hepburn wind community energy

2021 Member Return - Dividend and Share Buy-Back

Supporting Frequently Asked Questions (FAQs)

Please note that shares issued by a co-operative differ to those issued by a company. Some key differences are:

- Shares issued by a co-operative do not have any voting rights attached to them and are only available to be issued to co-operative members, not to members of the public generally. Voting rights in the co-operative attach to membership not share ownership.
- Shareholders in a co-operative are only allowed to hold a limited number of shares. In addition, these shares are not permitted to be quoted on the Australian Securities Exchange and consequently are traded on the secondary market, which by its nature is illiquid. Hepburn Wind has elected to use a vendor trading platform to facilitate share transactions between members.
- Co-operative shares have a fixed nominal value as determined by the co-operatives rules and are not subject to market prices, therefore reducing the scope for any capital gain.
- Redemption procedures related to co-operative shares can result in a delay in payment for a significant period.

The co-operative operates under the requirements of the Co-operatives National Law and the Rules of the Co-operative.

All members are welcome to participate in both offers and participation in one offer does not exclude any members from participation in the other offer. Members will firstly receive their dividend payment (or you can elect to reinvest or donate it) on 3 March, and then if you choose to participate in the Member Share Buy-Back your shares will be bought back on 17 March as per the following timeline.

Member Return	Options/Offer	Key dates
Dividend of 2.7c fully franked	1. Payment of fully franked dividends (automatic option) 2. Dividend Reinvestment Plan (must be elected via Link portal) 3. Dividend Donation Plan (must be elected via Link portal)	Offer closes 20/2 Payment made 3/3
Share Buy-Back pool of $497,075	● Offer is voluntary and members must fill in an Application Form to participate and post to Hepburn Wind ● Members can bid in 100% of the Shares ● If members tender more than the available pool, there will be a pro rata scale-back applied	Offer closes 3/3 Payment made 17/3

Dividend FAQs

Will the co-operative pay a dividend in the 2021 financial year?

The board of Hepburn Wind has declared a fully franked dividend to members of 2.7c per fully paid ordinary share (representing a dividend of approximately $269,000 in total). Members will have several options in relation to how they receive the dividend.

In determining to declare a fully franked dividend, the co-operative's directors have carefully reviewed Hepburn Wind's assets, liabilities and expected cash flows. The directors have also satisfied themselves as to the solvency of Hepburn Wind following the dividend.

Am I eligible for the dividend?

All shareholders of the co-operative who own shares on the record date are eligible to receive the fully franked dividend based on the number of shares they held at that date. The record date for the dividend is 1 February 2021.

What options do I have for how I receive the dividend?

Members will be able to elect from the following options as to how they receive the dividend:

- **Option 1 Cash Dividend** means the co-operative will pay you the amount of the fully franked dividend into your bank account by EFT. This is the default option. If a member does not select any option, they will be paid the full dividend amount they are entitled to under this option.

- **Option 2 Dividend Reinvestment Plan** (DRP) means that instead of receiving payment into your bank account, the amount of the dividend will be applied towards the purchase of additional shares in the co-operative on your behalf which will be added to your existing shareholding. In other words, you will receive additional shares in the co-operative instead of receiving a cash dividend. You can view the DRP documentation here.

- **Option 3 Donation to the Community Fund** means that instead of receiving payment into your bank account, the amount you would have received if you chose a cash dividend will instead be paid to the Community Fund. Please note that donations to the Community Fund are not tax deductible. You can view the Donation Plan documentation here.

Please note that under all of the above options shareholders are taken to have received the dividend for the purposes of the dividend payment rules and for taxation purposes. The difference between these options is how the proceeds from the dividend are applied.

Can I choose more than one option?

Yes, you are able to select multiple options. For example, you could select to take a partial cash dividend and make a partial donation into the Community Fund.

How do I exercise my option/s?

You will be sent an email from Hepburn Wind and Link Market Services with instructions on how to exercise your options in January. This will contain links to the Link Market Services site and enable you to complete the appropriate forms. Further communications will come direct from Link Market Services during the offer period.

How do I decide which option/s are suitable for me?

Members must make their own decisions about which option or options are suitable for them. You may wish to seek independent financial and taxation advice on the implications of the various options, based on your personal circumstances.

How will each of the options affect the co-operative?

The payment of fully franked dividends by the co-operative represents the payment to the members of profits earned and, accordingly, reduces the retained earnings of the co-operative.

- **Option 1 Cash Dividend**
  The funds that are returned to shareholders will no longer be part of the interest-earning cash balance available to the co-operative. In determining the amount of the dividend to be offered, the Board has carefully reviewed Hepburn Wind's assets, liabilities and expected cash flows. The directors have also satisfied themselves as to the solvency of Hepburn Wind following the dividend, based on the maximum amount that would be paid out if all members opted to receive 100% of the dividend available to them under this option.

- **Option 2 Dividend Reinvestment Plan**
  Funds that members reinvest into the co-operative will be added to the share capital of the co-operative and will be available to the co-operative for use in accordance with the Rules of the co-operative, for the benefit of the co-operative and its members. Currently the co-operative is pursuing an active growth strategy with future income generating activities being considered such as a co-located solar farm at Leonards Hill. Reinvestment will strengthen the co-operative's potential to pursue appropriate strategies for the ongoing benefit of the co-operative and its members.

- **Option 3 Donation to Community Fund (Dividend Donation Plan)**
  Funds that are donated to the Community Fund will be paid into the Community Fund bank account and invested into the local community in line with the Hepburn Impact Fund Guidelines and reported on in the Annual Report. Please note that donations to the Community Fund are not tax deductible.

How much will I receive?

The board of Hepburn Wind has declared a fully franked dividend to members of 2.7c per fully paid ordinary share (representing a dividend of approximately $269,000 in total).

The amount of fully franked dividend that you are entitled to will depend on the number of shares that you own in the co-operative. For example, if you hold 10,000 shares, you will receive 10,000 x 2.7 cents or $270 dollars. Additional examples and how the dividends may be applied are shown in the table below:

		Examples of how the payment of the dividend may be applied			
Number of shares	Dividend entitlement	**100% Option 1: Cash Dividend** Total dividend paid to the member	**100% Option 2: DRP** Number of new shares purchased for the shareholder using their dividend	**100% Option 3: Community Fund** Total amount transferred to community fund (CF)	**50% Option 1:Cash Dividend + 50% Option 2: DRP**
100	$2.70	$2.70	2 shares	$2.70 paid to the CF	$1.35 and 1 share
1000	$27.00	$27.00	24 shares	$27.00 paid to the CF	$13.50 and 12 shares
5000	$140.00	$140.00	127 shares	$140.00 paid to the CF	$70.00 and 63 shares
10000	$270.00	$270.00	245 shares	$270.00 paid to the CF	$135.00 and 122 shares
20000	$540.00	$540.00	490 shares	$540.00 paid to the CF	$270.00 and 245 shares
50000	$1,350.00	$1,350.00	1,227 shares	$1,350.00 paid to the CF	$675.00 and 613 shares

Why are you paying a dividend now?

The rule change to enable an interim dividend to be paid at the board's discretion was passed by members at the Annual General Meeting in November 2018. This is the second time Hepburn Wind has been in a position to be able to and has declared a dividend. Dividends are paid out of profits earned by the co-operative. These profits are subject to Australian company tax. This means that shareholders are able to receive a rebate for the tax paid by the company on profits distributed as fully franked dividends.

The directors believe that paying the dividend at this time will leave Hepburn Wind sufficiently capitalised, while taking account of the interests of stakeholders. The co-operative remains committed to pursuing future growth and maximising sustainable returns to members.

What will be the impact on the share price?

In accordance with the rules under which the co-operative operates, the shares in the co-operative have a fixed price and, as a result, the directors do not believe that there will be any direct impact on the share price as a result of the payment of this dividend.

What are franking credits?

Dividends are paid out of profits earned by the co-operative. Where the profits have already been subject to Australian company tax (which, for the co-operative, is currently 26%) the current franking credit rules mean that shareholders can receive a rebate for the tax paid by the company on profits distributed as dividends.

These dividends are described as being 'franked'. Franked dividends have a franking credit attached to them which represents the amount of tax the company has already paid. Franking credits are also known as imputation credits.

Depending on your personal circumstances you may be entitled to receive a credit for the tax the company has paid and is passing on to you by way of the franking credit. You should seek financial and taxation advice about the implications of this dividend and the franking credit based on your personal circumstances.

Why aren't you paying an unfranked dividend?

Dividends are paid out of profits earned by the co-operative. Where the profits have not been subject to company tax (for example, because of tax timing differences) the profits are only able to be paid to shareholders as unfranked dividends.

The main preference for not paying unfranked dividends is the potential for double taxation of the profits of the co-operative (which can occur when unfranked dividends are paid but the differences between accounting and tax profits are largely timing differences instead of permanent differences) with the shareholders paying their full marginal rates of tax on the unfranked element without the benefit of franking credits and the co-op subsequently paying company tax without being able to pass the tax paid on to the shareholder as a franking rebate (when the timing differences reverse in the co-operative's tax returns).

What is a Dividend Reinvestment Plan?

The Dividend Reinvestment Plan (DRP) provides holders of ordinary shares (shares) in Hepburn Community Wind Park Co-operative Limited (co-operative) with the opportunity to reinvest all, or part, of their dividends back into shares in the co-operative instead of receiving those dividends in cash.

If an eligible shareholder wishes to participate in the plan, they must elect on their DRP Application Form the degree to which they wish to participate in the plan. Their participation may be either:
- Full participation, which means the participant receives an allocation for all of the participant's shareholding from time to time, including shares previously allocated under the plan; or
- Partial participation, which means the participant receives an allocation for a specific number of shares nominated by the participant together with the shares previously allocated under the plan.

Shares issued under the DRP are added to the share capital of the co-operative and the same rights and rules apply to these shares as to other shares in the co-operative.

You can view the DRP documentation here.

Are there any restrictions on participating in the Dividend Reinvestment Plan (DRP)?

The rules under which the co-operative operates prohibit any shareholder from owning 20% or more of the nominal share capital of the co-operative. If participation in the DRP would result in a shareholder breaching this rule, the shareholder will instead be paid their dividend under Option 1.

What is the Dividend Reinvestment Plan (DRP) Price Under Option 2?

The board has determined that the price for the issue of new shares under the Dividend Reinvestment Plan, in accordance with the Rules of the Co-operative, is $1.10 per share (being the price at which members are able to subscribe for additional shares in the co-operative).

How will the Dividend Reinvestment Plan be rounded and what happens with the residual amounts?

In calculating the number of shares to be allocated to a participant for a particular dividend, fractions will be rounded down to the nearest whole number of shares. In regards to the DRP, a participant is not entitled to any fractional entitlement or to receive payment of any residual amount.

When is the next dividend scheduled for?

As per our Member Perspectives Survey in 2017, over 65% of members showed their preference for a return every second year to save on administration costs. Therefore, the board has committed that every second year they will review and ascertain if it is prudent to make a return and if so, what form that return will take.

What happens if my bank details aren't up to date?

It is important that you ensure your bank details are current. You can check Hepburn Wind's record of your bank details here. If the co-operative is unable to make a payment to a shareholder due to incorrect bank details the shareholder will be notified on their dividend statement. Please note that if a shareholder is unable to be contacted then, after a period of time the law requires the funds to be paid to 'Unclaimed Money' which is administered by the SRO https://www.sro.vic.gov.au/unclaimed-money.

When will I receive my dividend?

The payments will be made on 3 March 2021 by EFT into the account you either provided when you became a member or have subsequently updated online.

Please note that all payments to members with an Australian registered address will only be made by way of direct credit to an Australian bank account. Members who have not already provided Hepburn Wind with their bank account details, or have changed details should update them via the Link Market Services site.

What are the current risks to the co-operative?

The co-operative has recently updated its Disclosure Statement in the spirit of continuous disclosure. Please read the 2021 Disclosure Statement available here under "Member documents". Members should note that while the risk to profitability and future viability is noted in the Disclosure Statement, the Board currently does not consider the risk sufficiently imminent, material or unmanaged to require the revisiting of the decision to pay a dividend in 2021. For further information Hepburn Wind's 2020 Annual Report can be viewed here.

Will I still receive a dividend if I live overseas?

Yes, for members based internationally - if your registered address is international and you have not provided us with an Australian bank account then you will receive a cheque in the mail.

If I am mid way through purchasing shares from a seller who will receive the dividend?

The record date is the date used in determining who is entitled to a dividend or other entitlement associated with a security. Those on the register on the record date 1 February 2021 are eligible for the entitlement. This will be the last opportunity to finalise holdings before the payment. With regards to the transfers any transfers pending the board approval, the dividend will be paid to the transferor as they are the owners of the shares until the transfer is completed on the system and the shares have moved to the transferee.

Member Share Buy-Back

What is the Member Share Buy-Back?

The Member Share Buy-Back provides an opportunity for members to sell a potentially larger number of Shares within a shorter timeframe than via ShareConnect, at a price which may be at a premium to the price achievable on ShareConnect.

Under the Member Share Buy-Back, Hepburn Wind may buy-back a maximum of $497,075 Shares, which represents 5% of Hepburn Wind's issued capital - which is the cap allowed under the National Co-operatives Law for a Repurchase of Shares. The Buy-Back Price is $1.00 per ordinary share. Members need to 'bid-in' their Shares to participate.

Your participation in the Member Share Buy-Back is voluntary. If you choose to accept the Offer, you may accept it in respect of all or some of your Shares, and complete the Application Form here. Alternatively, if you do not wish to participate, you do not need to take any action. If shareholders tender more than the amount the co-operative wishes to buy, Hepburn Wind will proportionally scale-back the amount bought from each shareholder.

What does 'repurchase of shares' mean?

A repurchase of shares is the Co-operatives Act equivalent of a company share buy-back. A repurchase of shares repays to the shareholders part or all of the amount that they paid for their shares and is sometimes known as a 'return of capital (ROC)', 'share buy-back' or 'capital return'. A repurchase of shares is not the same as a dividend, which is a payment to the shareholders of profits earned by the organisation. Basically, a repurchase of shares is a return of some of the initial investment, which results in a reduction in the number of shares and the amount that is invested. The repurchase of shares effectively reduces equity in the same way that all distributions do. It is a transfer of value from the co-operative to the owners (shareholders).

Who has authorised the repurchase of shares?

The Board of Hepburn Wind has allocated $497,075 in total to this return of capital. The amount was approved by the Board of Hepburn Wind in 2020, following the finalisation of the FY2020 accounts.

Am I eligible for the repurchase of shares?

All members are eligible to participate in the repurchase of shares. This is an opt in process for which there is equal access (ie all shareholders have the same rights to participate). It is not compulsory to take it up.

What is the process?

The following steps will be undertaken to implement the repurchase of shares:

- Member reviews the Member Share Buy-Back Booklet here and fills out the Application Form here.
- At the end of the notice period, Link provides Hepburn Wind with the number of securities to be relinquished and monies to be paid out.
- Hepburn Wind passes a motion at a board meeting to formalise the outcome of the opt-in process, following which Link pays funds by direct debit to those shareholders who have elected to take part in the return of capital, and the appropriate number of shares are extinguished from the shareholder's holding.

When and how will I receive my capital return?

The payments will be made on 17 March by electronic funds transfer (EFT) into the account you provided when you became a member or have subsequently updated online. Please note that all payments to members with an Australian registered address will only be made by way of direct credit to an Australian bank account. Only overseas members will receive a cheque via mail. Members who have not already provided Hepburn Wind with their bank account details, or who have changed details since they provided them, should update them (for directions please read "Using Links online services").

What are the tax implications of the repurchase of shares?

No tax consequences are expected to arise for the co-operative from the repurchase of shares. The tax implications for members may be different when a dividend is paid instead of a repurchase of shares. It is not possible to consider the tax implications for all members and therefore members should obtain their own advice as to the implications based on their own circumstances. In broad terms a repurchase of shares would ordinarily not be taxable to members unless their cost base for the shares is less than the amount that they receive in the return of capital (which is unlikely).

How is this different from a dividend?

A repurchase of shares is the repayment to the members of the amount that they originally subscribed for the purchase of the shares. This is the co-operative equivalent of a company share buy-back or return of capital. By contrast, a dividend is the payment to the shareholders of part of the profit of the organisation. The option of providing a repurchase of shares enables our co-operative to provide a repayment of capital per share similar to that which would result from a share buyback. This also ensures that all members receive an equal cash distribution per share - if they choose to take up the offer.

What will happen to my portion of the amount allocated for the repurchase of shares if I choose not to take up the offer? Will my shares increase in value?

All funds within the $497,075 capped total that are not used to fund the repurchase offer will be put to use by the co-operative, to invest in new projects and make investments which will help grow our co-operative.

What happens to the shares I surrender if I take up the repurchase of shares?

The relevant numbers of shares of those members who opt in to the repurchase of shares will be cancelled on the date that the shares are repurchased by the co-operative.

What happens if the Share Buy-Back is oversubscribed?

If the offer is oversubscribed, Hepburn Wind will Scale-Back the number of Shares it buys back from each Applying Member on a pro rata basis. In regards to the Scale-Back methodology, if shareholders tender more than the amount the co-operative wishes to buy, Hepburn Wind will proportionally scale-back the amount bought from each member. As the minimum shareholding is 100 shares, the proportional Scale-Back of tendering members will occur only after Hepburn Wind has bought back small parcels (<100 shares). If the Scale-Back results in a number of Shares being bought back that includes a fraction, the actual number of Shares bought back will be rounded down to the next whole Share.

How is this share buy-back different from the buy-back in 2017?

The key difference in this buy-back is that in 2017, Hepburn Wind offered to buy-back 5% of each members holding, however, in this buy-back Hepburn Wind offers to buy-back 100% of the Shares held by each Member on the terms set out in the Booklet. Members need to 'bid-in' their Shares to participate via filling out an Application Form and reading the Member Share Buy-Back Booklet here. If shareholders tender more than the amount the co-operative wishes to buy, Hepburn Wind will proportionally scale-back the amount bought from each shareholder.