

**INDEMNITY FUND INVESTMENT POLICY STATEMENT OF DAIRY FARMERS OF
NEW BRUNSWICK
(the “INDEMNITY FUND INVESTMENT POLICY STATEMENT”)**

UNDER subsection 2(b) (i) and (ii) of the Indemnity Fund Order the Board shall deposit and invest Indemnity Fund monies as more fully set out therein;

UNDER section 2 of the Trustees Act of New Brunswick (the “Trustees Act”), unless the trustee is otherwise authorized or directed by an express provision of the instrument creating the trust or defining the trustee’s powers or duties, the trustee may invest money in any kind of property with the exercise of judgment and care that a man of prudence, discretion and intelligence would exercise as a trustee of the property of others;

UNDER section 3 of the Trustees Act the power of trustee has been expanded, in that, “A trustee may, pending the investment of any trust money, deposit it during such time as is reasonable in the circumstances in any bank or trust company or in any other corporation empowered to accept money for deposit that has been approved for such purposes by the Lieutenant-Governor in Council.”;

UNDER and by virtue of Board Motion 4547-1 dated May 28, 2009 the Board resolved onto itself to achieve a reasonable target annual investment return on Indemnity Fund monies, equal to the inflation rate plus three per cent (3%) per annum (the “Annual Target Rate of Return”). In order to ensure and obtain the “Annual Target Rate of Return” for the long term, the Board resolved to establish the within Indemnity Fund Investment Policy Statement.

NOW THEREFORE BE IT THE POLICY OF THE DAIRY FARMERS OF NEW BRUNSWICK UNDER THE AUTHORITY OF SECTION 2 OF THE INDEMNITY FUND ORDER, THAT:

Balanced Portfolio

1. The Board shall balance its Indemnity Fund investment monies referenced in subsection 2 b) ii) of the Indemnity Fund Order by allocating 50% to fixed income investments (the “Fixed Income Investment”) and the remaining 50% to equity investments (the “Equity Investment”) (hereinafter referred to as the “Balanced Portfolio”).
2. The Board shall adjust the Balanced Portfolio annually on August 1st so to achieve the investment fund allocation set out in Section 1 herein.
3. The Board shall adjust the Balanced Portfolio prior to the annual adjustment set out in Section 2 at any time that the fund has greater than \$5,000 in cash by investing \$5,000 in a 5 year GIC as set out in Section 5 and 6 herein.

Fixed Income Investments

4. The Board shall make the necessary investments to ensure that twenty per cent (20%) of Fixed Income Investment instruments mature annually each August, commencing August 1, 2009.
5. The Board shall invest the Indemnity Fund monies allocated for Fixed Income Investment in one of the following investment instruments:
 - 5 year Government of Canada Bonds; or
 - 5 year Provincial Government Bonds; or
 - 5 year Guaranteed Investment Certificates (“GIC’s”); or

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in a combination of the above investment instruments that will provide the highest rate of return at the time the investment instrument is purchased.

6. Subject to section 6, the Board shall only invest in 5 year GIC's of Canadian Deposit Insurance Corporation ("CDIC") member institutions and shall limit the investment amount to One Hundred Thousand Dollars (\$100,000.00) each.
7. The Board may invest more than One Hundred Thousand Dollars (\$100,000.00) in a single issue of a 5 year GIC if it is issued by one of the five (5) chartered banks of Canada, namely Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal or Canadian Imperial Bank of Commerce.

Equity Investment

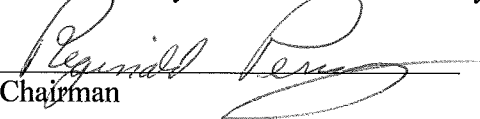
8. The Board shall invest the Indemnity Fund monies allocated for Equity Investment by only purchasing units in the iShares CDN Composite Index Fund (XIC).

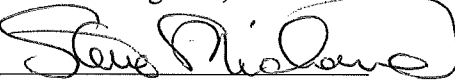
General

9. The investment business of the Indemnity Fund monies, or any part thereof, shall be transacted with such bank, trust company or other firm or corporation carrying on an investment business as the Board may designate, appoint or authorize from time to time by resolution and all such investment business or any part thereof shall be transacted on the Board's behalf by such two or more officers and/or other persons as the Board may designate, direct or authorize from time to time by resolution and to the extent therein provided, including, without restricting the generality of the foregoing, the operation of the Board's investment accounts; the execution of any agreement relating to any investment business and defining the rights and powers of the parties thereto; and the authorizing of any officer(s) to do any act or thing on the Board's behalf to facilitate such investment business.
10. At the commencement of this Indemnity Fund Investment Policy Statement, and from time to time hereafter, the Board shall appoint two (2) Board directors as officers of the investment account(s). In case one (1) or both of the officer position(s) became vacant at any time, such vacancy shall be filled by the Board from among its directors. The Board has appointed a Board employee as its trading officer.

Any amendment to the foregoing can only be carried out by the Board by way of Board motion in accordance with the relevant provisions of the Board by-laws.

This Indemnity Fund Investment Policy Statement comes into effect August 1, 2010


Chairman


General Manager