



Chorus

Product Disclosure Statement

OFFER OF:
Fixed rate 5 year bonds

ISSUED BY:
Chorus Limited

DATE:
30 March 2016

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose.

Chorus Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.



JOINT LEAD MANAGERS



CO-MANAGERS



1. Key information summary

What is this?

This is an offer of unsecured, unsubordinated, fixed rate bonds (Bonds). The Bonds are debt securities issued by Chorus Limited (Chorus). You give Chorus money, and in return Chorus promises to pay you interest and repay the money at the end of the term.

If Chorus runs into financial trouble, you might lose some or all of the money you invested.

About the Chorus Group

Chorus and the companies it owns make up the Chorus Group. The Chorus Group is New Zealand's largest fixed line communications infrastructure services provider, operating and building a communications network predominantly made up of local telephone exchanges, cabinets and copper and fibre cables. Chorus is listed on the NZX Main Board and Australian Stock Exchange and, as at the date of this PDS, has a market capitalisation of approximately \$1.6 billion.

Purpose of this offer

The proceeds of this Offer are expected to be applied towards repaying existing bank loans.

KEY TERMS OF THE OFFER

Issuer	Chorus Limited.
Description of the Offer	Unsecured, unsubordinated, fixed rate bonds.
Term	5 years maturing on Thursday 6 May 2021.
Interest rate	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be determined by Chorus in conjunction with the Joint Lead Managers following the Bookbuild, and announced via NZX on or about the Rate Set Date.</p> <p>The rate of interest payable on the Bonds may increase if an interest rate step-up applies. See section 3 (<i>Terms of the offer</i>) for more information.</p>
Interest payments	<p>Quarterly in arrears on 6 February, 6 May, 6 August and 6 November each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 6 August 2016.</p> <p>Early bird interest will also be paid on application money received in respect of accepted applications. It will be paid as soon as practicable, and, in any event, within 5 Business Days of the Issue Date. More information on how early bird interest is calculated can be found in section 3 (<i>Terms of the offer</i>).</p>
Further payments, fees or charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 7 (<i>Tax</i>) for further details.</p> <p>The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. See section 8 (<i>Selling restrictions</i>) for further details.</p>
Offer opening date	Thursday 14 April 2016.
Offer closing date	Wednesday 4 May 2016.
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.

Who is responsible for repaying you?

Chorus is responsible for paying interest on, and repayment of, the Bonds.

The Bonds are guaranteed by Chorus New Zealand Limited (CNZL) and any other Material Subsidiaries of Chorus.

CNZL is currently the only Material Subsidiary of Chorus. The only other company currently owned by Chorus, Chorus LTI Trustee Limited, does not guarantee the Bonds. The guarantee is contained in the Trust Deed. The Guarantee is not secured by a mortgage, charge or any other security interest. More information on the Guarantee can be found in section 5 (*Key features of the Bonds*).

How you can get your money out early

Neither you nor Chorus is able to redeem the Bonds before the Maturity Date. However, Chorus may be required to repay the Bonds early if there is an Event of Default (see section 5 (*Key features of the Bonds*)).

Chorus intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of the Chorus Group and movements in market interest rates. You may receive less than the full amount that you paid for them.

How Bonds rank for repayment

The Bonds rank equally with Chorus' other unsecured and unsubordinated obligations. This means that if Chorus goes into liquidation:

- You will be repaid **after** Chorus' secured creditors and creditors preferred by law (e.g. employees up to a cap of \$22,160 per employee and Inland Revenue in respect of unpaid tax).
- You will be repaid **at the same time and to the same extent** as all other unsecured and unsubordinated creditors of Chorus (including other Bondholders, the banks that lend money to Chorus, CFH in respect of the Senior Portion of the CFH Debt Securities, holders of other unsecured and unsubordinated bonds (including notes issued under Chorus' Euro Medium Term Note Programme), trade creditors and suppliers).
- You will be repaid **before** Chorus' subordinated creditors, including holders of any subordinated bonds issued by Chorus, CFH in respect of the Subordinated Portion of the CFH Debt Securities and the CFH Equity Securities, and holders of Shares.

The Guarantee ranks equally with the other unsecured and unsubordinated obligations of the Guarantors.

More information on how the Bonds rank is in section 5 (*Key features of the Bonds*).

No security

The Bonds are not secured against any of Chorus' assets. The Guarantee is not secured against any of the Guarantors' assets.

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that Chorus does not meet its commitments to repay you or pay you interest (credit risk). Section 6 (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

Chorus considers that the most significant risk factors are:

Regulatory environment

The majority of the Group's revenue comes from services that are controlled by regulation or contract.

- The terms of many copper services are regulated under the Telecommunications Act 2001 (**Telco Act**). While the Commerce Commission recently reset the pricing of these services, it has the ability to amend the terms (price and non-price) of these, and potentially other, services.
- The terms of many fibre services are set under the UFB Agreement until the end of 2019 (**UFB Services**). However, the Commerce Commission could seek to regulate fibre services (including UFB Services) before 2020.

The government is currently conducting a review of the Telco Act that is expected to reset the regulatory environment for telecommunication services (copper and fibre), and the terms of those services, from 2020. Timelines for and outcomes from the review are unknown. Outcomes could adversely impact the basis on which the Group provides its services, as could future government policies, ministerial decisions, regulator decisions or other regulatory outcomes.

The Group's network and business

Under the UFB Agreement Chorus is contracted to build, operate and connect a new fibre network to New Zealand homes, businesses, schools and hospitals, for around 70% of the first stage of the Government's UFB programme. There are potentially significant consequences for Chorus from unforeseen costs or non-delivery under the UFB Agreement.

The number of customers and consumers choosing to use Chorus' new fibre network continues to grow but is unpredictable. This may result in the acceleration of operating and capital expenditure and funding requirements for the Group.

The construction of the new fibre network has large funding requirements. Chorus' ability to maintain an appropriate capital structure may be adversely affected if it experiences a decline in its operating performance or revenues, there is a material and unexpected increase in capital expenditure, if financial market conditions deteriorate or if it is unable to maintain its credit rating. This could limit Chorus' access to funding and/or increase its funding costs.

Network substitution/reduced demand

Demand for the Group's total number of copper and fibre lines, or the revenue derived from these, may reduce due to changes in customer or consumer behaviour. This includes substitution of the Group's services with mobile or other fixed line providers, the introduction of new alternative infrastructure, technologies and services and/or shifts to lower cost services.

The above risk factors either individually or in combination may reduce the Group's revenues, increase its costs or otherwise adversely impact its financial position and performance. This could affect Chorus' ability to pay interest on, and repay, the Bonds.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 6 (*Risks of investing*) and section 5 (*Key features of the Bonds*).

What is Chorus' credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

Chorus' current credit ratings

Chorus has been rated by Standard & Poor's and Moody's Investors Service (**Moody's**).

Standard & Poor's gives ratings from AAA through to C. Standard & Poor's ratings may be modified with a (+) or (-) sign to show relative standing within a rating category.

Moody's gives ratings from Aaa to Ca. Moody's ratings may be modified with a number, 1 to 3, indicating whether the obligation ranks at the higher end (1), mid-range (2), or lower end (3) of a rating category.

As at the date of this PDS Chorus has been assigned a long-term credit rating of:

- BBB with a stable outlook by Standard & Poor's; and
- Baa2 with a stable outlook by Moody's.

The Bonds are to be rated by Standard & Poor's and Moody's. Chorus expects the initial credit rating assigned to the Bonds by Standard & Poor's will be BBB and the initial credit rating assigned to the Bonds by Moody's will be Baa2. Chorus expects the credit ratings will be assigned to the Bonds before the Issue Date.

Standard & Poor's

RATING	CHORUS' CREDIT RATING BBB (STABLE)							
	AAA	AA	A	BBB	BB	B	CCC	CC TO C
Summary description (capacity of issuer to meet its financial obligations)	EXTREMELY STRONG	VERY STRONG	STRONG	ADEQUATE	LESS VULNERABLE	MORE VULNERABLE	CURRENTLY VULNERABLE	CURRENTLY HIGHLY VULNERABLE
Approximate probability of default over 5 years*	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	

Moody's

RATING	CHORUS' CREDIT RATING Baa2 (STABLE)							
	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Summary description (credit risk)	MINIMAL	VERY LOW	LOW	MODERATE	SUBSTANTIAL	HIGH	VERY HIGH	LIKELY IN, OR VERY NEAR, DEFAULT
Approximate probability of default over 5 years*	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	

* The approximate, median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by Standard & Poor's and Moody's (source: Reserve Bank of New Zealand publication "Explaining Credit Ratings", dated November 2008).

Where you can find other market information about Chorus

This is a short-form offer document that Chorus is permitted to make because these Bonds rank in priority to existing quoted financial products of Chorus. The existing quoted financial products are ordinary shares in Chorus Limited, which are traded on the NZX

Main Board and ASX. Chorus is subject to a disclosure obligation that requires it to notify certain material information to the NZX and ASX for the purpose of that information being made available to participants in the market. Chorus' shares listed on the NZX Main Board can be found at <https://www.nzx.com/markets/NZSX/securities/CNU>.



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2. Key dates and offer process

Rate Set Date	Wednesday 13 April 2016.
Opening Date	Thursday 14 April 2016.
Closing Date	Wednesday 4 May 2016.
Issue and Allotment Date	Friday 6 May 2016.
Expected date of initial quotation and trading of the Bonds on the NZX Debt Market	Monday 9 May 2016.
Interest Payment Dates	6 February, 6 May, 6 August and 6 November in each year.
First Interest Payment Date	6 August 2016.
Maturity Date	Thursday 6 May 2021.

The timetable is indicative only and subject to change.

Chorus may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date).

If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

Chorus reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.

Who may apply under the Offer?

The Offer will be open to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors.

All of the Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, Co-Managers, Primary Market Participants and other approved financial intermediaries, invited to participate in the Bookbuild conducted by the Joint Lead Managers.

There will be no public pool for the Bonds.

If you wish to invest in the Bonds you should contact your usual authorised financial adviser or a Primary Market Participant for details as to how you may acquire the Bonds. You can find a Primary Market Participant by visiting www.nzx.com/investing/find_a_participant.

3. Terms of the offer

Issuer	Chorus Limited.
Description of Bonds	Unsecured, unsubordinated, fixed rate bonds.
Term	5 years, maturing on Thursday 6 May 2021.
Offer amount	Up to \$300 million (with the ability to accept oversubscriptions of up to \$100 million at Chorus' discretion).
Issue price	\$1.00 per Bond, being the principal amount of each Bond.
Interest rate	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be determined by Chorus in conjunction with the Joint Lead Managers following the Bookbuild, and announced via NZX on or about the Rate Set Date.</p> <p>The rate of interest payable on the Bonds may increase if an interest rate step-up applies. See below.</p>
Interest rate step-up	<p>If on the first day of a quarterly interest period (being the 3 month period immediately before an interest payment date) a Downgrade Event exists, the rate of interest payable on each Bond for that period will be increased by 1% per annum (that is it will be the aggregate of the standard Interest Rate and 1% per annum).</p> <p>The increased amount of interest will be payable on the Interest Payment Date at the end of that 3 month interest period.</p> <p>This will continue until a Downgrade Event does not exist on the first day of a quarterly interest period. The rate of interest will revert to the standard Interest Rate at that point.</p> <p>A Downgrade Event exists if:</p> <ul style="list-style-type: none"> (a) the Standard & Poor's credit rating of the Bonds is BB+ or below (or the Bonds are rated at or below the equivalent rating from another rating agency); or (b) if the Bonds are not rated, either: <ul style="list-style-type: none"> (i) Chorus' long term corporate credit rating from Standard & Poor's is BB+ or below (or at or below the equivalent rating from another rating agency that rates Chorus), or (ii) Chorus does not have a long term corporate credit rating from a rating agency. <p>For full details of the interest rate step-up see clause 4.3(c) of the Supplemental Trust Deed.</p>
Interest payment dates	Quarterly in arrears on 6 February, 6 May, 6 August and 6 November each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 6 August 2016.
Interest payments and entitlement	<p>Payments of interest on Interest Payment Dates will be of equal quarterly amounts, other than where the Interest rate step up applies. Any interest on the Bonds payable on a date which is not an Interest Payment Date (including the early bird interest discussed below), will be calculated based on the number of days in the relevant period and a 365-day year.</p> <p>On Interest Payment Dates interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date.</p> <p>The record date for the Interest Payment Dates is 5.00pm on the date that is 10 days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.</p>

Early bird interest	You will receive interest calculated on a daily basis at the Interest Rate on application money you paid, in respect of accepted applications, from (and including) the date that application money is received into the bank account for the Offer to (but excluding) the Issue Date. Early bird interest will be paid (less any withholding tax required to be deducted) to you as soon as practicable and, in any event, within 5 Business Days of the Issue Date.
Offer opening date	Thursday 14 April 2016.
Offer closing date	Wednesday 4 May 2016.
Scaling	Chorus may scale applications at its discretion, but will not scale any application to below \$5,000 or to an amount that is not a multiple of \$1,000.
Refunds	If Chorus does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all or the relevant balance of your application money received will be repaid to you as soon as practicable and, in any event, within 5 Business Days of the Issue Date. No interest will be paid on refunds.
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.
How to apply	Application instructions are set out in section 12 (<i>How to apply</i>). An application form is attached at the back of this PDS. Chorus reserves the right to refuse all or any part of any application for Bonds under the Offer without giving a reason.
No underwriting	The Offer is not underwritten.
Brokerage	You are not required to pay brokerage or any other fees or charges to Chorus to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.
Quotation	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA. NZX ticker code CNU010 has been reserved for the Bonds.
Transfer restrictions	Chorus may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.
NZX approval	NZX has provided Chorus with approval under Listing Rule 11.1.5 to enable Chorus to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.
Ranking of Bonds	The Bonds rank equally with Chorus' other unsecured and unsubordinated obligations. More information on the ranking of the Bonds can be found in section 5 (<i>Key features of the Bonds</i>).
Guarantee	The Bonds are guaranteed by the Guarantors under the Trust Deed. The Guarantee is an unsecured, unsubordinated obligation of each Guarantor. More information on the Guarantee is in section 5 (<i>Key features of the Bonds</i>).

Early redemption	Bondholders have no right to require Chorus to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs (as described below).
Events of Default	<p>If an Event of Default occurs and is continuing the Supervisor may in its discretion, and must upon being directed to do so by an extraordinary resolution of Bondholders, declare the Bonds to be immediately due and payable.</p> <p>The Events of Default are set out in clause 13.1 of the Trust Deed (a copy of which is contained on the Disclose Register) and are summarised in section 5 (<i>Key features of the Bonds</i>).</p>
Further bonds	Chorus may issue further bonds without the consent of Bondholders which may rank ahead of, equally with or behind the Bonds.
Further payments, fees or charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 7 (<i>Tax</i>) for further details.</p> <p>The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. See section 8 (<i>Selling restrictions</i>) for further details.</p>
Governing law	New Zealand.
Securities Registrar	Computershare Investor Services Limited.

No recommendation by Supervisor, Joint Lead Managers, Co-Managers or Organising Participant

This PDS does not constitute a recommendation by the Supervisor, any Joint Lead Manager, Co-Manager or the Organising Participant or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Bonds.

The Supervisor, the Joint Lead Managers, Co-Managers and the Organising Participant and their respective directors, officers, employees, agents or advisers:

- do not accept any responsibility or liability whatsoever for any loss arising from this PDS or the Disclose Register or their contents or otherwise arising in connection with the Offer; and
- have not independently verified the information contained in this PDS or the Disclose Register and make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this PDS or the Disclose Register.

The limitations and exclusions set out above are subject to any limitations imposed by law, including any liability that may arise under the FMCA.

You must make your own independent investigation and assessment of the financial condition and affairs of the Chorus Group before deciding whether or not to apply for Bonds.

Trust Deed and Guarantee

The terms and conditions of the Bonds and the Guarantee are set out in the Trust Deed, as supplemented by the Supplemental Trust Deed. Bondholders are bound by, and are deemed to have notice of, the Trust Deed and the Supplemental Trust Deed.

If you require further information in relation to any terms and conditions you can get a copy of the Trust Deed (including the Guarantee) and Supplemental Trust Deed from the Disclose Register at www.business.govt.nz/disclose.

4. Purpose of the offer

The proceeds of the Offer are expected to be applied towards repaying existing bank loans. The use of the money raised under the Offer will not change depending on the total amount that is raised.

The Offer is not underwritten.

5. Key features of the Bonds

A number of key features of the Bonds are described in section 3 (*Terms of the offer*). The other key features of the Bonds are described below.

A copy of the Trust Deed (including the Guarantee) and the Supplemental Trust Deed are included on the Disclose Register.



Ranking

The Bonds constitute unsecured, unsubordinated, debt obligations of Chorus.

On a liquidation of Chorus, amounts owing to Bondholders rank equally with all other unsecured, unsubordinated obligations of Chorus. Amounts owing under the Guarantee constitute unsecured, unsubordinated debt obligations of each Guarantor and on a liquidation of a Guarantor amounts owing to Bondholders under the Guarantee rank equally with all other unsecured unsubordinated obligations of that Guarantor.

The ranking of the Bonds on a liquidation of the Chorus Group is summarised in the diagram below. The diagram is a summary of indicative amounts only and in the event of a liquidation of the Chorus Group, the actual priority amounts may differ.

Diagram showing ranking of bonds

	RANKING ON THE LIQUIDATION OF CHORUS GROUP	LIABILITIES	INDICATIVE AMOUNT OF EXISTING LIABILITIES AND EQUITY OF CHORUS GROUP AS AT 31 DECEMBER 2015 ADJUSTED FOR EXPECTED ISSUE PROCEEDS
<p>HIGHER RANKING EARLIER PRIORITY</p>   <p>LOWER RANKING LATER PRIORITY</p>	Liabilities that rank in priority to the Bonds*	Secured liabilities and liabilities preferred by law (including employee entitlements and Inland Revenue for certain unpaid taxes)	\$55 million
	Liabilities that rank equally with the Bonds**	Bonds	\$300 million
		Other unsubordinated and unsecured debt that ranks equally with the Bonds (including the Senior Portion of the CFH Debt Securities ¹)	\$1,516 million
	Liabilities that rank below the Bonds	Subordinated debt obligations (currently comprising the Subordinated Portion of the CFH Debt Securities ¹)	\$155 million
		Other subordinated liabilities (CFH Equity Securities ¹¹)	\$214 million
	Equity***	Shares, reserves and retained earnings	\$843 million

* Liabilities that rank in priority to the Bonds include:

- (a) employee entitlements to unpaid salaries and wages, holiday pay and bonuses, and PAYE of \$20 million; and
- (b) amounts owing to the Inland Revenue for unpaid taxes and goods and services tax of \$33 million.

There are typically other preferred or secured claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.

** Assuming \$300 million of Bonds are issued under the Offer and the total amount of other outstanding debt securities issued by Chorus is \$1,516 million. The final size of the Offer will not impact this number as the proceeds of the Offer are expected to be applied towards repaying existing bank loans which rank equally with the Bonds.

*** The amount of equity stated above includes an amount in relation to Chorus' existing quoted financial products (i.e. Chorus' shares).

¹ The CFH Debt Securities are issued to CFH by Chorus to partially finance the building of the UFB network. Chorus expects to issue more of these securities over the remainder of the build period.

The amount of the Senior Portion of the CFH Debt Securities will change over time as Chorus issues more CFH Debt Securities and the maturity dates for issued CFH Debt Securities approach. However, the maximum amount of the Senior Portion of the CFH Debt Securities will be less than \$260 million while any of the Bonds are outstanding (based on Chorus' forecast draw down profile for the CFH Debt Securities).

¹¹ The CFH Equity Securities are issued to CFH by Chorus to partially finance the building of the UFB network. Chorus expects to issue more of these securities over the remainder of the build period.

Restriction on incurring indebtedness

Other than the restrictions on Chorus and the Guarantors creating security described below under "Negative Pledge", there are no restrictions on Chorus or the Guarantors creating further liabilities that rank equally with, or in priority to, the Bonds on a liquidation of Chorus or the Guarantors after the Bonds have been issued.

Chorus and the Guarantors could therefore, at any time after the Issue Date, create further liabilities that rank equally with, or in priority to, the Bonds. These further liabilities could, for example, be a new series of bonds issued under the Trust Deed, a new borrowing facility with a bank or the issue of further notes under Chorus' Euro Medium Term Note Programme.

Negative Pledge

Chorus has agreed with the Supervisor that, while any bonds (including the Bonds) issued under the Trust Deed remain outstanding, it will not charge or secure its assets (and it will procure that each Guarantor will not charge or secure its assets) in favour of other creditors, subject to certain exclusions. These exclusions allow Chorus (and each Guarantor) to secure its assets. The exclusions are:

- if the aggregate principal amount secured does not exceed 5% of the total tangible assets of the Chorus Group (in addition to the security permitted pursuant to the circumstances described below); or
- in certain other limited circumstances set out in the Trust Deed (including if the security arises by operation of law, relates to the acquisition of an asset or a project, is already in existence when the relevant asset was acquired or before the entity granting that security became a Guarantor, substitutes an existing permitted security, is over cash or financial investments to secure amounts borrowed that are consistent with ordinary banking practice, is created with the consent of the Supervisor or relates to intangible assets).

For full details of the negative pledge see clause 12.4(a) of the Trust Deed.

Guarantees

The Bonds are guaranteed by the Guarantors under the Guarantee. As at the date of this PDS, CNZL is the only Guarantor. Other companies owned by Chorus may be added as Guarantors under the Trust Deed.

Under the Trust Deed, each Guarantor jointly and severally guarantees the payment of all amounts owed to Bondholders in respect of the Bonds and any amount owed to the Supervisor (which would include the Supervisor's fees and costs). There are no limits on the obligations of any Guarantor in respect of the amounts owing under the Guarantee. The obligations of the Guarantors under the Guarantee are unsecured.

Not all members of Chorus Group are required to be Guarantors. Each member of the Chorus Group which is a 'Material Subsidiary' is required to be a Guarantor. A Material Subsidiary is a wholly owned Subsidiary of Chorus and/or any of the Guarantors, excluding:

- any Subsidiary:
 - whose profits, before tax and extraordinary items, are not greater than 10% of the consolidated profits, before tax and extraordinary items, of the Chorus Group; and
 - whose total tangible assets represent not more than 10% of the total tangible assets of the Chorus Group; or
- any Subsidiary whose principal business is restricted to the business of a bank, finance company or other financial intermediary or insurance company, or (in the case of a Subsidiary incorporated outside New Zealand) the business of raising and/or investing funds, or any subsidiary of any such company.

The Trust Deed contains provisions that allow Chorus to have a Guarantor released from the Guarantee if there are sound commercial reasons for the release or if the Guarantor has ceased to be a Material Subsidiary and if, in each case, in the opinion of Chorus the release will not have a material adverse effect on Bondholders. More information on the Guarantee is contained in clauses 8 and 9 of the Trust Deed.

Under the Trust Deed, Chorus must ensure that the Guaranteeing Group (being Chorus and the Guarantors) meets the following coverage ratios which are tested on a semi-annual basis:

- the total tangible assets of the Guaranteeing Group must not be less than 90% of total tangible assets of the Chorus Group; and
- earnings (calculated before interest, tax, depreciation and amortisation) of the Guaranteeing Group for the preceding 12 month period must not be less than 90% of earnings (calculated before interest, tax, depreciation and amortisation) of the Chorus Group for the preceding 12 month period.

For full details of these provisions see clause 12.1(j) of the Trust Deed.

Events of Default

The Events of Default are contained in clause 13.1 of the Trust Deed. They include a failure by Chorus to make a payment on the Bonds, any material misrepresentation by Chorus or a Guarantor, a breach by Chorus or a Guarantor of a material provision of the Trust Deed or the Bonds and insolvency events that affect Chorus or a Guarantor.

If an Event of Default occurs, the Supervisor may in its discretion, and must upon being directed to do so by an extraordinary resolution of Bondholders, declare the Principal Amount and any accrued interest on the Bonds due and payable. If this occurred, Chorus will need to repay you the Principal Amount of your Bonds and any outstanding interest due on your Bonds.

This is a summary of the Events of Default. For full details of the Events of Default see clause 13.1 of the Trust Deed.

Other relevant information about the Trust Deed

The Trust Deed also contains a number of standard provisions, including relating to:

- the role of the Supervisor and the powers and duties of the Supervisor;
- the process for replacement of the Supervisor;
- the right of the Supervisor to be indemnified;
- the payment of fees, expenses and other amounts owing to the Supervisor (including that amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Bondholders);
- the process for Bondholders to sell or transfer their Bonds (including that such sales and transfers are subject to the terms of the Trust Deed and applicable securities laws, in particular that transfers that would result in the transferee holding Bonds with an aggregate principal amount of less than \$5,000, or in an amount that is not a multiple of \$1,000, will not be allowed); and
- the process for amending the Trust Deed. To summarise, the Trust Deed can be amended:
 - with the consent of the Supervisor; or
 - by the Financial Markets Authority under section 109 of the FMCA; or
 - under section 22(7) or 37(6) of the Financial Markets Supervisors Act 2011 or any other enactment.

The Supervisor must only consent to an amendment if:

- the amendment is approved by an extraordinary resolution of the holders of the debt securities (or each class of holders that is or may be adversely affected by the amendment or replacement); or
- the Supervisor is satisfied that the amendment or replacement does not have a material adverse effect on the Bondholders.

You should read clause 21 of the Trust Deed for further information.

6. Risks of investing

Introduction

This section 6 describes the following potential key risk factors:

- general risks associated with an investment in the Bonds; and
- significant specific risks relating to Chorus' creditworthiness.

Key risks outlined in this section are based on an assessment of the probability of a risk occurring and potential impact (individually or in combination with other key risks) at the date of this PDS. There is no guarantee or assurance that key risks will not change, alter in their significance or that other risks will not emerge.

Where practicable, Chorus seeks to implement risk mitigation strategies to minimise exposure to some of the risks outlined below. However, there can be no assurance that these risk mitigation strategies will fully protect Chorus from all or any risks.

Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Bonds. This summary does not cover all of the risks of investing in the Bonds.

Before making any investment decision it is important that investors consider the suitability of an investment in the Bonds in light of their own individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). The risks described in this section do not take account of the personal circumstances, financial position or investment requirements of any particular person other than the Chorus Group.

General Risks

An investment in the Bonds is subject to the following general risks:

- Chorus becomes insolvent and is unable to meet its obligations under the Bonds, including the obligations to pay interest on, and repay the Principal Amount of, the Bonds;
- CNZL or any other Guarantor is unable to meet its obligations under the Guarantee if Chorus defaults; and
- if Bondholders wish to sell their Bonds before maturity:
 - the price at which they are able to sell their Bonds is less than the amount they paid for the Bonds due to interest rate movements or for other reasons; or
 - they are unable to sell their Bonds at all due to lack of demand or because the Bonds cease to be listed on the NZX Debt Market.

Further explanation of each of these general risks is contained below.

General risks related to the insolvency of Chorus

In the event of the insolvency of Chorus, which results in liquidation involving a shortfall of funds, the rights and claims of each Bondholder will rank:

- **behind** secured creditors and creditors preferred by law (whose rights and claims will rank ahead of Bondholders and other creditors);
- **equally** with the other Bondholders and other unsecured unsubordinated creditors (including banks, holders of other unsecured and unsubordinated bonds (including notes issued under Chorus' Euro Medium Term Note Programme), CFH in respect of the Senior Portion of the CFH Debt Securities, trade creditors and suppliers); and
- **ahead** of any subordinated creditors, including holders of any subordinated bonds issued by Chorus, CFH in respect of the Subordinated Portion of the CFH Debt Securities and the CFH Equity Securities and holders of Shares, whose rights and claims will rank behind Bondholders.

In such an event, there may be a shortfall of funds to pay all amounts ranking ahead of and equally with the Bonds. If this occurs, this would result in Bondholders not receiving a full return of the Principal Amount and/or any interest due and unpaid at that time.

General risks related to the market for the Bonds

- **Market price:** The price at which Bondholders are able to sell their Bonds may be affected by a number of factors, both dependent on, or independent of, Chorus' creditworthiness. Independent factors may include the time remaining to the Maturity Date, the outstanding aggregate Principal Amount of the Bonds, the level of demand for the Bonds offered for sale in the secondary market from time to time, any legal restrictions limiting demand for Bonds, the availability of comparable securities, the level, direction and volatility of market interest rates and market conditions generally. For example, if market interest rates go up, the market value of the Bonds would typically be expected to go down and vice versa.
- **Liquidity:** There can be no assurance that a secondary market for the Bonds will develop or the liquidity of such a market. In the absence of a liquid secondary market for the Bonds, Bondholders may not be able to sell their Bonds readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, within a developed secondary market. Even following the development of a secondary market, and depending on market conditions and other factors, Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those that may be available to other Bondholders.

Due to these factors the Bonds may not be readily saleable, their value may fluctuate over time and such fluctuations may be significant and could result in losses to a Bondholder who wishes to sell Bonds prior to the Maturity Date.

Specific risks relating to Chorus' creditworthiness

Chorus considers the most significant specific risk factors, either individually or in combination, that could significantly affect the Group's future financial position and financial performance, and therefore significantly increase the risk that Chorus may default on its obligations to pay interest on, or repay the Principal Amount of, the Bonds are risks related to:

- the regulatory environment;
- the Group's network and business; and
- network substitution/reduced demand.

Regulatory environment

The majority of the Group's revenue comes from services that are controlled by regulation or contract.

As at 31 December 2015, 75% of the Group's revenue came from regulated copper services under terms set by the Commerce Commission. The Commerce Commission can amend the terms of these, and the Group's other, services. For example, in December 2015 the Commerce Commission reset the Group's regulated copper prices for a five year period after a two phased, four year process. The first phase resulted in a significant reduction in the Group's revenue, necessitating a major reshaping of the Group's business (including amendment of some of its financing arrangements). While the second phase resulted in prices that were higher than the 'phase one' prices, they remain lower than the prices existing at the time the process commenced.

The Commerce Commission can also recommend to the Minister that services not currently regulated be regulated and vice versa. Chorus expects the Commerce Commission to review the existing services capable of being regulated in 2016.

As at 31 December 2015, 12% of the Group's revenue came from UFB Services which are contracted and not currently regulated. The terms for those services are set under the UFB Agreement until the end of 2019. Although UFB Services are not currently regulated, the Commerce Commission could seek to regulate those, and the Group's other fibre, services, including before 2020. The UFB Agreement provides for up to \$350 million of economic compensation if regulatory determinations have an adverse impact before 2020.

As part of its regulatory review programme, in September 2015 the government commenced a review of the Telco Act (with a best endeavours obligation to complete the review by the end of 2019). The government's discussion document recognised uncertainty in the current regulatory regime and for fibre services (including UFB Services) after 2019. The review is expected to establish the framework under which the terms of regulated services might be set from 2020. Timelines for completion of the review and implementation are uncertain.

Any regulatory framework resulting from the review may cover all, or only some, of the Group's existing and/or future services. Accordingly, there is no certainty regarding the regulated terms of the Group's services from 2020. For example, the prices set under any new regulatory framework may be lower than current prices.

Other future government policies, ministerial decisions, regulator decisions or other regulatory outcomes could also adversely impact the Group's operations.

The Group's network and business

The Group maintains, builds and operates a nationwide fixed line communications network including copper and fibre optic lines and related infrastructure and technologies connecting homes, schools, hospitals and businesses throughout New Zealand. The Group sells wholesale services to its retail service provider customers who then sell broadband and voice services to consumers.

Under the UFB Agreement Chorus is contracted to build, operate and connect a new fibre optic network for around 70% of the first stage of the Government's UFB programme (which is expected to pass around 75% of New Zealand's population).

Chorus faces the risks typical to large scale, long duration infrastructure and construction projects, including unforeseen costs, and delay in completing this build. There are also potentially significant consequences (including financial) for Chorus under the UFB Agreement if it breaches its UFB design, build, delivery or operation obligations, including:

- default payments – meaning Chorus could be required to pay significant amounts if it fails to meet performance milestones or service levels;
- damages claims or specific performance for other breaches – meaning Chorus could be required to pay significant amounts or perform certain activities to remedy the breach;
- for prolonged or significant performance failure:
 - management step in rights – meaning CFH could take over day to day management and control of Chorus' resources and business activities to remedy the breach;
 - liquidated damages – meaning Chorus could be required to pay up to \$50,000 per day (for up to 6 months);
 - termination of the UFB Agreement.

The number of customers and consumers choosing to use Chorus' new fibre network continues to grow but is unpredictable. This may result in the acceleration of operating and capital expenditure and funding requirements for the Group. Rapid growth in network traffic could also constrain parts of the Group's network necessitating further significant investment.

The Group engages a number of external suppliers to build, operate and maintain its network and to supply services, equipment and materials. Significant failure by these parties could impact the Group's ability to meet its other obligations. For example, failure of a service provider could result in Chorus breaching the UFB Agreement.

The Group has incident, continuity and emergency management capability to address business disruption events and mitigate associated risks, including those relating to operation of the Group's network and IT systems and those of third parties on which it relies (including shared legacy systems with Spark). However, no assurance can be provided that a major failure will not occur requiring significant additional and unexpected expenditure.

Chorus has large funding requirements related to the construction of its new fibre network. Chorus' ability to maintain an appropriate capital structure for its financial profile, either by refinancing debt on favourable terms or by raising new debt, may be adversely affected if it experiences a decline in its operating performance or revenues, there is a material and unexpected increase in capital expenditure, if financial market conditions are volatile or if it is unable to maintain its credit rating. This could limit Chorus' access to funding and/or increase its funding costs.

Network substitution/reduced demand

The Group's revenue may reduce from any one or more factors, including customers and/or consumers:

- using lines provided by third parties instead of the Group's (including the lines of other "local fibre companies" building fibre services in the 30% of areas the Group is not as part of the government's first stage UFB programme);
- using mobile or other technologies instead of the Group's lines;
- shifting to lower cost services provided by the Group;
- using other alternative infrastructure and services instead of the Group's. For example, the government has released a tender process for a second UFB programme to extend the build of fibre from 75% to around 80% of New Zealand and has indicated a second rural broadband tender programme yet to be released. The timing, outcomes and impacts of these programmes are uncertain. If Chorus participates in these programmes material additional capital investment may be required. Third parties may build competing services in areas in which Chorus does not participate.

The above risk factors either individually or in combination may reduce the Group's revenues, increase its costs or otherwise adversely impact its financial position and performance. This could affect Chorus' ability to pay interest on, and repay, the Bonds.

7. Tax

The returns on Bonds will be affected by taxes. The information in this section is based on the law in force in New Zealand at the date of this PDS.

If you are a New Zealand tax resident Bondholder, or a non-resident Bondholder with a fixed establishment in New Zealand, resident withholding tax (RWT) will be deducted from interest paid to you at the relevant rate, unless you produce a valid certificate of exemption no later than the date that is 10 days before the relevant payment date.

If you are a non-resident Bondholder that does not have a fixed establishment in New Zealand, then Chorus will apply the approved issuer levy (AIL) regime to interest payments to the extent it can. You may request that Chorus deducts non-resident withholding tax (NRWT) from interest payments to you instead of applying the AIL regime. If the AIL regime applies, Chorus will:

- if possible, apply the zero rate of AIL; and
- otherwise, pay AIL at the applicable rate.

The amount of any AIL paid will be deducted from payments to you.

If the AIL regime cannot apply to an interest payment to you or if you have requested that NRWT apply, NRWT will be deducted at the applicable rate. In the case of a New Zealand resident deriving the interest jointly with a non-resident, NRWT will be deducted at the applicable RWT rate. See the Trust Deed for further details.

Indemnity

If, in respect of any of your Bonds, Chorus becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify Chorus in respect of such liability. Any amounts paid by Chorus in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of Bonds. See the Trust Deed for further details.

There may be other tax consequences from acquiring or disposing of the Bonds.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

8. Selling restrictions

This PDS constitutes an offer of Bonds to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only.

Chorus has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

There are specific selling restrictions that apply to an offer of the Bonds in the European Economic Area, Switzerland, the United

Kingdom, Australia, Hong Kong, Japan, Singapore and Taiwan. These selling restrictions do not apply to an offer of the Bonds in New Zealand.

A copy of these selling restrictions can be found on the Disclose Register.

These selling restrictions may be modified by Chorus and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each Bondholder is, required by Chorus and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense. References in this section to the Joint Lead Managers includes the Co-Managers.

Indemnity

By subscribing for Bonds, each investor agrees to indemnify, among others, Chorus, the Supervisor and the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching the selling restrictions referred to in this section.

9. Who is involved?

	NAME	ROLE
Issuer	Chorus Limited	Issuer of the Bonds.
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce Chorus' obligations under the Bonds.
Organising Participant	ANZ Bank New Zealand Limited	Is responsible to the NZX in relation to the quotation of the Bonds.
Joint Lead Managers	ANZ Bank New Zealand Limited and Westpac Banking Corporation (acting through its New Zealand Branch)	Provide advice and assistance to Chorus, and assist with the marketing and distribution of the Offer.
Co-Managers	Bank of New Zealand, Deutsche Craigs Limited, First NZ Capital Securities Limited, Forsyth Barr Limited and Macquarie Capital (New Zealand) Limited.	Assist with the marketing and distribution of the Offer.
Securities Registrar	Computershare Investor Services Limited	Maintains register of Bondholders.
Solicitors to Issuer	Chapman Tripp	Provides legal advice to the Chorus Group in respect of the Offer.
Solicitors to Supervisor	Simpson Grierson	Provides legal advice to The New Zealand Guardian Trust Company Limited in respect of the Offer.

10. How to complain

Complaints about the Bonds can be directed to:

Chorus Limited at

Treasurer

Level 10, 1 Willis Street

Wellington 6011

PO Box 632

Wellington 6140

New Zealand

Telephone: +64 4 896 4014

Facsimile: +64 4 471 0013

Email: Andrew.hopkinson@chorus.co.nz

The New Zealand Guardian Trust Company Limited at

Manager, Corporate Trusts

Level 2, 99-105 Customhouse Quay

Wellington 6011

New Zealand

Telephone: +64 4 901 5406

Facsimile: +64 4 901 0108

Email: ct-wellington@nzgt.co.nz

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing info@fscl.org.nz, or calling FSCL on 0800 347 257, or by contacting the Complaint Investigation Officer, Financial Services Complaints Limited, Level 12, 45 Johnston Street, Wellington 6145.

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website www.fma.govt.nz

11. Where you can find more information

Disclose Register

Further information relating to Chorus and the Bonds is available on the online offer register maintained by the Companies Office known as 'Disclose'. The offer register can be accessed at www.business.govt.nz/disclose. A copy of the information on that register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz.

The information contained on that register includes a copy of the Trust Deed and Supplemental Trust Deed, a credit rating report from Standard & Poor's and Moody's in relation to Chorus, a copy of the specific selling restrictions applying in the overseas jurisdictions noted in section 8 (*Selling restrictions*) and any other material information.

12. How to apply

There is no public pool for the Bonds. This means you can only apply for Bonds through a Primary Market Participant or approved financial intermediary. You must return a completed Application Form (with payment) to the office of the Primary Market Participant or financial intermediary in time to enable it to be forwarded to the Securities Register before 5.00pm on the Closing Date.

An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Additional instructions on how to apply for Bonds are set out with the Application Form contained at the back of this PDS.

13. Contact information

Issuer

Chorus Limited
Level 10, 1 Willis Street
Wellington 6011
PO Box 632
Wellington 6140
New Zealand
Phone: 0800 600 100

Securities registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
Private Bag 92119
Auckland 1142
New Zealand
Phone: +64 9 488 8777

Glossary

\$	New Zealand dollars.	Co-Managers	Bank of New Zealand, Deutsche Craigs Limited, First NZ Capital Securities Limited, Forsyth Barr Limited and Macquarie Capital (New Zealand) Limited.
Application Form	The application form contained in this PDS relating to the Offer.	Disclose Register	Means the online offer register maintained by the Companies Office known as 'Disclose'.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.	Downgrade Event	Has the meaning given to that term in section 3 (<i>Terms of the offer</i>).
Bondholder or you	A person whose name is entered in the Register as a holder of a Bond.	Event of Default	In relation to the Bonds, means each event set out in clause 13.1 of the Trust Deed, which are summarised in section 5 (<i>Key features of the Bonds</i>).
Bonds	The bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS.	First Interest Payment Date	6 August 2016.
Bookbuild	The process expected to take place on 13 April 2016 whereby certain partners lodge bids for Bonds and, on the basis of those bids, Chorus and the Joint Lead Managers determine the Interest Rate.	FMCA	Financial Markets Conduct Act 2013.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.	Guarantee	Is described in section 5 (<i>Key features of the Bonds</i>), and means the guarantee contained in the Trust Deed that has been entered into by the Guarantors in favour of the Supervisor.
CFH	Crown Fibre Holdings Limited.	Guaranteeing Group	Chorus and each of the Guarantors.
CFH Debt Security	A debt security issued, or as the context may require, to be issued by the Issuer to CFH pursuant to the CFH Subscription Agreement.	Guarantors	Each person who is, or becomes, a party to the Trust Deed as a guarantor from time to time. As at the date of this PDS, CNZL is the only Guarantor.
CFH Equity Security	An equity security issued, or as the context may require, to be issued by the Issuer to CFH pursuant to the CFH Subscription Agreement.	Inland Revenue	The New Zealand Inland Revenue Department.
CFH Subscription Agreement	The subscription agreement dated 9 November 2011 between the Issuer and CFH providing for the issue of CFH Debt Securities and CFH Equity Securities.	Interest Payment Dates	6 February, 6 May, 6 August and 6 November, in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 6 August 2016.
CNZL	Chorus New Zealand Limited (a wholly owned subsidiary of Chorus).	Interest Rate	The rate of interest per annum payable on the Principal Amount of the Bonds as announced by Chorus through NZX on or about 13 April 2016.
Chorus or Issuer	Chorus Limited.	Issue Date	6 May 2016.
Chorus Group or Group	Chorus and all of its Subsidiaries.	Joint Lead Managers	ANZ Bank New Zealand Limited and Westpac Banking Corporation ABN 33 007 457 141 (acting through its New Zealand Branch).
Closing Date	4 May 2016.	Listing Rules	The listing rules applying to the NZX Debt Market, as amended from time to time.

Material Subsidiary	Has the meaning given to that term in the Trust Deed and is summarised in section 5 (<i>Key features of the Bonds</i>).	Subsidiaries	Has the meaning given to that term in the Financial Markets Conduct Regulations 2014.
Maturity Date	6 May 2021.	Subordinated Portion	The portion of CFH Debt Securities on issue that are not part of the Senior Portion.
NZX	NZX Limited.	Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time.
NZX Debt Market	The debt security market operated by NZX.	Supplemental Trust Deed	The Supplemental Trust Deed dated 30 March 2016 between Chorus and the Supervisor constituting and setting out the Conditions of the Bonds (as amended or supplemented from time to time).
Offer	The offer of Bonds made by Chorus under this PDS.	Telco Act	Telecommunications Act 2001.
Opening Date	14 April 2016.	Trust Deed	The Master Trust Deed dated 30 March 2016 between Chorus, CNZL and the Supervisor pursuant to which certain bonds may be issued (as amended or supplemented from time to time), and where the context requires includes the Supplemental Trust Deed.
Organising Participant	ANZ Bank New Zealand Limited.	UFB	Ultrafast Broadband.
PDS	This product disclosure statement for the Offer dated 30 March 2016.	UFB Agreement	Means the contracts agreed by Chorus relating to Chorus' participation in the Government-led initiative to enable New Zealanders to access ultra-fast broadband, including the: <ul style="list-style-type: none"> • Network Infrastructure Project Agreement; • CFH Subscription Agreement; and • Deed of Operational and Governance Undertakings.
Primary Market Participant	Has the meaning given to that term in the NZX Participant Rules as amended from time to time.		
Principal Amount	\$1.00 per Bond.		
Rate Set Date	13 April 2016.		
Register	The register in respect of the Bonds maintained by the Securities Registrar.		
Securities Registrar	Computershare Investor Services Limited.		
Senior Portion	Means the portion of CFH Debt Securities on issue ranking equally with the Group's other unsecured, unsubordinated indebtedness, including the Bonds, calculated in accordance with the terms of the CFH Subscription Agreement.		
Share	An ordinary share in Chorus.		

Chorus Limited

Application form

BROKER
STAMP

ADVISOR
CODE

This application form is issued with the product disclosure statement dated 30 March 2016 (PDS) for an Offer of Bonds by Chorus Limited (Chorus) to institutional investors and members of the public resident in New Zealand and certain overseas institutional investors. You should read the PDS carefully before completing this application form.

A copy of the PDS and other useful information about this offer may also be obtained from www.business.govt.nz/disclose.

Terms defined in the PDS have the same meaning in this application form.

Your application form must be received by Computershare Investor Services Limited (Securities Registrar) before 5.00pm on 4 May 2016.

Please complete this application form using BLOCK LETTERS.

A. Applicant details

Applications must be made in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

FIRST NAME(S)	LAST NAME
FIRST NAME(S)	LAST NAME
FIRST NAME(S)	LAST NAME
COMPANY OR DESIGNATED ACCOUNT NAME (IF APPLICABLE)	
POSTAL ADDRESS AND POSTAL CODE	
PHONE NUMBER (MOBILE)	PHONE NUMBER (HOME)

B. Application amount and payment

Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Bond. Applications must be for a minimum of \$5,000 and, thereafter, in multiples of \$1,000. Chorus may accept or reject all or part of this application without giving reason.

PRINCIPAL AMOUNT OF
BONDS APPLIED FOR

\$

You may choose only ONE of the options below for payment of your application moneys. Please tick the box (✓) next to your selected option.

OPTION 1: Direct Debit

Please direct debit my/our bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by Chorus). By ticking this box and signing this application form, I/we agree that Chorus or the Securities Registrar is authorised to direct debit my/our account for the full amount of Bonds applied for (or any lesser amount as determined by Chorus). **Future interest payments will be direct credited to this account unless a different account is specified in section C below.**

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT:

NAME OF BANK															
NAME OF ACCOUNT															
BANK	BRANCH	ACCOUNT NO										SUFFIX			

OPTION 2: Cheque

Please find attached my/our cheque payable to "Chorus Bond Offer" and crossed "Not Transferable". I/we have supplied my/our bank account details under section C below for the purpose of direct crediting any future interest paid by Chorus.

OPTION 3: NZClear System

Payment will be made through NZClear as arranged with the Securities Registrar (**authorised institutional investors only**). I/we have supplied my/our account details under section C below for the purpose of direct crediting any future interest paid by Chorus.

NZCLEAR
MNEMONIC

C. Interest and redemption payments

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR FUTURE PAYMENTS:

NAME OF BANK															
NAME OF ACCOUNT															
BANK	BRANCH	ACCOUNT NO										SUFFIX			

OR for the purpose of Interest payments only, direct credit to my cash management account:

NAME OF NZX PARTICIPANT
WHERE CASH MANAGEMENT
ACCOUNT HELD

CASH MANAGEMENT ACCOUNT
CLIENT ACCOUNT NUMBER

If you wish to have your future interest payments direct credited to a different bank account you need to advise the Securities Registrar in writing.

D. Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a new CSN will be allocated.

IF YOU CURRENTLY HAVE A CSN,
PLEASE ENTER IT HERE

E. Electronic correspondence and reporting

To enable Chorus to provide you with your investor correspondence in relation to your holding of Bonds electronically (where possible), please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this application form.

EMAIL ADDRESS

F. IRD number and withholding taxes

PROVIDE YOUR IRD NUMBER (ONLY ONE IRD NUMBER IS REQUIRED IN RESPECT OF A JOINT APPLICATION)

Please select a resident withholding tax (RWT) rate by ticking the box (✓) next to your selected option (or confirm that you are non-resident and indicate your country of tax residence below).

Please note that a New Zealand company (other than a company which is acting as a trustee or a company which is a Maori authority) does not need to tick any box unless it holds an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5% 17.5% 30% 33% Exempt (If you are exempt from RWT, attach a copy of your RWT exemption certificate for noting).

Please tick the relevant box (✓) if any of the below apply to you or your application.

I am a non-resident for New Zealand tax purposes.

I am a non-resident for New Zealand tax purposes and I am engaged in business in New Zealand through a fixed establishment in New Zealand. (Please note that you should provide your IRD number and rate of RWT above.)

MY COUNTRY OF TAX RESIDENCE IS

G. Your application form must be received by the securities registrar before 5.00pm on 4 May 2016

Deliver to: Chorus Bond Offer
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142

Physical Address: Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Investor phone number: (09) 488 8777

H. Agreement of terms

I/we hereby confirm that I/we have received and read the PDS for the Bonds, and apply for the Principal Amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

Please read the terms and conditions below before signing as it sets out specific terms and conditions which are accepted by an applicant upon signature of this application form.

All applicants on the application form must sign.

Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the application form. If this application form is signed by an agent, the agent must complete the certificate of agency set out in the application form.

APPLICANT 1

APPLICANT 2

APPLICANT 3

DATE

I. Terms and conditions

By signing this application form, I/we:

- apply for the Principal Amount of Bonds on, and subject to, the terms and conditions set out in the PDS, the Trust Deed, the Supplemental Trust Deed, the information in connection with the Offer lodged on the Disclose Register and this application form and I/we agree to be bound by the provisions thereof;
- declare that all details and statements made by me/us in this application form are complete and accurate;
- certify that, where information is provided by me/us in this application form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- acknowledge that this application form was distributed with the PDS;
- acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted;
- acknowledge that Chorus reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever; and

- acknowledge that the offer is only made in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered, and by applying for the Bonds, I/we agree to indemnify, among others, Chorus, the Supervisor, the Joint Lead Managers and the Co-Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of my/our breaching the selling restrictions applicable to the Offer of Bonds (a copy of which can be found on the Disclose Register).

The information in the application form is provided to enable Chorus and the Securities Registrar to consider and process your application, and to administer your investment, and to help and enable Chorus or the Securities Registrar to comply with (or determine what it needs to do to comply with) any applicable laws, rules or regulations in New Zealand or any other country or the requirements of any governmental, judicial or regulatory entity or authority in any jurisdiction. By signing this application form you authorise Chorus and the Securities Registrar to disclose information in situations where Chorus or the Securities Registrar consider it is required or permitted to do so by any applicable laws, rules or regulations or by any governmental, judicial or regulatory entity or authority in New Zealand or any other jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of our personal information.

J. Certificate of non-revocation of power of attorney/agency

(Complete this section if you are acting on behalf of the applicant on this application form for whom you have power of attorney or are acting as agent)

I,

of OCCUPATION CERTIFY:

- THAT by deed/agreement dated

of

appointed me his/her/its attorney/agent;

- THAT I have executed the application for the Bonds printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney/agency.

Signed at this day of YEAR

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.*

Chorus Limited

Application form

BROKER
STAMP

ADVISOR
CODE

This application form is issued with the product disclosure statement dated 30 March 2016 (PDS) for an Offer of Bonds by Chorus Limited (Chorus) to institutional investors and members of the public resident in New Zealand and certain overseas institutional investors. You should read the PDS carefully before completing this application form.

A copy of the PDS and other useful information about this offer may also be obtained from www.business.govt.nz/disclose.

Terms defined in the PDS have the same meaning in this application form.

Your application form must be received by Computershare Investor Services Limited (Securities Registrar) before 5.00pm on 4 May 2016.

Please complete this application form using BLOCK LETTERS.

A. Applicant details

Applications must be made in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

FIRST NAME(S)	LAST NAME
FIRST NAME(S)	LAST NAME
FIRST NAME(S)	LAST NAME
COMPANY OR DESIGNATED ACCOUNT NAME (IF APPLICABLE)	
POSTAL ADDRESS AND POSTAL CODE	
PHONE NUMBER (MOBILE)	PHONE NUMBER (HOME)

B. Application amount and payment

Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Bond. Applications must be for a minimum of \$5,000 and, thereafter, in multiples of \$1,000. Chorus may accept or reject all or part of this application without giving reason.

PRINCIPAL AMOUNT OF
BONDS APPLIED FOR

\$

You may choose only ONE of the options below for payment of your application moneys. Please tick the box (✓) next to your selected option.

OPTION 1: Direct Debit

Please direct debit my/our bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by Chorus). By ticking this box and signing this application form, I/we agree that Chorus or the Securities Registrar is authorised to direct debit my/our account for the full amount of Bonds applied for (or any lesser amount as determined by Chorus). **Future interest payments will be direct credited to this account unless a different account is specified in section C below.**

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT:

NAME OF BANK			
NAME OF ACCOUNT			
BANK	BRANCH	ACCOUNT NO	SUFFIX

OPTION 2: Cheque

Please find attached my/our cheque payable to "Chorus Bond Offer" and crossed "Not Transferable". I/we have supplied my/our bank account details under section C below for the purpose of direct crediting any future interest paid by Chorus.

OPTION 3: NZClear System

Payment will be made through NZClear as arranged with the Securities Registrar (**authorised institutional investors only**). I/we have supplied my/our account details under section C below for the purpose of direct crediting any future interest paid by Chorus.

NZCLEAR
MNEMONIC

C. Interest and redemption payments

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR FUTURE PAYMENTS:

NAME OF BANK			
NAME OF ACCOUNT			
BANK	BRANCH	ACCOUNT NO	SUFFIX

OR for the purpose of Interest payments only, direct credit to my cash management account:

NAME OF NZX PARTICIPANT
WHERE CASH MANAGEMENT
ACCOUNT HELD

CASH MANAGEMENT ACCOUNT
CLIENT ACCOUNT NUMBER

If you wish to have your future interest payments direct credited to a different bank account you need to advise the Securities Registrar in writing.

D. Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a new CSN will be allocated.

IF YOU CURRENTLY HAVE A CSN,
PLEASE ENTER IT HERE

E. Electronic correspondence and reporting

To enable Chorus to provide you with your investor correspondence in relation to your holding of Bonds electronically (where possible), please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this application form.

EMAIL ADDRESS

F. IRD number and withholding taxes

PROVIDE YOUR IRD NUMBER (ONLY ONE IRD NUMBER IS REQUIRED IN RESPECT OF A JOINT APPLICATION)

Please select a resident withholding tax (RWT) rate by ticking the box (✓) next to your selected option (or confirm that you are non-resident and indicate your country of tax residence below).

Please note that a New Zealand company (other than a company which is acting as a trustee or a company which is a Maori authority) does not need to tick any box unless it holds an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5% 17.5% 30% 33% Exempt (If you are exempt from RWT, attach a copy of your RWT exemption certificate for noting).

Please tick the relevant box (✓) if any of the below apply to you or your application.

I am a non-resident for New Zealand tax purposes.

I am a non-resident for New Zealand tax purposes and I am engaged in business in New Zealand through a fixed establishment in New Zealand. (Please note that you should provide your IRD number and rate of RWT above.)

MY COUNTRY OF TAX RESIDENCE IS

G. Your application form must be received by the securities registrar before 5.00pm on 4 May 2016

Deliver to: Chorus Bond Offer
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142

Physical Address: Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Investor phone number: (09) 488 8777

H. Agreement of terms

I/we hereby confirm that I/we have received and read the PDS for the Bonds, and apply for the Principal Amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

Please read the terms and conditions below before signing as it sets out specific terms and conditions which are accepted by an applicant upon signature of this application form.

All applicants on the application form must sign.

Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the application form. If this application form is signed by an agent, the agent must complete the certificate of agency set out in the application form.

APPLICANT 1

APPLICANT 2

APPLICANT 3

DATE

I. Terms and conditions

By signing this application form, I/we:

- apply for the Principal Amount of Bonds on, and subject to, the terms and conditions set out in the PDS, the Trust Deed, the Supplemental Trust Deed, the information in connection with the Offer lodged on the Disclose Register and this application form and I/we agree to be bound by the provisions thereof;
- declare that all details and statements made by me/us in this application form are complete and accurate;
- certify that, where information is provided by me/us in this application form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- acknowledge that this application form was distributed with the PDS;
- acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted;
- acknowledge that Chorus reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever; and

- acknowledge that the offer is only made in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered, and by applying for the Bonds, I/we agree to indemnify, among others, Chorus, the Supervisor, the Joint Lead Managers and the Co-Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of my/our breaching the selling restrictions applicable to the Offer of Bonds (a copy of which can be found on the Disclose Register).

The information in the application form is provided to enable Chorus and the Securities Registrar to consider and process your application, and to administer your investment, and to help and enable Chorus or the Securities Registrar to comply with (or determine what it needs to do to comply with) any applicable laws, rules or regulations in New Zealand or any other country or the requirements of any governmental, judicial or regulatory entity or authority in any jurisdiction. By signing this application form you authorise Chorus and the Securities Registrar to disclose information in situations where Chorus or the Securities Registrar consider it is required or permitted to do so by any applicable laws, rules or regulations or by any governmental, judicial or regulatory entity or authority in New Zealand or any other jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of our personal information.

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- THAT I have executed the application for the Bonds printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney/agency.

Signed at this day of YEAR

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.*

