



## 700 MHz Auction: Payment plan terms

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Successful bidders in the 700 MHz auction are able to make settlement by either full payment or through a payment plan. The key components for the payment plan are as follows:

### Instalments

- Payment would be made in five equal instalments over five years with a 24 month moratorium on payment after the initial payment (see Table 1 for indicative payment schedule),
- Instalments would be payable on invoice, payment is to be made within 40 working days of the invoice date,
- The first instalment will be in January 2014 or 40 working days after the date of the initial invoice, whichever is the later.

### Early payment of the outstanding balance

- Full payment of the outstanding balance may be made at the time of any scheduled payment (see Table 2 for final instalment amount),
- No part payment or early payment of any instalment would be permitted except where full payment of the outstanding balance is made.

### Interest rate

- An interest rate of 5.8% per annum, based on a 365 day year, would be applied to any outstanding principle (excluding GST) and in the case of the second payment to any unpaid interest<sup>1</sup> (see Table 1),
- Interest would be payable in arrears.

### Default interest rate

- An additional default interest rate of 5% would be incurred for late payment or part payment of any instalment (calculated daily and compounding monthly).

### GST

- GST at the applicable rate stated in the Goods and Services Tax Act 1985 would be payable at the time of each instalment.

### Ownership and security

#### *Option 1:*

- Ownership of the Early Management Right would be retained by the Crown until full settlement is made,
- The Crown would be unable to dispose of or otherwise change the ownership of, or controlling interest in, the Early Management Right without the express permission of

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<sup>1</sup> Unpaid interest will only incur interest at 5.8% for the second payment at 24 months. Any unpaid interest on any subsequent payment will incur interest at the default interest rate.



the successful bidder except where the Management Right Agreement has been terminated in the event of default, material breach, or other event identified in the terms and conditions of that Agreement,

- The successful bidder would be unable to lodge a mortgage over or place any caveat on the Early Management Right whilst the management right remains in Crown ownership,
- On receipt of each of the first four instalments, the Crown would grant a limited term power of attorney to the successful bidder, or its nominee<sup>2</sup>, to create spectrum licences under the Early Management Right,
- Each power of attorney would:
  - be available at the request of the purchaser,
  - expire on the date the subsequent instalment payment is due, and
  - be revocable by the Crown only if the Management Right Agreement has been terminated in the event of default, material breach or other event identified in the terms and conditions of that Agreement.
- Any licences created under the power of attorney would:
  - be restricted to use by the party to whom the power of attorney has been granted, and
  - expire on the date the subsequent instalment payment is due, until full settlement is received.
- Once full settlement is made either by early payment of the outstanding balance or on payment of the final instalment, the Early Management Right would transfer to the successful bidder.

*Option 2:*

- The Crown would take a first priority mortgage over the Early Management Right,
- Ownership of the Early Management Right would be transferred to the successful bidder once the initial payment has been received and the documents necessary for the Crown's security are executed.

Successful bidders who elect to provide security through Option 1 above may elect to transfer from Option 1 to Option 2 at any payment date. Successful bidders may not transfer from Option 2 to Option 1 after the initial instalment date.

## **Breach**

A breach of the payment terms and conditions would be considered a material breach under the Management Rights Agreement.

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<sup>2</sup> The successful bidder will need to satisfy the Chief Executive of the Ministry of Business, Innovation and Employment that the nominee does and will continue to comply with the Management Rights Agreement terms and conditions.



**Table 1: Indicative instalment amount (per \$1,000 of total bid price)**

Month	Annual instalment	Components of annual instalment		
		Interest component	Principle	GST component
Month 0	\$ 263.11	\$ -	\$ 228.79	\$ 34.32
Month 12	No payment			
Month 24	\$ 263.11	\$ 92.05	\$ 148.74	\$ 22.31
Month 36	\$ 263.11	\$ 36.20	\$ 197.31	\$ 29.60
Month 48	\$ 263.11	\$ 24.66	\$ 207.35	\$ 31.10
Month 60	\$ 263.11	\$ 12.63	\$ 217.81	\$ 32.67

**Table 2: Indicative final payment amount for early payment (per \$1,000 of total bid price).**

If early payment of the outstanding balance is made at any instalment date, then the final instalment will be as follows:

Early payment month	Final instalment	Components of final instalment		
		Interest component	Outstanding principle	GST component
Month 24	\$ 978.94	\$ 92.05	\$ 771.21	\$ 115.68
Month 36	\$ 752.04	\$ 36.20	\$ 622.47	\$ 93.37
Month 48	\$ 513.59	\$ 24.66	\$ 425.15	\$ 63.77