

ORGANIC and REGENERATIVE INVESTMENT CO-OPERATIVE LIMITED

Formation Disclosure Statement (Final Version)

INTRODUCTION

Co-operatives National Law requires a distributing co-operative to ensure it has a current disclosure statement registered with the Registrar of Co-operatives (Section 68) and to provide that disclosure statement to any person who intends to join the Co-operative and acquire shares in the Co-operative and is not already a shareholder in the co-operative (Section 70). This disclosure statement sets out information necessary to ensure that eligible members are adequately informed of the nature and extent of a person's financial involvement or liability as a member of the proposed co-operative.

OVERVIEW – THE ORGANIC and REGENERATIVE INVESTMENT COOPERATIVE

The aim of the Organic and Regenerative Investment Cooperative ('ORIC') is to facilitate investment, education and growth opportunities across the organic, regenerative, biodynamic and agro ecology farming and food sector. This includes acquisition and preservation of farmland, specific business opportunities, educational pathways, and long term involvement of members in the future growth of the Cooperative.

GUIDING PRINCIPLES & MANIFESTO

PRESERVATION:- to protect, preserve and enhance farmland and businesses that produce organic food in a sustainable and regenerative farm management manner

EDUCATION:- to provide educational pathways & career options, that enable more people to be empowered with a career in organic & regenerative agriculture and food production

COMMUNITY:- to connect consumers to sustainable and profitable food systems that empower farmers, eaters, and investors to bring change and longevity.

INVESTMENT:- that all investments work to build a strong and more resilient food system. This includes all guiding principles, balanced with capped return to investors, longevity of food security, and an increase in the amount of land that is farmed in a regenerative and organic manner

PURPOSE:-

The Co-operative (ORIC) has been designed to create a collaborative investment vehicle that facilitates investment, intention and preservation across the organic & regenerative farming & business sector in Australia

- Be part of the global change & transition to a resilient, sustainable, organic & regenerative food production system and improvement of ecological farm & business systems
- Offer long term patient capital investment (10+ years), with secure capped returns across (CCU) investment offerings
- Preserve certified organic farmland in perpetuity
- Increase the number of hectares of protected biodiversity, woodlands, wetland & healthy ecosystems across the Australian Agricultural & farming landscape. Build more carbon resilience across farming systems.
- Provide stable and long term agricultural & business opportunities to the next generation of organic farm managers and businesses
- Reduce the environmental impact of agriculture & food production, by avoiding toxic chemicals & fertilisers into soils, waterways, farmland, and the overall food production system
- Build an inclusive & collaborative employment and management culture, that does not discriminate on race, age or gender
- Invest in businesses, communities & people that build a stronger, more resilient & transparent business ecosystem
- Enable businesses that nurture regenerative economic & ecological policies & practices

STAKEHOLDERS:-

Members:- Anyone can become a member of the Co-operative (ORIC), assuming their acceptance of the conditions of this membership (as contained in rules). All beneficiaries of ORIC are encouraged to also become members (i.e. farmers leasing land from Cooperative, business owners, students, farmers)

Investor Members: The Co-operative will facilitate specific CCU (Cooperative Capital Units) Investment Offerings inline with the intentions of the Co-operative and following approval by the Board of Directors & the Registrar from March/April 2017 onwards. These will meet the Investment Criteria of the Co-operative, and be in the overall best interests of the Co-operative & it's members. Investors will be members of the co-operative, and defined as wholesale, professional, institutional or retail investors as dictated by Law through their application, and will receive a copy of the Co-operative Rules, a Disclosure Document, and Investment Offer for each offering. There will be limited opportunity for retail investors (who are also members) to invest in each offering as stated in rules, and the cooperative encourages this participation.

Partners:- The Co-operative will offer strategic partnerships with like minded businesses, foundations and co-operatives to further build and enhance the whole eco system. We encourage them to become co-operative members, and to agree to the central ethos of the Co-operative

Directors:- The formation members will assume a Directorship role in the first instance. Once the Co-operative is formed and established, and at 12 months of operation these positions can be reopened. All Directors positions are encouraged to represent the view of collective groups of members. I.e. Members, Investor & Share Members, Farmers, Business Owners and an Independent Non-Executive Director.

ASSOCIATES:-

The Cooperative is grateful for the support and associations with like minded, and purpose intentions organisations that together represent the influence of the new economy, and the change makers of the investment world.

These include:-

- Slow Money
- BCCM
- Farming Together
- Employee Ownership
- Food Connect
- Loomio
- Cultivate Farms
- Small Giants
- Open Food Network

As part of the emerging economy and change – we encourage our Cooperative Members to understand and register their support of the [Slow Money principles](#).

CO-OPERATIVE VALUES

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

This is the **‘Formation Disclosure Statement’** of ORIC, a Co-operative whose members are interested in the growth and preservation of farmland, and to benefit from the production of the Co-operative, or are farmers & educators across the supply chain. The members are encouraged to be active, by participating in the decision making process, the co-operative community and the overall growth strategy of the co-operative, and as defined in the Rules. We also encourage our Investors & Co-operative Share holders to be involved as Members of the Cooperative, and to be involved in the future direction, growth and development of the Co-operative.

The Co-operative will be governed by a Board of Directors, as set out in Section 4.3. The Cooperative intends to have its initial Investment Offering in the coming 4-8 weeks (March/April 2017)

Name:- Organic & Regenerative Investment Co-operative Limited
Registered office:- C/O RSD Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo VIC 3552

HISTORY AND BACKGROUND

2.1 Background

The Co-operative brings together an influential team of passionate, purposeful and ethical founding members, that represent an exceptional mix of expertise, depth of understanding and belief in the future of the organic sector, & of the next generation of farm managers and business owners, and the long term land stewardship of organic farmland across Australia.

The Co-operative is structured to enable a community of passionate advocates and stewards to guide the further direction of growth throughout the organic & regenerative sector. This includes education, workers employee ownership development, long term security, longevity and a stable capped return to long term, patient capital. The Co-operative is designed to create impact, depth & resilience into the organic sector, with long term preservation and intention, and the opportunity of growth and prosperity for all members, investors, farmers, business owners and contributors, and those associated with the cooperative.

2.2 Structure

The Co-operative offers a secure mechanism as a cooperative, for growth & investment, education and training, and ongoing cooperative membership involvement. This leads beyond land and business preservation and the best outcome & stewardship for the investments secured through each CCU investment offering to cooperative members as investors.

A co-operative model was chosen because of the strong alignment between the existing strategy and the ability for the co-operative model to meet the long term objectives of the entity. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In addition to these seven values, there are foundational & ethical values of honesty, openness, social responsibility and caring for others. The distributing co-operative structure also offers the flexibility to enable ORIC to offer returns (in the form of dividends, annual returns or bonus shares) to investors through Organic share capital and Co-operative Capital Unit.

2.3. Objectives

The Co-operative has a vision of a fairer food system, where communities are empowered to own and operate their own farm and food producing businesses & communities. ORIC’s objective is to acquire, develop, lease and/or operate local organic farms and/or business projects, implemented in a way that shares the benefits as widely as possible within the community, while minimising any negative environmental or social impacts.

The projects being developed by ORIC include the acquisition of organic farmland for leaseback opportunities to experienced farmland and business managers. There is also the opportunity for businesses across the organic supply chain to seek funding and offer returns to investors for interested and like-minded cooperative members in regional economies, local food, refugees and indigenous land managers with preservation & growth of local food ecosystems throughout Australia on their agenda.

2.4 Primary activities (see Rule 4(1))

The primary activities of the ORIC are: (a) owning, leasing/operating and maintaining organic farms and businesses; (b) investing, managing and/or participating in programs to benefit the local community; (c) building local trade opportunities across the co-operative; (d) advocating for education pathways for farmers, businesses and managers across the supply chain; (e) researching, producing and disseminating information and engaging the local community on a regular basis to promote organic & regenerative farming techniques; (f) being a model for cooperative, inclusive and successful community driven projects; and (g) creating new farm ownership models.

2.5 Active membership provisions (Rule 4(2))

To establish and maintain active membership of the co-operative, a member must be involved in at least 2 of the following in a given calendar year:

- (a) subscribe to the co-operative's newsletter or electronic copy of communication;
- (b) attend at least one General Meeting per calendar year (in person or via teleconference);
- (c) volunteer/offer to undertake a minimum of 2 hours of work relevant to your profession/skill set and those that are communicated by the co-operative or by an accredited partner;
- (d) attend at least one of the co-operative's member or community events per calendar; or make any purchase during the calendar year of produce/product from the co-operative or related project specific company.**3.**

MEMBERSHIP AND SHARES

3.1. Benefits of Co-operative Membership

A member of ORIC is entitled to:

- attend and vote at all general meetings of ORIC;
- be a candidate for election to the Board of Directors of ORIC;
- vote for Board members;
- obtain a copy of Co-operative documents upon payment of the nominated fee as set out in the Rules of ORIC (Rules);
- buy additional Organic Shares in ORIC (as a distributing co-operative)
- buy Co-operative Capital Units (CCU) in specific investment offerings;
- trade (referred to as transfer under ORIC rules) CCUs & Organic shares with other ORIC members;
- explore opportunities for collaboration and project ideas between the ORIC and third parties (councils, government, other businesses, schools, community groups, universities, communities in need);
- assist in running projects on behalf of ORIC.

3.2. Membership Eligibility Requirements

Any individual, company, co-operative, superannuation fund or other entity may apply for membership in ORIC by accessing and completing an online application form. The application form will be published on the ORIC website (Rule 7) along with a copy of the Rules of ORIC and a copy of the most up-to-date version of this **Formation Disclosure Document**.

There is a once off non-refundable \$50 membership fee which is payable for initial membership to ORIC (Rule 6), and a minimum investment of 5 Organic Shares in the Cooperative (being 5 shares @ \$10each =\$50). Organic shares and CCU's are only available to current members of the cooperative. Additional Organic shares can be purchased at the time of membership, or any time from the Cooperative @\$10/share. CCU units are \$500 each, and each investment member is required to hold a minimum of 2 CCU's in ORIC (Rule 16(2)). CCU offerings are only specific to each investment, and offered at specific times.

A Cooperative Member must:

- be 18 years of age
- hold at least 5 shares (the minimum number as defined by the Rules)
- be supportive to the ethos & manifesto of ORIC and it's values
- agree to be bound by the Rules; and
- maintain active membership of ORIC as defined by the Rules

Every application for membership must be considered by the Board and, if approved, the member's details will be entered into the register of ORIC members and the applicant will be notified in writing. The Board may, in its discretion, refuse an application for membership on any grounds (Rule 7(2) and 7(6)).

3.3. Share Classes & Investment types

A share in the Organic Share Capital or a CCU in ORIC does not carry a vote, or any weighting of vote. The right to vote in ORIC is attached to the membership only and governed by the Co-operatives National Law (section 2288). Individual Organic shares or CCU offerings by ORIC may have different opportunities in relation to achieving the long term intentions of ORIC. These intentions include preservation, education, growth, social outcomes, return on investment, and sustainable farm practices.

Organic share capital is available to members of the ORIC to support the work and expansion of the ORIC in its' social enterprise aspect & intention. This will include education, community projects, expansion and partnership of other entities. There is a philanthropic aspect to this intention – however the ORIC will assign a capped dividend for monies invested in this aspect, according to the votes of members, and final approval by the Directors.

Specific Investment Offerings (through CCU's) will be issued by ORIC in relation to the funding of the different specific asset acquisitions across ORIC. The Board reserves its discretion to determine the maximum number of CCUs to be issued at any time, and to different types of investors. This reflects the 45% maximum of any one investor, and the limit of 45% maximum investment for foreign ownership as specified in the cooperative rules.

See Investment Offer Document for full details.

3.4a. Applications for Organic shares in the Organic & Regenerative Investment Co-operative

To apply for Organic shares, members (or potential members) must complete the Organic Shares Application Form made available on the ORIC website specifying the \$\$ amount being sought. Upon consideration by the Board, the applicant will receive approval of their application (or not) within 28 days. The member can then make full payment for the Organic Shares in the manner specified in the Organic Shares Application Form. The minimum investment in Organic Shares is \$50 at the time of Membership Subscription. No member may hold more than 20% of the total shareholding of the ORIC.

3.4b. Applications for Co-operative Capital Units (CCU) in the Organic & Regenerative Investment Co-operative

To apply for CCU units, members (or potential members) must download the Disclosure Statement and Investment Offer Documentation and complete the CCU Application Form made available on the ORIC website specifying the number of CCU being applied for. Once all CCU applications are received for a specific investment, investors will receive confirmation of their CCU interest & availability. The member can then make full payment for the CCU's in the manner specified in the CCU Application Form. The per unit subscription price for CCU's being offered by ORIC is \$500. The minimum number of units a member may hold is 2 units and investors may hold CCU's in any number of offerings. No member may hold more than 45% of the total CCU investment offering of ORIC. All CCU Investment Offerings are approved by the Board & Registrar before being offered to ORIC Members.

3.5. CCU's offered to Foreign Investors

The Cooperative welcomes interest from Foreign Investors. As per Point 3.4b, any investor of CCU units cannot hold more than 45% of any individual investment offering. All investments must be majority Australian owned. Foreign investors can invest up to a combined total of 45% of any CCU's offered on an investment (subject to FIRB approval), while not exceeding the 45% limit of any individual investment offering of CCU's. Foreign Investors cannot obtain Organic Shares in ORIC, however they can be members and purchase CCU's as per rules.

3.6. Summary of Rights and Liabilities Attaching to Organic Shares & CCU Investments

The rights and liabilities attaching to ownership of the Organic Shares & CCU Investments are:

- detailed in the ORIC Rules; and
- in certain circumstances, regulated by the National Law and the general law.

A summary of the significant rights, liabilities and obligations attaching to Organic Shares & CCU's and a description of other material provisions of the Rules are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Rules. This summary does not constitute a definitive statement of the rights and liabilities of ORIC shareholders.

3.7. Voting

An Organic Share or CCU in ORIC does not carry a vote. The right to vote in the ORIC is attached to membership and governed by the National Law (section 288).

3.8a Organic Shares

The Board of ORIC control the issue and approval of Organic Share opportunities for the Cooperative. Subject to the National Law and the Rules, they may issue Organic shares with any preferential, deferred or special rights, privileges or conditions or with any restrictions (whether in regard to dividends, voting, outcome, return of share capital or otherwise) as the Board determines.

3.8b CCU Shares

The Board of ORIC control the allotment and issue of CCU Investment Offerings. Subject to the National Law and the Rules, they may issue CCU's with any preferential, deferred or special rights, privileges or conditions or with any restrictions (whether in regard to dividends, voting, return of share capital or otherwise) as the Board determines, and as approved by the Registrar.

3.9 Transfer of shares

Subject to the Rules of ORIC, the National Law and to the rights or restrictions attached to any shares or class of shares, holders of shares will be entitled to sell their shares to other members by a transfer document in writing and duly stamped or in any other form required by the Board. Transfers to non-members are not permitted. The Board may decline to register a transfer of shares for reasons including where the transfer is not in registrable form, where the potential transferee does not fulfil the requirements of members set out in the Rules or where the refusal to register the transfer is otherwise permitted, or may jeopardise the long term intention of ORIC.

3.10 Repurchase of Shares

In accordance with the National Law, the Rules authorise ORIC to purchase any Organic Share or CCU of a member at the request of that member and to repay to a member, with the member's consent all or any part of the amount paid up on any share held by that member where the amount repaid is not required for the activities of ORIC. The Board may decide, with the appropriate approvals and in line with the National Law, to carry out such repurchase, but is not under obligation to do so except where the member is expelled or resigns.

3.11 General meetings and notices

Subject to the Rules of ORIC, the National Law and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at all general meetings of ORIC.

3.12 Winding Up and reductions of capital

Subject to the National Law, ORIC Rules, any special or preferential rights attaching to any class or classes of shares, and the terms of the reduction, if any, in the event of a winding up or a reduction of capital, members will have the right to participate equally in the distribution of assets of ORIC. On winding up of the co-operative a member of the co-operative is liable to the co-operative for the amount (if any) not paid on the shares held by the member together with any charges payable by the member to ORIC as required by the rules of ORIC.

3.13 Board

The minimum number of Directors is three (two of which must ordinarily reside in Australia) and the maximum is seven unless the Board determines a different maximum. Directors will be elected and will hold office in accordance with the National Law and ORIC Rules.

3.14 Variation of the Rules

The Rules may only be varied by a special resolution passed by at least 75% of members present and entitled to vote (Rule 58).

3.15. Use of Funds

Funds raised through the subscriptions for membership, organic share capital and management fees to ORIC will be used to facilitate the operation of the Cooperative.. The issue of CCU's will be utilised to fund assets as per the Individual Offer Documents for each investment, as approved by the Board & Registrar.

4. MANAGEMENT OF THE ORGANIC & REGENERATIVE INVESTMENT COOPERATIVE LIMITED

4.1. Board of Directors

The business of the ORIC will be managed by or under the direction of the Board of Directors, and for that purpose the board has and may exercise all the powers of the co-operative that are not required to be exercised by the co-operative in a general meeting. A person is not qualified to be a director of the co-operative unless the person is an individual over the age of 18 years and is either:

- (a) an active member of the co-operative or a representative of a body (e.g. a company or a co-operative) that is an active member of the co-operative (member director); or
- (b) not an active member but who possesses special skills in management or other technical areas of benefit to the co-operative as specified by the board from time to time (non-member director).

It is recommended that the Board has a representative from each area of expertise and influence. This includes a Membership representative, Investor representative, Business Owner representative, Farmer representative and ONE only independent Non-Executive Director (who is non-member).

The board of directors must have a majority of member directors, and all non-member directors must be voted on by the members (greater majority than 75%)

4.2. Election of directors

The first directors are elected by poll at the formation meeting of the co-operative. The term of office of the first directors is 1 year and subject to re-election, however not more than 3 years ending on the day of the third annual general meeting after the formation meeting. If there is a vacancy, then at least 6 weeks before the annual general meeting the Board must notify all members of the number of directors retiring and invite nominations. If the number of nominees equals the number of vacancies, the nominees must be declared elected at the annual general meeting. If there are insufficient nominees to fill all vacancies, the nominees to be declared elected at the annual general meeting and nominations for people to fill the remaining vacancies are to be called from the floor and a ballot held if required. If the number of nominees exceeds the number of vacancies, the election of directors must be conducted at the meeting by ballot as follows:

- (a) A returning officer is elected at the meeting. The directors, the secretary and anyone who has an interest in the election are not eligible to be the returning officer.
- (b) All nominees are to be listed on the ballot form in alphabetical order.
- (c) The returning officer is responsible for determining the validity of and counting of the votes.
- (d) If there is an equality of votes, the outcome must be determined by lot.
- (e) The returning officer is to declare the election results.

4.3. First directors

The names and experience of those who have consented to being nominated for election as directors are:

Carolyn Suggate (Founder & Organic Land Specialist)

Robert Pekin (Food Connect & Business Investment)

Robert Fenton (Education & Farm Analysis)

Sam Marwood (Marketing/Education Pathways/Farm Manager/Acquisition)

Dan Fitzgerald (Impact Investment)

4.4. Remuneration of Directors

The Directors of ORIC will do so on a volunteer basis for the first 12 months. They will not receive any remuneration for their services as directors of ORIC. Directors may, at the discretion of the directors of ORIC, be reimbursed for travelling and other direct expenses that the Director properly incurs in attending meetings of the board of directors (or any committee) and in attending any general meetings of ORIC.

Directors can nominate to fulfil roles within ORIC as Contractors or with their professional services – but all such arrangements must be declared and agreed to by the Board prior to any engagement of such arrangement and the payment thereof. All arrangements should be recorded at Board meetings and fully disclosed to members.

After the first 12 months of operation of ORIC, any remuneration of fees paid to directors must be approved by the majority (60%) of members at the annual general meeting.

4.5. Accounting

The name of the company that has agreed to be responsible for general accounting and financial functions of ORIC:

Attn:- Cara Hall

RSD Chartered Accountants

Level 2, 10-16 Forest Street

Bendigo VIC 3552

4.6. Auditing

ORIC will meet the definition of a Small Co-operative, as defined by the National Law, and so will not appoint an auditor unless it becomes a Large Co-operative or the members vote to appoint an auditor.

4.7. Dispute Resolution

All Dispute Resolution is referred to in Division 2, Section 13 in Cooperative Rules. Should a dispute arise then it will be managed in accordance with ORIC Rules, and in line with the National Law, in full consultation with the Board of Directors. All members involved in dispute are able to appoint anyone to act on their behalf, and ORIC Members are encouraged to apply natural justice. ORIC supports a code of conduct for all members, and those directly involved in the dispute. This means all parties involved in the dispute should 1) know the full facts of the situation 2) be heard by an unbiased tribunal 2) have the right of reply to any accusation.

4.8. Conflicts of interest or duty

The Conflict of Interest or Duty Policy document has been created for ORIC and can be found as an attachment to this document at **Appendix A**. Should a conflict arise then the conflict will be managed in accordance with the National Law, which requires, amongst other things, for a director to declare their direct or indirect interests in a contract. If considered appropriate, the board of directors of ORIC will form a committee of independent directors (those not associated with the relevant member) to consider any issues where a conflict arises.

4.9. Contracts required to be entered into by the Co-operative

Upon formation there will be no contracts required to be entered into. Once a CCU offering has occurred the following contracts will need to be entered into.

- Employees -staff will be contracted to manage the day to day running of the Co-operative and to report back to the Board of Directors through the Chairman.
- Farm Managers – will report to Farm Asset Manager through quarterly reports and independent advice from external consultants.
- Business Managers - will report to Business Asset Manager through quarterly reports and independent advice from external consultants.
- Consulting firms – will be contracted on a needs basis for specific expertise for the Co-operative (legal, financial, accounting, agricultural and investment)
- Contractors – any specific professional advice sought in farming/business shall be through a Contract arrangement for expertise.

5 FINANCIAL INFORMATION

5.1. Financial Statements

SEE ATTACHMENT BUDGET OVERLEAF

The above financial projections are based on the best information available at this time. The annual cost of accounting, tax reporting & insurance has been quoted as \$3,000 and this has been provisioned from the Cooperative Share Capital raised in the formation stage. In the formation stage of the Co-operative we expect to have a surplus of \$4,000.

Each investment acquisition cost will be included in the Investment Offering for that specific asset.

5.2 Property and assets

ORIC will not require any fixed premises for daily operations and will not be required to purchase or rent office spaces on an ongoing basis.

5.3. Formation expenses

The estimated costs of formation are: \$356 registration fee with the Victorian Department of Consumer Affairs. Website development is estimated to cost \$5,000. Prior to Registration ORIC does not have any known liabilities. (See budget overleaf)

5.4. Co-operative Share Capital

ORIC will be funded by Cooperative Share Capital (supplemented by the member registration fee and management fee) and it is not anticipated that any debt will be incurred to finance projects or ongoing operations. This will form the Organic Cooperative Share Capital (Organic Shares) that will be utilised for specific non-investment projects, in education, community, social and local impact. Returns on Organic shares will also be considered on an annual basis but are not guaranteed.

5.5. Returns to investor members

The returns to CCU holders will be paid on an annual basis and a decision made by the ORIC board in preparation of annual accounts. Refer to each investment offering document for detailed information in this regard.

5.5. Capital Appreciation of Investments

All assets will be valued on an annual basis by an independent and reputable valuer, and made available to all members & investors. All capital appreciation redemption will be covered in each Offer document according to intentions for that specific asset. Specific Capital Growth (CGCCU) units will be offered at the Board's discretion as a percentage of the capital appreciation on an annual basis as CCU credits. This will not be reflective of the actual appreciation, but a balanced view of the capital growth market, the cooperative's intentions, while not jeopardising the financial stability of the Cooperative over the long term. These will be only redeemable at specific 5 yearly intervals as CGCCU accrued units.

6. RISKS

6.1. Introduction

There are a number of risks and threats, both specific to ORIC, and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of ORIC and the value of Organic Shares &/or CCU units. Many of these risks are partially or completely outside the control of the Cooperative, its directors and management. There can be no guarantee that the Cooperative will deliver on its business strategy, or that any forecasts contained in this Disclosure Statement or Investment Offer documents, will be achieved or realised. Prospective investors should note that past performance is not a reliable indicator of future performance. This Section describes the areas that ORIC believes to be the key risks associated with becoming a member of ORIC.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on information as at the date of this Disclosure Statement, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Prospective members and/or investors should note that this is not an exhaustive list of the risks associated with an investment in ORIC and should be considered in conjunction with other information disclosed in this Disclosure Statement & each Investment Offer document. Before applying for Organic shares or CCUs, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares/Units are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. Prospective investors should consider seeking professional guidance from their accountant, stockbroker or other independent professional adviser before deciding whether to invest. All investors should familiarise themselves with the specific Investment Offer document relevant to the investment they are seeking.

6.2. Risks specific to an investment in ORIC through CCU units

6.3. ORIC is a start-up entity. ORIC carries the normal risks of a start-up business. No assurance can be given that it will achieve commercial viability through the implementation of its business plan and there is no certainty around when it may generate a profit or how profitable it will be.

6.4 Being shares/units in a co-operative, Organic shares or CCU's are not listed, and cannot be listed, on any securities exchange and may be difficult to sell. There is no guarantee that a market for the trading of Organic shares or CCU shares/units will develop, nor is there any guarantee that the price of the Shares/Units will be maintained or increased. There will be relatively few or even no potential buyers or sellers of the Shares/Units at any given time. This may prevent investors from acquiring more Shares/Units or disposing of Shares/Units they acquire easily.

6.5 Price for the trading of Organic shares and CCUs obtained on the sale of Shares/Units may not reflect the intrinsic value. The absence of a market for the Shares/Units can impact the price of Shares/Units. There may be few people willing to buy your Organic shares or CCUs and those people may only want to buy them from you at a discounted price. Such discount may be a significant discount to the intrinsic value of the Organic shares or CCUs. There is no assurance that the price for the Shares/Units will increase over time, or that specific investments will increase in property value.

6.6 There is a risk of bad debts and the possible impact on cash flow if there are slow payments. ORIC intends to incentivise participatory members/associates to pay on time such as offering a discount for early or on time payment, which will lessen the likelihood. Cash flow will be closely monitored.

6.7 Investor interest. The Cooperative is structured such that all members have the ability to vote and be involved in the evolution of the ORIC. Investors are a critical aspect to this. However it is important to realise that returns may vary, and Investment Offerings are estimates of likely returns only and investors should consider these risks before applying for CCU Offerings.

6.8 Unaudited financial model. RSD have been providing financial advice and reviewing assumptions around accounting standards and taxes in the financial model, however, other inputs, outputs and assumptions have not been audited by RSD or any other qualified professionals. Investors are advised to undertake their own due diligence when reviewing the financial model prior to making an individual investment decision, in consideration of your own investment scenario.

6.9 Capital growth return. The Cooperative assumes that all assets owned by the Cooperative will accrue in value over time. The Capital Growth CCU (CGCCU) units offered to investors in specific assets will be done with caution and long term intention of the cooperative. The Cooperative intends for these units to not ever jeopardise the financial aspect &/or intention of that asset. Should there be a reduction in capital land values or business over time – then a hold on the CGCCU units will be put in place at the Directors discretion. This will limit any investors from withdrawing their CGCCU units, but not their investment of CCU units. These will be only redeemable at specific 5 yearly intervals as CGCCU accrued units.

7 FARMLAND ACQUISITION – ASSOCIATED RISKS

7.1 Acquisition risk.

All acquisitions come with inherent and unknown risks. The Cooperative will enlist the best Strategic Investment Advisory Panel possible, and subject to the Boards final decision, all investments will be analysed and approved by a formal approval mechanism. As with any investment – there can be unrealised or unknown reasons an investment does not perform.

7.2 Organic Contamination

All farms purchased by the Cooperative will have intention to become certified and or managed organically & in a regenerative way. Should a farm be contaminated the ‘outcome of best purpose’ will be considered. If an area can be decertified, and the remainder (majority) can be continued to operate then the farm can continue in production. Should this not be possible, then the farm can be leased to conventional agriculture, and a process put in place for a 2 year exit strategy. I.e. if a GM crop is planted within wind zone, that cannot be rectified.

7.3 Catastrophic natural event

All farms will have full insurance cover for natural disasters, including fire, flood and hail by ORIC. Should this occur, then insurance will be claimed, and any loss will affect returns from that offering that year. If there is any mitigation that could be implemented the Cooperative will consider this.

7.4 Early termination of Lease Agreement (for breach)

Should an appointed Farm Manager breach their contractual agreement then the farm lease will cease. The farm lease will then be tendered to the market, according to the management protocols of the lease (as defined by the Strategic Investment Advisory Panel)

7.5 Valuation Risk

Valuation of properties can be inflated or not based on current market data, inducing a reduction in the value of the asset. All properties will be valued every 6 months. A mixed group of professional and reputable valuers, that are highly experienced in the Agricultural and organic sector will be engaged by ORIC and included in the costs of the Share Capital (?).

7.6 Currency Risk

Organic shares & CCUs are issued in Australian dollars. Foreign investors should be aware of the risk of fluctuations in the Australia dollar versus other currencies that Organic shareholders CCU holders may be exposed to.

7.7 Climate Change

A property in a reliable area over the longer term changes it’s rainfall catchment of production system. ORIC will analyse and make conservative long range forecasts for the lease potential of specific investments. All purchases shall include conservative stocking rates, and exit strategies for the livestock and/or grain should the season not be within standard climate conditions for an area.

7.8 Farm/Business Management risk

All properties and businesses are run by best intended, and experienced farm and/or business managers. In the event of an ongoing leasehold risk – the Directors of the Cooperative will endeavour to make the best decision for the long term outcome/intention of the asset, the investors, and the cooperative. Should a farm manager decide to exit – all endeavours will be made to enable this to be amicable. The property/opportunity will then be tendered to the members first, then to the wider community to find the most suitable respondent. This would enable the Cooperative to continue operation, and for the longevity of the asset to be one of the primary motivators.

7.9 Illiquidity of Funds

Investments are recommended to be considered illiquid for 5+ years. Should an investor seek an exit after this time, there will be an annual review of investments between November & December of each calendar year. All exits will be offered to current members/investors first, then to the wider investment community in window. A register of investment opportunities will be established, and updated on an ongoing basis.

APPENDIX A: Policy - Conflict of Interest or Duty Conflict of Interest

A Covered Individual should avoid any conflict arising between their personal interests (or the interests of any other associated person or institution) and their duties to the ORIC.

A Covered Individual must not take advantage of their position to gain, directly or indirectly, a personal benefit, or a benefit for any associated person. A Covered Individual shall not make use of inside information in regard to ORIC, or any of its associated partnership relationships.

Definitions:

- Covered Individual means a member of the Board of **ORIC** (“Board Member”), an alternate, a member of any committee, task force or any other subsidiary body of the ORIC.
- Associated Person means a Covered Individual’s spouse, minor child, or domestic partner.
- Associated Institution means (i) any organization, corporation or government in which a Covered Individual is serving as an officer, director, trustee, partner or employee, with which the Organic & Regenerative Investment Co-operative has an agreement, contract, grant or relationship; or (ii) any person, organization, corporation, government or similar institution with whom a Covered Individual is negotiating or has an arrangement concerning prospective employment.
- Personally and substantially.

To participate personally means to participate directly or to attempt to influence the outcome of a decision-making process, including, for example, consideration of a matter at a Board meeting, or direct and active supervision of a subordinate in a matter. To participate substantially means that the Covered Individual’s involvement is of significance to the matter.

Conflict of Interest: A conflict of interest or duty arises when a Covered Individual participates personally and substantially in any particular **ORIC** matter in which, to his or her knowledge, he or she or an Associated Person or Associated Institution has a financial interest, if the particular matter may have a direct and predictable effect on that interest.

In general, and without limitation, conflicts may be deemed to exist in the following situations:

- Where a Covered Individual’s financial interests, or the interests of an Associated Person or Institution could affect the conduct of his or her duties and responsibilities with respect to the **ORIC** or result in a reasonable perception that such a conflict exists;
- Where a Covered Individual’s actions compromise or undermine the trust that the public places in the **ORIC**; and
- Where the Covered Individual’s actions create the perception that the Covered Individual is using his or her position at the **ORIC** for personal benefit or for the direct financial benefit of an Associated Institution.

This list is only illustrative, and is not intended to set out all instances where an actual or potential conflict of interest or duty exists.

A Covered Individual who has a conflict of interest or duty in matters that relate to the affairs of ORIC must immediately disclose that interest to the Board in writing and must not be present when the matter is being considered or vote on the matter, unless the Board have passed a resolution to enable the Covered Individual to do so.

Procedure when a Conflict of Interest or Duty Arises:

All actual or potential conflicts of interest or duty or the appearance thereof shall be immediately disclosed in writing to the **ORIC** Board. Individuals are encouraged to consult with the Secretary or members of Board for guidance if questions arise in the application of this policy. It is the duty of the Board to review these disclosures and to decide whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which such Covered Individual may participate in any discussion of the issue that has given rise to the conflict. When it is determined that an actual or potential conflict of interest exists, the Covered Individual shall not participate in the matter that has given rise to the conflict absent a waiver from the Board. This means that the Covered Individual shall not vote or speak on the matter, and shall absent himself/herself without comment before any discussion or voting on the matter, unless a waiver has been granted by the Board. The waiver may be designed to allow for any level of participation the Board deems appropriate. For example, it may permit the Covered Individual to present information of a technical nature, but not recommendations. Or, it may permit the Covered Individual to attend the meeting in order to fulfil his or her administrative responsibilities, but not to participate in any discussion on issues that have given rise to the conflict of interest. The names of Covered Individuals with actual or potential conflicts of interest or duty who participate in a particular meeting, and the issue on which there is a conflict, shall be recorded in the minutes for that meeting. The Board may authorise an **ORIC** employee to accept or hold an office or occupation outside of his or her employment duties at **ORIC**, or to accept an honour or decoration provided by an outside party. When requested, the Board shall state whether such authorization would result in an actual or potential conflict of interest. Should a Covered Individual be found to have an actual or potential conflict of interest that has not been disclosed as required above, or the Board has reasonable cause to believe that a Covered Individual has failed to disclose an actual or potential conflict of interest, it will inform the Covered Individual of the basis for such belief and provide him or her with the opportunity to explain the alleged failure to disclose.