed and construed in accordance with the laws of the Province of Manitoba and the courts of the Province of Manitoba shall have exclusive jurisdiction in the case of any dispute.
d. The producer represents that they are of the age of majority in the province in which they reside. Where the producer is a corporation, partnership, cooperative or other business entity, the producer and the person signing on behalf of the producer represent that the person signing on behalf of the producer are of the age of majority in the province in which the producer resides.
e. This Agreement shall enure to the benefit of the heirs, administrators, executors, legal representatives, successors and permitted assigns of the producer and the CWB. However, no assignment of this Agreement by the producer will bind the CWB without its prior written consent.
f. If the producer is a corporation, partnership, cooperative or other business entity, this Agreement must be signed in the entity's name and the authorized officer, agent or partner(s) who sign(s) on behalf of the entity must state their position and authority.
g. The producer shall fully indemnify the CWB for any and all legal expenses associated with the enforcement of this Agreement on a solicitor client basis.
h. If the payment received by the producer in respect of deliveries made against this Agreement exceeds the *Option Payment*, the CWB has the right to set-off against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit. Any such delivery permit may be so endorsed.
i. The exercise by the CWB of any right or remedy provided herein shall not affect any other remedy that the CWB may have for the same default. Nor shall the failure of the CWB to exercise any right or remedy be considered a waiver of any right or remedy it may have.
j. Any deliveries made against this Agreement may only be made for the benefit of the producer who holds the permit book.
k. Time shall be of the essence of this Agreement.
l. The producer may, at any time after entering into this Agreement, buy out his or her obligations hereunder by paying the CWB the *Buyout Price*.
m. The producer (assignor) may assign all of the rights and obligations of the producer under this Agreement to another producer (assignee) upon the receipt of written consent from the CWB. The producer will be charged an administration fee of $15 per transaction.