



LOCKYER
FRUIT AND VEGGIE
COOPERATIVE LTD

**Disclosure Statement
for the
Lockyer Fruit and Veggie Cooperative Ltd
and
Offer of Membership Shares
March 2023**

Lockyer Fruit and Veggie Cooperative Ltd
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DISTRIBUTING COOPERATIVE QUEENSLAND

This Disclosure Statement has been approved by the Board of the Lockyer Fruit and Veggie Cooperative Ltd. This Disclosure Statement must be provided to any person who intends to be a member of and acquire shares in the Cooperative along with the Cooperative's Rules.

The offer of membership and shares in the Cooperative was opened on 31 January 2022 and remains open until fundraising to meet the Primary Activities of the Cooperative are met.

WARNING

You are advised to make any investigations which you believe to be necessary to satisfy yourself about the contents of the Disclosure Statement and Rules. If you are unsure about whether it is right for you and your circumstances to join the Cooperative and buy shares, you should seek independent professional advice.

If you are interested in joining the Cooperative and buying member shares you should read the Disclosure Statement carefully before deciding to invest.

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1. Introduction

1.1. Why was the Cooperative formed?

The Lockyer Fruit and Veggie Cooperative Ltd (ABN 84 807 881 043) (the **Cooperative**) was founded in January 2022 to support the sustainability of Australia's farming community and families by promoting and supporting stakeholders within the fruit and vegetable industry. In the first instance this means using membership funds to acquire shares in the Lockyer Valley Fruit and Vegetable Processing Company Limited (ABN: 97 602 420 600), trading as Lockyer Valley Foods (the **Company**) to fund the Company's plans. However, the goal of the Cooperative is to ultimately be the majority shareholder of the Company, and by exercising this intent, the Company would remain an Australian-owned company with both community ownership and participation.

1.2. The Cooperative model

Co-operatives are incorporated entities that carry on business enterprises in many industries. Co-operatives can raise capital for their enterprise from members and from a broader range of investors. Nationally uniform legislation allows co-operatives to operate freely across all States and Territories. The democratic model of a co-operative allows equal participation by members and a focus on returning value to members and their community under a robust system of governance and accountability. Co-operatives operate under a system of values and principles that serve members and their communities for the long term. Co-operatives allow everyone in the community to own and participate in a business and to receive the goods and services it delivers.

The Cooperative is a separate legal entity that can enter contracts with other people, other businesses and with its members.

2. Membership and shares

2.1. Primary activities

Primary Activities provide a focus for the Cooperative's operations and the basis of the transactional relationship between the Cooperative and its members.

The primary activities of the Cooperative are set out in Rule 5(1) and are as follows:

- Acquiring shares in the Company from time to time.
- Under Contract with, and on behalf of the Company undertaking research and development (including but not limited to agronomic research) to improve the growing, harvesting and production of products by the food processing facility operated by the Company (the **Facility**), including the feasibility of acquiring suitable farms to provide a sustainable long-term resource base for the Facility.
- Under Contract with, and on behalf of the Company, managing the acquisition by the Company from Farmer/Grower Cooperative members and others, of fruits and vegetables and or other raw materials for processing at the Facility.
- Under Contract with, and on behalf of the Company, managing the sale of products by the Company on behalf of the Facility to Non-Farmer/Grower Cooperative members.
- Under Contract with, and on behalf of the Company, managing the continued community development and provision of community support (including the promotion of tourism and education).
- Carrying out other activities calculated to produce a financial gain and/or other advantage for Cooperative members.

2.2. Active Membership

Members of a co-operative must actively support their co-operative by complying with an Active Membership rule.

As set out in Rule 5(1), in order to establish and maintain active membership of the Cooperative members (also described in the Rules as Full Members) must:

- pay an Annual Subscription Fee as set out in Rule 7(1)(b) for expenses of the Cooperative, currently this amount is \$10 (inc GST) per annum, due on 1 July and payable by 1 August of each financial year in which the fee applies.
- if the member is a Farmer/Grower member, supply raw materials produced by the member to the Company of at least the minimum volumes specified in any contract of supply with the member.
- At a time when the processing facilities of the Company are produced and a methodology for sale and distribution to members of the Cooperative are identified, the Cooperative, in conjunction with the members, will determine the obligation to purchase products from the Company.

2.3. Membership shares

A share in the Cooperative has a fixed price of \$1,000 (see Rule 13(1)). Each Full Member must acquire at least 1 share. A payment plan is available if a prospective member cannot pay the full amount upfront: see Rules 5(2)(1) and 13(4).

No member can hold more than 20% of the nominal value of all shares issued (Rule 13(2) and s.273 of the *Co-operative National Law (Qld)* (**the Act**)).

The Board may propose or recommend that members acquire additional shares in the Cooperative, but such a proposal must be agreed by a special resolution of the Cooperative passed by a special postal ballot and despite the acceptance of the proposal, it will always be the member's choice as to whether or not to subscribe for additional shares.

Rule 15 governs the rights to make calls on shares. The Board may from time to time make calls on the members for any amounts unpaid on the shares, regardless of the share subscription amount specified in the terms of issue of the shares. The joint holders of a share are jointly and severally liable to pay all calls for the share.

2.4. Who can join the Cooperative?

Anyone can join the Cooperative provided they will comply with the active membership rule (see above). Membership of the Cooperative may be jointly held by more than one person. Corporations, trusts and other entities may also be members.

Due to members being unable to hold more than 20% of the nominal value of issued share capital of the Cooperative the application procedure for membership will indicate the maximum number of shares that can be held by one member at any one time.

2.5. Voting rights and director nominations

The right to vote is a right of membership (it does not attach to shareholding). Active members of the Cooperative will each have one vote at general meetings of the

Cooperative and in any postal ballot, irrespective of the number of shares they hold. However, while minors can acquire membership shares, voting rights are only established when a share is held by a person over 18 years old.

Where membership of the Cooperative is jointly held by more than one person, there is only one vote in respect of that membership. Where membership is jointly held between (1) a minor and (2) either a person over 18 years old, or a corporate member, then the person over 18 years or the corporate member may exercise a right to vote on behalf of the joint members.

A corporate member must nominate a representative to attend meetings, and to exercise the right to vote on their behalf.

Active members of the Cooperative also have the right to be nominated, or to nominate another person, to be a director of the Cooperative. A minor is not eligible to hold any office in the Cooperative (s.114(2) of the Act).

All members are entitled to be given notice of and to attend all general meetings, except that inactive members cannot attend or exercise a vote at the meeting of the Cooperative (Rule 38).

Proxies are allowed (see Rule 39).

2.6. Associates

The Cooperative recently amended its Rules to include provision for Associates of the Cooperative. The Board is implementing governance processes around Associates and more information will be made available on the website including applications for Associates in due course. Other than an upfront payment of \$500, Associates have no ongoing obligations, no right to vote and are not considered “members” for the purposes of the Act.

2.7. Member liability

The Cooperative is an incorporated entity with limited liability.

Members are not liable to contribute to the debts of the Cooperative beyond the amount they have paid for or may still owe for any shares they hold. If the Cooperative is wound up and the Cooperative has insufficient assets to satisfy the Cooperative’s debts, members do not bear any additional personal liability for those debts.

In other words, if the Cooperative becomes insolvent and is wound up:

- members may lose some or all of their share capital;
- if a member has subscribed for shares and has not fully paid for them, the member may be liable to pay any amounts unpaid in respect of those shares; and
- if a member owes money to the co-operative under a contract or for other charges or fees (for example annual subscription fees), the member would be liable to pay those amounts to the Cooperative.

2.8. When membership ceases

The circumstances in which membership may cease are outlined in Rule 8. Those circumstances include if you do not comply with the active membership requirements. Your

share/s may be forfeited for non-payment of the Annual Subscription Fee by resolution of the Board. (Rule 23).

2.9. Forfeiture and cancellation of Shares

The Cooperative will follow the rules and legislation with respect to Forfeiture and Cancellation of Shares. However due to the complexity of the matter the outcome will depend on the nature of the cancellation and the requirements at the time this takes place. Therefore, we encourage you to read the Rules before purchasing your membership Shares (see Rules 8, 9, 20 - 23 in particular).

2.10 Membership applications

To apply to join the Cooperative and apply for shares, members or potential members must complete the Membership Form available currently on the Lockyer Valley Foods website or by contacting the Withcott office, specifying the number of shares being applied for. The member must also make payment for the shares in the manner specified on the Membership Form.

By making an application, you are stating that you can comply with the active membership rule.

While the Board must consider every application, the Board retains the discretion to admit or reject a person for membership and is not bound to provide a reason for the refusal (see Rule 7).

The full rights and liabilities attaching to shares are detailed in the Lockyer Fruit and Veggie Cooperative Ltd Rules which should be read in conjunction with this document prior to purchasing shares.

2.11 Terms of Issue for Member Shares

The co-operative's board of directors controls the offer, issue and allotment of shares in the co-operative.

The rights and liabilities attaching to all member shares in the Cooperative are that:

1. there is no right to vote attached to the shares. The right to vote attaches to membership. Members have one vote each, regardless of the number of shares they hold;
2. only members may hold shares in the co-operative;
3. shares held by a member in excess of the minimum share capital under Rule 13 may be transferred, if they are transferred to another person who is already a member of the co-operative, or to a person who has applied for membership of the co-operative (see Rules 17 to 19, 24, and 27 to 30);
4. where all shares held by a member are transferred, the member will cease to be a member;
5. shares held by a member that have been partly paid are required to be paid in accordance with calls for payment made under Rule 15. A failure to pay a call may result in forfeiture of the shares and repayment of the amounts that have been partly paid;
6. shares cannot be traded on a public or licensed share market;
7. the board of the co-operative may declare a limited dividend on member shares if there is a reserve or surplus. Dividends are limited by the Act; and
8. if the co-operative is wound up, the repayment of share capital ranks after the payment of all other debts and obligations of the co-operative.

You can request that the Cooperative buy back any additional member shares that you hold above the minimum number of shares required for membership. See Rules 17(2) to (4) and s.107 of the CNL. If you request the Cooperative buy back any additional member shares, the board may refuse your request for any reason. If the board does agree to buy back your shares, then it may not buy back more than 5% of the total issued share capital in a financial year.

A request to buy back shares is not the same as the obligation to repay share capital when your membership ceases, as described elsewhere in Part 2 of this disclosure statement.

2.12 Fines

The Board may impose a fine on a member of up to \$500 for a contravention of the Rules (see Rule 12).

3. Cooperative Business Model

3.1. Business operations

The Cooperative acts in accordance with its Primary Activities.

By February 2023 the Cooperative had purchased 1,000,000 shares in Lockyer Valley Foods, sponsored a local Fair, participated in radio talk shows, and had a presence at several local meetings and activities to meet residents, farmers and other stakeholders and raise awareness of the Cooperative.

3.2. Capital expenditure plans

The Cooperative principally uses share capital to achieve its objectives. It will use Annual Subscription Fees to contribute towards its expenses. At a point in the future, the Cooperative may use dividend distributions from the Company to fund the Cooperatives operations.

The Cooperative's main objective continues to be promoting membership in order to acquire shares in the Company with the intention that those funds will be applied towards operating costs and partial funding of the construction of the Facility at Roches Road, Withcott. Development approval was granted in December 2022. The first phase of construction includes building of Stage 1, carparks, road networks and ancillary works. Once construction costs are met, future equity investments will be determined by the Board of the Cooperative and would depend on the amount of funds raised by the Cooperative and the needs of the Company.

Once construction is underway, the priorities will expand to arranging for Farmer/Grower members of the Cooperative to enter contracts with the Company pursuant to which the Farmer/Grower member would agree to supply to the Company produce, that is to be processed at the Facility, and the conduct of research and development activities that are to be agreed (which may include Agronomist appointments) to improve the growing, harvesting and production of products.

It is anticipated that a Shareholders Agreement (after we achieve a minimum 10,000 Cooperative Members) would be put in place between the Cooperative, the Company, and other shareholders of the Company, that would provide (without limitation) for the Cooperative member shareholders to have pre-emptive rights to be offered shares on a pro rata basis, where there is to be an issue of shares in the Company.

3.3. Organisational Requirements

The business of the Cooperative is managed by and under the direction of the Board of directors. Operating expenses include services fees for the Cooperative's Managing Director and administrative support who manage the day-to-day activities and operations of the Cooperative, memberships and subscriptions and professional advice and assistance for marketing (including promoting the Cooperatives fundraising activities), IT, accounting, audit and legal.

The position of a Board Director is a paid position. The remuneration is determined at the AGM, and as such is included in the operating expenses.

3.4. Member Value

Working together, through the Cooperatives investment in the Company and other permitted activities, your membership will:

- support the Australian agricultural Industry by ensuring growers working with the Cooperative and the Company can add value to their produce, through increased sales, new products and effective R&D and marketing and be environmentally sustaining and profitable;
- support the growth of local jobs in Regional Queensland, starting with the Lockyer Valley, Scenic Rim, Darling Downs and over time other key sectors in the Queensland (including the pineapple industry); and
- support the replacement of overseas imports with 100% Australian products.

Through the Cooperative's research and development activities your membership will assist

- to improve the growing, harvesting and production of fruit and vegetable produce,
- support the sustainability of food production,
- enable more Australian food to be part of Australian tables; and
- improve the quality of Australian food.

3.5. Organisational Risks

Any new business brings with it risks. The key risks associated with the Cooperative include:

- Insufficient funds to resource the activities of the Cooperative.
- Dependence on the Company's success – the Company is its own legal entity, with its own risks, own management, and other interested parties.

The Board is currently giving their time voluntarily and meets frequently to ensure that the business of the Cooperative is managed to minimise and/or eliminate risks as they arise. The Board is committed to continuous improvement, including professional development of office bearers and a recent review of its composition to achieve its strategic and governance objectives. The Cooperative has also become a member of the Business Council of Cooperatives and Mutuals to ensure it has ready access to expertise from those who have successfully implemented cooperative models across Australia.

The Board regularly receives updates on the Company's progress and is preparing for a membership drive to increase its number of members and issue further shares, allowing it to pursue the Primary Activities more actively.

4. Management of the Cooperative

4.1. Board of Directors

All Directors are accountable to members through duties imposed by the Act. The Board has authority to exercise all powers of the Cooperative that are not required to be exercised by the Cooperative in a General Meeting. Directors' elections will be held at the Annual General Meeting. Some directors are also currently shareholders of the Company as described below.

Sheryl Navin was appointed a director in January 2022 and was appointed Treasurer and Secretary. She has recently taken up the position of Managing Director of the Cooperative. Sheryl has a deep understanding of critical business issues including due diligence processes, risk management, environmental issues, quality, health and safety and the balance between business and workers' needs. She is also skilled in governance processes including the formulation of policies and procedures, meeting structures and requirements to participate in meetings. Sheryl became a shareholder in the Company after taking up her role as a director.

Marie King has been a director of the Cooperative since it was founded. Marie is dedicated to serving her community, through her roles as an experienced registered nurse and involvement in charitable and school-based organisations. She has a special interest in community education and participation in community activities. Marie and entity(s) associated with Marie hold shares in the Company and she is also a director of the Company. Marie has been providing an interface between the two entities.

Joshua Sheaffe has been a director of the Cooperative since it was founded. He is a qualified practicing solicitor with extensive experience in contract preparation and review, identification of relevant corporate law practices and procedures and brings to the Cooperative at a board level the independent ability to provide clear and cogent advice.

William Wilkinson has been a director of the Cooperative since it was founded. He is a recently retired Queensland police officer whose work life was centered around Ipswich and the region. He has a wide range of community contacts, a deep understanding of ethical practices and a strong commitment to community needs and interests.

Colin Dorber was appointed a director of the Cooperative in November 2022. Colin was the sole promoter of the Cooperative's establishment acting on behalf of the Company. He has spent over 12 years working to bring about the development of the Facility and sees the Cooperative as a crucial player in the development and ultimately the operation of the Facility alongside the Company. Mr Dorber is also the CEO, Managing Director and a shareholder of the Company.

Mark Cresswell was appointed in February 2023. He has served on several Boards and with a focus on member experience, governance and service delivery. Mark has over 35 years' experience as a clinical and consulting psychologist and currently runs his own organisational and training consultancy. Mark is also currently creating a startup aquaculture facility on his farm in the Lockyer Valley and is an ardent supporter of Australian farmers and farm produce, with a firm belief in the need for, and positive future of, the Cooperative. He is currently the President of the Certified Practicing Counsellors Australia, Vice president of the Men's Information and Support Association Inc and Secretary of the Lockyer Valley Community Centre.

4.2. Financial statements

The Cooperative has appointed an auditor to prepare financial statements in accordance with relevant accounting standards for each financial year.

5. Disclaimers

This is an important document and should be read in its entirety. If after reading this Disclosure Statement you (as members or potential members) have any questions about becoming a member, or any other matter relating to the Cooperative, you should consult your professional advisers.

This Disclosure Statement contains information prepared in accordance with the disclosure requirements of the Act, but it is not to be taken as general investment advice. It is not possible for the Board of the Cooperative to have regard to each individual's objectives, financial situations and particular needs of each person who reads or uses the information in this document.

No person or entity is authorised to give any information or make any representation in connection with the offer of membership shares which is not contained in this Disclosure Statement. Any information or representation not contained in this Disclosure Statement must not be relied on as having been authorised by the Cooperative in connection with the offer or this Disclosure Statement.

This disclosure statement has been approved by the Registrar of Co-operatives for the purpose of section 248 of the Act. This approval is not to be taken in any way as an indication that the disclosure statement sets out all information that may be relevant to the proposal.

Approval does not relate in any way to the merits or otherwise of the Cooperative's proposed activities. No responsibility as to the contents of the disclosure statement and attachments and annexures that form part of this document, is to be taken by the Registrar or by any of its servants or agents.

The responsibility for ensuring that the Act has been complied with in the preparation of the disclosure statement lies with those issuing the statement. Persons making false or misleading statements in a disclosure statement may be liable for criminal penalties and expose themselves to civil liability to anyone who suffers loss as a consequence.