

Office of  
THE MINISTER OF FINANCE  
Wellington, New Zealand

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New Zealand  
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22 AUG 1990

The Honourable Geoffrey Henry  
Prime Minister of the Cook Islands  
Rarotonga  
COOK ISLANDS

*My dear Prime Minister,*

I have the honour to refer to my Prime Minister's letter to you of 13 November about the restructuring of the Rarotongan Hotel loans concerning:

- a the purchase of the Hotel and concluded by an exchange of letters between our forerunners on 1 and 5 April 1982 (hereafter referred to as "Loan Agreement One"); and
- b the deferment of capital payments on Loan Agreement One and concluded by an exchange of letters on 16 January 1985 and 7 February 1985 (hereafter referred to as "Loan Agreement Two").

The two loans have been revalued and expressed as an amount outstanding. This amount has been calculated as a net present value of the future stream payments to be made by the Cook Islands Government, discounted by the 5 year Government Stock rate on 17 July 1989 of 13.58 percent (annual basis).

Therefore I now propose on behalf of the New Zealand Government that an agreement be reached between our two Governments on the following terms:

- a that the outstanding amount of principal with respect to Loan One be calculated as a total sum of \$3,603,060 as at 30 June 1989;
- b that the outstanding amount of principal with respect to Loan Two be calculated as a total sum of \$376,403 as at 30 June 1989;
- c that the New Zealand Government acknowledges the payment by the Cook Islands Government of \$376,403 on 21 November 1989 as complete repayment of Loan Two.
- d that the terms of Loan Agreement One remain on foot except as follows:

Principal Sum: \$3,603,060

Interest Rate: 13.84 percent over the term of the loan

Schedule of Repayments by the Cook Islands Government:

Due 1 November 1990: \$553,861 - being \$427,377 principal and \$126,484 interest.

Due 1 November 1991: \$853,861 - being \$750,054 principal and \$103,807 interest.

e that Loan Agreement Two be deemed to have been terminated at 21 November 1989;

f that the balance of Loan One, being in addition to d above, be paid by the New Zealand Government by way of set-off against the Cook Islands bilateral assistance programme, according to the following schedule:

\$1,359,615 in 1989, being principal only (set off and paid in 1989);

\$805,755 in 1990, being principal of \$621,746 and interest of \$184,009;

\$505,755 in 1991, being principal of \$444,268 and interest of \$61,487.

If the foregoing provisions are acceptable to the Cook Islands Government, I have the honour to suggest that the present letter and your reply to that effect shall constitute an agreement between our two Governments.

Yours sincerely



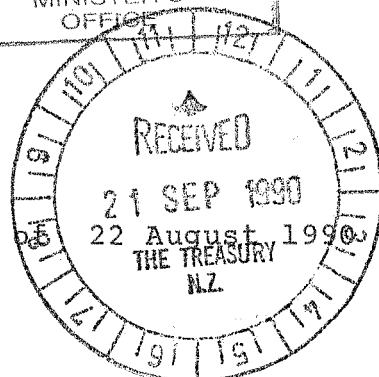
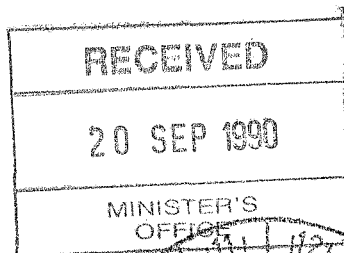
David Caygill  
Minister of Finance



T62/19/1/5 0516

10 September 1990

The Honourable David Caygill  
Minister of Finance  
Office of the Minister of Finance  
Wellington  
New Zealand



I have the honour to refer to your letter of 22 August 1990 which reads as follows:

"My Dear Minister of Finance

I have the honour to refer to my Prime Minister's letter to you of 13 November 1989 about the restructuring of the Rarotongan Hotel loans concerning

- (a) the purchase of the Hotel and concluded by an exchange of letters between our forerunners on 1 and 5 April 1982 (hereafter referred to as "Loan Agreement One"); and
- (b) the deferralment of capital payments on Loan Agreement One and concluded by an exchange of letters on 16 January 1985 and 7 February 1985 (hereafter referred to as "Loan Agreement Two").

The two loans have been revalued and expressed as an amount outstanding. This amount has been calculated as a net present value of the future stream payments to be made by the Cook Island Government, discounted by the 5 year Government Stock rate on 17 July 1989 by 13.58% (annual basis)

Therefore I now propose on behalf of the New Zealand Government that an agreement be reached between our two Governments on the following terms:

- (a) that the outstanding amount of principal with respect to Loan One be calculated as a total sum of \$3,603,060 as at 30 June 1989.
- (b) that the outstanding amount of principal with respect to Loan Two be calculated as a total sum of \$376,403 as at 30 June 1989.
- (c) that the New Zealand Government acknowledges the payment by the Cook Islands Government of \$376,403 on 21 November 1989 as complete repayment of Loan Two.
- (d) that the terms of Loan Agreement One remain in place except as follows:

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Principal Sum: \$3,603,060

Interest Rate: \$13.84% over the term of the loan.

Schedule of Repayments by the Cook Islands Government:

Due 1 November 1990: \$553,861 - being \$427,377 principal and \$126,484 interest.

Due 1 November 1991: \$853,861 - being \$750,054 principal and \$103,807 interest.

- (e) that Loan Agreement Two be deemed to have been terminated as at 21 November 1989.
- (f) that the balance of Loan One, being in addition to (d) above, be paid by the New Zealand Government by way of set-off against the Cook Island bi-lateral assistance programme, according to the following schedule:

\$1,359,615 in 1989, being principal only (set off and paid in 1989)

\$805,755 in 1990, being principal of \$621,746 and interest of \$184,009

\$505,755 in 1991, being principal of \$444,268 and interest of \$61,487.

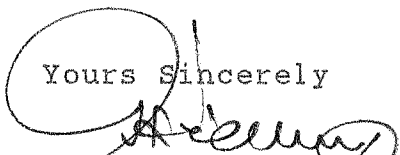
If the foregoing provisions are acceptable to the Cook Islands Government, I have the honour to suggest that the present letter and your reply to that effect shall constitute an agreement between our two Governments.

Yours Sincerely

David Caygill  
Minister of Finance

I have the honour to confirm that the foregoing is acceptable to the Government of the Cook Islands and that your letter and this reply shall constitute an Agreement Restructuring the Rarotongan Hotel Loan Agreements between our two Governments which shall enter into force on the date of this reply.

Yours Sincerely

  
Geoffrey A Henry  
Minister of Finance  
for the Government of the Cook Islands

