

Fonterra Share Registry  
Private Bag 92032  
Auckland 1142  
or Fax: 09 - 374 9451



Dairy for life

# B01 Application to Supply Existing Farm

## When to use this form

Use this form if you are purchasing or leasing an existing farm that supplied Fonterra or changing the nature of your supplying entity (e.g. partnership becoming a company, sole trader becoming a trust), and you intend to be a Fonterra supplier. If Fonterra accepts your application then you will be contractually bound to supply milk to Fonterra. Applications received outside the Application Period (generally 15 December to 28 February) will only be accepted at Fonterra's discretion.

If the current Shareholder on this farm is transferring some or all of their Shares to you as part of the farm lease/shareholding entity change, a Share Transfer Form will need to be completed and signed.

### What you will need

- » Supplier Name and details of Supplier Entity
- » Contact details
- » GST Number
- » Bank Account Details
- » Sharemilking Arrangement Form (if you are employing a Sharemilker)
- » Notice of Amalgamation (if you are amalgamating this farm with another supply)

### After you finish

Please sign your completed form and send it to:

**Fonterra Share Registry**  
Private Bag 92032  
Auckland 1142

**Or fax 09 374 9451**

You may wish to keep a copy for your records.

### Contact Us

You can:

- » Call the Supplier Services Team on **0800 65 65 68**
- » Have your local Area Manager visit you

### Next Steps

- » Your application will be processed by Fonterra
- » We will advise whether or not your application has been accepted
- » On settlement, send the completed Share Transfer Form to Fonterra
- » If you are purchasing shares from Fonterra, send us your payment
- » Shares will be transferred / issued
- » You commence milk supply
- » You will receive a Statement of Holding outlining your shareholding
- » You will receive Monthly Supplier's Statement showing the amount paid for milk supplied

### Checklist

Have you provided us with:

- your bank account details
- your GST number
- your signature(s) in the boxes provided
- your price election (if applicable)

Have you enclosed (where applicable):

- Bank deposit slip
- Sharemilking Arrangement Form
- Notice of Amalgamation

### Fencepost

You may wish to register on Fencepost at [www.fonterra.com](http://www.fonterra.com) where you can:

- » Check your milk quality & production details
- » Download forms
- » Turn off paper correspondence from Fonterra
- » Arrange for Third Party access e.g. your Accountant or Farm Advisor to view allocated farm information.

Please call the Supplier Services Team on 0800 65 65 68, once the Shares are issued in your name, so that they can assist with registration.

## Understanding our terms

### Co-operative Share Price Election

If you make an application during the Application Period (generally 15 December to 28 February), you also have the opportunity to make a price election for any Co-operative Shares that are to be issued to you.

The June price is the fair value co-operative share price for a season which will be set by the Board in late May. It is called "the June price" as the season starts on 1 June. You will not know the June price at the time you apply.

OR

If you elect to pay the default price you will lock in a co-operative share price based on the price published at the time you make your application ("the published price"). The published price is not the price you will pay. Rather, it is used to determine a "price range" within which the price you will pay will fall (the actual price you will pay is called the "default price"). The "price range" is +/- 7.5% of the published price.

- » If the June price is within the "price range", you will pay the June price.
- » If the June price is above the "price range", you will pay the upper limit of the "price range".
- » If the June price is below the "price range", you will pay the lower limit of the "price range".

#### Example

**This example is intended to provide you with an illustration on how the price of your Co-operative Shares will be determined. It is for illustrative purposes only. It is not intended to reflect what, in fact, may occur.**

At the time of Farmer A's application, the Board has published a price for Co-operative Shares of \$4.52. Farmer A decides to lock in this price, and therefore elects "the default price". The "price range" is \$4.18 to \$4.86 (being the prices 7.5% below and 7.5% above the \$4.52 published price).

- A. Assume the June price set by the Board is \$4.65. As this is within the "price range", Farmer A would pay \$4.65 per share.
- B. If the June price was set at \$4.95, which is above the "price range", Farmer A would pay the upper limit of the "price range", being \$4.86 per share.
- C. If June price was set at \$4.15, which is below the "price range", Farmer A would pay the lower limit of the "price range", being \$4.18 per share.

IF YOU DO NOT MAKE AN ELECTION THE DEFAULT PRICE WILL APPLY

IF YOU ARE APPLYING OUTSIDE THE APPLICATION PERIOD, THE JUNE PRICE WILL APPLY

YOU SHOULD OBTAIN YOUR OWN FINANCIAL OR OTHER ADVICE ON THE IMPLICATIONS OF THE PRICE ELECTION YOU MAKE.

### Share Standard

The Fonterra Share Standard is one Co-operative Share for each kilogram of Milksolids supplied, excluding milk supplied on Contract and milk elected to be covered by Unshared Supply.

#### Share Transfer Forms

A Share Transfer Form must be received no later than the last working day of the month that you are going to commence supply. An agreement for payment of milk supplied will not be set up in your name until we have received a correctly completed and signed Share Transfer Form.

#### Shareholding Requirement

The Purchaser will be required to hold sufficient Shares and Contract, based on the shareholding requirements applying at the commencement of the season, to support the supply from the farm, less any production covered by the Vendor's Unshared Supply election.

If the Vendor transfers some Shares to the Purchaser, but less than the Minimum Required Shares, then Fonterra will issue the shortfall number of Shares to the Purchaser at the fair value share price at the time the transfer is registered by Fonterra.

If the Vendor holds Additional Shares, the Purchaser can acquire them from the Vendor. If any Additional Shares held by the Vendor are not transferred to the Purchaser, they will be surrendered and proceeds will be paid to the Vendor in accordance with the Constitution. Depending on when the transfer occurs, the Vendor may not receive any Dividend for the Season.

#### Payment for Shares

Fonterra's policy will be to stop issuing shares during a season from the end of September. Any supply after this date (if accepted) will have to be provided under Special Contract terms.

Therefore, if you will be purchasing shares from Fonterra before commencing supply (because no shares, or insufficient shares to meet the share standard, are being transferred to you by the Vendor), and you are planning to begin supplying milk to Fonterra after 30 September in a season,

you will need to either:

- pay for the shares to be issued to you by Fonterra before 20 September, so they can be issued by 30 September, and start supply at a later date (no later than 28 February); or
- supply milk to Fonterra on a Special Contract\* for the remainder of the season.

If shares are issued to you and you do not commence supply by 28 February, Fonterra will surrender your shares in early March and the surrender proceeds will be paid within 30 working days of surrender. No dividend will be paid on these shares, as they will have been surrendered prior to the interim and final record dates (anticipated to be 31 March and 31 May).

\*Special Contract terms and conditions will apply, as advised to you at the time you apply for a Special Contract. The amount paid for milk supplied under a Special Contract will be less than that paid to share-backed suppliers.

### End of Season Adjustments and Elections

The Shareholder registered on the Fonterra Share Register as at 5:00 p.m. on 31 May will go through the End of Season adjustment process, be sent the End of Season Movements Statement and have the right to make End of Season elections (if any).

#### Production Increase

If production has increased in a season, any Additional Shares held will be used first to satisfy the increased Shares requirement. If no, or insufficient, Additional Shares are held, the required Shares must be purchased at the new season's share price.

Alternatively, if the farm has an Unshared Supply Entitlement an election may be made to use some or all of it. In that case, there is no requirement to purchase Shares, up to the number of Shares covered by the Unshared Supply Entitlement, to cover the production increase.

Note: Unshared Supply may not be offered in a Season.

#### Production Decrease

If production has decreased in a season, the number of Shares held will be reapportioned between the number of Minimum Required Shares that must be held and the number of Additional Shares that may be held. The retention of any Additional Shares will be automatic, up to the limit of 20% of recent or expected production. The Shareholder may elect to surrender some or all of these Additional Shares at the new season's share price.

Any number of Shares held in excess of the share standard that exceed 20% of recent or expected production will automatically be surrendered at the new season's share price.

Shareholder elections must be made by 21 June.

### 1 June Farm Sales

In the case of 1 June (or later) farm sales, the transfer of Shares will occur after the End of Season adjustments and elections, and any new season transactions (e.g. Application to Increase or Decrease Shareholding that have been accepted during the Application Period), have been processed. This may impact on the number of Shares available for transfer.

#### Contract Supply

If the Vendor currently supplies some of their milk under Contract, you need to decide whether or not you wish to continue with the Contract. Your decision will have implications for the number of Shares you are required to hold.

Similarly, if the Vendor does not currently supply any milk under Contract, but you would like to, you will need to apply for a Contract. If you are awarded a Contract this will have implications for the number of Shares you are required to hold.

If either of the above situations apply to you, please contact the Supplier Services Team on 0800 65 65 68 to determine how Contract supply may affect your shareholding requirements.

#### 120% Shareholder Limit

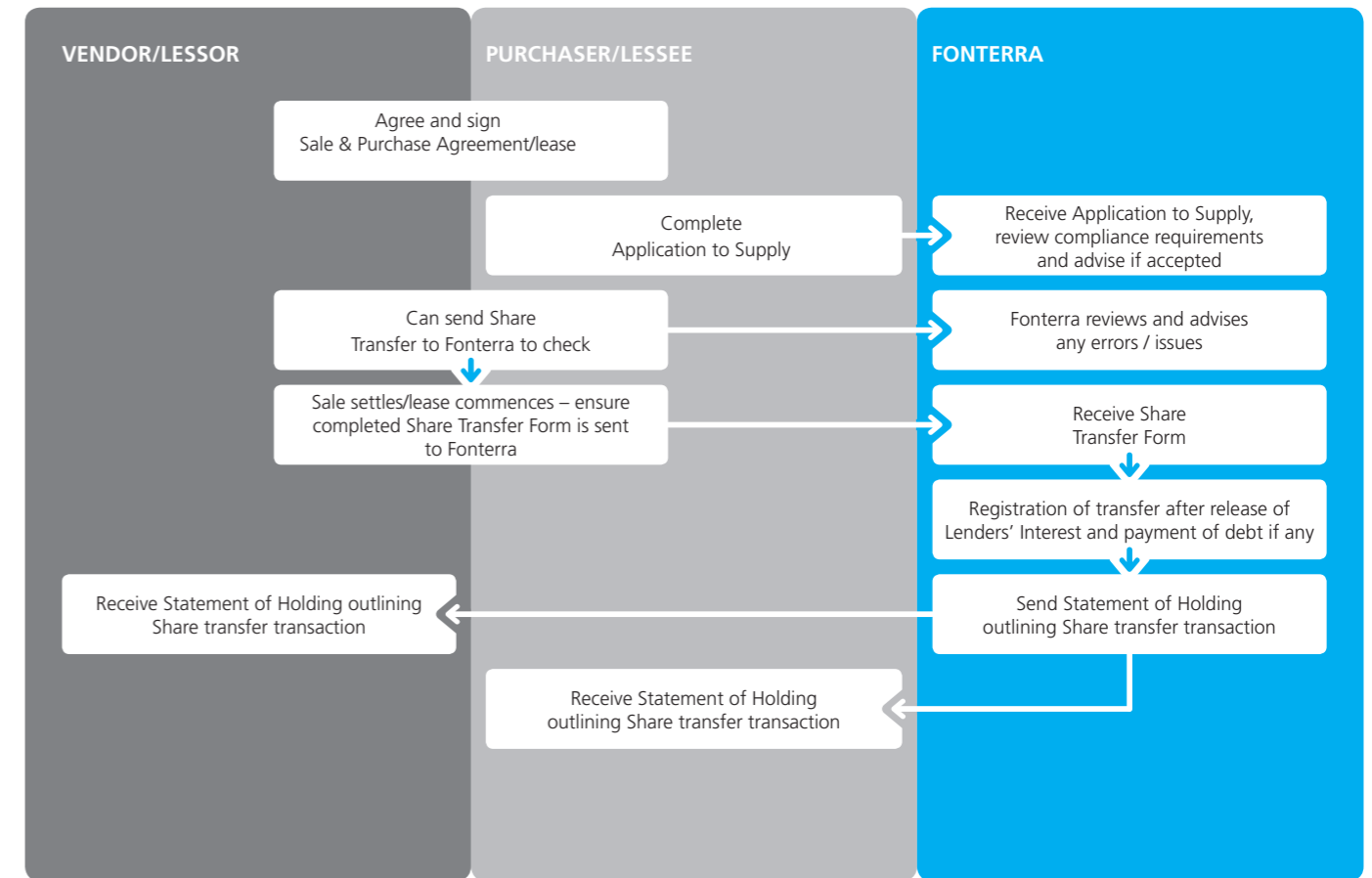
All shareholders may acquire and hold shares up to 120% of their recent or expected production. There will be opportunity from June to September each season to do so.

#### Dividend

Shareholders will receive any Dividend on all of the shares they hold on a Dividend record date. It is the shares (and shareholders) on the share register on that date which participate in the Dividend. The proposed record date for the interim Dividend is 31 March, with any interim Dividend paid by 20 April. The proposed record date for each final Dividend is 31 May (consistent with end of season) with any Dividend paid by 20 October.

**For further information on Fonterra shares refer to the Investment Statement on [www.fonterra.com](http://www.fonterra.com)**

## Farm Sales/Lease Process



## 1 June Farm Sales/Leases

Prior to 31 May, the Purchaser/Lessee has completed an Application to Supply and Fonterra has received and accepted the Purchaser/Lessee for supply.

