



HOPSTERS

CO-OP BREWERY

Disclosure Statement

For
Hopsters Co-operative Brewery Limited

A distributing Co-Operative

Company ABN: 60 962 465 667

Co-Operative number: NSWC31923

Website: www.hopsters.coop
www.hopsters.com.au



Name and Registered Office

Name: Hopsters Co-operative Brewery Limited

Registered Office: 8 Douglas Avenue, Chatswood, NSW 2067

Directors

Michael O'Shea

Maya Engelbrecht

Marco Vargas

Ross Howden

Ben Dunn

Scott O'Brien

Mitchell Hobbs

Peter Knock

About Hopsters Co-Operative Brewery ("Hopsters")

In January 2016, a group of professionals began talking about their love of craft beer and discussing how they might start a craft brewing enterprise that was owned by the community and provided mutual support within its community in line with successful international models.

It was decided that the co-operative model was the most appropriate legal model for this enterprise because it was capable of bringing in investment across a whole community and engaging the same community in its activities through active membership.

The name Hopsters Co-operative Brewery embodies the idea of a young, vibrant and enterprising business that looked to the origins of craft brewing.

In the last 10 years there have been many new enterprises focused upon brewing small lots of different craft beers and these have appealed to many people who like beer and appreciate the different styles of beer that are now available in Australia. The success of these small craft breweries has meant that they are either replicated or bought by larger commercial interests and they lose the essence of small scale craft brewing. The difference between these new enterprises and Hopsters Co-operative Brewery is that under the co-operative model the members own the brewery and support its operations.

The business model for Hopsters Co-operative Brewery is one that provides multiple



avenues for engagement between members, the community and the co-operative. We aim to establish a brewery that has true engagement between beer makers, drinkers and enthusiasts as well as with the wider community.

Hopsters strives to make its events and activities welcoming and accessible to all members of our community. The products that Hopsters make, as well as our business practices, will reflect the values and needs of our owner-members with a specific emphasis placed on building a supportive and educational environment and engaging with our local community.

To become a member of Hopsters each person contributes a minimum, once off contribution of \$250 for 5 x \$50 shares in the co-operative (a "*membership fee*").

Members may also purchase additional shares in the co-operative. Under the Co-operatives National Law (CNL) no single member can own more than 20% of the co-operative.



General Australian Federal Government Investment Warning

- Crowd-sourced funding is risky.
- Investing in shares is risky.
- Investing in debt is risky.

Issuers or businesses using these facilities often include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.

Disclosure Statement Distribution

This document is intended for issue and distribution in the state of *New South Wales, Australia*. Any prospective members who do not reside in New South Wales should seek independent advice prior to joining Hopsters Co-Operative Brewery Limited.



The Mission of Hopsters Co-operative Brewery Limited

Hopsters Vision

“To foster a community to connect, learn, create and have fun through beer.”

Hopsters Values

- Collaboration – Hopsters will be the birthplace for great beer. Our members will have an integral part in designing and voting on what we brew. The beer will not simply be the Brewery’s beers. It will be a true reflection of our members and belong to them.
- Education – We believe that beer education will foster a deeper appreciation for beer. We will promote beer education through a range of on-site activities that will develop according to the wishes of our members and size of the brewery.
- Community – Hopsters plans to be a viable member in the local community and across Australia. We look forward to building relationships with craft brewers, other Co-Ops and local businesses.

Hopsters guiding principles

The guiding principles of our business model will be:

- Production and operations must be economically sustainable and environmentally responsible.
- Consumption of alcoholic beverages will take place in a community accessible venue and will comply with responsible service of alcohol requirements.
- Promoting an appreciation of beer through education about beer, its ingredients, styles and brewing methods as well as the culture surrounding beer brewing.
- Provide an avenue for home brewers to learn more about the craft of brewing.
- Recognise the value of community by supporting our local community through employment opportunities and participation, engagement in appropriate local events.



The co-operative model of democratic governance and member focus combined with the 7 co-operative principles aligns closely with our Mission.

Hopsters Co-operative Brewery Limited (Hopsters) is committed to responsible drinking habits and environmentally sustainable brewing practices.

Co-Operative Highlights

General:

Hopsters Co-operative Brewery Limited was officially registered with NSW Fair Trading on 21st October 2016.

It was launched to the public accepting memberships on 9th December 2016.

As at this disclosure statement update in July 2018 we have 179 fully paid members.

Hopsters has also been engaging members to begin developing the core beer range, and this has resulted in the first 3 core beers (IPA, Saison and Pale Ale)

Members are invited to submit entries into the Hopsters home brew competitions. The beers are professionally judged against the Beer Judge Certification Program (BJCP) style guidelines. The first three winning beer recipes have then form part of the proposed core range of Hopsters beers – Founders Range. These are a Pale Ale, an IPA and a Saison.

To celebrate the winning beers these Founders Range beer recipes, along with some of the other winning beers, have been brewed and put in small kegs then placed on tap at a few local supportive venues. The kegs have been made available at exclusive member only Hopsters tasting events.

Licences:

On 4th May 2018 the Office of Liquor, Gaming and Racing (OLGR) approved Hopsters application for a packaged liquor licence.

This licence allows Hopsters to sell beer to:

- Sell beer on-line to the public via the Hopsters Website, by telephone, mail order or facsimile.
- Produce liquor and/or sell liquor to other liquor licensees (wholesale sales). This includes sales of kegs and packaged beer to other licensees.



Hopsters Current Strategy

Goals & Strategy

Hopsters Co-Operative Brewery is the first brewery in Australia established under the Co-Operative Principles. It is a place to meet like-minded craft beer lovers who share a similar commitment to sustainability, community, education and above all, member driven beer.

Hopsters has been pleased with the membership take up rates since the launch of the Co-Operative, however, the rate of take up is below the initial target set by the Board of 250 members by 31st March 2017.

It is evident by the rate of take up that membership fees alone will not generate sufficient capital to achieve our ultimate goal of building Hopsters own commercial brewery and tap room.

The Board of Hopsters Co-op has never anticipated that membership fees alone would provide all the required capital to achieve our end goal. While some members have purchased additional shares, ongoing efforts to raise membership and capital are required to continue to pursue the goals of the co-operative.

We intend to develop supportive relationships and partnerships with other local, Australian and international Co-Operatives (particularly those Co-Ops in related industries such as Co-Operative bottle shops).

In addition to the core “Founders” range of beers, our purpose is to allow members to directly participate in the beers that carry the “Hopsters” name by voting on styles, submitting recipes, and through participation in our homebrew competitions.

Hopsters Co-Operative Brewery currently owns a 200 litre brewing system that is being used to pilot and test demand for beer sales amongst our members. This system will also be used to enable a limited amount of beer in kegs to be sold to Sydney craft beer venues.

The current goals of our Co-Operative over the coming months leading up to the end of 2018 are to:

1. Produce and distribute packaged and kegged beer for members (on our own equipment or via a “gypsy” or contract brewing arrangements)
2. Raise additional share capital to fund the brewery through additional member investment or other external financing sources or a combination of these funding sources



3. Secure a venue suitable for a tap room and the brewery
4. Build and open a brewery and tap room before summer 2018
5. Establishing a brewing environment that allows for ongoing education for our members
6. Provide the equipment and tools for our Head Brewer to produce the best quality craft beers using our members' recipes

We believe that a small microbrewery arrangement combined with a 50 to 60 person capacity tap room is the ideal initial environment to service these goals.

The proposed initial brewery configuration includes Hopsters existing 200L system as well as an additional 3 x 200L and 2 x 400L fermenters.

Funding the Brewery and Tap Room

The Board is continuing to work on the business planning, membership drive and securing funding sources with a plan to set up Hopsters Co-op own venue in late 2018 / 2019.

We have estimated how much money it will take to build the Brewery and Tap Room. We now need demonstrate how we can obtain the necessary capital to achieve our goals.

Memberships

Hopsters current assets and cash balances have been built on the sale of memberships and membership in the Hopsters Co-Operative will always play an integral part in our fund-raising efforts.

Additional Member Shares

Existing Hopsters members will be provided with a facility and this disclosure documentation that will allow for the purchase of additional shares.

Many existing members are expressing an interest in having the option to purchase additional shares and it is a board priority to implement a system that allows for this.

Hopsters Co-Operative Brewery Limited is a distributing Co-Op which allows the Board to declare dividends if the business is sufficiently profitable and has the cash flow to support payment without detriment to the financial position of the business.

Hopsters will use the funds raised from any additional shares sold to meet the goals set out in this document and our Business Plan.



Any additional share funds raised from members specifically in relation to the establishment of the tap room and brewery will be held separately from standard membership and share funds and will be held purely for investment in to future venue locations. It should be noted that all Hopsters Co-op shares rank equally and are of the same value and type at this stage.

Hopsters will need to spend funds on expenses that will not be recoverable if the tap room does not proceed. If the tap room is not able to proceed at the Enmore Road location, for example, Hopsters could potentially lose \$3,300 in a rent holding deposit and up to \$6,000 or more in development and licence applications, plus any other professional services fees associated with preparing to lodge the development application. These are real financial considerations and potential risks associated with activities to try and secure a commercial venue for Hopsters.

Pre-Purchased Beer Sales

Initial packaged beer sales to members will be managed through pre-sales campaigns. This will be done to help manage the demand and cash flow in order to commit to larger contract brew costs to fulfil the orders.

Crowdfunding campaigns

Hopsters intends to run selective crowdfunding campaigns to support the purchase of specific equipment from time to time. This has been a successful strategy for a number of craft brewers who have garnered support from their customers and community.

Preconditions for a Tap Room & Brewery

- Available premises for brewery and tap room located.
- The Landlord of the building has given in-principle support to its development as a craft brewery and tap room
- A signed lease
- Engagement of a town planner
- The town planner will also coordinate with a PCA (private certifier) to assess the likelihood of an approval of a complying development application
- Development approval from the Inner West Council will be required
- All required ATO licences to produce alcohol excise will need to be obtained
- All NSW Office of Liquor, Gaming and Racing (OLGR) liquor licences for on-premise and on-line sales will be required
- An amount of \$250,000 is required to cover the cost of initial setup of the brewery, tap room and the cost of the DA and liquor licence applications
- The amount of capital is an estimate based on the initial brewery proposal plan and is subject to a more detailed assessment during the design phase of the



project and will take into considerations negotiations with the Landlord in relation to scale of building improvements that are completed prior to taking leasehold possession

If any of the preconditions listed above are not able to be satisfied in the first instance, the co-operative will use any funds obtained to continue looking for a suitable site that is able to meet our goals. The co-operative may also consider winding up and a returning of any capital not used in achieving any DA, licence or other preconditions to members.

Membership of the Hopsters Co-operative Brewery Limited

This section sets out the main costs and benefits of membership. You should read the co-operative's rules for a full explanation of the costs and benefits.

Who can be a member

Anyone can be a member, provided the person is over 18 years of age.

Cost

There is a one-off application fee of \$10. This fee is to cover the administration of an application for membership, including the clerical cost of ensuring that the co-operative board considers each application, and includes adding the member's details on the membership register.

The application fee is waived for the first 250 members.

Shares

Hopsters is a distributing co-operative and it has a share capital. Each share has a fixed nominal value of \$50 and each member is required to buy a **minimum of 5 shares**, that is a total share capital contribution of \$250. Hopsters reserves the right to update the value of the share price based on the value of the business and/or current economic conditions such as inflation.

Members may buy more than 5 shares if they wish. A member who has more than the minimum number of shares does not obtain any extra voting rights but may receive greater dividends if and when the co-operative makes a sufficient surplus in a financial year.

Shares do not carry a vote. Voting is attached to membership, and each member has one vote regardless of the number of shares the member holds.



No member can own more than 20% of the share capital in Hopsters Co-op.

Returns to Members

Hopsters does not expect to be able to pay any returns to members within the first few years of operation. Hopsters will consider paying dividends to members in the event there is a sufficient surplus in a financial year, while still allowing enough free cash to support the ongoing operation of the business.

Membership Fees

There is a one-off Membership Fee of \$250, which buys 5 shares in the cooperative. Each member is required to buy a **minimum of 5 shares**.

If a prospective member chooses to purchase the membership shares on an instalment payment plan they are not considered a member or entitled to any member benefits until all instalments are paid in full.

Ongoing obligations

Co-operatives are based on mutual arrangements between members and their co-operative whereby members support their co-operative's main or primary activities through an active membership requirement. The Hopsters rules (Rule 4) identify two primary activities and require members to support those primary activities in particular ways. Rule 4 is set out below:

(1) Primary activity

For the purposes of Part 2.6 of the Law, the primary activities of the co-operative are:

- a. Brewing, distributing and selling craft beer, and
- b. Conducting beer brewing classes and events

(2) Active membership requirements

To establish and maintain active membership of the co-operative a member must

- a. Purchase a minimum value of \$100 worth of goods or services from the co-operative each financial year, or
- b. Participate in a beer brewing class or event at least once each financial year.

Our survey of members indicated that these active membership requirements were at an appropriate level to enable on-going engagement of members.



Risk

Hopsters is embarking on a new business enterprise. All new businesses face the risk of failure. Initial financial information is contained in section 10 of this document. Hopsters is incorporated as a co-operative under the Co-operatives National Law will be a separate legal entity with limited liability. This means that as a member, the most that you may lose if Hopsters' enterprise fails is the application fee of \$10 and any share capital that you have invested in the co-operative. If you have only purchased the minimum share capital of \$250, then this is the amount you may lose if Hopsters fails as an enterprise. Likewise, if you choose to invest more than the minimum \$250, you may lose the sum of any additional investment in its entirety.

Even though Hopsters is a cooperative the board of directors are required to perform their duties in full accordance with the Corporations Law. The board of directors is also required to abide by the Director's Code of Conduct, a copy of which is available on the website.

There are some preconditions to the enterprise starting up, such as obtaining development approval, ATO registrations and licences, liquor licences and obtaining sufficient start up capital. If these preconditions are not met, then the directors of Hopsters may call a meeting to decide what to do and this may involve returning any capital that has not been used in the startup period back to members, or if the money can continue to be used to serve the purpose of the co-operative (i.e. to obtain a venue for beer production)

Can I lose my membership or stop being a member?

Yes, you will lose it if you don't use it – active membership is key!

You can lose your membership if you don't support the co-operative under the requirements for active membership in Rule 4. Co-operatives only work by serving the needs or wants of their members who, in turn, satisfy those needs or wants by acquiring them from the co-operative. If you do not buy goods or services, or attend the required number of events for a period of three years, your membership will be considered inactive and the board of the co-operative will be required under the law to cancel your membership.

You can resign

A member who finds that they no longer wish to participate in the co-operative can give one month notice of his or her resignation. On resignation, Hopsters will repurchase your share capital from you in compliance with Rule 11, **as long as it is financially viable for the brewery**. The board reserves the right to withhold any refund should the



co-operative not be in a financial position to do so.

You can have your membership cancelled

Hopsters will work best with members who understand and support its mission and values and who abide by the rules. As a community based enterprise that needs to comply with development approval conditions and liquor licensing laws, members who breach the Hopsters rules or behave in a manner detrimental to the co-operative may find that they will risk suspension and / or expulsion by a vote from the other members (Rules 9 & 12).

Can I get my money back?

The application fee of \$10 is not refundable.

Generally, share capital is not refundable, however, shares in a co-operative are a little different from shares in a company. If your membership is cancelled because you are inactive, expelled or you resign, then the co-operative is required to repay your share capital, less any money that you might owe the co-operative and possibly at less than the fixed price of the shares, for example if there is a deficiency. The co-operative can delay repaying this capital in circumstances where repayment might compromise the financial viability of the co-operative (Rule 11).

You cannot ask the co-operative to repurchase the shares that you have invested in the co-operative, unless you have held those shares for at least 2 years. If after such time you wish to request a repurchase, the co-operative will consider such a request, but may refuse to repurchase if it would breach the Co-operatives National Law or compromise the financial stability of the co-operative.

You can sell your shares to another member or to another person who wants to become a member subject to approval by the Hopsters board.

It is important to note that once you purchase shares in Hopsters, the Board of the Co-Operative will consider this as your commitment to fund a brewery and tap room in addition to securing membership. Should a particular initiative not be successful, the Co-Operative may use the funds raised through the sale of shares to undertake a separate initiative provided that it continues to meet the goals set out in this document and our Business Plan.

Any other potential costs?

The co-operative is a business enterprise and will sell products such as beer and may sell home brew supplies and brewery related merchandise. We will sell tickets in our beer-related events, such as 'Learn to Brew' education classes.



Benefits of membership

'Become an owner of Australia's first co-operative Brewery'

A co-operative is an organisation owned by its members. Members of Hopsters Co-operative Brewery Limited will own their co-operative and its enterprise. Shares in the co-operative can only be owned by people who agree to the Rules and are actively involved.

Members of Hopsters will receive promotional benefits relating to purchases of products and services, as well as admission to selected events at member prices. Additionally, if the co-operative is successful and makes a sufficient trading surplus, they may also receive a dividend on their share capital, subject to the board declaring any dividends. Finally, Hopsters is built on a business model which encourages collaboration, both within the craft beer-drinking and wider local communities. By investing, you will be supporting other like-minded individuals in establishing a unique business which will actively working to engage with and be shaped by people like you.

Voting

Co-operatives are democratically run, member focused organisations

Each member has one vote in how the co-operative is managed, and in making the big decisions for the co-operative.

The day to day management of the co-operative is covered by the board of directors. The majority of the directors of Hopsters must also be members, so their interests will be the same as the interests of all members.

Members vote at the Annual General Meeting and at any other general meeting of the co-operative called to make important decisions such as electing directors or changing the Rules.

Some important decisions must be made by all members, and the Co-operatives National Law requires these to be made by a special postal ballot. This requirement is designed to ensure that all members have the best opportunity to cast a vote on important decisions affecting their co-operative.

How to apply for membership and shares

Your application needs to be completed online and must be accompanied by the application fee of \$10 and the amount of money to be paid in respect of the number of shares that you wish to buy (minimum of \$250 for 5 shares).

You may also purchase additional shares.



The application form and payment is located on our website, www.hopsters.com.au or www.hopsters.coop

Operation of the co-operative

How Hopsters works

In line with the strategy outlined above Hopsters is working toward raising the capital and locating a place to construct a small scale brewery in a leased premises. The brewery will also contain a tap room where members and non-members may purchase beer and other beverages for consumption in those premises or take away.

It is intended that the premises will also be used to conduct brewing and other education classes for Hopsters members and other members of the community. The brewing will be done by a brewer employed or contracted by the co-operative and assisted by volunteer members until such time as there is sufficient cash flow to employ other staff.

Hopsters Co-op will also make use of other established breweries to do contract brews for packaged beer and kegs until such time as there are sufficient capital and other resources to establish our own venue.

There will be a General Manager employed by the co-operative whose responsibilities will include the purchase of equipment, materials and other resources needed to brew, and the general maintenance and operation of the brewery and taproom facility. Members and the community will be able to purchase products and services from Hopsters either at the brewery or online.

Members will receive regular newsletter updates outlining available products, events, promotions and other information relevant to craft brewing from time to time.

Management of the proposed co-operative

Board of directors

There will be 9 director positions available on the board of the co-operative.

The current directors that have been elected by the membership of the co-operative at



the most recent Annual General Meeting or by the Board, in the case of filling a casual vacancy.

The names and background of the current Directors are:

Marco Vargas

Marco was elected Chairman of the Hopsters board when it came into being on 21st October 2016. Marco is a serial entrepreneur with a focus on hospitality projects mostly on the serviced apartment and short-term stays markets.

Marco is a craft beer aficionado and the initiator of the Hopsters project. Marco has a burning ambition for Hopsters Co-operative Brewery to become the most dynamic and enterprising Co-operative Brewery in the world.

Marco's favourite part of being a part of Hopsters is the people. All walks of life can come together and connect to exchange great ideas over a glass of beer

Michael O'Shea

Michael is passionate about craft beer and is a home brewer. As a founding member of he has consistently contributed many hours and skills to help establish the co-op. He wants to see Hopsters Co-op become a vibrant and welcoming new community space for Inner West.

Michael is a senior finance professional and a CPA with many years experience in leadership, people management, financial control, product management, equipment finance, credit and lending. He brings these valuable skills to the Board. He is the current Treasurer for Hopsters. Michael also has had experience being part of other cooperative committees in the areas of sport and leisure.

Ross Howden

Ross Howden is a senior executive with deep management expertise, working in senior operational, project management & leadership roles within the entertainment/digital technology space for almost twenty years.

Ross has worked in strategic planning and operational roles within Foxtel and senior digital project management roles within the BBC and the Australian Broadcasting Corporation. He also has significant experience in film and television finance and distribution and was a founding player in the video streaming area.

Mitchell Hobbs



Mitchell Hobbs has held a variety of roles in the beer and alcohol industry for more than 7 years. He has experience in retail management and craft beer sales having been a representative for some of Australia's best known craft beer brands.

Mitchell has thrown himself into the Hopsters project with absolute commitment and had made a significant impact into the growth of the business, particularly with his strong sales focus.

Scott O'Brien

Scott is a professional brewer working with an Australian independent brewery. He also has 15 years experience as a mechanical engineer specialising in filtration and pressure vessel equipment design. With over 20 years of brewing knowledge his focus is to ensure Hopsters produced world class beers and have the best value for money brewery equipment possible.

Ben Dunn

Ben is a Superannuation professional and has worked in the Superannuation industry for 15 years. He has extensive knowledge of fund operations and Trusteeship. Ben's involvement in the superannuation industry has given him a member first philosophy that he intends to bring to Hopsters.

Ben has held senior roles in client services and project management offices at various financial institutions. In addition, Ben is an avid home brewer and is passionate about craft beer.

Peter Knock

Peter is an awarded and applauded CEO and senior retailer, specialising in digital transformation within disrupted markets. From creating and developing start-up's to working with some of Australia's largest public and privately-owned companies, including Myer, Dymocks, Thrifty and the Co-op. He is recognised by Inside Retail and Deloitte as one of Australia's top 50 people in E-Commerce in 2015 and 2016. Peter is now with St Vincent de Paul Society NSW as Executive Director of Central Councils and Commercial Operations which operates 250 Vinnies Shops, recycling and export businesses.

Peter also ran Australia's largest Co-op (by members) for nearly 4 years. Peter was also a director of the Business Council of Co-operatives & Mutuals, BCCM.

Maya Engelbrecht

Maya is an Application Architect focusing on the solution design and delivery of successful projects. Maya has 18 years' experience implementing Oracle eBusiness



Suite Applications. Her combination of understanding business processes and having Enterprise Resource Planning (ERP) technical skills help in identifying business improvement opportunities and translating these into practical systems solutions that work.

In her various roles, Maya has had industry exposure in government information technology, insurance, banking, construction, aviation, medical manufacturing, telecommunications, health services and transportation.

Maya is also a lead in Hopsters Marketing and Communication Committee and has transformed the approach Hopsters has taken regarding member engagement.

Election of directors

In accordance with the Rules (Rule 47) the initial directors term of office is to be not more than 3 years ending on the day of the third annual general meeting after the formation meeting.

The term of office of directors elected thereafter, is to commence from the annual general meeting at which they are elected and ends on the day of the third annual general meeting thereafter.

All terms of office for directors elected at an annual general meeting will be for three years. In the event that there is a casual vacancy on the board the remaining directors may appoint a person to fill the casual vacancy until the end of the retiring directors term.

The majority of directors on the board must be members of the co-operative. Non-member directors may be elected to the board where they have special qualifications and experience that will be of benefit to the co-operative.

The nomination procedure is set out in Rule 47.

There is no restriction on a director who has already served his or her term of office from seeking to stand for election for a subsequent term.

Remuneration of directors

For the first 3 years of the operation of the co-operative, directors will not receive any remuneration for their services, unless the director is a non-member director elected to provide specialist skills to the co-operative.

Directors will be entitled to recover expenses for attending co-operative meetings and may be entitled to receive payments for additional services rendered as a contractor,



provided that these matters are declared at board meetings and recorded in any register maintained to record interests of directors.

After the first 3 years of the operation of the co-operative, any remuneration or fees paid to directors must be approved by the members at the annual general meeting.

Day to day management

The board may appoint a person to be responsible for the day to day management of the co-operative. The person may be a director or the Secretary or a member of the co-operative or some other person.

The appointed person is the brewery general manager of the co-operative, and may be called the Brewery General Manager or Brewery Manager or (if a director of the board) the Managing Director.

The conditions and the period of appointment including termination must be decided by the board.

The Brewery General Manager is not entitled to be present or to vote at a meeting of directors on a motion concerning the conditions of his or her own appointment, conditions of service or termination of service.

Financial Management

The Treasurer has a watchdog role over all aspects of financial management, working closely with other members of the board of directors to safeguard the cooperative's finances.

It is important to note that although the Treasurer ensures that these responsibilities are met, much of the work may be delegated to a finance sub-committee (or other Hopsters sub-committee), paid staff and or third party companies or individuals.

In summary, the Treasurer's responsibilities include:

1. General financial oversight
2. Funding, fundraising and sales
3. Financial planning and budgeting
4. Financial reporting
5. Banking, bookkeeping and record keeping

Auditing

Hopsters expects to be a small co-operative for at least the first three years. Under the



Co-operatives National Law, a small co-operative is not required to have its financial statements audited, and members must be provided with basic unaudited financial statements at the Annual General Meeting. Members have a right to require the co-operative to have accounts audited under s271 of the Co-operatives National Law.

To balance the interest of members in the start-up process and to maintain costs during this period at a minimum, the Rules provide that there will be no auditor appointed, however, members will consider and vote on the question of whether to appoint an auditor at each Annual General Meeting. If an auditor is appointed at an Annual General Meeting the terms of that appointment, including whether it will be a continuing appointment, will also be voted upon by members.



Appendix: Summary of required information

Points *a - f* in this section are directly taken from the cooperative national law and are the minimum amount of information required for the Disclosure Statement.

(a) Costs of formation

Line Item	Cost
ASIC Registration fees	\$469
Business Name Registration	\$80
Legal fees	\$1200
Estimated formation costs	\$1749

(b) the active membership provisions of the proposed co-operative

To establish and maintain active membership of the co-operative a member must

- Purchase a minimum value of \$100 worth of goods or services from the co-operative each financial year, or
- Participate in a beer brewing class or event at least once each financial year.

(c) the rights and liabilities attaching to shares in the proposed co-operative;

Shares in Hopsters Co-op gives owners the following rights and liabilities: these should be read in conjunction with the Rules of the Co-operative which are available on the Hopsters website and are attached to the Disclosure Statement.

Most of the rights and obligations that members will have access to pertain to membership, rather than shareholdings. In order to be a member, you must own at least 5 shares. If you choose to own more than 5 shares, you do not obtain any additional votes or membership rights. A share in the co-operative does not carry a vote. The right to vote in the co-operative is attached to membership and governed by section 228 of the Law.

Rights and Obligations of Members and Shareholders

- A member is entitled to a copy of the Rules



- Members are obliged to fulfil the active membership requirements set out in section 6 of this Disclosure Statement.
- The right to attend and vote at each annual general meeting on all resolutions presented, including the appointment of directors to the board of Hopsters. Voting powers and the different methods of voting are covered in sections 32-46 of the Rules.
- The right to stand as or nominate potential directors in accordance with section 47 of the Rules
- The right to require the board to call a general meeting of the co-operative on the requisition in writing by members who together are able to cast at least 20% of the total number of votes able to be cast at a meeting of the co-operative.
- The right to distributions determined by the board at a time when it is financially viable for Hopsters to make such distributions.
- Members of the co-operative have free access rights to the records and registers referred to in section 214 (1) of the Law and they may make a copy of any entry in the registers. Members do not have access to the minutes of board or committee meetings, but may request access to any such minutes in writing addressed to the board.
- Rights to basic minimum financial statements as set out in the National Regulations. The financial reports or statements required by the Law to be given to members vary according to the size of a co-operative in a given year.
- Rights to any property after the satisfaction of all the co-operative's debts and liabilities (including the refund of the amounts paid up on the shares), on winding up of the co-operative in proportion to the member's shareholdings*.
- Shares can be transferred to other parties, including via a member's estate, subject to board approval and the transferee's active membership*. A member who has sold or transferred, or disposed of the beneficial interest in, all the member's shares, or has agreed to do any of those things, is not entitled to vote at any meeting of the co-operative.
- Members' have the right to request that their shares may be repurchased by the co-operative in accordance with the Law and only if the shares have been held for a minimum of 2 years*.
- A person's membership ceases upon bankruptcy and that person's shares may be transferred to the Official Trustee in Bankruptcy and dealt with under the provisions of section 95 of the Law. The liabilities attaching to the shares of a person under bankruptcy or mental incapacity continue in accordance with section 96 of the Law*.
- A person whose shares have been forfeited or cancelled under the rules stops being a member as membership is conditional on the holding of the shares. The co-operative has set-off rights against share capital as specified in section 127 of the Law.



- A member is liable to the co-operative for the amount, if any, unpaid on the shares held by the member, together with any charges, including entry fees and regular subscriptions, payable by the member to the co-operative under the rules. Hopsters intends to require payment for all shares upfront and for all goods and services as incurred.

**Rights pertaining to the shares rather than membership*

(d) the capital required for the co-operative

Estimated brewery and tap room establishment costs of \$250,000. This is in relation to the current goals and strategy for co-operative

The capital will be used to establish the commercial brewery, contract brew, community brew-on-premise, tap room bar and cool rooms. The budget includes an allowance to contribute to building improvements that are not covered as part of the lease agreement.

(e) the projected income and expenditure of the co-operative for its first year of operation

During the first year of operation the co-operative expects to raise capital through memberships and external sources. External funding in the first year will be through a range of sources including equity from members, interest free loans from investors, other external funding sources or Co-operative Capital Units with interest paid in arrears outside the first year of operations or subject to the terms of the individual funding agreements.

During the first year of operations the cooperative will consider a phased set up of equipment to enable production on community brew or pilot systems in order to commence sales of Hopsters brand products. The cooperative may also engage in contract brewing to produce products.

The projected income and expenditure statement and forecasts below are modelled on the current objectives to secure a venue for a small brewery and tap room and includes allowances for brewing and sales scenarios to generate sales revenue for the first year of operating the brewery and tap room.

All other estimated costs to set up the brewery are also outlined in the income and expense table below.



First Year of Operations

Sales Revenue	\$318,720.00
Cost of Goods Sold	<u>(\$136,716.40)</u>
Gross Profit	<u>\$182,003.60</u>
Cash at Bank	\$20,000.00
Capital Raising	\$200,000.00
Total Cash Inflow	<u>\$402,003.60</u>
Building and Construction	(\$109,090.91)
Council Fees	(\$1,483.64)
Information Technology	(\$1,818.18)
Insurance	(\$4,545.45)
Legal Fees	(\$1,818.18)
Licences and Registrations	(\$2,858.52)
Marketing	(\$7,755.68)
Sales and Distribution	(\$3,127.27)
Plant and Equipment (Brewery)	(\$10,955.28)
Professional Services	(\$6,363.64)
Salaries, Super and on-costs	(\$133,312.55)
Outgoings	(\$2,252.84)
Rent	(\$47,666.67)
Utilities	(\$40,532.97)
Bank fees, repayments and interest	(\$9,990.00)
Other expenses	(\$4,165.91)
Total Expenses	<u>(\$387,737.70)</u>
Surplus cash flow for operations	<u>\$14,265.90</u>



5 Year Forecast

HOPSTERS CO-OPERATIVE BREWERY LIMITED	Y1	Y2	Y3	Y4	Y5
Total Revenue	\$318,720	\$843,404	\$1,100,138	\$1,115,964	\$1,222,375
Cost of Goods Sold (includes excise)	\$136,716	\$290,842	\$374,845	\$387,556	\$433,321
Gross Profit After Excise	\$182,004	\$552,562	\$725,293	\$728,408	\$789,055
Total Operating Expenses	\$249,854	\$374,799	\$405,772	\$413,887	\$422,073
GST Payments	\$663	(\$38,466)	(\$54,418)	(\$58,694)	(\$63,039)
Operating Cash flow <u>before</u> Finance / Funding	(\$67,187)	\$139,297	\$265,103	\$255,826	\$303,942
Funding costs					
Bank fees, repayments and interest	\$9,990	\$13,320	\$13,320	\$13,320	\$13,320
Operating Cash flow (excluding capital raised)	(\$77,177)	\$125,977	\$251,783	\$242,506	\$290,622



(f) information about any contracts that may be required to be entered into by the co-operative

Contract	Details
Lease of the premises	Subject to future venue selection
Lease and / or purchase of equipment	Subject to funding requirements
Contract with brewery consultants	Subject to future venue selection
Contract with town planners	Subject to future venue selection
Funding agreements	Subject to funding requirements
Insurance agreements	QBE Insurance
Employment contracts	Subject cash flow available to support having employees
License to produce alcohol	ATO (not to be established until we have own premises)
On-premise license	Office of Liquor, Gaming and Racing
Wholesale Producer License	Office of Liquor, Gaming and Racing
Packaged Liquor License (online)	Office of Liquor, Gaming and Racing
Banker	Bendigo Bank
Contract Brewing	Contract brewing sales agreements & terms