



3 April 2009

Via email to: David White
Peter White
John Georgakopolous
Stephen Lane
Con Diakovasilis

Dear Franchise Owners,

Notice of dispute

I refer to the Notice of Dispute dated 26 March 2009 (copy attached), issued on behalf of the complainants set out in the notice, which was received by National Foods on 27 March 2009.

As a preliminary matter I advise that the franchisor under your franchise agreement is Dairy Farmers Limited (formerly known as Australian Co-Operative Foods Limited). Dairy Farmers Limited is now part of the National Foods group of companies but National Foods Limited is not the franchisor.

In relation to the Notice of Dispute, National Foods is disappointed that you have chosen to go down this path given that it has:

1. only been in control of the Dairy Farmers business since December and has had limited time to gain an understanding of the issues relating to the franchise business and to consult with all stakeholders;
2. been open and transparent in its communications to the NSW franchise network regarding National Foods' acquisition of Dairy Farmers and the implications to the NSW franchise network of National Foods complying with its undertaking to the ACCC for separation and sale of the NSW divestment business;
3. interacted in an appropriate manner with the duly appointed representative bodies for the NSW franchise network, specifically the AMVA and the NSW State Franchise Council.

Dairy Farmers Limited
ACN 010 308 068

737 Bourke Street
Docklands Vic 3008

PO Box 6089
Melbourne Vic 3004

Telephone 61 3 9188 8000
Facsimile 61 3 9188 6645
Website www.natfoods.com.au



In reviewing the notice National Foods also queries the wide ranging and wish list nature of the items listed in section (c) of the notice titled "Actions Required to Settle the Dispute". Clearly some of these items are outside of National Foods control or are in contravention of Dairy Farmers' defined rights as franchisor under the franchise agreements.

Nonetheless, we take your concerns seriously and we are eager for our delegates to meet with your committee so that we can get a better understanding of the disputed matters. To this end we propose a meeting with your committee as follows:

Date: Friday 17 April 2009

Time: 1.00pm to 3.00pm

Location: Olympic Park Office, Quad 1,
8 Parkview Drive, Sydney Olympic Park NSW

National Foods delegates to attend:

Chris Wallace – State Sales Manager CFS NSW

Eddie Ambrosius – National Franchise Development Manager

Ted Mitchell – Operations Manager - NSW Milk, Supply & Operations

Cess Basha - State Logistics Manager NSW

We also advise that, as is appropriate for any meeting of this nature, National Foods will be inviting representatives of the Amalgamated Milk Vendors Association (**AMVA**) and the NSW State Franchise Council to attend the meeting. We confirm that we are currently in consultation with the AMVA on matters including (1) out of stock products, particularly at Marrickville; and (2) trading arrangements with Franchise Owners for dairy products.

With a view to focusing on the key issues at the meeting and making it as productive as possible, could you please provide me with written details of the issues the committee intends to table for discussion, at least 3 working days prior to the meeting. I can be contacted on ambrosiuse@natfoods.com.au or 02 8732 5137

We look forward to the opportunity to meet with the committee to discuss the issues appropriate for a forum of this nature and trust that outcomes for such issues can be developed to our mutual satisfaction.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Eddie Ambrosius".

Eddie Ambrosius
National Franchise Development Manager

(Attach:)