

The Willis logo is displayed in white, serif font on a dark blue rectangular background. This background is part of a larger header area that includes a yellow rectangular section to the left.

PRODUCT DISCLOSURE STATEMENT

COST OF PRODUCTION COVER
BY
CBH MUTUAL FUND

APRIL 2011

NOTE:

This Product Disclosure Statement has been prepared by Willis Australia Limited ABN 90 000 321 237
AFS Licence No. 240600
PDS Reference Number CBHCP2011

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Section 1

Introduction

About this Product Disclosure Statement

This Product Disclosure Statement (**PDS**) contains information about the benefits and features of the CBH Mutual Fund (**Fund**) "Cost of Production Cover" product. The purpose of this PDS is to inform potential Members about the Fund and provide you with the ability to compare this product with other products in the marketplace. This document contains important information about your rights, obligations and duty of disclosure. The Constitution and Rules governing the Fund are attached to this document.

Information concerning the Fund which is not materially adverse to Members is subject to change and updates of such information may be found at www.cbhmutual.com.au. If you request a paper copy of any updated information, this will be provided to you without charge.

This PDS has been prepared, and is issued, by Willis Australia Limited, ABN No. 90 000 321 237, AFS Licence No. 240600 as Trustee of the Fund.

Address: Level 8, Parmelia House, 191 St Georges Terrace
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This PDS has been prepared to inform you about the Fund and help you decide whether to become a Member. This PDS should be read carefully before making your final decision.

The information in this PDS is general advice only. It does not take into account your individual objectives, financial situation or needs. You should consider the appropriateness of this product having regard to your objectives, financial circumstances and needs.

Date

This PDS has been prepared as at 1 April 2011.

Definitions

Capitalised terms used in this PDS are defined in the glossary in Section 8 of this PDS.

Cover not Insurance

Fund membership is not insurance. The Trustee and the Fund are not licensed or authorised under, or subject to, the rules and regulations of the Australian Prudential Regulation Authority or the *Insurance Act 1973* (Cth).

No obligation to pay Claims

If you become a Member and make the required Contributions, the Trustee must consider any Claim you might make, but **acceptance of a Claim and compensation in respect of a Claim is at the Trustee's discretion.** The Trustee is not obliged to pay any Claim you might make. As the Fund is a discretionary trust, a Member will have no entitlement to any income or capital of the Fund.

Regulatory Notice

The Trustee:

- is not authorised under the *Insurance Act 1973* (Cth) to conduct insurance business in Australia;
- and the Fund are not subject to the provisions of the *Insurance Act 1973*, which establishes a system of financial supervision of general insurers in Australia;
- and the Fund are not regulated by the Australian Prudential Regulation Authority; and
- does not guarantee this Fund.

The Trustee:

- will estimate from time to time future liabilities and future payments to Members; but
- does not undertake to ensure that the Fund has adequate financial resources to discharge future liabilities and payments to Members.

In any event, the Trustee has no obligation to pay compensation in respect of a Claim.

Risk Product - Trustee Does Not Guarantee

Membership of, and Contributions to, the Fund provide a mechanism for Members to manage certain risks and should not be viewed as investments on which any return is likely to be achieved. Under the Fund's Constitution, surplus assets beyond Contributions cannot be distributed to Members except in payment of Claims and for use by the Fund to subsidise Contributions in future years.

Payments from the Fund are at the discretion of the Trustee and are further subject to the Fund having sufficient assets to make payments. If the Fund has insufficient assets to pay Claims (even if the Trustee has previously approved a Claim), the Trustee is not obliged to make a payment.

Neither Willis nor any of its associated entities guarantees the performance of the Fund or any payment from the Fund.

CBH support for Fund

CBH (as the Founding Member) will make available up to an aggregate of \$10 million of capital to support the provision of the product in the event that Contributions to the Fund by Members are insufficient to cover all Claims, which are accepted by the Trustee during the period until 31 March 2014 (**CBH Capital Contribution**). The CBH Capital Contribution (if required) will be used to assist the Fund to become self-sustaining over its early years and the Fund will be required to repay the CBH Capital Contribution when it develops the capacity to do so.

A fee will be payable by the Fund to CBH for the availability of the CBH Capital Contribution. The Fund will also pay interest on any CBH Capital Contribution provided. If the Fund ceases to operate and there is a shortfall in assets such that the Fund cannot repay all the outstanding balance of the CBH Capital Contribution then Members will have no liability to CBH for any shortfall.

CBH does not guarantee

Any CBH Capital Contribution provided by CBH to the Fund does not affect the discretionary nature of the Fund. The Trustee has no obligation to make payments in respect of any Claim whether or not a CBH Capital Contribution is sufficient to pay all Claims.

The CBH Capital Contribution may not be sufficient to pay all Claims received by the Fund. If the CBH Capital Contribution is insufficient to pay all Claims, which the Trustee wishes to pay, a Member's Claim is unlikely to be fully covered.

Neither CBH nor any of its associated entities guarantees the performance of the Fund or any payment from the Fund.

Section 2

Membership

Overview

The Fund has been established to provide a means of mitigating crop production risk for its Members. The Fund is not insurance because the Trustee of the Fund has discretionary powers concerning the payment of Claims made by Members. Payments of Claims submitted to the Fund are at the absolute discretion of the Trustee.

Cost of Production Cover – Key Features

The Fund is a discretionary scheme, the purpose of which is to provide a cost of production cover to Members. Members may request a level of cover to reflect their production costs (subject to where cover begins and stops as per details in “Fund Cover” on the following page).

The Cost of Production Cover product is an innovative product that allows growers in Western Australia to mitigate the risk of revenue foregone as a result of a fall in their production of wheat and/or barley. The Cost of Production Cover will help minimise production risk and allow growers to cover their production costs where their yield has fallen below pre-specified levels.

The availability of Cost of Production Cover is summarised in the following table:

Contract	Cost of Production
Location	Western Australia only
Nominated planting	Total intended hectares of wheat and barley (separately)
Actual planting	Hectares planted of wheat and barley (separately)
Location	Hectares planted per Shire required for nomination and actual planting
Commodities covered	Wheat and barley
Grade	All standard grades
Underwritten yield	Calculated on last 10 years production
Delivery Period	1 October 2011 - 31 January 2012
Availability	2011-12 season

Membership

A person nominated by CBH may apply to become a Member of the Fund by delivering to the Trustee an Application Form either online at www.cbhmutual.com.au or a signed Form (see Section 9). The Trustee may subsequently confirm an offer in writing together with the final determination of the Contribution for the cover offered. Payment of the Contribution within 14 days of the offer will confirm Membership. The Trustee has the discretion to accept or reject any application.

On becoming a Member of the Fund, the Member is bound by the Constitution and the Rules. You will not be a Member until you accept the issued Offer of Cover by payment of the initial Contribution. Fund Cover relates to Fund Years that usually commence at 4.00 pm on 31 March and continue until 4.00 pm on the following 31 March. Contributions are payable in respect of each Fund Year where a Member elects to subscribe to the Fund Cover.

Membership Cessation

A Member may withdraw its Membership from the Fund by giving the Trustee 60 days notice in writing. The Trustee may cancel membership of a Member by written notice to the Member if the Member ceases to be a person nominated by CBH (as Founding Member), breaches any provision of the Rules or suffers an insolvency event. A Member exiting or expelled from the Fund will have no vested interest or contingent interest in the Fund and will not be entitled to a refund of any Contributions paid to the Fund.

Claims against the Fund

Members must manage their wheat and barley production utilising best farming practices (for example, normal application of fertilisers and chemicals) so as to minimise the risk of Claims for payment from the Fund.

The payment of a Claim is in the absolute discretion of the Trustee.

A Claim may be made where a fall in crop yields for wheat and barley leads to the Value of Production being less than the Underwritten Value as a result of a natural event (such as lack of moisture, fire, hail or frost) which is beyond the control of the Member.

CBH Mutual has absolute discretion to evaluate the Claim and if it believes that the fall in crop yields was within the control of the Member, then it may decline the Claim. The Cover will not apply in relation to any loss in value due to storage or transport of grain.

CBH Mutual may also adjust the Value of Production for the purposes of assessing a Claim where it believes circumstances have led to generation of crop yields, but fail to result in delivery of grain, for example, as a result of grain being used for seed, crops being cut for hay or otherwise used for purposes other than delivery of grain.

A Member must notify the Trustee, by notifying the Claims Manager in writing, of any Claim or any circumstance or occurrence, which is likely to give rise to a Claim. Upon notification of a Claim, the Claims Manager (by delegated authority of the Trustee) will investigate the Claim, make an assessment of the Claim, determine which Annual Fund applies to the Claim, and report to the Trustee with its findings. The Trustee has absolute discretion concerning the payment of Claims.

Reporting

A Member must notify CBH Mutual within 7 days of the occurrence of a natural event which is likely to materially adversely affect the Member's production of wheat or barley (**Material Adverse Event**) and must provide details of the Material Adverse Event and its anticipated impact on the Member's yield of wheat and barley.

If a Member fails to report a Material Adverse Event CBH Mutual may, without prejudice to any of its other rights and remedies, terminate the Member's Cover by notice to the Member.

A Member must provide a report to CBH Mutual on the 15th of every month from August until November, using the form prescribed by CBH Mutual from time to time, detailing:

- a. the Member's then anticipated yield of wheat and barley per hectare for the Fund Year; and
- b. any Material Adverse Events which occurred during the preceding month.

A Member must provide CBH Mutual with the Member's final wheat and barley yield estimate per hectare prior to commencing harvest (and in any event no later than 30 November 2011).

Authority

Members irrevocably authorise CBH to inform CBH Mutual, upon request by CBH Mutual on or before 31 January 2012, of the total tonnes of wheat and barley delivered by the Member to CBH during the Fund Year for the particular commodity and delivery number as provided by CBH Mutual.

Limitation of Compensation

The Members acknowledge and agree that any payment in respect of a Claim under the terms of the Constitution and the Rules will be limited to the extent to which there are sufficient funds in the relevant Annual Fund to meet the Claim.

Contributions

The Trustee will establish an Annual Fund for each Fund Year. Each Annual Fund is a separate and distinct fund held by Trustee in trust in accordance with the Constitution and the Rules. The Trustee will make a determination as to the initial Contributions for each Annual Fund Year. The Trustee will notify each Member of the requirement to pay its initial Contribution to the Annual Fund. Each Member must pay their initial Contribution to the Trustee within 14 days of the date of notification.

The amount of the initial Contribution will be determined by the Trustee based on the applications and certain yield and price parameters and be allocated to each Member. The cost to each Member will vary according to the individual Member's application and risk profile. The initial Contribution is a single payment for one single planting season.

The initial Contribution will be payable when the Application Form has been submitted, received by the Trustee and a written offer confirmed following the closing date for applications on 30 April. Any subsequent annual initial Contributions (in relation to a subsequent Annual Fund) will be subject to lodgement of a new application and new pricing at the time by the Trustee.

In addition to the initial Contribution, which must be paid in order to become a Member, the Trustee may require a further Contribution from Members if the Trustee considers that there will be a deficit in an Annual Fund. Any further Contribution is payable within 20 business days of the Trustee giving notice of the further Contribution. Interest will accrue on late payments of further Contributions.

Information provided by Members

Each Member must ensure that:

- a. all information provided by the Member to the Trustee in the Member's Application Form and otherwise in connection with the Cost of Production Cover product or any Claim or potential Claim is true and correct when provided; and
- b. all grain yield estimates provided by the Member to the Trustee are made in good faith and on a reasonable basis.

Audit

CBH may, on the Trustee's behalf, audit a Member's compliance with the terms of the Rules and the Constitution including, without limitation, the accuracy of information provided by the Member in the Member's Application Form and all information supplied by the Member to the Trustee in connection with a Claim. The Member irrevocably consents to CBH conducting a full on-farm audit of the Member for this purpose and must provide all reasonable assistance, access and co-operation necessary for CBH to conduct the audit.

Fund Cover

The Cost of Production Cover product offered by CBH Mutual is an innovative product for wheat and barley that allows growers in Western Australia to mitigate the risk of revenue foregone by a fall in their production of wheat and/or barley. The Cost of Production Cover will help minimise production risk and allow growers to cover their production costs where their yield has fallen below pre-specified levels.

How does it work?

- Grower nominates the intended total plantings (ha) of barley/wheat by 30 April 2011 and historical planted hectares and production for wheat and for barley (t/ha).
- A wheat and barley cover price of \$250 per tonne (**Cover Price**) is used to calculate expected revenue, Value of Production and payments for a Claim for the purposes of the Cover.
- Growers calculate at what level they wish their cost of production to begin to be covered (**Strike %**). This is ideally where they see their cost of production as a percentage of expected revenue.
 - Cover can be set at 60%, 50%, 40% or 30% of the grower's expected revenue.
- The Underwritten Yield for the contract will be set by the Trustee in the application assessment stage and determined through grower supplied data. The Underwritten Yield will be contained in the Offer of Cover.
- The Offer of Cover will contain an underwritten value, being the maximum Claim value (**Underwritten Value**), calculated as follows:
 - $\text{Underwritten Value} = ((\text{Area} \times \text{Cover Price} \times \text{Underwritten Yield for wheat}) + (\text{Area} \times \text{Cover Price} \times \text{Underwritten Yield for barley})) \times \text{Strike \%}$
- Applications open 4 April 2011 and close 30 April 2011. CBH Mutual will provide an Offer of Cover to growers to whom the Trustee wishes to offer Membership (**Potential Members**) showing the Contribution payable for Membership within 7 days after 30 April 2011. Invoices for the Contribution will be sent to Potential Members for payment by 20 May 2011. Failure to pay within the requisite period will result in no Cover (and hence no Membership) being issued.
- Member advises by 30 June 2011 of actual planted hectares each of wheat and barley.
- Any natural events (e.g. fire, hail, frost etc) which materially affect or are likely to materially affect crop yield must be notified to CBH Mutual within 7 days of occurrence.
- Members must notify CBH Mutual **prior** to harvest if they believe that the harvest will lead to a Claim. Failure to notify of a potential Claim or natural event which may result in a Claim may lead to the Claim being declined.

- Where there is a shortfall of production below the Underwritten Value due to natural events outside the control of the Member then a Member may make a Claim..
- Members will need to lodge a formal Claim by 31 January 2012.
- Claims will be assessed and any payments made by 30 April 2012.
- The Trustee has an absolute discretion whether to pay out on a Claim.
- CBH Mutual will determine any payout for a Claim based on any shortfall of the actual value of production of wheat and barley in the 2011/12 season (based on the Cover Price) (**Value of Production**) below the Underwritten Value.
 - The Value of Production is the calculated using total production of the farm and the Cover Price (wheat tonnes x Cover Price + barley tonnes x Cover Price)
- CBH Mutual will use an auditing process to assess the validity of Claims. This process will validate all information on the Application Form, therefore it is important that this information is accurate and can be verified.

Where can the Cover start?

The Cover can start with the underwritten value specified as 60%, 50%, 40% or 30% of the expected Value of Production.

What does it cost?

The Contribution specified in the Offer of Cover for each grower will depend on his or her circumstances. However to provide an indicative pricing for various areas of the State, an indicative pricing model for each Shire per commodity is provided on the CBH Mutual website at www.cbhmutual.com.au. The actual Contribution specified in an Offer of Cover may vary from that indicated in the indicative pricing model, depending on the Trustee's assessment of the individual grower's risk profile.

Example

The following example illustrates how the Cost of Production Cover operates.

Grower applies for Cost of Production Cover product by 30 April 2011 stating that he intends to plant 10,000 ha (of which 4,000 ha is wheat and 6,000 ha is barley) in the shire of Perenjori for the 2011/12 season.

An Offer of Cover is provided to the grower which states that based on his historical yields provided, the Cover will use historical yield averages of 1.5 t/ha for wheat and 1.7 t/ha for barley. The grower accepts the Offer of Cover and submits payment of the Contribution by 20 May 2011.

- The grower nominates selected Cover to commence at 50% of average yield (the Strike %).
- The Cover Price of \$250 is used for the calculation of expected Value of Production.
- The Underwritten Value is \$2,025,000.
 - $4,000\text{ha} \times 1.5\text{t} \times \$250 = \$1,500,000$ for wheat; $6,000\text{ha} \times 1.7\text{t} \times \$250 = \$2,550,000$ barley;
 - \$4,050,000 expected revenue
 - $\$4,050,000$ (total production) x 50% (Strike %) = \$2,025,000
- The Cost of Production Cover may payout when the Value of Production of wheat and barley falls below \$2,025,000.
- The level of cover is: \$202.50 / Ha
 - $(\$2,025,000 / 10,000 \text{ ha})$

Member advises by 31 July that he has planted 5,000 ha of wheat and 5,000 ha of barley. After harvest, the total production is 2,200t wheat and 3,000t barley across the whole farm. [The fall in production per hectare is as a result of adverse seasonal conditions.]

- Value of Production (under the Cover) is calculated as: \$1,300,000
 - $(2,200t \times \$250/t \text{ (Cover Price)}) = \$550,000$ for wheat and $3,000t \times \$250/t \text{ (Cover Price)} = \$750,000$ for barley)
 - Value of Production: $\$550,000 + \$750,000 = \$1,300,000$
- Therefore, maximum payout is \$725,000 (i.e. $\$2,025,000 - \$1,300,000$)

Taxation

As each Member's individual circumstances are unique to them, they should consult their own taxation adviser about potential taxation issues.

GST is payable on Contributions made to the Fund.

Regulatory Review

The Trustee is required to report Fund statistics to the Government on an annual basis. The Fund is not otherwise regulated by the Australian Prudential Regulation Authority.

Service Providers

The following service providers have been appointed by the Trustee to assist in the management of the Fund.

Claims Manager:	Willis Australia Limited Level 5, 570 Bourke Street, Melbourne VIC 3000
Actuary:	Willis Re Australia Limited Level 5, 179 Elizabeth Street, Sydney NSW 2000
Auditor:	Deloitte Touche Tohmatsu Ltd 550 Bourke Street, Melbourne VIC 3000
Taxation Adviser:	Deloitte Touche Tohmatsu Ltd 550 Bourke Street, Melbourne VIC 3000
Bank:	Westpac Banking Corporation
Legal Adviser:	Clayton Utz QV 1, 250 St Georges Terrace, Perth WA 6000

What should you do if you have a Complaint?

The Fund has a formal complaints procedure. Should you have any cause for complaint about the Fund's services please raise the matter in the first instance with the Trustee by contacting the Complaints Officer on 03 8639 2600 or at Level 5, 570 Bourke Street Melbourne Victoria.

The Trustee is a Member of the Financial Services Ombudsman Limited, an external dispute resolution scheme. Should you be not happy with the response to your complaint you have the right to make a complaint to the Financial Services Ombudsman Limited, who can be contacted on 1300 78 08 08 or GPO Box 3, Melbourne Victoria 3000

Privacy

The Trustee is governed by the National Privacy Principles, which sets out standards for collection, use, disclosure and handling of personal information. We respect your privacy and are committed to protecting your personal information. You can get a copy of the Willis Privacy Statement on the Trustee's website at www.willis.com.au or by contacting the Willis Privacy Officer on 03 8635 2600.

Reporting

The accounts of the Fund are audited annually by an external auditor, Deloitte Touche Tohmatsu.

Quarterly management reporting is prepared and reported by the Trustee. You may request a copy of the quarterly report and annual report by contacting the Trustee.

Cooling-Off Period

You have a 14-day "cooling-off period" after you become a Member of the Fund during which time you can cancel your Membership if you decide that the Fund does not meet your needs. You will receive a refund of your initial Contribution that you have paid (less any taxes or duties payable).

If you wish to use the cooling-off period, you must not have exercised any of your rights or powers as a Member (e.g., you must not have made a Claim) and must notify us in writing within 14 days of the earlier of:

- the date you confirm your Membership by paying the Contribution; or
- the end of the 5th business day after you become a Member of the Fund.

After the cooling-off period ends you continue to have cancellation rights in certain circumstances as set out in Section 2 of this PDS.

Frequently asked questions

1. Who is CBH Mutual?
 - a. CBH Mutual is a discretionary trust fund which has been developed by Willis and CBH so that Willis can provide specialist product offerings which are discretionary in nature and are therefore not considered to be insurance products under Australian law. These products are bespoke for Members' needs and all benefits from CBH Mutual are for the benefit of the Mutual's members.
2. Who is Willis?
 - a. The Willis Group is a leading global insurance broker, developing and delivering professional insurance and risk management solutions for clients worldwide. Willis has been appointed as the Trustee to distribute and operate the products of CBH Mutual.
3. Who assesses my application?
 - a. The Trustee will review the application and may provide an Offer of Cover to the applicant detailing the average yield that would apply to the product.
4. What if my actual plantings for barley and wheat in total are greater than I had initially nominated?
 - a. If the total planting for wheat and barley are greater than that initially nominated, then the production will be prorated across the actual hectares to provide an actual yield. For example, if 1,000 hectares is nominated and 1,200 hectares planted, the final product of 1,800 tonnes will be prorated across the 1,200 hectares to give a yield of 1.5 tonnes per hectare for the product.
5. What if my actual plantings for barley and wheat in total are less than I had initially nominated?

- a. If actual planting hectares are less than that nominated in April, then the production will be prorated across the actual hectares to provide an actual yield. For example, if 1,000 hectares is nominated and 700 hectares planted, the final product of 980 tonnes will be prorated across the 700 hectares to give a yield of 1.4 tonnes per hectare for the product.
6. How is Underwritten Yield calculated?
 - a. The Underwritten Yield will be determined by the Trustee. This may differ from what is provided in the Application Form depending on the assessment. This will form the basis of the Offer of Cover to the grower.
7. What am I covered for in relation to the quality of yield?
 - a. The cover measures against actual tonnes produced regardless of quality. If actual tonnes produced are affected by drought, hail, frost or other natural peril this does not affect the product. The cover only considers the actual tonnes produced.
8. Does the Cost of Production Cover pricing differ between wheat and barley?
 - a. No.
9. Does pricing differ depending on where I'm located?
 - a. Yes, the pricing is dependent on the location of the barley and wheat plantings in shires.
10. What is the wheat and barley Cover Price of \$250 a tonne?
 - a. This is used to determine a value for the production at planting and at harvest. The payout of any Claim for tonnes less than the Underwritten Yield will be paid at this rate.
11. Do the actual tonnes produced include amounts kept for seed?
 - a. Yes. It includes all produced barley and wheat.
12. Who do I contact if I have any questions on this product?
 - a. Willis will provide a call centre operation to deal with questions on this product. Contact details are available at www.cbhmutual.com.au. CBH Grower Services and other staff are not licensed to provide information on this product nor provide advice on it.
13. Will I be audited if I take out this product?
 - a. There is a right for CBH to conduct an audit during the year on behalf of CBH Mutual to ensure that information provided is accurate.
14. How does the Claim process work?
 - a. A grower must notify CBH Mutual if they believe that it is possible that they will Claim prior to harvest, or if there has been a natural event (eg. fire, hail, frost) that has impacted or is likely to impact upon the yield of the crop. This will allow CBH Mutual to inspect the crop prior to harvest. A formal Claim is required to be lodged with CBH Mutual by 31 January 2012 specifying the actual tonnes harvested for wheat and barley. The claims process will require information to be substantiated through third parties such as accountants and/or business advisers. Access to related parties documents may also be requested
15. What if CBH Mutual is not satisfied that information provided is not accurate or truthful?
 - a. If information provided is found to be not accurate or truthful, then this will make any Claim null and void.

Section 3

Fund's Insurance Policies

The Fund will from time to time consider entering into insurance or reinsurance policies for the benefit of Members with reputable insurance or reinsurance companies.

However, the cover provided by the Fund to its Members is not subject to insurance or reinsurance for it to be active.

Any proceeds of claims made by the Fund under any insurance or reinsurance policies will form part of the property of the Fund.

Section 4

Fund Expenses

The Trustee is entitled to be paid from the Fund a management fee by way of remuneration for carrying out its duties and obligations under the Constitution and the Rules. The amount of the management fee will be agreed from time to time between the Trustee and the Founding Member depending on the time spent by the Trustee in administering the Fund. As the Cost of Production Cover product is a new product and the extent of its take up by Western Australian growers is uncertain, the level of the management fee cannot be specified.

The Trustee is entitled to be paid from, or reimbursed from the Fund for all costs, charges and expenses which are incurred by the Trustee in the proper performance of its duties in administering the Fund. These costs will include:

- the costs of the Trustee taking out any insurance or reinsurance policies for the benefit of Members;
- the repayment of any CBH Capital Contribution; and
- any fees and interest payable by the Fund to CBH in respect of the CBH Capital Contribution facility. The Fund will be required to pay to CBH a quarterly fee of 2.50% per annum calculated on the balance of the \$10 million limit of the CBH Capital Contribution facility less any funds provided under the CBH Capital Contribution facility at the beginning of each quarter.

The Trustee has the right of indemnity out of the Fund in respect of any liability incurred by the Trustee in the performance of its duties in respect of the Fund and all fees payable to and costs recoverable by the Trustee under the Constitution or the Rules.

Section 5

Risks under the Cover provided by CBH Mutual

There are certain risks that Potential Members should be aware of, such as:

- The payments of all Claims are at the sole and absolute discretion of the Trustee. Accordingly, the Trustee has the discretion not to pay a Claim or not to pay the full amount of a Claim. A Member will therefore have no assurance of receiving any benefit from the Contribution paid, even if the Member's production of wheat and barley is less than the Underwritten Yield.
- The Fund may not have adequate financial resources to pay all Claims. If the Fund does not have adequate financial resources to pay all Claims a Member's Claim may not be paid or may not be paid in full.
- Offering of the product on a continuous basis and renewal of Membership are at the discretion of the Trustee and Member's cover and Membership will cease after the expiry of the Annual Fund (i.e. 31 March 2012).
- New applications will be necessary for any new cover from 1 April 2012 subject to CBH Mutual offering new cover and Membership.

Section 6

CBH Mutual Fund's Rules

The Constitution and the Rules set out rights and obligations of Members of the CBH Mutual Fund. The Constitution is summarised in Section 7. The Rules are set out below.

Rules of CBH Mutual Fund

BACKGROUND

- A. The Trustee is the trustee of the Fund.
- B. The Trustee has established the Fund to assist Members manage the financial consequences of events which may give rise to Claims. Subject to these Rules and the Trustee exercising its discretion in favour of Members, the Trustee may acquire and maintain Insurance Policies on behalf of the Members and Members may be indemnified against certain costs associated with a Claim.
- C. The rights and obligations of the Members in relation to the Fund will be governed by these Rules.

OPERATIVE PART

Part 1 - Preliminary

1. Definitions

In these Rules:

Annual Fund means a Category of the Fund established, subject to these Rules, for the purpose of granting assistance to Members for an event giving rise to a Claim which accrues in a relevant Fund Year;

APRA means the Australian Prudential Regulation Authority;

Business Day means any day except a Saturday, Sunday or other public holiday in Western Australia;

Capital has the same meaning given to that term as in the Constitution;

Category has the same meaning given to that term as in the Constitution;

CBH means Co-operative Bulk Handling Limited ABN 29 256 604 947;

Claim means any claim made by a Member for compensation by the Fund;

Constitution means the Constitution of the Fund comprising deed poll dated 31 March 2011;

Contribution means such amount as may be determined by the Trustee as being payable by a Member in accordance with **Rule 18** for the purpose of establishing an Annual Fund;

Deductible means the first level of cost in respect of a Claim, for which a Member will not receive a payment out of the Fund;

Eligibility Criteria means the criteria for membership of the Fund specified in **Rule 7.1** ;

Eligible Person has the meaning given in **Rule 7.1**;

Expired Annual Fund means an Annual Fund in respect of which 2 years have expired since the date of its establishment;

Extraordinary Resolution has the same meaning given to that term as in the Constitution;

Financial Year has the same meaning given to that term as in the Constitution;

Founding Member means CBH or such other Eligible Person as the Founding Member from time to time nominates in writing as a replacement Founding Member provided the replacement Founding Member accepts the nomination in writing;

Fund means the mutual discretionary fund established by the Constitution;

Fund Year means:

- (a) for the first year of the Fund, the period commencing at the instant after 4.00 pm on 3 April 2011 and ending at 4.00 pm on 31 March 2012; and
- (b) subsequently, each period of 12 months commencing at the instant after 4.00 pm on 31 March and ending at 4.00 pm on 31 March next,

or such other period as the Trustee may at any time determine;

Income has the same meaning given to that term as in the Constitution;

Insolvency Event means in relation to a person:

- (a) if the person is a body corporate, that person becoming an externally administered body corporate within the meaning of the *Corporations Act 2001 (Cth)*;
- (b) if that person is a natural person, that person becoming an insolvent under administration within the meaning of the *Bankruptcy Act 1966 (Cth)*; or
- (c) any circumstances in which someone takes control of that person's property for the benefit of one or more of that persons creditors because that person is, or is likely to become, insolvent;

Insurance Policy means any policy of insurance purchased by the Trustee for the benefit of the Members or any of them from time to time pursuant to these Rules;

Loss means any loss or damage incurred by a Member which:

(a) would be indemnified under the terms and conditions (including exclusions) of any Insurance Policy obtained by the Trustee for and on behalf of that Member, if a nil retention or deductible applied under that Insurance Policy; and

(b) is not covered by any other insurance;

Member means the Founding Member (provided the Founding Member applies for membership of the Fund) and each other person who has signed and delivered to the Trustee an application for membership of the Fund and has been accepted as a Member by the Trustee pursuant to **Rule 7**;

Offer has the meaning given in clause 7.2;

Potential Member means an Eligible Person pursuant to **Rule 7.1** that has not yet been admitted as a Member of the Fund;

Product Disclosure Statement has the same meaning given to that term as in the *Corporations Act 2001 (Cth)*;

Registered Scheme has the same meaning given to that term as in the Constitution;

Related Body Corporate has the same meaning given to that term as in the *Corporations Act 2001 (Cth)*;

Relevant Annual Fund means an Annual Fund in respect of which an event giving rise to a Claim has accrued in the Fund Year to which that Annual Fund applies;

Rule means a rule contained in these Rules;

Special Resolution has the same meaning given to that term as in the Constitution;

Termination Date has the same meaning given to that term as in the Constitution;

Trustee means Willis Australia Limited ABN 90 000 321 237, AFS Licence 240600 or any subsequent trustee of the Fund;

2. Interpretation

In this Deed, unless the context otherwise requires:

- (a) singular includes plural and plural includes singular;
- (b) words of one gender include both other genders;
- (c) reference to legislation includes any amendment to it, any legislation substituted for it, and all statutory instrument issued under it and in force;
- (d) reference to a person includes a corporation, firm and any other entity;
- (e) reference to a party includes that party's legal personal representatives, successors and permitted assigns;
- (f) if a party comprises more than one person, each of those persons is jointly and severally liable under these Rules;
- (g) a reference to a board of a trust means the board in that capacity;
- (h) a power of the board must not be read down by reference to another power;
- (i) headings do not affect interpretation.

Part 2- Establishment

3. Trust

The Fund has been established by and is held on trust by the Trustee pursuant to the terms of the Constitution.

4. Related Documentation

- (a) Membership of the Fund is governed by these Rules and any applicable provision contained in the Constitution.
- (b) In the event of any inconsistency between these Rules and the Constitution, the Constitution will prevail to the extent of any such inconsistency.

5. Name

The name of the Fund is the CBH Mutual Fund.

6. Purpose

The purpose of the Fund is to provide for:

- (a) the promotion of risk management amongst the Members;
- (b) the management of, and granting assistance and payments against, Claims made by Members; and
- (c) the purchase and maintenance of Insurance Policies for the benefit of the Members.

7. Membership

7.1 To be eligible for membership of the Fund (**Eligible Person**), a person must be:

- (a) the owner, occupier or user of a farm located in the State of Western Australia; and
- (b) nominated by the Founding Member to the Trustee from time to time.

7.2 The Trustee may from time to time during the life of the Fund, offer membership of the Fund to any Eligible Person (**Offer**).

7.3 Subject to **Rule 7.4**, membership of the Fund will be open to the Founding Member and Eligible Persons provided they meet the entrance criteria set out in these Rules and such other criteria as may be nominated in writing by the Trustee from time to time.

7.4 The Trustee has an absolute and unfettered discretion to refuse membership to any person without giving any reasons for that decision.

7.5 An Offer must be in writing and made by way of providing a Potential Member with at least the following documents:

- (a) a letter of offer;
- (b) a Product Disclosure Statement (if required);
- (c) a copy of these Rules;

- (d) an application to become a Member; and
 - (e) a copy of the Constitution.
- 7.6 If the Trustee provides a document set out in Rule 7.5 to a person who certifies to the Trustee that the person is a duly authorised agent of one or more potential Members, the Trustee will be taken to have provided the document to every such potential Member without the need to provide a separate document to each such potential Member or the agent.
- 7.7 Without limiting **Rule 7.5**, the Trustee must ensure that any Offer informs a potential Member that:
- (a) the Trustee is neither authorised under, nor subject to the provisions of the Insurance Act 1973 (Cth);
 - (b) the Trustee is not regulated by APRA;
 - (c) the indemnification and payment of any Claim out of the Fund on behalf of a Member is in the absolute discretion of the Trustee; and
 - (d) the Fund may not have the financial capacity to pay future Claims made by Members.
- 7.8 A person may apply to become a Member by signing and delivering to the Trustee an application to become a Member.
- 7.9 On receipt of an application to become a Member, the Trustee has the discretion to accept or reject such application and request any further information from the applicant for the purpose of assessing the application.
- 7.10 An applicant must be advised of the determination by the Trustee within a reasonable period.
- 7.11 On becoming a Member, the Member is bound by the provisions of these Rules.
- 7.12 The date of effect of the applicant becoming a Member must be advised in writing to the Member by the Trustee.
- 7.13 Membership of the Fund commences on the date advised in writing to the Member by the Trustee in accordance with **Rule 7.12** and, unless terminated earlier in accordance with these Rules, terminates on the Termination Date.

8. **Withdrawal or Cancellation of Membership**

- 8.1 A Member may cease to be a Member by giving the Trustee 60 days notice in writing of the Member's intention to that effect. The Member's resignation takes effect 60 days after the date of receipt of the notice by the Trustee.
- 8.2 The Trustee may at any time in its absolute discretion, immediately cancel the membership of a Member by written notice to the Member to that effect where the Member has:
- (a) ceased to meet the Eligibility Criteria for membership specified in these Rules;
 - (b) failed to remedy any breach of these Rules within 20 Business Days of the date of a notice in writing from the Trustee to remedy same;
 - (c) suffered an Insolvency Event; or

- (d) made a fraudulent Claim against the Fund.
- 8.3 Subject to **Rules 8.4** and **8.5**, a Member exiting or expelled from the Fund will have no vested or contingent interest in the Fund and will not be entitled to a refund of any money paid into the Fund under any circumstances.
- 8.4 Nothing in this **Rule 8** will affect the rights of a person, who has ceased to be a Member to Income or Capital to which such person became entitled as a result of any determination of the Trustee prior to such cessation.
- 8.5 The Trustee may, in its absolute discretion, refund all or part of the Contributions made by a Member who ceases to be a Member. The refund may be on conditions.

9. Founding Member

- 9.1 The Trustee is responsible for the management and administration of the Fund.
- 9.2 The Founding Member may review issues relevant to the administration and operation of the Fund and make recommendations to the Trustee.
- 9.3 The Trustee may, in its absolute discretion, choose to implement or disregard any recommendation of the Founding Member.
- 9.4 The Founding Member has the powers and functions set out in Annexure 1.
- 9.5 The Trustee must prepare and provide to the Founding Member a single copy of the following reports:
 - (a) summary of total Claims outstanding and the amount assessed as the likely total liability for those Claims, to be provided at least monthly;
 - (b) annual report on all Claims paid in a Fund Year, to be provided within 90 days of the end of each Fund Year;
 - (c) an annual report on all financial benefits (including any commissions and volume bonuses) received by the Trustee in respect of any Insurance Policy;
 - (d) annual audited financial statements for the Fund, to be provided within 90 days of the end of each Fund Year including detail of expenses paid by the Fund in that Fund Year;
 - (e) annual report on performance of the Fund (including reports on performance against the objectives and activities of the Fund and such other information as the Founding Member reasonably requires), to be provided within 90 days of the end of each Fund Year; and
 - (f) a budget for each Fund Year (including budgets for Contributions receivable, expenses payable, Claims payable and such other information as the Founding Member reasonably requires), to be provided at least 30 days before the start of each Fund Year.

Part 3 – Claims Against the Fund

10. Payments from the Fund

At the discretion of the Trustee and subject to any provision of these Rules to the contrary, Members may be granted assistance through payments out of the Fund for events giving rise to a Claim during the term of their membership.

11. Handling of Claims

11.1 A Member must promptly notify the Trustee in writing of any Claim and any circumstance, event or occurrence which is likely to give rise to a Claim.

11.2 Upon receiving notification pursuant to **Rule 11.1**, the Trustee must:

- (a) investigate the Claim;
- (b) make an assessment as to whether and, if so, the extent to which the claiming Member may be granted assistance by a payment of the Fund against the Claim;
- (c) determine which Annual Fund applies to the Claim and the amount available in that Annual Fund to meet the Claim;
- (d) report the Claim to the Founding Member together with the findings of its investigations and its assessment as to whether the claiming Member may be granted assistance by the Fund in respect of the Claim;
- (e) if applicable, make an appropriate claim under any relevant Insurance Policy; and
- (f) provide the Founding Member with such other information and advice as the Founding Member reasonably requires in relation to the Claim.

11.3 A Member must provide all information and assistance in respect of a Claim as may be reasonably requested by the Trustee.

11.4 The Founding Member may make a recommendation to the Trustee as to whether the Claim should be paid and if so to what extent.

12. Payment of Claims

12.1 As soon as practicable after receipt of notification of a Claim from a Member, the Trustee must notify the Member whether it will, or will not, pay an amount out of the Fund in respect of the notified Claim.

12.2 If the Trustee notifies a Member that it will pay an amount out of the Fund in respect of the notified Claim, the Trustee will be subrogated to the rights of the Member in respect of such Claim and will be entitled to take over the conduct of any defense or claim for any indemnity, damages or otherwise against any third party on behalf of the Member and will have full discretion in the conduct of any negotiations or proceedings and the settlement of any Claim for the benefit (to the extent of the payment made to the Member out of the Fund) of the Fund.

12.3 In the conduct of any claim by the Trustee, the Member must provide such advice and assistance as may be reasonably requested by the Trustee, or any loss adjuster, solicitor or other agent appointed by the Trustee with respect to the conduct of the claim.

12.4 The Trustee may, in respect of any payment to a Member out of the Fund, set off the amount of any benefit against:

- (a) any Contributions or other payments due at the date of the payment but unpaid by the claiming Member; and
 - (b) any loss or expenses incurred by the Fund arising from or directly or indirectly associated with, a breach of these Rules.
- 12.5 If the Trustee notifies a Member that it will not make a payment out of the Fund in respect of the notified Claim, the Trustee will not be required to provide reasons for its decision.
- 12.6 No course of conduct in relation to the Trustee making payments out of the Fund to Members will create any right for another Member to a payment out of the Fund (whether or not the circumstances of the other Member's Claim are the same or similar to Claims in respect of which payments have been made).
- 13. Payment out of Fund only**
- 13.1 The granting or refusal of a payment out of the Fund is in the absolute discretion of the Trustee.
- 13.2 A Member will not have recourse to the Trustee, another Member, or any other person associated with the conduct of the Fund in respect of a Claim and in no circumstances will the Trustee, the Founding Member, a Member or any other person have any liability or obligation to make a payment in respect of a Claim.
- 14. Limitation of Assistance**
- 14.1 The grant of any assistance and payment in respect of a Claim under these Rules will be limited to the extent to which there are sufficient funds in the Relevant Annual Fund to meet that Claim.
- 14.2 To the extent that there are insufficient funds in the Relevant Annual Fund to make full payment to a Member in respect of a Claim, subject to **Rule 14.3**, that Member will not be entitled to be paid out of the funds of any other Annual Fund.
- 14.3 To the extent that a Claim accrues in respect of a period covered by two Annual Funds, the Trustee will be entitled to make payment to the claiming Member from each Relevant Annual Fund.

Part 4 – Contributions from Members

- 15. Annual Funds**
- 15.1 The Trustee must establish an Annual Fund for each Fund Year.
- 15.2 The Members and the Trustee agree that each Annual Fund is a separate and distinct fund vested in and held by the Trustee in trust pursuant to the terms of the Constitution, to be applied for the benefit of the Members in respect of any Claim arising from an event accruing in the relevant Fund Year for which the Trustee may grant assistance through a payment by the Fund.
- 16. Annual Contributions**
- 16.1 Before, or as soon as practicable after, the beginning of each Fund Year, the Trustee, in consultation with the Founding Member, must, in relation to each Annual Fund, determine the Contribution rates to be applicable to each Member or Potential Member upon written application for cover for that Fund Year having regard to:
- (a) the budget for promoting risk management;
 - (b) the recommendations of the Founding Member;

- (c) risk factors attributable to each Member;
 - (d) historical claims records of Members;
 - (e) the aggregate amount of potential claims retained by the Fund under any Insurance Policies;
 - (f) the Deductible applicable to the Member under the Fund for that year;
 - (g) the administrative and management charges (including legal and other costs incurred in relation to management and resolution of Claims) anticipated to be payable from the Annual Fund;
 - (h) taxes and other charges anticipated to be payable by or from the Annual Fund;
 - (i) any surpluses from previous Annual Funds;
 - (j) the right of the Trustee to make further calls for Contributions during the Fund Year; and
 - (k) such other matters as the Trustee considers relevant.
- 16.2 The Trustee is entitled to determine different levels of Contributions and different Deductibles for Members or classes of Members based on factors which the Trustee determines, including:
- (a) the risk management measures taken by Members or classes of Members; and
 - (b) the claims experience of Members or classes of Members.

17. Further Contributions

- 17.1 At any time after the initial Contributions in respect of an Annual Fund are paid, the Trustee may determine that further Contributions are to be made in respect of the Annual Fund.
- 17.2 If there is or will be a deficit in an Annual Fund at any time, the Trustee may in its absolute discretion, after having regard to the matters referred to in **Rule 16**, require further Contributions from the Founding Member and any other Member. The further Contributions may be of an aggregate amount sufficient to ensure that there is or will be no such deficit.
- 17.3 For the avoidance of doubt, further Contributions may be required from the Founding Member and any other Member in respect of a former Member who was a Member at any time during the Fund Year to which the Annual Fund relates.
- 17.4 Despite any other provision of these Rules or the Constitution, regardless of whether there is or will be a deficit in an Annual Fund at any time, the maximum aggregate further Contributions that may be required to be paid by the Founding Member and any other Member in respect of a Fund Year will be agreed between the Trustee and the Founding Member from time to time.

18. Payment of Contributions

- 18.1 Promptly after the Trustee has determined that a Contribution (including a further Contribution under **Rule 17**) is payable by Members and/or the Founding Member (as applicable), the Trustee must issue to each Member and/or the Founding Member (as applicable) a notice requiring a Contribution or further Contribution. The notice must specify the amount and manner of payment of the relevant Contribution or further Contribution.
- 18.2 Each Member and/or the Founding Member (as applicable) must pay the Contribution or further Contribution to the Trustee within 20 Business Days of the date of the notice.

- 18.3 If a Member does not pay a Contribution or further Contribution when due, the Trustee may, at its absolute discretion, require the Member or the Founding Member (as applicable) to pay interest on the amount unpaid calculated on daily balances (and compounding semi-annually) at the 3 year BBSY swap rate published by the Commonwealth Bank of Australia from the due date to the date of actual payment. If there is no such published rate, the rate will be as determined by the auditor of the Fund as a comparable rate. An unpaid Contribution or further Contribution constitutes a debt payable by the relevant Member or the Founding Member (as applicable) to the Fund.
- 18.4 The Trustee may in its absolute discretion take any action to recover unpaid Contributions or further Contribution from a Member or the Founding Member (as applicable) at any time after giving the Member or the Founding Member (as applicable) a further 5 Business Days' demand for payment of the Contribution or further Contribution.
- 18.5 A Member or the Founding Member (as applicable) may not set-off a Contribution or further Contribution payable to an Annual Fund against any amount payable to it out of the Annual Fund.

19. Annual Fund Surplus Rollover

At the expiration of 2 years from the date of establishment of an Annual Fund, the Trustee, may, in its absolute discretion, determine to:

- (a) roll the amount of any surplus which exists in an Expired Annual Fund into any other Annual Fund;
- (b) use such surplus in the Expired Annual Fund for the purpose of granting assistance to any Member in respect of a Claim;
- (c) making a Capital Determination in favour of another entity with similar purposes as the Fund chosen by the Founding Member; or
- (d) make a discretionary distribution of such surplus to the Members or any one or number of them, pursuant to the Constitution.

Part 5 – Deductibles and Insurances

20. Objective

The objective is that:

- (a) the Fund will promote risk management amongst the Members;
- (b) each Member who makes a Claim will bear a portion of the Claim by way of a Deductible; and
- (c) the Fund may obtain and maintain Insurance Policies to minimise the amount of Contributions required to be paid by Members in any Fund Year.

21. Risk Management Program

The Trustee, acting reasonably, will determine a risk management program which Members must comply with to minimise Claims for payment from the Fund.

22. Deductibles (Level of Cover)

- 22.1 The Trustee will determine a policy for the level of Deductibles which a Member or class of Members may seek approval for (**Deductible Policy**). Unless otherwise determined by the Trustee, the level of Deductibles will be determined by the level of cover offered.

- 22.2 Subject to the Trustee's Deductible Policy, each potential Member must notify the Trustee when lodging the application and before the beginning of a Fund Year (or such later time as the Trustee may agree) of the Deductible (level of cover) which it wishes to apply to it for that Fund Year (**Deductible Request**).
- 22.3 The Trustee may, in its absolute discretion, accept or reject a Deductible Request (level of cover offered), or determine an alternative Deductible to apply to any Member for a Fund Year.
- 22.4 If a Member fails to apply to the Trustee in accordance with this **Rule 22**, a Deductible (level of cover) as determined by the Trustee will be offered.

23. Insurances

- 23.1 For each Fund Year, the Trustee may determine the amount and terms of any Insurance Policy to be purchased for the benefit of the Members in the name of the Fund in respect of that Fund Year.
- 23.2 In making such determination, the Trustee must take into consideration any recommendation of the Founding Member and such other matters as it considers appropriate.

Part 6 – Trustee's Obligations and Fees

24. Compliance

The Trustee must comply with all laws and obtain and maintain all permits, licences, registrations, waivers and approvals necessary for the performance of its functions as Trustee of the Fund and the operation of the Fund in a manner which is consistent with the purposes of the Fund specified in **Rule 6**.

25. Trustee's Fees

- 25.1 The Trustee is entitled to a management fee in respect of each Fund Year to be negotiated with and agreed to by the Founding Member depending on the time spent by the Trustee in administering the Fund.
- 25.2 The fees payable to the Trustee accrue daily.
- 25.3 All fees payable to the Trustee are exclusive of GST.
- 25.4 Where a fee is payable in respect of a period and the fee commences or ceases to be payable during the period, the fee must be adjusted on a proportionate basis.
- 25.5 Where permitted by law, the Trustee will be paid or reimbursed out of the Fund on a full indemnity basis for all expenses and liabilities which it reasonably incurs in the proper performance of its rights and responsibilities in connection with the Fund or in performing its obligations or exercising its powers under the Constitution or these Rules including in connection with the following matters:
- (a) cheques, certificates, investment advices, accounts, distribution statements, and other communications;
 - (b) registers, accounting and other records;
 - (c) meetings of Members;
 - (d) any transaction or proposed transaction in respect of the Fund;

- (e) management of the Fund;
- (f) accounts;
- (g) taxes, rates, charges (including bank charges), duties and other imposts, including any GST collectable from, or incurred or payable by, the Trustee in connection with the Fund, or the management or administration of the Fund (including taxes payable by the Trustee in respect of its fees and reimbursable expenses (other than tax on the Trustee's income));
- (h) regulatory compliance;
- (i) any restructuring of the Fund;
- (j) offers or invitations, to apply for membership of the Fund;
- (k) delegates, agents, consultants, experts, advisers and other persons retained or appointed by the Trustee, including legal and accounting advisers and members of any compliance committee;
- (l) custody of assets of the Fund;
- (m) any court proceedings, arbitration or dispute;
- (n) retirement or removal of the Trustee;
- (o) preparing documentation in relation to the Fund or assets of the Fund;
- (p) insurances, including insurance premiums payable in respect of insurance policies for assets of the Fund, for the Trustee, its directors, and compliance committee members;
- (q) promoting the Fund to, or communicating with, Members, potential Members and their advisers;
- (r) Member complaints resolution;
- (s) provision of guarantees and indemnities by the Trustee (including any indemnity given to a retiring Trustee of the Fund); and
- (t) travel and accommodation expenses.

Part 8 – Obligations of Members

26. Minimisation of risk of Claims

Members must manage their grain production so as to minimise the risk of Claims for payment from the Fund.

27. Information supplied by Members

Each Member must ensure that:

- (a) all information provided by the Member to the Trustee in the Member's application for membership of the Fund, pursuant to Rule 11.1 and otherwise in connection with the applicable Annual Fund or any Claim or potential Claim is true and correct when provided; and

- (b) all grain yield estimates provided by the Member to the Trustee are made in good faith and on a reasonable basis.

28. Disclosure of Risk

Not less than 30 days before the commencement of each Fund Year, each Member and Potential Member must promptly give to the Trustee a full application in writing declaring particulars for the risk and required level of cover. The Trustee may require the Member to pay an additional Contribution in respect of the then current or any previous Fund Year and comply with any other of its reasonable requirements.

29. Duty to act fairly and in good faith

Notwithstanding any other provision of these Rules, the Founding Member must ensure that its representatives (if any), act fairly and in good faith in relation to the Fund.

Part 9 – Administration of these Rules

30. Variation

- 30.1 Subject to any law to the contrary that cannot be excluded, the Trustee may, acting reasonably and in the interests of the Members, vary these Rules at any time on notice in writing to the Members to that effect.
- 30.2 Any amendment or variation of these Rules will take effect from such date as may be notified in writing by the Trustee.
- 30.3 The addition or variation may apply retrospectively, if expressed to do so.
- 30.4 Members may amend these Rules by a Special Resolution.
- 30.5 The Trustee may only amend these Rules if the Trustee reasonably considers the change will not adversely affect the Members' rights.

31. Complaints Handling and Resolution of Disputes

- 31.1 The Trustee must be a member of an external dispute resolution facility and must, in respect of any complaint or dispute involving a Member, comply with its obligations as a member of that service.
- 31.2 Subject to law, the Trustee may change the external dispute resolution facility of which it is a member. The first external dispute resolution facility is operated by Financial Ombudsman Service Limited.
- 31.3 A party must not start arbitration or court proceedings (except proceedings seeking interlocutory relief) in respect of a dispute arising out of these Rules (**Dispute**) unless it has complied with this **Rule 31**.
- 31.4 A party claiming that a Dispute has arisen must notify each other party to the Dispute giving details of the Dispute.
- 31.5 During the 30 days period after a notice is given under **Rule 31.4** (or longer period agreed in writing by the parties to the Dispute) (**Initial Period**) each party to the Dispute (**Disputant**) must use its best efforts to resolve the Dispute.
- 31.6 If the Disputants are unable to resolve the Dispute within the Initial Period, each Disputant agrees that the Dispute must be referred for mediation at the request of any Disputant, to:

- (a) a mediator agreed on by the Disputants; or
 - (b) if the Disputants are unable to agree on a mediator within 7 days after the end of the Initial Period, a mediator nominated by the then chairman of the Institute of Arbitrators and Mediators Australia or the chairman's nominee.
- 31.7 The role of any mediator is to assist in negotiating a resolution of the Dispute. A mediator may not make a decision that is binding on a Disputant unless that Disputant has so agreed in writing.
- 31.8 Any information or documents disclosed by a Disputant under this **Rule 31**:
- (a) must be kept confidential; and
 - (b) may not be used except to attempt to resolve the Dispute.
- 31.9 Each Disputant must bear its own costs of complying with this clause and the Disputants must bear equally the costs of any mediator engaged.
- 31.10 After the Initial Period, a Disputant that has complied with **Rules 31.4, 31.5** and **31.6** may terminate the Dispute resolution process by giving notice to each other Disputant.
- 31.11 If, in relation to a Dispute, a Disputant breaches any provision of Rules **31.1** to **31.5**, each other Disputant need not comply with Rules **31.1** to **31.5** in relation to that Dispute.

32. Termination of the Fund

- 32.1 The Members may vote to wind up the Fund by Extraordinary Resolution.
- 32.2 In the event of a resolution of Members to terminate the Fund in accordance with **Rule 32.1**, the Trustee must, as soon as reasonably practicable, determine to vest the Fund in accordance with the terms of the Constitution.

Part 9 – General Provisions

33. Audit of Fund

The Fund must in each Fund Year, be audited by an auditor appointed by the Trustee (in consultation with the Founding Member), and the audit report must be made available to the Members.

34. Member compliance audit

CBH may, on the Trustee's behalf, audit a Member's compliance with the terms of these Rules and the Constitution including, without limitation, the accuracy of information provided by the Member in the Member's application for membership of the Fund and all information supplied by the Member to the Trustee in connection with a Claim. The Member irrevocably consents to CBH conducting a full on-farm audit of the Member for this purpose and must provide all reasonable assistance, access and co-operation necessary for CBH to conduct the audit.

35. Differences in Fund Year and Financial Year

If a Fund Year and Financial Year do not coincide, the Trustee may exercise the powers under these Rules in respect of part of a Fund Year or part of a Financial Year as the Trustee thinks fit.

36. Taxation Responsibilities

A Member is responsible for any taxes imposed by any governments or governing authorities arising out of or incidental to participation in the Fund.

37. Assignment of Rights and Obligations

A Member may not assign or purport to assign any of the rights and obligations under these Rules without the prior written consent of the Trustee. The Trustee may delegate its obligations or assign its rights under these Rules without the consent of the Members.

38. Governing Law and Jurisdiction

These Rules will be governed and construed in accordance with the laws of Western Australia for the time being in force. Members submit to the non-exclusive jurisdiction of the courts of that jurisdiction.

39. Notices

All notices relating to these Rules must be in writing and may be given by being sent to the party's last known address by pre-paid ordinary mail or facsimile to the party's current facsimile number for service. If a notice is given by post it will be deemed received three business days after posting and if given by facsimile it will be deemed received upon receipt of a successful transmission report from the sender's facsimile machine. If the Trustee provides a notice to a person who has previously certified to the Trustee that the person is a duly authorised agent of one or more Members, the Trustee will be taken to have provided the notice to every such Member without the need to provide a separate notice to each such Member or the agent.

40. Waiver

Failure or omission of a party at any time to enforce or require the strict observance of or compliance with any provision of these Rules or any exercise or discretion under these Rules will not operate as a waiver of them or the rights of a party, whether express or implied, arising under these Rules.

41. GST

If any payment made by one party to any other party under or relating to these Rules constitutes consideration for a taxable supply for the purposes of GST or any similar tax, the amount to be paid for the supply will be increased so that the net amount retained by the supplier after payment of that GST is the same as if the supplier was not liable to pay GST in respect of that supply. This **Rule 41** is subject to any other agreement regarding the payment of GST on specific supplies, and includes payments for supplies relating to the breach or termination of, and indemnities arising from, these Rules.

42. Party Acting as Trustee

If a party enters into a Member Accession Deed or any other transaction with the Trustee as Trustee of a trust, that party and its successors as trustee of the trust will be liable under the Member Accession Deed or any other transaction with the Trustee in its own right and as trustee of the trust. Nothing releases the party from any liability in its personal capacity. The party warrants that at the date of the Member Accession Deed or any other transaction document:

- (a) all the powers and discretions conferred by the deed establishing the trust are capable of being validly exercised by the party as trustee and have not been varied or revoked and the trust is a valid and subsisting trust;
- (b) the party is the sole trustee of the trust and has full and unfettered power under the terms of the deed establishing the trust to enter into and be bound by the Member Accession Deed or any other transaction document on behalf of the trust and that the Member Accession Deed or any other transaction document is being executed and entered into as part of the due and proper administration of the trust and for the benefit of the beneficiaries of the trust;
- (c) no restriction on the party's right of indemnity out of or lien over the trust's assets exists or will be created or permitted to exist and that right will have priority over the right of the beneficiaries to the trust's assets.

ANNEXURE 1**Powers and Functions of the Founding Member****1. Functions of the Founding Member**

- (a) The Founding Member may make recommendations to the Trustee in respect of:
- (i) the purchase or maintenance of any Insurance Policy by the Trustee on behalf of the Members in respect of each Fund Year;
 - (ii) Contributions in respect of any Fund Year;
 - (iii) Claims;
 - (iv) Risk management;
 - (v) Investment options; and
 - (vi) other relevant management issues.
- (b) A decision or resolution of the Founding Member in respect of any matter will not be binding on the Trustee.

Section 7

Summary of Constitution

The Constitution is dated 31 March 2011 and operates as a deed binding on the Trustee and each Member. The Constitution establishes the mutual discretionary trust known as the "CBH Mutual Fund".

The Constitution contains provisions to the effect set out below. This is a summary only. A copy of the Constitution may be obtained on request from Willis, at no charge.

§ **The Trustee**

Willis is appointed and agrees to act as trustee of the Fund.

§ **Rules**

The rights and obligations of the Members in relation to the Fund are governed by the Rules, which are annexed to and form part of the Constitution. The Trustee may, with the prior written consent of the Founding Member, amend the Rules and such amendment will become operative following written notice to the Members.

§ **Admission of Members**

The Members at any time will comprise people and entities accepted by the Trustee from time to time in accordance with the Rules whose membership has not terminated for any reason.

§ **Removal of Members**

The Trustee may from time to time remove as a Member, any Member that:

- ceases to be a person or entity qualified to be a Member under the Rules;
- breaches any provision of the Rules;
- suffers an insolvency event; or
- by notice in writing to the Trustee, asks to be removed as a Member.

A person who is removed as a Member forfeits all rights in the Fund (other than income or capital of the Fund to which the person became entitled as a result of a determination of the Trustee before the person's removal).

§ **Discretionary distributions**

The Trustee may, in its absolute discretion, determine to pay to any one or more of the Members and to the exclusion of all other Members, all or any part of the income or capital of the Fund in settlement of Claims.

§ **Accumulation**

Except for:

- obtaining and maintaining Insurance Policies on behalf of the Members;
- granting assistance and paying any Member in respect of a Claim; and
- indemnifying the Trustee, or making payments to any other persons, in respect of the administration, management, and operation of the Fund under the Constitution or in accordance with the Rules,

the Trustee must accumulate the whole or any part of the income of the Fund and such accumulation will (subject to any requirement to pay tax in respect of an accumulation), form part of the capital of the Fund.

§ **Provisions relating to Trustee**

The Trustee is entitled to be paid from the Fund a management fee by way of remuneration for carrying out its duties and obligations under the Constitution and the Rules.

The Trustee is entitled to be paid from, or reimbursed from the Fund for all costs, charges and expenses which are incurred by the Trustee in the proper performance of its duties in administering the Fund (including the investigation, determination and settlement of Claims).

The Trustee has the right of indemnity out of the Fund in respect of any liability incurred by the Trustee in the performance of its duties in respect of the Fund and all fees payable to and costs recoverable by the Trustee under the Constitution or the Rules.

§ **Investment powers**

The Trustee may hold the whole or any part of the Fund on fixed deposit or at call with any bank, but will not otherwise have the power to invest the whole or any part of the Fund.

§ **Winding up of the Fund**

The Fund must be wound up on the first to occur of:

- the date on which the Trustee (in its absolute discretion) determines to wind up the Fund;
- 80 years from the date of the Constitution; or
- the Members voting to wind up the Fund by extraordinary resolution.

Upon winding up, the Trustee must:

- pay out or otherwise discharge and satisfy all debts and liabilities in relation to the Fund (including any entitlement of the Trustee to be indemnified out of the Fund); and
- distribute such remaining income and capital of the Fund to the Members in such proportions as the Trustee may in its absolute discretion determine (provided that no Member is entitled to any part of the Fund in excess of the aggregate of Contributions paid by the Member).

§ **Resignation and removal of Trustee**

The Trustee may resign by giving three months notice. The Members may remove the Trustee by extraordinary resolution. If Willis or one of its related bodies corporate is not the Trustee, the Trustee must immediately appoint Willis or its nominee as manager of the Fund (in which case Willis' expenses of administering the Fund must be paid out of the Fund and Willis will be entitled to charge usual professional charges to administering the Fund).

§ **Complaints**

The Trustee must establish and maintain a procedure to deal with complaints made by Members in relation to the Fund. Any Member may make a complaint in writing in respect of the Fund. The Trustee must use reasonable endeavours to deal with and resolve a complaint within a reasonable period of time.

§ **Meetings**

Meetings of Members must be called and conducted in accordance with the provisions of the Corporations Act 2001 (Cth) relating to meetings of members of unlisted companies.

§ **Amendment of Constitution**

The Constitution may be amended by:

- the Trustee with the prior consent of the Founding Member; or
- special resolution of Members.

The Trustee may only amend the Constitution if the Trustee reasonably considers the change will not adversely affect the Members' rights.

Section 8

Glossary of terms

Annual Fund means a category of the Fund established for the purpose of granting assistance to Members for events giving rise to Claims which occur in a Fund Year.

Application Form means an application for Membership in the form set out in Section 9 of this PDS.

CBH means Co-operative Bulk Handling Limited ABN 29 256 604 947.

CBH Capital Contribution means any capital contribution made by CBH to the Fund to support the provision of the Cost of Production Cover product in the event that Contributions to the Fund by Members are insufficient to cover all Claims which are accepted by the Trustee.

Claim any claim made by a Member for compensation by the Fund.

Claims Trustee means Willis or such other person as is appointed Claims Trustee by the Trustee from time to time.

Constitution means the constitution of the Fund comprising deed poll dated 31 March 2011.

Contribution means the amount determined by the Trustee as being payable by a Member for an interest in an Annual Fund.

Cost of Production Cover and **Cover** means the interest in an Annual Fund issued by the Trustee to a Member pursuant to the Constitution and the Rules.

Cover Price means \$250 per tonne or wheat or barley.

Founding Member means CBH or such other Member as the Founding Member from time to time nominates in writing as a replacement Founding Member provided the replacement Founding Member accepts the nomination in writing.

Fund means the mutual discretionary fund named "CBH Mutual Fund" established by the Constitution.

Fund Cover the term for which the Cost of Production Cover applies to a Member, being one Fund Year.

Fund Year means:

- (a) for the first year of the Fund, the period commencing at the instant after 4.00 pm on 3 April 2011 and ending at 4.00 pm on 31 March 2012; and
- (b) subsequently, each period of 12 months commencing at the instant after 4.00 pm on 31 March and ending at 4.00 pm on 31 March next,

or such other period as the Trustee may at any time determine.

Member means the Founding Member (provided the Founding Member applies for membership of the Fund) and each other person who has signed and delivered to the Trustee an Application Form and has been accepted as a Member by the Trustee.

Offer of Cover means an offer of Membership in an Annual Fund made by the Trustee.

Rules means the rules for participation in the Fund contained in Section 6 as amended from time to time in accordance with those rules.

Trustee means the Willis and any replacement or additional trustee of the Fund.

Underwritten Yield the wheat and/or barley yield per hectare set by the Trustee for a Member for the purposes of Cover, based on the average yield for the last 10 years for the district in which the Member grows crops (as adjusted by the Trustee in its discretion).

Value of Production means a Member's actual value of production of wheat and barley in the 2011/12 season (based on the Cover Price).

Willis means Willis Australia Limited ABN 90 000 321 237.

Section 9

Application Form

Background

This Application is made pursuant to the Constitution (**Constitution**) dated 31 March 2011 in relation to the CBH Mutual Fund (**Fund**) Cost of Production Cover product managed by Willis Australia Limited ABN 90 000 321 237 (**Trustee**) and the Rules under the Constitution (**Rules**).

The information provided in this Application Form will be used to determine your Offer of Cost of Production Cover for the 2011/12 season.

An Offer of Cover cannot be issued unless a fully completed Application Form has been received by CBH Mutual no later than the 30th of April 2011. CBH Mutual will review all completed Application forms received and allocate Offers accordingly.

CBH Mutual is offering the Cost of Production Cover on a limited basis this season and is not obligated to issue offers for Cost of Production Cover. Written offers will be provided at the Trustee's discretion.

You are not committing to enter into a Cost of Production Cover product by completing this form.

By signing and submitting this form you will be confirming that the information contained in it is correct and you will be authorising CBH Mutual to obtain from Co-operative Bulk Handling Limited (**CBH**) historical data relating to your estimated data and deliveries only.

Important:

Information in this Application should be read in conjunction with the Cost of Production Cover Product Disclosure Statement. Should you have any questions on the applicability of this product for your circumstances please consult your financial adviser. CBH Mutual staff will not provide any advice on the suitability of this product for your circumstances.

Any questions you have on this product should be directed to the following contact call centre at Willis Australia Limited: Phone 1300 361 384 or through our website at www.cbhmutual.com.au

Instructions

All sections (1 to 4) of this form must be completed either online or below.

Important Notes:

Section 4: Please sign and date the declaration
 Method of return: Complete the form **online** at www.cbhmutual.com.au or alternatively complete the form below and return by 30 April 2011 by Fax to 08 9481 1977.

Section 1 – Grower Information**1.1 Current Deliverer Information**

CBH Grower No (if any):	Property No:
Delivery Title (if any):	
Contact Name:	
Address:	
Phone	
Fax:	
Email:	
Is this a sharefarming arrangement (please circle)?	
Yes / No	

1.2 Historical Grower Information

Please complete the table below listing all CBH grower numbers held and operated in the last 8 years including your current numbers

Grower Number /s	Applicable Seasons	Property Number /s	Applicable Seasons

Section 2 – Historical wheat and/or barley production

This information you provide will be used to determine your average yield for your farm and is important that it is filled in accurately with information that can be independently verified.

Instructions:

1. If you are interested in obtaining cover for wheat and/or barley to the Cost of Production Cover, complete table 2.1 for wheat and 2.2 for barley. If any information is repeated in the table (e.g. Shire) please write AA (As above).
2. If you farm in multiple shires, please list all shires and the percentage of hectares cropped in each shire
3. If you have a share farming arrangement and you intend to contract under your individual grower number, please exclude the area and tonnes that are part of the share farm arrangement.
4. If you have a share farming arrangement and intend to contract under this entity, please provide information only applicable to the share farm arrangement.

2.1 Wheat

Year	Locations (Shire)	Grown	Number of Hectares Cropped in each Shire	Total Area Sown to wheat (Ha)	Total wheat Grown (tonnes)
<i>Example</i>	<i>Esperance</i>		<i>100%</i>	<i>1000 ha</i>	<i>500 t</i>
2002/03					
2003/04					
2004/05					
2005/06					
2006/07					
2007/08					
2008/09					
2009/10					
2010/11					

2.2 Barley

Year	Locations (Shire)	Grown	Number of Hectares Cropped in each Shire	Total Area Sown to barley (Ha)	Total barley Grown (tonnes)
<i>Example</i>	<i>Esperance</i>		<i>100%</i>	<i>1000 ha</i>	<i>500 t</i>
2002/03					
2003/04					
2004/05					
2005/06					
2006/07					
2007/08					
2008/09					
2009/10					
2010/11					

Do you have any on-farm storage? (Circle appropriate answer)

Yes / No

If Yes, how much wheat and barley do you currently have stored in on farm storage.

Wheat _____ tonnes

Barley _____ tonnes

Section 3 – Planting Intention Information

Instructions:

1. If you wish to obtain cover for wheat and/or barley for the 2011/12 Cost of Production Cover, please complete sections 3.1 and 3.2.
2. If you farm in multiple shires, please list all shires and the percentage of crop produced in each shire.

Points to consider

By taking out the 2011 /12 Cost of Production Cover, you will be required to:

- Provide CBH Mutual with actual hectares per shire planted for wheat and barley by 30 June 2011.
- Notify CBH Mutual of a potential Claim prior to harvest..
- Advise CBH Mutual of any natural events (e.g. •re, •ood, frost) which are likely to materially adversely affect crop yield within 7 days.
- Lodge any Claim with CBH Mutual by 31 January 2012 if the Value of Actual Production at the completion of your wheat or barley harvest falls short of the covered Production.

Failure to fulfil the requirements above may lead to a Claim being declined.

3.1 Planting Intention for barley and wheat for 2011/12

I would like to cover the following total amount of hectares of barley and wheat for 2011/12 (you do have to distinguish between wheat and barley)

Year	Location Grown (Shire)	Hectares to be planted of wheat in total	Hectares to be planted of barley in total
2011/12			

3.2 Level of cover

What amount of cover do you wish to apply for? For example, if you want your cover to start at 60% then place a cross in the following box:

Cover starts at	60%	50%	40%	30%
	X			

Place a cross in the box in the diagram **below** where you would like to cover to be:

Cover starts at	60%	50%	40%	30%

Section 4 – Acknowledgements and Confirmations

By signing this form I the undersigned:

- a) hereby declare that I authorised to sign on behalf of the Grower and all information given in this form is true and correct;
- b) irrevocably authorise CBH to provide to CBH Mutual the following historical information from the 2002/03 season to the current season (2011/12) for the particular commodity, grower number and property number as required by CBH Mutual:
 - Hectares sown
 - Hectares for delivery to CBH
 - Delivered tonnes
 - Tonnes sold to grain marketers

Grower Authorisation

Grower Signature

Grower Name (please print in Block Letters):