TELECOM CORPORATION OF NEW ZEALAND LIMITED

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED

SUPPLEMENTAL TRUST DEED

RUSSELL McVEAGH

DEED dated 21 September 2011

PARTIES

TELECOM CORPORATION OF NEW ZEALAND LIMITED ("**Telecom**")

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED ("**Trustee**")

INTRODUCTION

The Trustee, following a request by Telecom, has agreed pursuant to clause 24.1.6 of the Trust Deed, to modify the terms and conditions of each Class of Stock outstanding on the Demerger Date as described in this Supplemental Trust Deed and which modification is recorded in the Trust Deed.

COVENANTS

1. INTERPRETATION

1.1 **Trust Deed**: Capitalised terms used in this Supplemental Trust Deed but not defined herein shall have the meaning given to them in the Trust Deed unless the context does not allow.

1.2 **Additional or modified defined terms**: In this Supplemental Trust Deed, unless the context otherwise requires:

"**Demerger Date**" means the date, as confirmed in writing by Telecom to the Trustee, that Telecom transfers all of the shares it holds in Chorus Limited to eligible Telecom shareholders following the granting of final orders by the High Court of New Zealand approving the demerger scheme of arrangement under section 236(1) of the Companies Act 1993 in relation to Telecom.

"**Trust Deed**" means the trust deed relating to the constitution and issue of unsecured stock dated 25 October 1988 between Telecom and the Trustee, as amended to date.

2. MODIFICATION

2.1 The terms and conditions of each Class of Stock outstanding on the Demerger Date will be amended with effect from the Demerger Date by the addition of the following condition, such amendment to be effected as a new clause 3.2B of the Trust Deed:

"*3.2B Step-up in rate of interest*

(A) With effect from the date of each Rating Change, the interest rate applicable to each Class of Stock (other than zero coupon Stock) shall be adjusted to be equal to:

(i) in the case of a 1st Rating Change, the aggregate of the interest rate applicable to the Class of Stock as at the Demerger Date plus 0.50% per annum; and

(ii) in the case of a 2^{nd} Rating Change, the aggregate of the interest rate applicable to the Class of Stock as at the Demerger Date plus 1.00% per annum.

(B) If, in relation to a Class of Stock, a Rating Change occurs other than on a date on which interest is scheduled to be paid on the Class of Stock, the amount of interest that is payable on the next scheduled interest payment date for the Class of Stock shall be the amount reasonably determined by Telecom by reference to the different rates of interest that are applicable to the Class of Stock for each period from (and including) the immediately preceding interest payment date to (but excluding) the immediately succeeding interest payment date during which a different interest rate is applicable to the Class of Stock in accordance with this clause 3.2B.

(C) If a Rating Change occurs prior to the scheduled redemption date of any Class of zero coupon Stock, the scheduled redemption amount of the Class of zero coupon Stock shall be adjusted by an amount reasonably determined by Telecom that represents the equivalent economic effect of the increase in the interest rate that applies to Stock that bears interest.

(D) Telecom shall notify the Trustee and the Holders in accordance with clause 29 of the adjustment to the interest rate and the amount of interest payable to the Holders following that adjustment (or the adjustment to the scheduled redemption amount in the case of zero coupon Stock) as soon as is reasonably practicable following each Rating Change.

(E) Any reasonable determination by Telecom under this clause 3.2B shall be final and (in the absence of manifest error) binding on all Holders.

(F) This clause 3.2B applies only to Stock that is outstanding as at the Demerger Date.

(G) If the Demerger Date does not occur by 30 June 2012, this clause 3.2B shall cease to be of effect.

(H) In this clause 3.2B:

"**Demerger Date**" means the date, as confirmed in writing by Telecom to the Trustee, that Telecom transfers all of the shares it holds in Chorus Limited to eligible Telecom shareholders following the granting of final orders by the High Court of New Zealand approving the demerger scheme of arrangement under section 236(1) of the Companies Act 1993 in relation to Telecom.

"**Rating Agency**" means Moody's Investors Service Limited ("**Moody's**") or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") or any of their respective successors or any other rating agency of equivalent international standing from whom a rating is procured by Telecom ("**Substitute Rating Agency**").

"**1^{st} Rating Change**" means the first date on which the Stock carries a credit rating of BBB+ by S&P and Baa1 by Moody's or the equivalent by a Substitute Rating Agency. For the avoidance of doubt, a 1^{st} Rating Change shall occur if one of the Rating Agencies publicly announces a decrease in the credit rating of the Stock to BBB+ or Baa1 or equivalent (as applicable) and the Stock at that time carries a lower credit rating from the other Rating Agency.

"**2nd Rating Change**" means the first date on which the Stock carries a credit rating of BBB or worse by S&P and Baa2 or worse by Moody's or the equivalent by a Substitute Rating Agency.

"**Rating Change**" means a 1st Rating Change or a 2nd Rating Change.

3. SAVINGS

3.1 Except to the extent modified by this Supplemental Trust Deed, the terms and conditions of each Class of Stock continue in full force and effect and unamended.

4. GOVERNING LAW

4.1 This deed shall be governed by and construed in accordance with New Zealand law.

SIGNED AS A DEED

TELECOM CORPORATION OF NEW ZEALAND LIMITED by:

Signature of director

Wayne Boyd
Name of director

Signature of director

Paul Reynolds
Name of director

Executed under the name and seal of **THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED** by:

Signature of authorised signatory

Name of authorised signatory

Signature of authorised signatory

Name of authorised signatory

In the presence of:

Signature of witness

Occupation

Address

"**2nd Rating Change**" means the first date on which the Stock carries a credit rating of BBB or worse by S&P and Baa2 or worse by Moody's or the equivalent by a Substitute Rating Agency.

"**Rating Change**" means a 1st Rating Change or a 2nd Rating Change.

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SIGNED AS A DEED

TELECOM CORPORATION OF NEW ZEALAND LIMITED by:

Signature of director

Name of director

Signature of director

Name of director

Executed under the name and seal of **THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED** by:

Signature of authorised signatory

Gavin Robert Hughes.

Name of authorised signatory

Signature of authorised signatory

John Wernes Sewell.

Name of authorised signatory

In the presence of:

Signature of witness

Analyst

Occupation

Wairarapa

Address

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED

W14098