

TELECOM CORPORATION OF NEW ZEALAND LIMITED

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED

SUPPLEMENTAL TRUST DEED

RUSSELL McVEAGH

DEED dated

2 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 and the receipt of a certificate signed by two Directors of Telecom provided under clause 20.1.2 of the Trust Deed, 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 3.2A of the Trust Deed:

"3.2A *Redemption at the option of the Holders of Stock (Change of Control)*

(A) A "**Put Event**" will be deemed to occur if:

- (i) any person or persons acting in concert (within the meaning of Rule 6(2)(a) of the New Zealand Takeovers Code) (the "**Relevant Person**") at any time directly or indirectly acquires: (A) more than 50 per cent of the issued ordinary share capital of Telecom Corporation of New Zealand Limited ("**Telecom**") or (B) such number of shares in the capital of Telecom carrying more than 50 per cent of the total voting rights attached to the issued share capital of Telecom that are normally exercisable at a general meeting of Telecom (such event being a "**Change of Control**"); and
- (ii) on the date (the "**Relevant Announcement Date**") of the first public announcement of the relevant Change of Control, the Stock carry from either of 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 (each a "**Substitute Rating Agency**") of equivalent international standing from whom a rating is procured by Telecom (each, a "**rating agency**"):
 - (1) an investment grade rating (*Baa3/BBB-, or equivalent, or better*), and such rating from any rating agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such rating agency; or
 - (2) a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or no credit rating, and no rating

agency assigns, within the Change of Control Period, an investment grade credit to the Stock,

provided that if on the Relevant Announcement Date the Stock carry a credit rating from more than one rating agency, at least one of which is investment grade, then sub-paragraph (1) will apply.

- (B) If a Put Event occurs, the Holder of any Stock will have the option to require the Issuer to purchase (or procure the purchase of) such Stock on the date which is seven days after the expiration of the Put Period (the "**Put Date**") at 101% of the scheduled redemption amount of the Stock, together with interest accrued to but excluding the Put Date.
- (C) Upon Telecom becoming aware that a Put Event has occurred, Telecom shall immediately notify the Trustee and shall, and at any time upon the Trustee becoming similarly so aware the Trustee shall require Telecom to, give notice (a "**Put Event Notice**") to the Holders in accordance with clause 29 specifying the nature of the Put Event and the procedure for exercising the option contained in this clause 3.2A.
- (D) To exercise the option to require the purchase of a Stock under this clause 3.2A, a Holder of Stock must, at the specified office of Telecom, at any time during normal business hours of Telecom falling within the period (the "**Put Period**") of 60 days after a Put Event Notice is given, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of Telecom (a "**Change of Control Put Notice**"). A Change of Control Put Notice, once given, shall be irrevocable. The Issuer shall purchase (or procure the purchase of) the Stock specified in the relevant Change of Control Put Notice on the Put Date unless previously redeemed and cancelled or purchased. Payment in respect of any Stock so purchased will be made on the Put Date by transfer to the bank account of the relevant Holder specified in the relevant Change of Control Put Notice.
- (E) If the rating designations employed by either Moody's or S&P are changed from those which are described in paragraph (ii) of the definition of "Put Event" above, or if a rating is procured from a Substitute Rating Agency, Telecom shall determine, with the agreement of the Trustee (in respect of which the Trustee shall be entitled to obtain and rely upon any expert advice pursuant to clause 20.1), the rating designations of Moody's or S&P or such Substitute

Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and this clause 3.2A shall be read accordingly.

(F) The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of, or could constitute, a Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice thereof to the contrary, the Trustee may assume that no Put Event or Change of Control or such other event has occurred.

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

(H) In this clause 3.2A:

"Change of Control Period" means the period commencing on the Relevant Announcement Date and ending 180 days after the Relevant Announcement Date.

"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."

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

Signature of director

Name of director

Name of director

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

[Handwritten Signature]

Signature of authorised signatory

Garry Robert Wignles

Name of authorised signatory

[Handwritten Signature]

Signature of authorised signatory

S. L. Bernard Sewell

Name of authorised signatory

In the presence of:

[Handwritten Signature]

Signature of witness

Administrator

Occupation

Wellington

Address



SIGNED AS A DEED

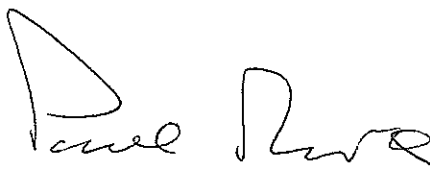
**TELECOM CORPORATION OF NEW
ZEALAND LIMITED** by:



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