



Dairy Farmers Milk Co-operative
PO Box 72
Lidcombe NSW 1825
Tel: (02) 8120 4431
Fax: (02) 8244 4635
ARBN: 108 690 384

14 July 2016

DAIRY FARMERS MILK CO-OPERATIVE LTD (DFMC/CO-OPERATIVE)

SHARE POLICY Q&As

DFMC is governed by the Co-operatives (Adoption of National Law) Act 2012 and has its own rules (Constitution). Copies of both documents can be found on the DFMC website and should be referenced for detailed information about membership/shares in the Co-operative and associated matters.

However, please see questions and answers and information below as a quick reference:

Q. Who is eligible to be a member/ shareholder of DFMC?

- A. All suppliers of milk to DFMC must be members and shareholders. The person(s) or entity that has entered into a milk supply contract with DFMC is deemed to be the supplier(s) of milk from the relevant farm. Membership/ shares need to be held in the same name(s) as the milk contract. Note: If contract is in a registered trading name or trust, DFMC may need to look at who are the holders/trustee to determine the correct name for membership.

Also, persons who are not on the milk contract but work on the farm eg family members, sharefarmers may become members/shareholders under the "engaged in" or Sharefarmer rules.

Q. How many shares does a member need to have?

- A. The Share Acquisition Program (approved in 2011 and amended 2014) specifies that, in total, members in respect of each farm must hold one share for every 150 litres of the farm's annual milk contract volume, with a minimum of 500 shares and a maximum of 30,000 shares. The required share level for each farm is called its contribution cap (the cap).

Note: The minimum holding per member is 100 shares

For farms that were below their cap in 2011, members needed to acquire additional shares to reach their cap by way of a levy being deducted from their monthly milk payments at the rate of a quarter of a cent per litre of milk supplied until the required amount had been collected (at \$1.00 per share).

For any new farms that commence supply to DFMC members may acquire the full number of shares required by one lump sum payment when supply commences or may acquire the minimum of 500 "start-up" shares (at \$1.00 each) and the balance up to their cap over a period by way of the share levy.

New members joining an existing farm eg son or daughter joining the business, are limited to acquiring 100 shares each if the total number of shares already held by other members on that farm has reached or exceeds its contribution cap. Any intending new members may be required to provide evidence of their eligibility for active membership of the Co-operative eg, have their name on the dairy licence or be included in a partnership/ sharefarming agreement. See Rule 13 of the DFMC Rules (Constitution) for active membership provisions.

Q. How do I apply for membership and shares?

- A. The following forms are available on the website for downloading and need to be completed and forwarded to DFMC by any intending new member. All applications are subject to DFMC Board approval.

1. *Application for shares* - Shares can be held in the names of an individual, in joint names of two or more individuals or in the name of a (Pty Ltd) registered company.
2. *Application for membership* – Each person/company applying for shares must also complete a separate membership application form (irrespective of whether shares are held in joint or individual names).
3. *Tax File number and bank account* details for payment of dividends and share capital.
4. *Corporate Representative Form* (only applies if membership is to be in the name of a registered company). The person nominated is then entitled to represent the member company at DFMC meetings and to vote.

Note: The member and share application forms mention various documents that DFMC is obliged to provide to any new intending members. These documents are available on the DFMC website ie

- Disclosure Statement 2011 Share Acquisition Program
- DFMC Rules (Constitution)
- DFMC Annual Report

Payment for the shares being acquired (at \$1.00 each) can be made by:

- sending a cheque payable to Dairy Farmers Milk Co-operative OR
- direct deposit into the DFMC bank account OR
- in some cases, by deduction of the money from the farm’s monthly milk payment.

The address for mailing completed forms/ cheques and details of the DFMC bank account for direct deposit are shown at the bottom of this document. If paying by direct deposit please contact DFMC (Chris Clark) with details of the amount and deposit date in order that we may track the money through our banking/ accounts system.

Q. Can shares be transferred?

A. Shares may only be transferred between members associated with the same farm or from a member exiting the industry to incoming members for that same farm eg new owner, lessee. A transfer form is available on the website and should be completed together with a member application form, TFN and bank details form and Corporate Representative Form if relevant.

Stamp duty is payable on transfers at the rate of 60 cents per \$100 **or part thereof** of the transfer value of the shares – see details at the bottom of the transfer form – a cheque payable to NSW Office of State Revenue should be forwarded to DFMC with the completed forms.

Postal address for share/member forms and bank account for direct deposit

<p>Postal address: Daniel Sacca Dairy Farmers Milk Co-operative PO Box 23084 MELBOURNE VIC 8012</p>	<p>Bank account details: Account Name: Dairy Farmers Bank: ANZ BSB: 012003 Account: 837528982</p>
--	--

OTHER MEMBER/SHARE MATTERS

PARTNERS RETIRING FROM BUSINESS – SPLITTING/PAYMENT OF SHARES

- (i) If the retiring member(s) holds shares in their individual name or jointly with other retiring members they will be made inactive from the date of leaving the business and be paid for their shares according to the normal schedule i.e., 12 months from date of becoming inactive; **OR**

- (ii) If the retiring member(s) holds shares jointly with other members who will remain active suppliers/members of DFMC, the shares may be split and transferred into separate holdings i.e., part into the names of the remaining “Active” members and part into the name(s) of the retiring member(s), to enable the retiring member(s) to be made inactive and to be paid out for their shares according to the normal schedule i.e., 12 months from the date of becoming inactive.
- (iii) The provisions of (i) and (ii) above are subject to the following:
 - (a) If making the retiring members inactive or the share transfer results in less than 500 shares (in total) being held by the remaining active members in respect of that farm then such members must immediately acquire from DFMC, by a lump sum payment, sufficient shares to bring the total shareholding for the farm up to 500 shares **AND**
 - (b) If the “contribution cap” for the farm is greater than 500 shares (based on annual contract litres as detailed in the 2011 Share Acquisition Program) the additional shares over 500 may be acquired from DFMC by a lump sum payment or by the levy deduction of a quarter of a cent per litre for each litre of milk supplied until the required amount is collected.
 - (c) All share transfers are subject to Board approval.

RE-INVESTMENT OF DIVIDENDS/REBATES

- (i) Active members have the option to re-invest dividends (and Rebates where applicable) back into DFMC shares to be added to their existing shareholdings. Normally a period of 3-4 weeks will be allowed from the time of notification (usually November of relevant year) to return a completed re-investment form. If the form is not received by the due date, a cash payment will be made into the member’s bank account.

Note: A farm may exceed its Contribution Cap through re-investment of Dividends/Rebates

- (ii) Notwithstanding (i) above, a member may still re-invest after payment has been received by repaying the money to DFMC as long as this is finalised before 31 March of the following year.

EARLY REPAYMENT OF SHARE CAPITAL (FOLLOWING CESSATION OF SUPPLY TO DFMC)

- i. Normally, share capital is repaid to former members 12 months after cessation of milk supply to DFMC.
- ii. As a general rule, applications will not be considered for early payment on the grounds of financial hardship. However, any member intending to apply must be able to provide supporting evidence such as letters of demand from creditors/banks threatening legal action, notice of repossession etc
- iii. Applications will not be considered for early payment on the grounds of age 65 or for deceased Estates.

Contact details for further information about shares and membership:

Chris Clark

Email chrisclarky@bigpond.com

Mobile: 0405 172 803