

Share Repurchase and Hardship Request Policy

Policy

At the beginning of each financial year the Board is required to make a determination as to the maximum amount that can be repurchased for the following financial year.

The maximum monthly payment is set out under the Co-operative Adoption of National Laws legislation and states, that in any one financial year the repayment of shares is limited to;

- a. 5% of the Co-operative's nominal capital plus
- b. Any additional capital taken during the financial year.
- c. Any special resolution approvals granted at a general meeting or by postal vote of active members.

End of Financial Year Requirements

The Board will be provided with an assessment by the 31st May each year of the residual amount that could be paid for the financial year ending 30th June without breaching any legislative or member approved limits. The Board will make a determination as to what, if any, residual amount will be paid in June.

Additional Payments approved by Special Resolution

It is acknowledged that further amounts can be paid to requesting shareholders over and above the legislative limits provided such are approved by special resolution of the active members of the Co-operative. All procedures for such a resolution are to be followed in accordance with S239 of *The NSW Co-operatives Adoption of National Laws Act 2012*.

Payment of Share Repurchase Requests – Within Legislative Limits (5% of Nominal Capital)

As a guide in determining the maximum payment applicable, the following is to be considered.

- a. The maximum monthly payment to apply is to be limited to one twelfth of the yearly allotted amount.
- b. Each month is determined individually however where circumstances allow, unused amount from one month can be used in the following months to lift the maximum payment.
- c. The maximum amount is not the only determinate of repayment. Sufficient cash-flow must also be available to allow the payment to be processed.
- d. The Board will review the cash flow to ensure that the Co-operative will not be placed under pressure. It will take into account the following;
 - a. Current position with aged creditors
 - b. Current position with aged debtors
 - c. Known up coming commitments
 - d. Financial performance year to date.

Where a special resolution approves an additional amount to be paid. The Board will consider, on a monthly basis, the amount, if any, to be allocated.

Amounts approved under a special resolution by members may be allocated as part of a monthly distribution for 12 months from the month following approval.

Order of Repayment

- a. Repayment will be in the order of the date the request to repurchase was received.
- b. Where an individual shareholding exceeds \$2,000.00, the maximum payment in any one month is set at \$2,000.00 per member request. The shareholder will continue to receive up to a maximum of \$2,000.00 monthly payment less any allocation to small shareholders until such time as the shareholding is repaid in full.
- c. Where the maximum payment is distributed in any one month, up to \$2,000.00 is set aside to extinguish shareholdings of \$1,000.00 and under, or to satisfy hardship claims as approved by the Board.
- d. The maximum amount permitted to extinguish shareholdings where the original shareholding was equal to or less than \$1,000.00 is \$250.00 in any one month.
- e. In the event that the maximum payment is not distributed, there will be no allocation to small shareholders during the month.
- f. Where payment of shares has created a bottleneck for shareholders between \$1,000.00 and less than \$2,000.00. A discretionary payment can be approved by the Board to enable the shareholder to receive funds prior to the clearance of other, larger shareholder before them. Such discretionary payment would need to fall within the totally annual limit but is not included within the maximum monthly allocation limit. This bottleneck provision is only to be used at the discretion of the Board having considered the circumstances of the shareholder concerned.
- g. Where the board agrees to pay amounts above the statutory amount and in line with a special resolution approved by the members, the order of repayment will be;
 - a. Any hardship requests approved by the Board by not able to be satisfied within the current hardship policy to a maximum of \$2,000.00 per request.
 - b. An additional payment to members in chronological order of repurchase request to a maximum of \$1,000.00 per member.
 - c. Remaining shareholders in chronological order with a maximum amount of \$1,000 per shareholder

Worked Examples of Distribution

Scenario 1. Maximum statutory payment approved for distribution (\$10,000.00)

Up to \$2,000.00 allocated to small shareholdings under \$1000.00 at a max of \$250.00 per shareholding.

\$8,000.00 allocated to shareholders in the order of request received up to a maximum of \$2,000.00 to any one shareholder

Scenario 2. Less than maximum statutory payment approved for distribution (\$8,000.00)

Maximum statutory distribution allowable = \$8,000.00

No distribution to small shareholders

\$8,000.00 allocated to shareholders in the order of request with a maximum to any one shareholder of \$1,600.00.

Scenario 3. Maximum statutory payment allowed (\$10,000.00) – Hardship request received for \$4,000.00 to cover funeral expenses.

\$1,000.00 allocated to hardship request.

Up to \$1,000.00 allocated to small shareholdings under \$1000.00 at a max of \$250.00 per shareholding.

\$8,000.00 allocated to ordinary shareholders with maximum to any one Shareholder of \$2,000.00

Scenario 4. Bottleneck provision

There are 5 or more shareholders on the repurchase list that will see no movement in smaller shareholders for a number of months and one shareholder has a shareholding of \$1,250.00 which would not be paid for more than 6 months. Because of the bottleneck payment can be, with approval of the Board, allocated as follows;

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| 4 shareholders at \$2,000.00 each | \$ 8,000.00 |
| 1 shareholder at \$1,250.00 | \$ 1,250.00 |
| Smaller shareholders under \$1,000.00 | \$ 750.00 |

Scenario 5. Special resolution provisions

The Board has approved at it's monthly board meeting the allocation of an additional \$20,000.00 to the repayment of shares. At the time of approval there is one hardship request with shareholding in excess of \$2,000.00. And there are 8 shareholders in chronological order with shareholding in excess of \$2,000.00

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| Hardship request | \$ 2,000.00 (Max \$2,000.00) |
| Shareholder member in order | \$ 8,000.00 (Max \$1,000 per shareholder) |
| Shareholder members < \$2,000 | \$10,000.00 (Max \$1,000 per shareholder) |

The normal allocation of repurchase of shares would be in addition to the above disbursement.

Hardship Provisions

It is acknowledged that there will be times when a genuine hardship situation will be received, such as, funeral expenses for the shareholder.

Such cases are to be treated on their merits and must be approved by the Board before being processed. Documentary evidence to support such requests will be required.

In the event a hardship case is received, the maximum payment that can be made within the statutory limit is \$1,000.00 and is to be drawn from the up to \$2,000.00 allocated to the under \$250.00 shareholders due to be paid in that month. This will ensure that the total maximum amount payable is not exceeded and that it will have the least financial affect on remaining shareholders. Where hardship requests are deemed eligible the Board may approve a payment of up to \$2,000.00 where additional monies are available under the special resolution provisions of this policy.

A business case for the hardship provision is to be made by the Co-operative Secretary, circulated to the Board; if no board meeting is scheduled then approval by circulating resolution will be deemed sufficient to process the request.

Version Control

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| Version one | Approved by Board July 2014 |
| Updated version 2. 6 th Apr 2016 | Approved by Board April 2016 |
| Updated version 3. 6 th Dec 2016 | Approved by Board 20 th December |
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