

NARARA ECOVILLAGE CO-OPERATIVE LTD



DISCLOSURE STATEMENT

Under Division 2 of Part 2.4 of the
Co-Operatives National Law

For Issue within the State of New South Wales only

20th November 2023

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1. PRIMARY ACTIVITIES

The primary activities of the Narara Ecovillage Co-Operative Ltd (Co-operative) are:

- a) to design, develop and establish an ecovillage at Narara with residential housing and commercial facilities;
- b) to operate, lease or license community and commercial facilities at Narara; and
- c) to maintain and renew community and commercial facilities at Narara.

2. OBJECTIVES

The objects of the Co-operative are to:

- a) purchase the Property and undertake the Narara Development;
- b) undertake the Narara Development using processes, procedures and technology to establish an ecovillage that promotes and enhances social, environmental and economic sustainability; and
- c) purchase, hire or otherwise acquire, and to work on behalf of its Members or other persons, agricultural implements or machines.

3. OPERATION OF THE CO-OPERATIVE

CARRYING ON PRIMARY ACTIVITIES

The Co-operative has sold all Stage One lots including 18 cluster units. The Stage Two civil engineering works (retaining walls, roads, pedestrian pathways, drainage, water supply, sewer, and underground power network) have been completed and landscaping work has partially been completed. At the time-of-writing the Co-operative is seeking to finalise Council approval; registration of the subdivision; and issuing of the lot titles. Contracts have been signed on 33 Stage 2 lots. The Co-operative is actively seeking new Memberships with an intention to acquire a lot or a share in one of the remaining unsold lots in Stage 2.

The cost to develop Stage 2 is around \$6m, financed through instalments from Stage 2 members, their share capital and member loans.

The Co-op has undertaken a Planning Proposal to modify the permitted activities within the R2 (Low Density Residential) zoned area within the property. This process is nearing completion and is expected to allow some increased residential housing density and the inclusion of some retail and commercial activity within the Ecovillage development.

Five larger "Special" lots in Stage Two have been retained in the short-term. They are being investigated for possible Co-housing projects or for subdivision, and will be offered for sale when the altered Planning Proposal rules come into effect.

The Ecovillage also retains several other lots suitable for residential development, that it may offer for sale in future, should the membership choose to do so.

CARRYING ON OTHER ACTIVITIES

The Co-operative currently operates the following businesses and operations:

- a) NEV Power Pty Ltd is a wholly-owned subsidiary of the Co-operative. It is a mostly volunteer-run Network Operator and Energy Retailer offering solutions to Members supplying fossil-fuel-free energy for their homes and supporting the bulk purchase of solar panels and related equipment for their homes. NEV Power has been supported by a grant from ARENA for the development of a 'Smart Grid' which will ensure the Ecovillage will be able to manage most of its energy requirements through on-site energy generation, battery storage and state-of-the-art load management software and control equipment.
- b) NEV Water is a mostly volunteer-run Network Operator and Retailer, which supplies potable water, bushfire water, waste-water collection and over time, and subject to cost, will seek to reticulate a secondary non-potable supply of treated on-site dam water to each site for toilet flushing and garden purposes.
- c) NEV-Ed is an educational business for both Members of the Co-operative and the wider public.
- d) The Village Pantry and the Coffee Cart are largely volunteer-run operations purchasing organic goods in bulk at wholesale prices and providing meals and coffee to residents and visitors. These help Members access affordable organic food with significantly reduced packaging waste.
- e) Paperbark House is the Village's guest accommodation facility, offering 8 very large rooms, separate bathrooms, a shared living room and kitchen. It is a much-used accommodation option for family and friends visiting members who live in the Village, people visiting for our events or workshops, and for members waiting to move into their own homes.

4. CONTRACTS WITH PROMOTERS OR OTHER PARTIES

Note 13 of the Annual Accounts summarises the liabilities of the Co-operative. The amounts shown take account of the following commitments (and others):

- a) Interest-bearing loans are received by the Co-operative to support the investment in the land development, both as secured and unsecured loan arrangements. We regularly seek new loans

to allow other loans to be repaid within the loan agreement terms. Interest rates are regularly reviewed.

- b) The Narara Loan Security Trust holds a mortgage over lots 49 and 50 and as such is the vehicle allowing for secured loans. Whilst the set cap on secured loans is \$5.3m, we currently hold just under \$1m in secured loans and this balance will continue to reduce as we prepare to release the mortgage over the stage 2 lots which are currently part of lot 50.

Paperbark House is a Cooperative-owned business which has been developed through an innovative agreement with two members, who have loaned the Co-operative money for the development of the facility in the western wing of the Administration Building. The lenders are managing the business on behalf of the Co-operative. The loan plus any interest will be repaid from the profits of the business.

5. INTERESTS OF DIRECTORS OR MEMBERS

INTERESTS OF DIRECTORS

The interests of Directors are shown in the Annual Accounts.

Copies of the latest annual report and consolidated Rules of the Co-operative are available for inspection at the registered office at 33 Gugandi Road, Narara, NSW 2250.

INTERESTS OF MEMBERS

A group of early Members who invested significant amounts of capital into the project at the very beginning when the project was at significant risk, may be entitled to receive a discount of 10% on the price of one lot. If paid, the cash benefit of this discount would be received by these Members no earlier than at the end of Stage 2.

The founding Member and past Director, Lyndall Parris, spent many years researching ecovillages and many more years bringing the Co-operative to life. Lyndall has received a Lot in Stage 2 by way of compensation for these efforts.

Many of the Ecovillage Project contractors have agreed to defer part of their contract payments to future years, to help with project cash-flow.

6. MEMBERS RIGHTS AND LIABILITIES

Members agree to observe, perform or abide by the provisions of:

- a) the Co-operative's Rules (Rules) applicable to that person;
- b) the Co-operatives National Law in force and as amended from time to time; and
- c) the NSW Co-operatives Regulation (Regulation) in force and as amended from time to time.

The Co-operative can enter into a contract with a Member requiring the Member to have specified dealings with the Co-operative for a fixed period.

A Member is not, as a Member of the Co-operative, under any personal liability to a creditor of the Co-operative.

ACTIVE MEMBERS AND VOTING

Co-operatives National Law (NSW) requires that Co-operative Members carry out duties specified in the Active Membership clause.

Our Co-operative Rules require Memberships to:

- a) Undertake a minimum of 52 hours of voluntary work per Year, as approved by the Board; and
- b) either
 - a. Provide confirmation in writing of the Membership's intention to acquire a lot on the Property, or
 - b. Be a Landowner of a lot on the Property.

An Active Membership has one vote. That right is a personal right and is not attached to the number of shares held.

SHARES

All members are required to currently hold shares 30,000 shares in the Co-operative. The current maximum shareholding is 20% of the nominal value of issued Share Capital of the Co-operative, except in accordance with section 289 of the Act.

Shares are allocated at the discretion of the Board and decisions of the Board are final.

There is one class of share, all ranking equally, with a nominal value of \$1 each.

A Share is not to be issued at a discount.

Shares may be issued by the Board as partly paid at a minimum payment of ten cents (10c) for each one-dollar (\$1.00) Share.

Rights

Membership of the Co-operative gives Members access to all parts of the 64ha property* (excluding land which has been sold to members and is held privately, a natural environment, clean air, a biodiverse forest, the village, the community buildings and gardens, the dam and its lake, and a rich community life.

Shareholders have the right to:

- a) Join a lively community committed to a more sustainable lifestyle,
- b) Purchase and develop a lot, and
- c) Participate in Co-operative decisions.

For more detailed information on the operation of the Co-operative please visit this website link:

<https://wiki.nararaecovillage.com/display/FAQ/FAQs+-+Frequently+Asked+Questions>

* 11.5 hectares of conservation forest (above the Stage 2 development area to the west) will soon be transferred to Central Coast Council for inclusion in their Coastal Open Space Scheme (COSS), which is a network of conservation areas. This will reduce the overall property size to approximately 52.5ha.

Liabilities

The Board may issue a call on a Member to pay up the remaining balance of any partly paid Share by providing the Member with 28 days-notice in writing.

Shares shall not be quoted for sale or listed on any stock exchange.

A Share may not be sold or transferred except:

- a) with the consent of the Board and to a person who is qualified to be admitted to Membership of the Co-operative under Rule 3.1; or
- b) as otherwise provided by the Rules or by the Act.

A Member shall be liable to the Co-operative for the amount, if any, unpaid on the Shares held by that Member, together with any charges, including entry and periodic fees, payable by the Member to the Co-operative as required by the Rules.

In the event of a winding up, any surplus after the payment of all debts and return of capital shall be distributed among Members in proportion to Members' shareholdings.

Our Development Consent requires that native flora and fauna are protected, and particularly species endemic to the region. This requires careful planning and combined effort to control pests and weeds, and all Members are responsible for and need to assist in these efforts.

FINANCE

Rights

The initial shareholding of 30,000 shares (\$30,000) gives Members the right to share in the community value and assets of the Co-operative. A holding of 30,000 shares is a pre-requisite to purchasing a lot at the Ecovillage.

If Members acquire an additional 20,000 shares (for \$20,000), this places them in a priority queue for selecting a lot which may be released in the future.

Liabilities

Each year the Board determines whether the Membership pay a contribution to cover the costs of operating the Co-operative . Currently the contribution is approximately \$300 per month for each Membership, noting it can vary based on the number of people named on the membership. For more information refer to the Frequently Asked Questions link provided in the sub-section above.

Lot owners also pay:

- a) a levy to the Community Association for the upkeep of common property (currently around \$850 per year);
- b) Annual Bushfire Levy: \$120 per adult is payable in January on an annual basis, however after the first year of levies a full rebate is available for 6 hours of annual service to organised Bushfire Hazard Reduction Events;
- c) Council rates;
- d) Council stormwater levy;
- e) Water charges from NEV Water for potable water, non-potable water and sewage (NEV Water supply charges are currently about \$260 a quarter); and
- f) Electricity charges from NEV Power. More details on electricity can be found at: <https://nararaecovillage.com/nev-power/customer-information>.

Member Contribution Structure Changes

A new member contribution structure was piloted in the 2021/22 financial year, and has now been implemented after a review. Members can now choose between a member contribution calculated by 1) taking into account the number of people on the membership or 2) a flat rate per membership (regardless of the number of adults on the membership).

DECEASED MEMBERS

On the death of a Member:

- a) the Member's Share in the Co-operative cannot be transferred to a person other than an administrator or executor except with the consent of the Board of the Co-operative
- b) the Member's estate is subject to the same liability as the Member would have been until the Member's personal representative or some other person is registered in the Member's place.

CANCELLATION AND EXPULSION

A Membership may be cancelled if the whereabouts of the Membership are unknown, or if the Membership is inactive.

A Member may be expelled by Special Resolution. The Co-operative will repay the paid-up capital of cancelled or expelled Memberships, at the time of cancellation of the shares.

7. RISKS

BUSH FIRE

Our Development Consent requires an Asset Protection Zone (APZ) adjacent to the forested land. Effectively this is a setback limiting development in APZ areas of Stage 1 and Stage 2. It requires a perimeter road for bushfire fighting access. Another on-going condition of our Development Consent requires an Inner Protection Zone (IPZ) for the whole of the Stage 1 and 2 areas be maintained with similar fuel load provisions applicable to an APZ. Much of the work at the Bushfire Hazard Reduction Events, funded through the Bushfire Levy noted in the Finance Liabilities section above, attends to the requirements of the APZ.

CLIMATE CHANGE

The effects of human-induced climate change have been considered with decisions taken during master planning and in the Stage 1 and 2 design, which:

- a) oriented the lots for good house solar design principles,
- b) re-purposed existing roads and buildings where possible, and
- c) followed the natural contours to minimise the disturbance of earthworks.

The Co-operative created its own building standards so that homes are designed to be Climate-change-ready by:

- a) lowering the amount of embodied energy of homes,
- b) having sufficient solar panels on each house to supply its usage of energy during the year,
- c) improving the capacity for homes to withstand projected changes in temperatures, and
- d) coping with more frequent extreme events.

The Board and Management has taken steps to improve the Ecovillage's resilience to the broad impacts of climate change including, but not limited to:

- a) Food security - the Co-operative is increasing its food-growing capacity, and has developed a Food Co-operative business, which buys in bulk to reduce prices, recycle storage containers and reduce commercial packaging for Members.
- b) Reliable access to water - the Co-operative is using town water for drinking supply and aspires to use dam water for toilets and garden purposes. In the future we may have an option to be more self-sufficient by using water held in our 43ML dam, as we continue to investigate cost-effective water treatment options. At the time of writing, the community had just approved the commencement of a co-funded pilot project to investigate onsite water treatment options. The inclusion of water-efficient fittings and appliances and household rainwater tanks is also encouraged.
- c) Reliable access to electricity - the Co-operative continues to build the smart grid to manage our production, storage, distribution, use and export of clean, renewable solar photovoltaic energy. Underground power lines not subject to storms and a centralised bulk battery storage increase our resilience by providing residents with power when the wider community may experience outages.
- d) Investigating alternative access routes in case flooding hinders access.

DAM-BREAK AND FLOODING

The dam on the Property was built in 1985 as a source of water for irrigation on the Gosford Horticultural Institute research site. The dam consists of a 9-metre-high earth-filled embankment and is approximately 100 metres long and 3.1 metres wide. The storage capacity at full supply is estimated at 43.3ML.

Professional advisors have supported the Co-operative with a Dam Safety Monitoring & Surveillance Report and a Dam Safety Emergency Action Plan. Regular dam surveillance and maintenance is undertaken. The dam is in good order and the risk of dam-break or flooding is assessed as low.

On the basis of the Co-operative's good management, the NSW Dam Safety Committee (DSC) de-prescribed the Narara Horticultural Dam in July 2014. This removed any requirements for reporting to the DSC and showed their confidence in the Co-operative's ability to continue to manage the dam safely and responsibly.

FINANCIAL RISKS

Financial risk is monitored and considered by the Board and the Legal and Finance Working Group on a regular basis.

The key risk relates to cash-flow due to the unique means of financing this development. To date, the project has avoided bank finance entirely and managed to purchase a property at \$5m, complete an \$8m civil works contract to develop Stage 1 as well as pay for the various associated costs without any financial distress. The Board anticipates an ongoing capacity to maintain this exceptional achievement and, whilst this risk is real and regularly reviewed, it is not considered to be high.

The Co-operative completed the development of 18 home and land packages of medium-density housing, called the Clusters as part of the Stage One development. While the pandemic caused a number of building issues, most of the Cluster defects have been completed and the remaining ones are being actively managed.

The Stage 2 development is now largely complete (pending council approvals), and the final cost is reasonably well-known. The Co-op is in a good position to clear all of its debts and commitments, depending on the 1) sale of the few remaining standard (approximately 550sqm) lots; 2) the sale of the "Special Lots"; and 3) the sale of other assets. The Co-operative may elect to carry some debt.

The Co-operative also hopes to deliver more affordable housing options on the Stage 2 "Special lots" by offering smaller footprint housing types. However this will be dependent on developing a viable business model for these lots.