

Securities Commission

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

Our ref:

21 July, 1989

Interim Report of the Securities Commission re Robt. Jones Investments Limited ("RJI") - Purchase of a property from Chase Corporation Limited ("Chase")

A. Procedure

1. On 31 May 1989 the Commission commenced an enquiry on terms of reference attached marked "A". A summons (attachment "B") was served on RJI with a letter (attachment "C").
2. There was an exchange of letters (attachments "D", "E" and "F").
3. No documents were produced by RJI in response to the summons, and there was no appearance by or on behalf of RJI at the Commission's meeting on Thursday, 15 June, at 10 am.
4. The Commission decided on 15 June to amend the terms of reference. On 20 June the Commission wrote to RJI (attachment "G"), and served amended terms of reference dated 20 June (attachment "H") and a summons dated 20 June (attachment "I"). The Commission also wrote to Sir Robert Jones in identical terms and served a summons upon him (attachment "J").

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5. On 21 June the Commission received a letter from Phillips Nicholson (attachment "K"), to which the Chairman replied on 21 June (attachment "L"). On 23 June the Chairman sent a further letter to Phillips Nicholson (attachment "M").

6. On 28 June the Commission (quorum Patterson, Anderson, McKenzie) met to receive evidence from RJI and Sir Robert Jones. A transcript of the proceedings was taken and is attached as attachment "N".

7. On 29 June the Commission instructed the Crown Solicitor at Wellington to institute prosecutions under s.32(a) Securities Act 1978 against Sir Robert Jones and RJI. These proceedings are pending.

8. The Commission has taken other evidence relevant to the terms of reference. For the purposes of this report, the nature of that evidence is sufficiently indicated in Section B.

9. The Chairman's draft of Sections A and B of this report was sent to Chase and RJI with letters annexed as attachments "U1 and U2".



B. Evidence

10. Chase and RJI are each public companies incorporated under the Companies Act 1955 that have issued securities listed on the New Zealand Stock Exchange. Each is a party to a Listing Agreement with the Exchange. Each company has many shareholders, and the shares have been actively traded. Each company has many subsidiaries.

11. By an exchange of letters in June 1988, RJI and Chase established a common intention that Chase would sell and RJI would purchase, after completion, a property known as the Price Waterhouse Centre, at the price of \$135 million. Relevant extracts from the exchange of letters are attached marked "01" to "011".

12. A sequence of meetings took place between representatives of the parties to settle the details of the proposed transaction. In the course of those meetings, Sir Robert Jones proposed on behalf of RJI that the price should be increased to \$145 million, on the basis that RJI would pay a "non-refundable deposit" of \$10 million in cash in addition to the other consideration, and that Chase would in turn pay to RJI an "inducement fee" of \$10 million. Chase agreed to the proposal.

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13. On or about 27 September 1988, Chase, 66 Wyndham Limited ("Wyndham"), a wholly-owned subsidiary of Chase, and RJI executed under their respective Common Seals a document intituled "Heads of Agreement relating to the sale and purchase of land and the construction and leasing of a multi-story development", to which was annexed a sequence of documents, intended to implement the transaction. This long document is not reproduced, but we summarise the substance of its terms as follows:-

13.1 Wyndham as owner of the land agreed to sell and RJI agreed to purchase the land, and Wyndham agreed to complete the buildings on the land for RJI, for the "consideration" of \$186,722,696, subject to adjustment as provided in the Agreement. The document does not show how the consideration was derived, except that \$38 million was attributed to the land and \$148,722,696 was attributed to the completion of the building (clause 4.1).

13.2 The consideration of \$186,722,696 was agreed to be satisfied as follows (clause 5.1):-

(a) By the payment of \$10 million "by way of a non-refundable deposit on the 30th working day after the date on which all the conditions hereof (apart from the condition contained in clause 8.1(h)) are satisfied ...". Clause 8.1(h) is referred to in 13.5(h) below.

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(b) By the payment by RJI to Chase of \$64 million on the possession date less a retention for maintenance as described in the agreement.

(c) By four payments totalling \$112,722,696 by RJI to Wyndham as follows:-

- \$34,148,562 3 years after the possession date.
- \$31,409,375 3 years and 9 months after the possession date.
- \$41,096,087 4 years and 6 months after the possession date.
- \$6,068,672 3 years and 9 months after the "ASB settlement date" as defined in the Agreement.

13.3 RJI agreed that, if called upon by Wyndham, RJI would deliver on the possession date "zero coupon valid and enforceable freely transferable promissory notes of [RJI] supported by letters of credit or guarantees from an Approved Bank guaranteeing the payments of those promissory notes. The promissory notes shall not bear interest and will be simply redeemable at face value on the due dates thereof" (clause 5.2).

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13.4 The Heads of Agreement made provision for the purchase by Chase from RJI of certain buildings in Brisbane (clause 5.3).

13.5 The Heads of Agreement are expressed to be subject to a number of conditions (clause 8.1) which may be summarised as follows:-

- (a) RJI approving certain designated leases and car park licences;
- (b) RJI approving the working drawings and specifications for the building;
- (c) RJI approving certain guarantees referred to in the Agreement;
- (d) The consent of the Commerce Commission being obtained to the acquisition of the land;
- (e) The obtaining of any other requisite statutory consents;
- (f) The approval by RJI of the title to the land;
- (g) The approval by Chase of the Brisbane buildings;

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(h) The payment of the "non-refundable deposit of \$10 million on the 30th working day after the date all other conditions contained in this Agreement are satisfied";

13.6 The Heads of Agreement include provisions for determining the time within which the conditions were to be satisfied. We have not enquired into the question whether the conditions were satisfied.

13.7 The Heads of Agreement include the following:-

"9.1 The parties acknowledge that they have entered into this Agreement as a binding obligation to complete the transactions referred to hereunder"

Each party undertook to procure the completion of "formal documentation" in the terms annexed to the Heads of Agreement. The Heads of Agreement include the following provision:-

"9.2 Failing agreement between the parties as to the form of such formal agreements, such forms shall be determined by arbitration in accordance with the Arbitration Act 1908"

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14. Also on or about 27 September 1988, Chase, Wyndham and RJI entered into a "Deed" prepared by the solicitors for RJI, whereby (inter alia) Wyndham agreed to pay to RJI the sum of \$10 million "in consideration of [RJI] agreeing to enter into the Heads of Agreement and to purchase the land and contract Wyndham to complete the development ...". A copy of the Deed is annexed as attachment "P".

15. We noted in paragraph 13.1 that the terms of the Heads of Agreement do not show how the "consideration" of \$186,722,696 was derived. That document shows only an apportionment of that sum between land and building. Extrinsic evidence shows that the consideration of \$186,722,696 was derived as follows:-

Agreed price (paragraph 11)	\$135 million
<u>Add</u> "non-refundable deposit" (paragraphs 12 and 13.2(a))	\$10 million
<u>Add</u> interest at 13% per annum compounded and included in the deferred payments mentioned in paragraph 13.2(c)	<u>\$41,722,696</u>
	\$186,722,696

16. On 27 October 1988, RJI made an announcement to the New Zealand Stock Exchange in response to a request from the Exchange that followed public reports of a function at which announcements of property purchases by RJI had been made. The text of the announcement to the Exchange is attached as attachment "Q".

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17. A little later on the same day, Chase made an announcement to the Stock Exchange in the terms annexed as attachment "R".
18. The Heads of Agreement were varied by an undated "Deed of Variation" prepared by RJI's solicitors and executed under the seals of the parties to the Heads of Agreement to enable the sale by RJI of one of the Brisbane properties to a third party. The Deed includes provision that "Save as varied herein the parties hereby confirm in full the terms and conditions of [the Heads of Agreement]".
19. On 7 June 1989 RJI made an announcement to the New Zealand Stock Exchange in terms annexed as attachment "S".
20. On the same day, Chase made an announcement to the New Zealand Stock Exchange in the terms annexed as attachment "T".

C. The Commission's Comments

21. Section 10 Securities Act 1978 authorises the Securities Commission to keep under review practices relating to securities and to comment thereon to any appropriate body. The scope of this function has been judicially

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considered by the Court of Appeal in City Realities Limited v. Securities Commission [1982] 1 N.Z.L.R. 74 (CA). Since that decision, the Securities Act has been amended by inserting section 28A authorising the Commission to publish any report or comment made by the Commission in the course of the exercise or intended exercise of its functions, except a report to the Minister of Justice that contains a recommendation for legislation.

22. The Commission has decided to address this report to:-

The Minister of Justice.

RJI and Chase.

The Law Commission

The New Zealand Law Society

The New Zealand Stock Exchange.

The New Zealand Society of Accountants.

The Institute of Directors.

The Listed Companies Association Inc.

The Registrar of Companies

The Commission has also decided to publish this report.

23. The Commission comments on four matters, viz:-

(1) The terms of the announcements by RJI and Chase on 27 October 1988 (attachments "Q" and "R"), with particular reference to:-

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- (a) the description of the relationship between RJI and Chase relating to the Price Waterhouse Centre;
 - (b) the statement of the price for the Price Waterhouse Centre at \$145 million.
- (2) The treatment for accounting purposes, by vendors and purchasers, of consideration for a sale and purchase of property where:-
- (a) payment of all or part of the consideration is deferred after title and possession passes;
 - (b) an "inducement fee" is payable by the vendor to the purchaser.

24. The relationships stated in the announcements

24.1 In our opinion, the thrust of the announcements is that RJI and Chase had entered into property transactions whereby RJI made a large permanent investment in New Zealand property. Specifically regarding the Price Waterhouse Centre, the statements in RJI's announcement which we regard as important are:-

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- "Purchase price - \$145 million"
- "N.B. This is a record for a New Zealand commercial property transaction" [Our emphasis]
- ".... currently half constructed and due for completion in August 1989 ..."
- ".... substantially leased long-term ..."
- "Vendor:- Chase Corporation."

24.2 Our opinion is that a fair reading of the announcement by RJI is that Chase and RJI had entered into binding obligations as vendor and purchaser respectively for the completion and leasing of the Price Waterhouse Building and the sale and purchase of it for the stated fixed price.

24.3 Our concern about this matter became acute because of the range of views that have been expressed to us by or on behalf of Sir Robert Jones about the legal relationship between RJI and Chase. These include - "No such purchase has occurred or is proposed" (attachment "D"); - "No contract exists or has done with Chase Corporation in respect of the property you mention" (attachment "F"); - "... no such contract existed - the proposed purchase being covered by conditional heads of agreement" (attachment "K" p.2); - "... no such

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contract's ever totally unconditional" (attachment "N" p.16); - "There wasn't a contract in the way you've put it in your summons" (attachment "N" p.16); - "Question: '... was there a binding obligation by [RJI] to purchase the Price Waterhouse Centre?' Jones: 'No.'" (attachment "N" p.16); - "... [RJI] had the right and intention to purchase ..." (attachment "N" p.17); - "... the agreement with Chase took the form of an option conditional on RJI approving the lease agreements and plans and specifications." (attachment "S").

24.4 Whether those statements can be reconciled with the provisions of the Heads of Agreement referred to in paragraph 13 of this report, the deed referred to in paragraph 14 of this report or the deed of variation referred to in paragraph 18 of this report is not for us to decide. It is sufficient for our purposes to note that the absence of a contract, or the existence of a mere option or the existence of a mere right of purchase are not indicated in RJI's announcement.

24.5 Similar comments may be made regarding the announcement by Chase (attachment "R") which used the phrases "record-breaking property deal", and "... the Price Waterhouse Centre was sold ...", and "... the benefits of the sale would be fully realised for Chase Corporation in the 1989/90 year ...". We observe that Chase's announcement was made after RJI's.

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24.6 Sir Robert Jones, in his evidence to us, added by way of explanation that, "... it is customary when one intends to do something, to announce it as a fait accompli .." (attachment "N" p11). If Sir Robert Jones' view is taken as authority for such a practice, we think it should be corrected immediately. Prolepsis has no place in announcements to the Stock Exchange.

24.7 Accordingly, we will ask the Exchange to consider adding a provision to its listing requirements to the following effect:-

"Announcements of the formation of a contract should be made without puffery, and should indicate whether or not there are conditions on which the performance of the contract may depend. A precise statement of the conditions is not required, but care should be taken to ensure that a conditional contract is not held out as an unconditional or completed transaction."

25. The Announced Price

25.1 The announcements by RJI and Chase both state the price for the Price Waterhouse Centre as \$145 million (attachments "Q" and "R"). The Heads of Agreement state the "consideration" as \$186,722,696 (paragraph 13.1).

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The common intention established by the exchange of letters set the price at \$135 million (paragraph 11).

25.2 The statements in the announcements were inaccurate for two reasons:-

First, if the consideration stated in the Heads of Agreement had contractual effect, that figure, i.e. \$186,722,696, should have been stated in the announcements with an indication of the terms of payment. The present value of a sum payable and receivable in future depends on the allowance regarded as an appropriate deduction from that sum for the time value of money. The present value might or might not equate \$145 million, depending on the rate of discount regarded as appropriate. In the absence of an agreed rate having contractual effect, the appropriate rate is a matter for estimation on which opinions might well differ. We will say more about this in paragraph 26.

Secondly, if we assume that the present value as at October 1988 of \$186,722,696 payable in the manner stated in the Heads of Agreement is \$145 million, the announcements of that figure are nevertheless inaccurate because they do not take account of the cross-payments of \$10 million by way of the "non-refundable deposit" and the "inducement fee".



26. The Accounting Treatment of money receivable or payable
in future

- 26.1 It has become a practice for the parties to large property transactions to negotiate the consideration on the basis that a substantial part of it will be paid in future after settlement. The Heads of Agreement described in paragraph 13 illustrate this practice. The deferred portion of the consideration is often payable by "zero-coupon notes" of the purchaser on which a bank is liable as endorser or guarantor (see paragraph 13.3).
- 26.2 Contracts in this mode are "credit contracts" within the meaning of the Credit Contracts Act 1981, but where the total amount of credit exceeds \$250,000 (and in certain other cases), the contract is not a "controlled credit contract", with the consequence that the requirements of the Act requiring the statement of the "cash price", the "total cost of credit" and the "finance rate" do not apply in relation to the contract.
- 26.3 The practice mentioned in paragraph 26.1 was induced by a complex set of laws and practices developed in and under income tax legislation with respect to the distinction between capital and income, and with respect to the timing, for tax purposes, of taxable receipts and allowable deductions. The subject is discussed in the Government's "Consultative Document on Accrual Tax Treatment of Income and Expenditure", October 1986.

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26.4 So pervasive did the influence of these taxation practices become that many practitioners of law and accountancy virtually abandoned the "accruals concept" of accountancy in favour of the practices recognised for taxation purposes. An example from our own experience is instructive because of its stark simplicity:-

A finance company was having a difficult year. It seemed to the directors that the profit for the year would be much less than shareholders and depositors would expect. So one of the directors sold a parcel of shares to the company for \$X (which was paid) and the company agreed to sell them to the director's wife for \$X + Y payable 3 years later. \$Y, without deduction for time value, was included in the profit for the year, showing an apparently satisfactory result. This treatment was approved by a leading firm of auditors relying on legal advice.

26.5 We hope the enactment of the so-called "accrual rules" introduced as ss.64B to 64M Income Tax Act 1976 by the Income Tax Amendment Act 1987 and the Income Tax Amendment Act (No. 2) 1987 will promote the observance of the "accruals concept" for the purposes of financial reporting, especially with regard to the distinction between capital and income.



26.6 A statement of the accruals concept that appeals to us is contained in the English Companies Act 1985, Schedule 4 clause 13, as follows:-

"13. All income and charges relating to the financial year to which the accounts relate shall be taken into account, without regard to the date of receipt or payment."

We have a proposal for the enactment of a similar rule under consideration in our law reform study.

26.7 The problem presented to an accountant by the practice mentioned in paragraph 26.1 is described in an opinion of the U.S. Accounting Principles Board in APB Opinion No. 21 "Interest on Receivables and Payables", August 1971, as follows:-

"1. Problem. Business transactions often involve the exchange of cash or property, goods, or services for a note or similar instrument. The use of an interest rate that varies from prevailing interest rates warrants evaluation of whether the face amount and the stated interest rate of a note or obligation provide reliable evidence for properly recording the exchange and subsequent related interest. This Opinion sets forth the Board's views regarding the appropriate accounting when the face amount of a note does not reasonably represent the present value of the consideration given or received in the exchange. This circumstance may arise if the note is non-interest bearing or has a stated interest rate which is different from the rate of interest appropriate for the debt at the date of the transaction. Unless the note is recorded at its present value in this circumstance the sales price and profit to a seller in the year of the transaction and the purchase price and cost to the buyer are misstated, and interest income and interest expense in subsequent periods are also misstated. The primary objective of this Opinion is to refine the manner of applying existing accounting principles in this

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circumstance. Thus, it is not intended to create a new accounting principle."

The opinion was not mentioned in the Consultative Document referred to in paragraph 26.3, so we will quote the following further extracts, but observe that the entire opinion should receive close attention:-

"8. Note received or issued in a non-cash transaction. A note exchanged for property, goods, or service represents two elements, which may or may not be stipulated in the note: (1) the principal amount, equivalent to the bargained exchange price of the property, goods, or service as established between the supplier and the purchaser and (2) an interest factor to compensate the supplier over the life of the note for the use of funds he would have received in a cash transaction at the time of the exchange. Notes so exchanged are accordingly valued and accounted for at the present value of the consideration exchanged between the contracting parties at the date of the transaction in a manner similar to that followed for a cash transaction. The difference between the face amount and the present value upon issuance is shown as either discount or premium, which is amortized over the life of the note.

"9. Determining present value. If determinable, the established exchange price (which, presumably, is the same as the price for a cash sale) of property, goods, or service acquired or sold in consideration for a note may be used to establish the present value of the note. When notes are traded in an open market, the market rate of interest and market value of the notes provide the evidence of the present value. The above methods are preferable means of establishing the present value of the note.

"10. If an established exchange price is not determinable and if the note has no ready market, the problem of determining present value is more difficult. To estimate the present value of a note under such circumstances, an applicable interest rate is approximated which may differ from the stated or coupon rate. This process of approximation is frequently called imputation, and the resulting rate is often called an imputed interest rate. Non-recognition of an apparently small difference between the stated rate of

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interest and the applicable current rate may have a material effect on the financial statements if the face amount of the note is large and its term is relatively long."

26.8 The question whether the announced price of \$145 million is the present value, as at October 1988, of the consideration stated in the Heads of Agreement payable in the manner agreed depends upon the rate of discount applicable. None is indicated by the Heads of Agreement. Extrinsic evidence (attachment "O") establishes that the rate of interest at 13 per cent per annum compound was agreed by the parties. Whether that is appropriate to use as a basis of discount is a question we have not explored with RJI or Sir Robert Jones. In the circumstances mentioned in paragraph 7, we do not propose to do so immediately. The final sentence quoted in paragraph 26.7 has given us cause to reflect on the point.

26.9 We will refer this report to the New Zealand Law Society and the New Zealand Society of Accountants for advice on the questions:-

- (a) whether a provision corresponding to the English legislation quoted in paragraph 26.6 should be enacted in New Zealand;
- (b) whether provision should be made to implement in New Zealand the policies discussed in the opinion

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of the U.S. Accounting Principles Board cited in paragraph 26.7.

27. The accounting treatment of inducement fees

27.1 We think it is clear that the agreement by Wyndham to pay to RJI the inducement fee of \$10 million was a term of the agreement for the sale and purchase of the Price Waterhouse Centre, notwithstanding that words to that effect were not incorporated in the Heads of Agreement. That term was recorded in the separate deed referred to in para. 14. We examined a similar problem in our enquiry into dealings in the shares of Emco Group Limited on which we reported on 16 December 1985.

27.2 The problem presented by the documentation adopted by the parties is whether it is legitimate to view the documents as an integrated whole, or whether it is necessary to treat the Deed referred to in paragraph 14 as a separate or "collateral" contract standing apart from the Heads of Agreement.

27.2.1 On the first view, the "consideration" of \$186,722,696 should be reduced by the inducement fee of \$10 million to \$176,722,696. On that basis, the proceeds of sale to be brought to account by Wyndham would be \$176,722,696

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discounted as discussed in paragraph 26. The cost of the property to RJI would be brought to account at the same figure.

27.2.2 On the second view, it might be argued that the consideration of \$186,722,696 adjusted for the time factor as discussed in paragraph 26, could be treated as the proceeds of sale in the accounts of Wyndham, and the cost of the property in the accounts of RJI. On that basis, the \$10 million inducement fee would be treated as an expense by Wyndham and an item of income by RJI.

27.2.3 Perhaps there may be other accounting treatments.

27.3 Having regard to the circumstances mentioned in paragraph 7, we have not obtained the views of RJI on the accounting methods the company would prefer to adopt.

27.4 The law on the point has been very much influenced by a dictum of Lord Moulton in Heilbut Symons & Co. v. Buckleton [1913] A.C. 30 (H.L.(E.)) - "It is evident, both on principle and on authority, that there may be a contract the consideration for which is the making of some other contract."

27.5 This branch of the law was reviewed by the Contracts and Commercial Law Reform Committee in its report, "Misrepresentation and Breach of Contract", presented to

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the Minister of Justice in March 1967 and reprinted with a further report and draft Contractual Remedies Bill in January 1978. The Contractual Remedies Act 1979 was derived from this report.

27.6 Since the enactment of the Contractual Remedies Act 1979, the occasions on which exchanges between contracting parties relating to a particular subject matter should be regarded as more than one contract ought to be relatively few. That Act has made it possible to view such exchanges as an integrated whole, at least where that appears to have been the contractual intention. Such cases as Mouat v. Betts Motors Limited [1959] N.Z.L.R.15 (P.C.), Campbell Motors Limited v. Storey [1966] N.Z.L.R. 584 (C.A.), and Donovan v. Northlea Farms Limited [1976] 1 N.Z.L.R. 180 (S.C.) will need to be reconsidered in the light of the provisions of that Act.

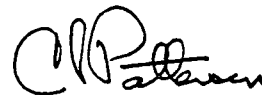
27.7 In this state of the authorities, we think it is open to us to prefer the first view stated in paragraph 27.2.1. If necessary, we would consider promoting a reform of the law to implement it. Before taking that step, however, we think we should seek the views of the New Zealand Law Society and the New Zealand Society of Accountants, and other interested parties, upon the matter. We will refer this report to both Societies.

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28. Confidence

The Commission has amended the orders made under s.19(5) Securities Act 1978 to permit publication of the documents and evidence cited in this report..

For Securities Commission

A handwritten signature in cursive script, appearing to read 'C.I. Patterson', is written over a horizontal line.

Chairman

Quorum:

C.I. Patterson (Chairman)
R.A. Anderson
R.E. Baker
S.J. Cushing
G.C. Edgar
P.D. McKenzie
J.M. Potter
D.J. Stock
J.A. Valentine

* B.H. Smith

A

Securities Commission

Level 6, Grenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

Our ref:

31 May 1989

TERMS OF REFERENCE

FOR AN ENQUIRY RE ROBT. JONES INVESTMENTS LIMITED

PURSUANT TO THE SECURITIES ACT 1978

The Securities Commission has decided to obtain evidence into an enquiry re Robt. Jones Investments Limited upon the following terms of reference:

- (1) The circumstances of the transaction or transactions under which Robt. Jones Investments Limited or a related company purchased from Chase Corporation Limited or a related company the property situated in Wyndham Street Auckland known as the Price Waterhouse Centre in or about October 1988;
- (2) The terms and conditions of the transaction or transactions referred to in paragraph (1) above including the consideration given and received;
- (3) The terms and conditions of any transactions related to the transactions referred to in paragraph (1) above including any agreements or understandings with any bank or other financial institution about the financing of those transactions; and
- (4) The manner in which Robt. Jones Investments Limited and Chase Corporation Limited, respectively, have treated or propose to treat the transaction or transactions referred to in paragraphs (1) and (3) in their financial statements including the financial statements to be laid before company members in general meeting under and in accordance with the Companies Act 1955.

The COMMON SEAL of the)
 SECURITIES COMMISSION)
 was hereunto affixed)
 this 31st day of May)
 1989 in the presence of:)



C. P. Paterson

Chairman

B

Securities Commission

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (44) 729-630
Facsimile (64) 726-076

Our ref:

31 May 1989

Robt. Jones Investments Limited,
15th Floor,
Robt. Jones House,
Cnr Jervois Quay & Willeston Street,
WELLINGTON.

Attention: Mr R.E. Jones

Pursuant to section 18 of the Securities Act 1978 you are hereby summoned to appear by your proper officer before the Securities Commission to give evidence as to a matter before the Commission, that is to say, an enquiry into the matters related to Robt. Jones Investments Limited and Chase Corporation Limited mentioned in the terms of reference for the enquiry, a copy of which is attached, and to produce to the Commission all documents in your possession or control relative to the enquiry.

You are summoned to attend at the offices of the Securities Commission, Level 6, Greenock House, 39 The Terrace, Wellington, at 10.00 p.m. on Thursday 15 June 1989 and to have with you the documents referred to above.

The COMMON SEAL of the)
SECURITIES COMMISSION)
was hereunto affixed)
this 31st day of May)
1989 in the presence of:)



A handwritten signature in dark ink, appearing to be "C. P. [unclear]", written over a horizontal line.

Chairman

Securities Commission

C.

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 726-076

Our ref:

31 May 1989

Robt. Jones Investments Limited,
15th Floor,
Robt. Jones House,
Cnr Jervois Quay & Willeston Street,
WELLINGTON.

Attention: Mr R.E. Jones

Dear Sir,

ENQUIRY RE ROBT. JONES INVESTMENTS LIMITED

The Securities Commission has decided to enquire into the matters mentioned in the Terms of Reference attached.

The Commission has made orders, pursuant to section 19(5) Securities Act 1978, that:

- (a) the proceedings be heard in private; and
- (b) the publication or communication of the Terms of Reference, and any information, document or evidence which is furnished or given or tended to or obtained by the Commission in connection with the enquiry is prohibited,

in each case until and subject to further orders of the Commission.

In the first place, the Commission wishes to examine the documents, including accounting records, contract documents, preliminary heads of agreement or memorandum of agreement, valuations, loan or other financing agreements, and board papers and minutes, held by you or under your control, relevant to the Terms of Reference. A summons requiring you to produce them at the Commission's offices on Thursday 15 June 1989 at 10.00 a.m. is attached.

If the documents are produced at the time and place mentioned in this summons you will be excused from personal attendance at that time.

Yours faithfully,


J. Farrell
Executive Director

D.

Robt. Jones Investments Limited

15th Floor Robt Jones House Jervois Quay Wellington New Zealand Telephone (04) 736-208 Fax (04) 729-770

6th June, 1989

Mr J. Farrell,
Executive Director,
Securities Commission,
P.O. Box 1179,
WELLINGTON

Dear Sir,

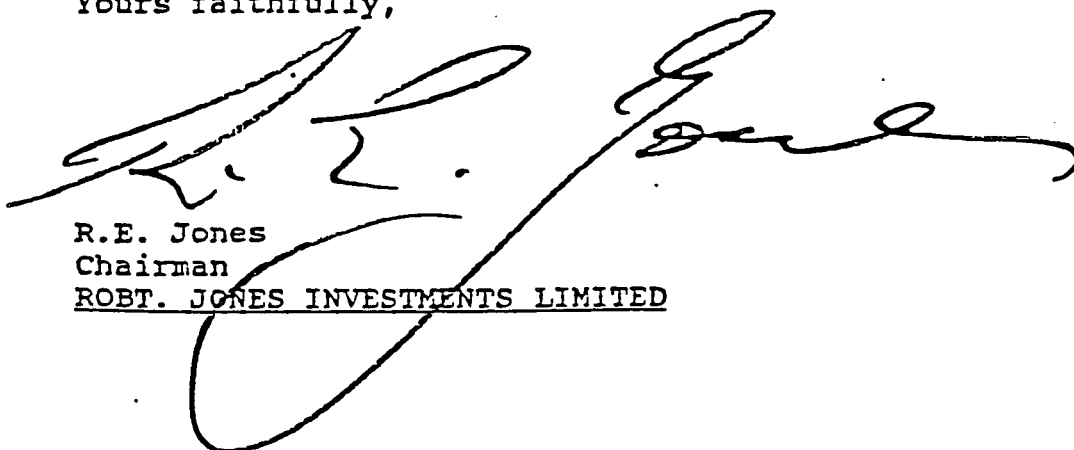
I refer to your letter of the 31st May, 1989 and apologise for the delay in reply but I was out of Wellington last week.

I note your intention, for God only knows what reason, to hold an enquiry into an alleged purchase by R.J.I.L. or its subsidiary/associate or whatever, from a subsidiary of Chase Corporation Limited, of a property known as the Price Waterhouse Centre in Auckland.

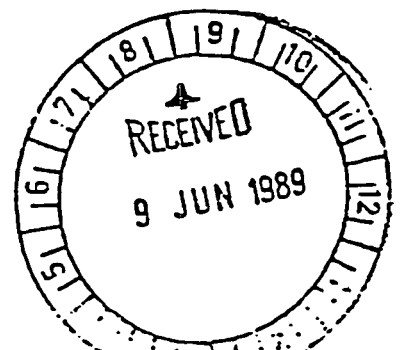
Neither I nor any of my director colleagues nor our company secretary will attend this nonsense for the following reasons.

- (1) We shall be in Australia on that date at our monthly Board meeting.
- (2) No such purchase has occurred or is proposed.

Yours faithfully,



R.E. Jones
Chairman
ROBT. JONES INVESTMENTS LIMITED



Securities Commission

E
Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

Our ref:

FILE COPY

9 June, 1989

Mr R.E. Jones,
Chairman,
Robt. Jones Investments Ltd,
15th Floor, Robt. Jones House,
Jervois Quay,
Facsimile: 729-770
WELLINGTON.

Dear Sir,

I received your letter dated 6 June 1989 today.

In my letter of 31 May I said that if the documents were produced on Thursday, 15 June, at 10 am, you would be excused from personal attendance.

I propose to ask the Commission to add a further paragraph to the terms of reference dated 31 May 1989 as follows:

- "5. The facts and circumstances of the announcements reported in the New Zealand Stock Exchange Daily Memos dated 27 October 1988 and 7 June 1989."

Yours faithfully,

J. Farrell
Executive Director

Encl.

[H/P/L232]

473 F

Robt. Jones Investments Limited

15th Floor Robt Jones House Jervois Quay Wellington New Zealand Telephone (04) 736-208 Fax (04) 729-770

9th June, 1989

Mr J. Farrell,
Executive Director,
Securities Commission,
P.O. Box 1179,
WELLINGTON

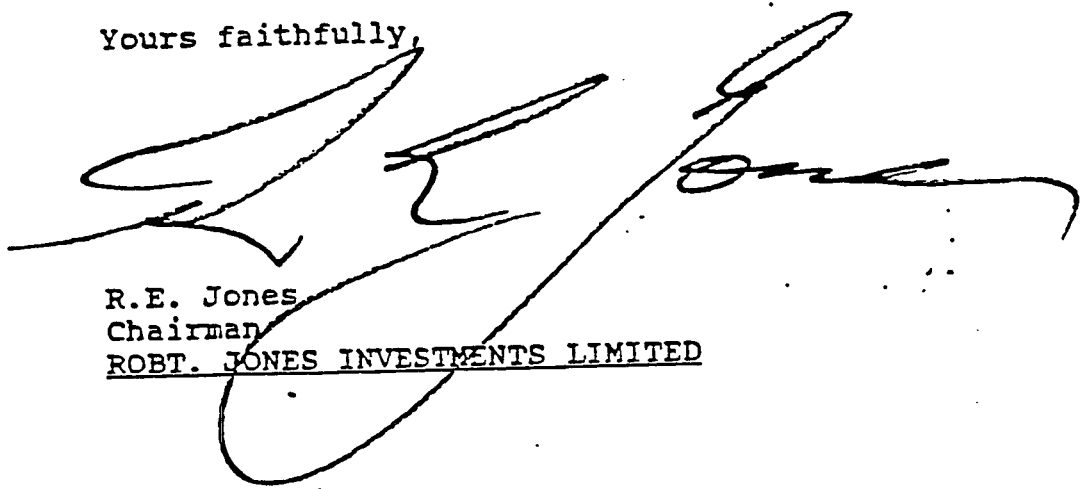
Dear Sir,

I refer to your fax letter of the 9th June, 1989.

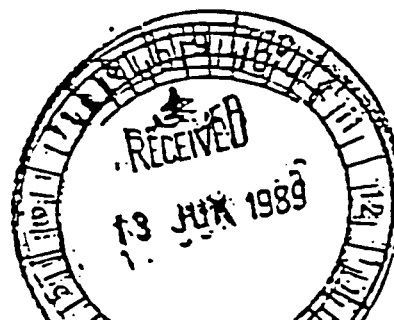
Clearly the English language does not work with you. Would you like it in Swahili?

No contract exists or has done with Chase Corporation in respect of the property you mention.

Yours faithfully,



R.E. Jones
Chairman
ROBT. JONES INVESTMENTS LIMITED



Securities Commission

Level 6, Grenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 726-076

Our ref:
20 June 1989

FILE COPY

Robt. Jones Investments Limited,
15th Floor,
Robt. Jones House,
Cnr Jervois Quay & Willeston Street,
WELLINGTON.

ENQUIRY RE ROBT. JONES INVESTMENTS LIMITED

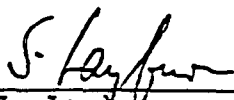
We refer to our letter of 9 June 1989 which, along with associated correspondence, was considered by the Securities Commission on 15 June 1989.

The Commission has evidence that there are documents in your possession that are relevant to the enquiry.

The Commission has decided to add to its terms of reference. A copy of the amended terms of reference is attached together with a further summons to the company for attendance at the offices of the Commission on Wednesday 28 June 1989 at 10.00am.

The orders made pursuant section 19(5) of the Securities Act 1978, referred to in our letter of 31 May 1989, continue to apply.

Yours faithfully
for the Securities Commission


S.J. Layburn.

Securities Commission

H

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

Our ref:

TERMS OF REFERENCE

FOR AN ENQUIRY RE ROBT. JONES INVESTMENTS LIMITED

PURSUANT TO THE SECURITIES ACT 1978

The Securities Commission has decided to enquire into the affairs of Robt. Jones Investments Limited upon the following terms of reference:

- (1) The circumstances of the transaction or transactions under which Robt. Jones Investmenst Limited or a related company purchased from Chase Corporation Limited or a related company the property situated in Wyndham Street, Auckland known as the Price Waterhouse Centre in or about October 1988;
- (2) The terms and conditions of the transaction or transactions referred to in paragraph (1) above including the consideration given and received;
- (3) The terms and conditions of any transcations related to the transcations referred to in paragraph (1) above including any agreements or understandings with any bank or other financial institution about the financing of those transactions;
- (4) The manner in which Robt. Jones Investments Limited and Chase Corporation Limited, respectively, have treated or propose to treat the transaction or transactions referred to in paragraphs (1) and (3) above in their financial statements to be laid before company members in general meeting under and accordance with the Companies Act 1955.
- (5) The circumstances surrounding the announcement by Robt. Jones Investments Limited to the New Zealand Stock Exchange on 27 October 1988 to the effect that it had acquired the Price Waterhouse Centre at a purchase price of \$145 million.



I

Securities Commission

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-530
Facsimile (04) 726-076

Our ref:

Robt. Jones Investments Limited,
15th Floor,
Robt. Jones House,
Cnr Jervois Quay & Willeston Street,
WELLINGTON.

Pursuant to section 18 of the Securities Act 1978 you are hereby summoned to appear by your proper officer before the Securities Commission to give evidence as to a matter before the Commission, that is to say, an enquiry into the matters related to Robt. Jones Investments Limited and Chase Corporation Limited mentioned in the terms of reference for the enquiry, a copy of which is attached, and to produce to the Commission all documents in your possession or control relative to the enquiry.

You are summoned to attend at the offices of the Commission, Level 6, Greenock House, 39 The Terrace, Wellington, at 10.00am on Wednesday 28 June 1989 and to have with you the documents referred to above.

Dated the 20th day of June 1989.

The COMMON SEAL of the)
SECURITIES COMMISSION)
was hereunto affixed in)
the presence of:)



C. P. Patterson

Chairman

J

Securities Commission

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 726-076

Our ref:

Sir Robert Jones,
C/- Robt. Jones Investments Limited,
15th Floor,
Robt. Jones House,
Cnr Jervois Quay & Willeston Street,
WELLINGTON.

Pursuant to section 18 of the Securities Act 1978 you are hereby summoned to appear before the Securities Commission to give evidence as to a matter before the Commission, that is to say, an enquiry into the matters related to Robt. Jones Investments Limited and Chase Corporation Limited mentioned in the terms of reference for the enquiry, a copy of which is attached, and to produce to the Commission all documents in your possession or control relative to the enquiry.

You are summoned to attend at the offices of the Commission, Level 6, Greenock House, 39 The Terrace, Wellington, at 10.00am on Wednesday 28 June 1989 and to have with you the documents referred to above.

Dated the 20th day of June 1989.

The COMMON SEAL of the
SECURITIES COMMISSION
was hereunto affixed in
the presence of:)
)
)
)



C. P. Petersen

Chairman

PHILLIPS NICHOLSON

BARRISTERS SOLICITORS NOTARIES

INCORPORATED IN NEW ZEALAND LIMITED LIABILITY COMPANY

Government Life Insurance Building, 111 Lambton Quay, Wellington, New Zealand.
Postal Address: P.O. Box 2791, Wellington, New Zealand
Fax: (04) 727.429. DX: 8005.
Telephone: (04) 726.289

PARTNERS

Anthony J. Agor
I. Gwynne Atkinson
Michael R. Camp
Richard J. Cook
David J. Collins
Robert T. Ferguson
John L. Gray
Michael J. Gwynne
Melvyn J. Linton
Gregory J. Liversidge
Gordon J. Liversidge
Richard J. Liversidge
John A. Macdonald
David J. Macdonald
Christopher J. Macdonald
James A. Macdonald

David G. Jones
Alexander D. McCulloch
John K. McMillan
William G. Morrison
Michael H. Myles
Paul V. May
W. Bruce McWhirter
James M. O'Sullivan
Melvyn J. O'Sullivan
Alan C. Powell
Gordon M. Stewart
John H. Stirling
David G. Thompson
Richard G. Thompson
Neil G. Westbury

Mr Paul J. White
Mr Lewis White
Michael D. Williamson
Martin J. Williams
North Valley

ASSOCIATES

William A. Hogg
Kathleen Kennedy
Leanne M. Lacey
Nancy R. Lacey Smith
Walter Park
Catherine J. Park
Gordon D. Skene
Ian J. Taylor

Our Ref: kfs2:dgt.sc

Your Ref.

21st June 1989

Mr C. Patterson
Chairman
Securities Commission
P.O. Box 1179
WELLINGTON

FAX NO: 728-076

Dear Sir,

We act for Robt. Jones Investments Limited.

On five occasions over the past two years your Commission has used its wide powers to demand information from our client company. Given the fact Robt. Jones Investments Limited is one of the few continuing successful public companies since the sharemarket crash, this is a matter of concern on several counts.

The company's Board prides itself on its excellent shareholder relations, moreso given that in shareholder numbers it is now the third largest in New Zealand.

It further prides itself on maintaining an impeccable integrity in its commercial conduct.

Notwithstanding that, your office has on five occasions demanded information regarding what has been perfectly normal commercial conduct.

We are instructed that the first such occasion in early 1987 pertained to the company's astute issuing of capital at a premium to acquire high quality assets.

This was treated by your Commission at the enquiry almost as some sort of a racket. The result was a meeting lasting several hours.

Your Commission did not have the courtesy to subsequently write to Robt. Jones Investments Limited putting a cap on

PHILLIPS NICHOLSON

-2-

the issue. That was a courtesy our client company might reasonably have expected.

The next such approach was in 1988 in respect of the sale of the management contract. Given the amount involved our client company does not object to that enquiry which it considers appropriate.

However it does complain at your failure to subsequently acknowledge receipt of the lengthy report supplied to you and again, to put a cap on the matter. This is a common courtesy our client company should reasonably expect from any Statutory investigative body such as the Securities Commission, moreso given your primary function and the connotations arising from that.

The third occasion was a quite unusual request demanding details of a future accounting treatment, two years out. It is difficult to conjecture any possible reason how or why such a matter could relate to the Commission's statutory function.

Finally, on behalf of our client we protest at the recent action by your Commission which our client considers to be quite outrageous.

A summons was served on the company's Chairman demanding his appearance at a hearing to discuss a particular alleged property transaction. Additional details such as financing and other relevant matters were demanded. Advice by letter accompanied this demand to the effect that the Chairman was not obliged to attend if the requested material was duly supplied.

The Chairman, now Sir Robert Jones, advised you that the demand for a copy of the contract and other matters pertaining to it, could not be satisfied insofar as no such contract existed - the proposed purchase being covered by conditional Heads of Agreement.

He further advised that he would not be attending the proposed meeting as he would be at a Board Meeting in Sydney and in any event, of greater importance, as in view of the conditional Heads of Agreement there was nothing to discuss.

Subsequently he received a letter from your office advising of its future intention to conduct yet another enquiry into RJI's notification to the Stock Exchange that it would not be exercising its option to purchase an Auckland building from Chase Corporation. Admittedly no further advice of such an enquiry actually eventuating has been received, nevertheless the pattern of communications from your office, gives considerable cause for concern.

PHILLIPS NICHOLSON

-3-

Overall our client company is left with a clear impression of a pattern of harassment which is intolerable. A number of points arise:-

1. Robt. Jones Investments Limited is now a very large international company owning approximately 200 commercial buildings in over 40 cities in England, the USA, Canada, Australia and New Zealand.

We are instructed that the company now averages a new building acquisition every working day. That is its function as a property investor thus it now rarely advises of these.

If however it is to be subject to summons and enquiries covering its financing plans etc. with each acquisition, then plainly that is an intolerable interference in its commercial activities and notwithstanding your wide powers, is in the view of our client company a gross abuse of the function of your office.

2. No reason for these enquiries has ever been tendered notwithstanding the company's requests.
3. No subsequent advice of satisfaction has been given, this being a quite extraordinary discourteous practice.
4. The recent enquiry in respect of the matter referred to above was conducted by your office in an astonishingly discourteous manner.

While our client company is at a loss as to what possible concern it could be to the Securities Commission (and as always no explanation was tendered) to make such an enquiry by the abrupt service of a summons demanding the Chairman's presence at a meeting on two weeks notice, it is in our client company's view an abuse of your authority.

Sir Robert had a long-standing meeting in Sydney that week. Two people flew from Europe to attend it. To be dealt with in this fashion is insulting.

If there were concerns why could these not be dealt with by either telephone or letter?

In the light of the above harassment we are instructed to seek from your office an explanation as to why the various demands outlined above were made.

If a satisfactory answer is not received within five days we shall utilise the Official Information Act.

We are instructed that it is the intention of the Chairman to discuss this matter with the Minister of Justice, the

PHILLIPS NICHOLSON

-4-

Hon. Geoffrey Palmer, and to pursue the matter until a satisfactory explanation is provided and assurances given that this nuisance will be desisted.

In the interim we await your reply.

Yours faithfully,
PHILLIPS NICHOLSON


Denis Thom

Securities Commission

Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 726-076

FILE COPY

Our ref:

21 June, 1989

Phillips Nicholson,
Barristers & Solicitors,
Facsimile: 727-429,
WELLINGTON.

Attention: Mr D. Thom

Dear Sirs,

re: ROBT. JONES INVESTMENTS LIMITED

Thank you for your letter of 21 June 1989 received by fax.

The Commission has made three enquiries relating to your client's affairs. The first was in February 1987, arising out of a return of allotments made by your client on 14 November 1986. The representatives of your client company who met the Commission agreed that the return was not correct.

The second related to the management contract where we sought information which was supplied.

The third relates to your client company's announcement on 27 October 1988 of a commercial property transaction concerning the Price Waterhouse Centre. This enquiry is pending.

From what you say in your letter, I must assume that you have not seen the Executive Director's letter of 31 May (copy attached).

I see no grounds for the complaints you raise in your letter, but I note that your client has not produced any documents in response to the third enquiry, and I would appreciate your attention to that.

Yours faithfully,



C.I. Patterson
Chairman

Encl.

Securities Commission

M
Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-630
Facsimile (04) 728-076

COPY

Our ref:

23 June, 1989

Phillips Nicholson,
Barristers & Solicitors,
Facsimile: 727-429,
WELLINGTON.

Attention: Mr D. Thom

Dear Sirs,

re: ROBT. JONES INVESTMENTS LIMITED

The quorum for the meeting of the Commission on Wednesday next, 28 June, to consider the terms of reference supplied to your clients on 20 June 1989 will consist of the Chairman, Mr P.D. McKenzie, Barrister, of Wellington, and Mr R.A. Anderson, Chartered Accountant, of Christchurch.

Mr Bruce Bornholdt will appear as counsel to assist the Commission. Your clients may, if they wish, be represented by counsel, but the personal attendance of Sir Robert Jones in his personal capacity and as the proper officer for your client company (unless some other officer is designated) is required. A transcript of the proceedings will be taken.

If it is convenient for your clients, the Commission would appreciate having discovery of the documents before the meeting.

Yours faithfully,


C.I. Patterson
Chairman

c.c. Mr B. Bornholdt

Transcript of a meeting held at the offices of the Securities Commission, Level 6, Greenock House, 39 The Terrace, Wellington, at 10.20 am on Wednesday, 28 June, 1989 with representatives of Robt. Jones Investments Limited

Quorum

C.I. Patterson		Chairman
R.A. Anderson)	
P.D. McKenzie)	Members

Also present

Stephen Layburn	Staff
Bruce Bornholdt	Counsel assisting the Commission
Sir Robert Jones	Chairman, Robt. Jones Investments Limited
David Moriarty	Managing Director, Robt. Jones Investments Limited
Daniel Twigg	Secretary, Robt. Jones Investments Limited
Roger Gill	N.Z. Stock Exchange

Jones:
..... because we're in a hurry.

Patterson:
Yes. You might explain your delay. It's now 20 past 10.

Jones: ?
Yes. We were here at a quarter past. We've been held up for five minutes out here. We telephoned you and told you we'd be late. I won't explain it. We were late with good reason. Fifteen minutes is not the end of the world. You're wasting more time by talking about it.

Patterson:
Well, we have Sir Robert Jones. And who is with you, Sir Robert?

Moriarty:
David Moriarty, Managing Director, Robt. Jones Investments.

Patterson:
Well, Mr Bornholdt, you'd better begin. I think Sir Robert should be sworn.

Jones:
Well, don't worry about the bible. I'll affirm.

Patterson:
I see. If you wish.

[Affirmation of Sir Robert Jones taken by Stephen John Layburn]

N

Bornholdt:

Sir Robert. For the sake of the record, could we please have your full names.

Jones:

Robert Edward.

Bornholdt:

Robert Edward. Could we first turn to the summons that was served on both yourself and your company, dated the 31st May, which requested production of papers that might have been in your possession with regard to ...

Jones:

No, we can't. That's not what we're here for. We're here in respect of this summons.

Bornholdt:

I'm sorry. I'm asking the question. Did you, in answer to that summons, produce any documents that were in your possession in relation to this matter?

Jones:

We're here ... You're Mr Bornholdt, are you? We're here in respect of this summons, and I'm not prepared to talk about anything other than the matters in this summons.

Bornholdt:

I'll put the question again.

Jones:

Don't. Don't waste your time.

Patterson:

Well, I'm sorry, Sir Robert. You will listen to the question and answer it.

Jones:

I will walk right out of here if you go on wasting my time. And I'd like to see someone stop me.

Patterson

Well, I'm sorry. You will ...

Jones:

I'm here ... I'm here because I've received a summons. I'm happy to discuss the matters in that summons and not other matters. All right? Now, the matters you are raising are not related to the summons that I am here for today. Now that's a matter of fact. You know that.

Patterson:

Well, I think I must rule against you on that, Sir Robert.

Jones:

I'm not interested in your ruling on that. It is a matter of fact. You have summonsed me here, Mr Patterson, and

you have given me terms of reference. The first question does not relate to those terms of reference. Now, I am here to deal with the terms of reference of the summons for this particular hearing. Now you know I'm right about that, so I don't know why we waste time.

Patterson:

Well, you proceed, Mr Bornholdt. Put your next question.

Bornholdt:

I take it that .. Well, because you refuse to answer my question I've put to you about the summons that was issued to you and served on you - both yourself and your company - dated 31st May, that you did not respond - neither you nor your companies responded to that summons.

Jones:

Oh well look, if you're just going to talk about something else other than the terms of reference of what this summons pertains to, then we might as well go.

Patterson:

Just a moment. We adjourned the enquiry that was to have taken place on the May summons until today, ...

Jones:

That's not what's in the summons.

Patterson:

... because we had no other course in view of your non-attendance.

Jones:

You've got a good reason for that. But I'm not prepared to discuss that, Mr Patterson. The fact of the matter is - you have issued a new summons -

Patterson:

Yes.

Jones:

that has summonsed me here today. You have given me terms of reference. You are asking me questions outside of that terms of reference. Now you know that is correct. You can go on persisting as long as you like. Nothing will change. If you keep on persisting, we might as well leave.

Patterson:

I'm sorry. Will you listen to me for a moment. Today we are attending to both summonses.

Jones:

Well, I'm sorry. That's not what the first summons says. The first summons pertains to ...

N

Patterson:

You did not turn up for the first summons, so you wouldn't know what we did.

Jones:

I didn't have to turn up.

Patterson:

Didn't you.

Jones:

There was a qualifying letter saying, don't turn up if other matters pertained. Look, I'm not ...

Patterson:

If you produce the documents.

Jones:

Yes. When we explained that there were no documents to produce, therefore there was no point in turning up. But I'm not prepared to discuss that any more. If you want to persist with this line, then we're wasting our time. I mean, nothing's going to change my answer. So, you know, you might as well move on to the matters in this summons.

Patterson:

Well, did you prepare any documents in response to the first summons?

Jones:

I'm not prepared to talk about the first summons.

Bornholdt:

Perhaps, Mr Chairman, if I can come in, as counsel assisting the Commission, I would put both Sir Robert and the ...

Jones:

I'm sorry ... You are Mr Bornholdt, aren't you?

Bornholdt:

... Robt. Jones Investments Limited, on notice that they are in breach of those summonses, and then it's a matter that is left in the hands of the Commission.

Patterson:

What I'd suggest is that you listen, Sir Robert, before you intervene. Say that again.

Jones:

Oh, look. I tell you. If you ask me that once more, we'll walk out. We're busy. You people aren't. You don't seem to have much to do. Now, we've got a lot to do. If you want to sit here and ask me the same question five times and get the same answer, then that's just wasting our time.

W

Bornholdt:

It's not necessary, Mr Chairman, to go any further. Both Sir Robert and his company have been put on notice, and the matter is in the hands of the Commission. We now, then, with your permission, Mr Chairman, turn to the notice that was issued in respect to this hearing for today, which had associated with it a letter dated the 20th June, addressed to both Sir Robert and also to Robt. Jones Investments Limited, pointing out that the Commission had decided to add to its terms of reference - copy was attached - and together with a further summons to the company for attendance at the offices of the Commission on Wednesday, 28 June 1989 at 10 am, and that the orders that were made, referred to on the 31st May, continue to this hearing. So, Sir Robert, with that - or those facts - in place,

Jones:

They're not facts.

Bornholdt:

have you, in respect to that summons, any documents with you this morning that you can produce to the Commission relating to the matters under discussion.

Jones:

Well, that was quite a lot. Are you referring to what? Which summons?

Bornholdt:

The summons relating, Sir Robert, to ..

Patterson:

There are two summonses. One is to Sir Robert ..

Jones:

No, well look. Perhaps I'll say it in Swahili, or something. We're obviously having a language difficulty. We're here in respect of the latter summons that clearly pertains to today. We're here to discuss the matters in that - whatever you call it -

Patterson:

It's the summons dated the 20th June.

Jones:

Whatever. Yes.

Patterson:

Well, would you check that that's the one you're talking about.

Jones:

No, I won't bloody well check. If that's the one, that's the one. I accept that. Now, ..

N

Jones:

....[aside] Well, yes, effectively, but that's not a summons, is it? It's just a letter.] Yes OK. I'm not sure we're at cross purposes.

Bornholdt:

No, no. You've got the papers I have referred to. We're not at cross purposes. And then, the reference that was made in the letter of the 20th June - if you'd turn back to that letter - to both yourself and your company. Final paragraph. "The orders made pursuant to section 19(5) of the Securities Act referred to in our letter of the 31st May 1989 continue to apply." Now, have you a copy with you of that letter of 31st May?

Jones:

No.

Bornholdt:

Well, if I produce my copy to you. That's the letter of the 31st May.

Patterson:

To whom?

Bornholdt:

To - I think that one is to Robt. Jones Investments. But I think you would acknowledge, Sir Robert, that a similar letter was sent to you.

Jones:

I think so, yes.

Bornholdt:

And that summons, with the letter there, sets out - I think in the final paragraph, does it not - with not having it in front of me - certain papers that are requested to be produced?

Jones:

Yes. Well, it's a letter saying what the purpose of the enquiry is to be, and it came with a summons that spelt out what we would discuss. I mean, I consider myself bound by the summonses - not by accompanying letters. Simple as that.

Bornholdt:

So that ..

Patterson:

Get another copy of that letter Stephen, would you please, and let Mr Bornholdt have it. Or, better still, let Mr Jones have it, and you get yours back..

Jones:

Just ... I'm sorry. You are Mr Bornholdt?

Bornholdt:

Yes.

Jones:

Yes. When you were introduced

Bornholdt:

I'm trying to assist the Commission. Stephen, have you got the copy of the summons, please, that was attached to that letter? Thank you.

So, Sir Robert, are you telling the Commission that, in the light of the earlier summons that was served on you to produce documents, that's relied on and brought forward to this hearing this morning, that you have no papers or documents to produce?

Jones:

That's right. You know, you're talking about "an accompanying letter". I'm bound by the terms of the summons. You can say what you like in an accompanying letter. The accompanying letter, in a legal sense, is superfluous, as I'm sure you know. There's no point having the summons if the letter is to serve that function. Now, we're here to discuss the matters that are set out in that summons, and we're prepared to do that.

Bornholdt:

But again, I put it to you that you have nothing to produce.

Jones:

Yes, well I've said that. How many ...?

Patterson:

Well, I don't think I've got that as clear as I'd like to have it.

Jones:

Christ!

Patterson:

Sir Robert. There's a summons to you personally, dated [what's the date of that one, is it the same date?] 31st May. Would you get it in front of you. In which you are asked to produce all documents in your possession or control relative to the enquiry.

Jones:

That is not a matter set out in the summons that we're here to discuss today.

Patterson:

Would you look at the summons?

N

Jones:

No, I won't. If you want talk about the earlier summons, then I'm not prepared to do so.

Patterson:

Well, I'm looking at the one dated ... All right. Well then, take the one dated the 20th June, then.

Jones:

That's what I'm here to discuss, Mr Patterson.

Patterson:

OK. Well, it asks you to produce all documents in your possession - and it's addressed to Sir Robert Jones - relative to the enquiry.

Jones:

No, it doesn't.

Bornholdt

Yes,

Jones:

I'm sorry. Well, I'm talking about the terms of reference.

Patterson:

Would you look at the summons?

Jones:

My apologies. Yes. That is the summons.

Patterson:

And would you read what you're asked to do.

Jones:

To give evidence ... Well, where are we here. To give evidence to a matter before the Commission mentioned in the terms of reference for the enquiry, a copy of which is attached.

Bornholdt:

And to produce to the Commission, all documents in your possession

Jones:

I'm sorry, it was an omission. "and to produce to the Commission all documents in your possession relative to the enquiry." Quite so, yes.

Patterson:

Well that's to you personally. Do you also appear on behalf of Robt. Jones Investments Limited?

Jones:

Yes, I do.

N

Patterson:

And do you acknowledge that a similar document has been addressed to them.

Jones:

Yes, I do.

Bornholdt:

In relation to those two summonses, have you any documents?

Jones:

No, there are no documents. No documents relating to the terms of enquiry of this latter summons.

Bornholdt:

I see. None whatsoever?

Jones:

Not a thing. I mean, it's very clear. Can we take it through.

Bornholdt:

And to produce to the Commission all documents in your possession or control relative to the enquiry.

Jones:

Yes, now the enquiry - can I take it up from there? Item 1. The circumstances of the transaction or transactions under which Robt. Jones Investments or a related company purchased from Chase Corporation or a related company the property situated in Wyndham Street, Auckland, known as the Price Waterhouse Centre, in or about October '88.

Well, we didn't purchase any property - any such property from Chase in October '88. So there are no documents.

Bornholdt:

The terms and conditions ...

Patterson:

I think I should warn you, Sir Robert - and I hope you won't take this out of place - that we have reason to believe that that statement is not correct.

Jones:

Well, if we'd purchased a property we would either still own it or would have sold it.

Patterson:

Would you mind listening for a moment. I would also feel it my duty to warn you that if your evidence is not correct, you may be prosecuted for that offence.

N

Jones:

You don't have to warn me of that. I'm well aware of that. The statement is clear. You've dragged us here before with one of your nonsense enquiries. You made a great song and dance, Mr Patterson, about accuracy. When a minor error by one of our lawyers - you made a great noise about it. Now, we expect the same from you. The spelling here is abysmal throughout these documents - but aside from that, this is very clear. I only speak English. I'm just a simple working-class lad. And I'll take it by what it says. We either did or we did not purchase that property from Chase in or about October 1988. If we did, we either own it or we have sold it. Now we did not. Now that's the first thing that this enquiry is about. That's why there are no documents. You've told us we've got to be accurate. We expect that to be reciprocated.

Patterson:

Yes, quite right.

Jones:

It's as simple as that.

Bornholdt:

Then, Mr Jones, if that is the case, why did your company make the announcement that it did to the Stock Exchange on the 27th October.

Jones:

Because they asked us to.

Bornholdt:

And why did you state in that statement to the Stock Exchange that your company had purchased a property, when in fact now you're telling the Commission it didn't purchase the property.

Jones:

Because it was our intention to do so, and it is customary when one intends to do something, to announce it as a fait accompli. Indeed, if you look at any financial market - as we all know - announcement. You've only got to look at this morning's newspaper. You will see a host of such announcements. When the Government announced - or the Receiver announced - they'd sold New Zealand Steel to the Chinese, it was said as a fait accompli. That is normal, every-day practice, on the assumption that in fact those things will happen.

Bornholdt:

But we're not dealing with that matter, Sir Robert.

Jones:

I'm sorry. I'm so used to

N

Bornholdt:

Is it correct that you, through your company, made the statement to the Stock Exchange that your company had purchased the particular building from Chase known as the Price Waterhouse Centre?

Jones:

Well, I haven't got it in front of me, but I'm prepared to accept it is. We were asked to do so, and we did.

Bornholdt:

But the fact of the matter is that your company hadn't purchased the property at that stage. That's correct isn't it?

Jones:

That's right. Yes.

Patterson:

Well, what were the circumstances in which you were asked to make the announcement?

Jones:

Well, that's not really a matter that's covered here, is it?

Bornholdt:

Yes.

Jones:

Oh, it is. My apologies. I withdraw that.

Bornholdt:

Number 5.

Patterson:

Who asked you?

Jones:

Roger asked us, sitting behind me.

Patterson:

Roger Gill?

Jones:

Yes.

Patterson:

You'd better describe that.

Moriarty:

I'm not sure whether it came specifically from Roger or from the legal office of the Exchange.

Jones:

Was it from you, Roger?

N

Gill:

That's correct, Mr Chairman.

Patterson:

You'd better tell us about this, then.

Jones:

Well, I've told you about it. Roger asked us to make the statement because it was common knowledge that we were intending to buy the building. Now you all know full well that that is the customary practice when - we've bought 200 buildings, this public company has - and often those buildings have been announced. It is customary to announce them as a fait accompli. You are mostly lawyers, I imagine, in this room, and you know damn well that most of those transactions then conclude to a normal completion. In this case, it did not.

Patterson:

Why did ... Where was this request made to you?

Jones:

Oh, it was by telephone the following day, after the Prime Minister had announced the transaction. I think. I can't recall, but it probably was.

Patterson:

Why did the Prime Minister announce the transaction?

Jones:

Because we asked him to.

Patterson:

I think I want a bit more of the background to this.

Bornholdt:

Well, can I lead in to it. Mr Jones might ... Sir Robert might ...

Jones:

.... embarrass me, anyway.

Bornholdt:

The ...

Jones:

Wave your arm at me, Mr Bornholdt, I prefer that.

Bornholdt:

No, no, no. I don't do things like that, Sir Robert. There was an announcement made through the press on the same date, as I understand it, as you made the announcement to the Stock Exchange, on the 27th October.

Jones:

The day before, in fact, yes.

Bornholdt:

Well, I have marked - I produce a copy of the National Business Review dated Thursday, October 27th. I have marked certain parts of that. Could you just look at it for me and say whether that's a correct ... those are correct statements?

Jones:

Yep.

Bornholdt:

And that indicates to the public, doesn't it, that you - your company had purchased those properties that are referred to.

Jones:

That is correct, yes.

Bornholdt:

Apart from ..

Jones:

The correct indicates that - and I'll quote. You've actually marked the relevant ones. "Settlement is due in 10 months, when the building is finished."

Bornholdt:

Correct. It doesn't state any conditional purchase, does it? It says, settlement will take place.

Jones:

Yes. But I've never seen a contract that's totally unconditional where a building's being built, obviously. I mean, it assumes, for a start, that the building will be built.

Bornholdt:

Now, I'll just retrieve that, Mr Jones.

Patterson:

Who ... How did this function take place? Was this a function in the Michael Fowler Centre?

Jones:

Yes.

Paterson:

Attended by the Prime Minister

Jones:

Yes.

Patterson:

At your invitation?

Jones:
Yes.

Patterson:
What was the purpose of the function?

Jones:
To announce the purchase, along with others.

Patterson:
As a publicity exercise?

Jones:
I suppose. Yes.

Patterson:
Well, you did it. Yes or no?

Jones:
Well, I suppose so. Yes.

Patterson:
Do you agree with the headline, that this was a property spree to boost confidence?

Jones:
No. We've got no interest in boosting confidence.

Patterson:
Why did you arrange the function, then?

Jones:
I've just told you.

Patterson:
As a public relations exercise?

Jones:
Yes. From our company's perspective. We've no commercial interest in boosting confidence. We have a commercial interest in doing otherwise. We might have a more altruistic view on boosting confidence, wearing a different hat.

Bornholdt:
And in fact, Sir Robert, that was stated, was it not, in your memo to the Stock Exchange, on the 27th October, where the paragraph reads - fifth paragraph on the first page - "In New Zealand there has been a massive loss of investor confidence, resulting in the weakest investment markets in many decades. All commentators agree that the loss of confidence and consequential recession is an excessive over-reaction, and will obviously not last forever. Nevertheless, it is the reality, and thus has presented outstanding acquisition opportunities." And then you announced your - "today's announcement concerning the three major buildings, totalling \$450 million." Then

it goes on to read, "There are 3 other small acquisitions." So, your announcements to the Stock Exchange, I'd put it to you, related to acquisitions of properties on behalf of your company.

Jones:

Yes.

Bornholdt.

Not acquisition of properties by way of conditional purchase agreements.

Jones: ?

This is childish.

Bornholdt:

Well, is that correct or not?

Jones:

Of course they're conditional. But you know, really, I mean you should be thoroughly ashamed of yourself. You're a lawyer, and I think an ex-conveyancing lawyer, and you know damn well, no such contract's ever totally unconditional. This is just shameful.

Patterson:

All right. There was a contract?

Jones:

No, there wasn't a contract in the way you've put it in your summons. Which is what we're here to talk about.

Bornholdt:

Sir Robert. Was there a binding obligation by Robt. Jones Investments to purchase the Price Waterhouse Centre?

Jones:

No.

Patterson:

At any time?

Jones:

No.

Patterson:

On 27 October 1988?

Jones:

Is that the date we announced, is it?

Patterson:

That's your announcement date.

Jones:

Yes. No, there wasn't.

N

Patterson:
There was not?

Jones:
No.

Patterson:
Was your statement, therefore, false?

Jones:
No. Not in the normal sense that it would be read.

Patterson:
All right. Well, you'll need to explain this.

Jones:
It's very simple. We had the right and the intention to purchase it.

Patterson:
Is there a document in existence establishing that right?

Jones:
Oh yes.

Patterson:
There is?

Jones:
Yes.

Patterson:
Do you have it with you?

Jones:
No. I wasn't asked to produce it.

Patterson:
I'm sorry, you were asked to produce - would you read the summons again?

Jones:
Yes, I've read it. I don't have to. We were asked to produce it in respect of the terms of reference which refers to an actual purchase completed. It's quite clear what it refers to.

Patterson:
And what about the final paragraph in the terms of reference.

Jones:
You mean, the circumstances surrounding the announcement? What about them?

Patterson:

Do you not regard that document which you say exists as relevant to that term of reference?

Jones:

No, I don't.

Patterson:

Well, I'm sorry. I think we do.

Jones:

Oh well, we'll have to disagree on that.

Patterson:

Well, I'm asking you, will you produce that document?

Jones:

Well, if you serve a summons on that I will, sure.

Patterson:

We take the view that the summons you have is adequate for that purpose.

Jones:

We'll just have to disagree on that, Mr Patterson. We don't.

Patterson:

I see.

Bornholdt:

Well, Sir Robert. Not accepting that the present summons doesn't cover that ground, but on the basis that another summons was served on you, with that particular reference in clause 5, would you then produce the documents associated with that reference, including the agreement that you ...

Jones:

I'm sorry, Mr Bornholdt. Would you mind just saying that again?

Bornholdt:

Not accepting the facts that the first summons doesn't ...

Patterson:

Well, don't worry about that. Just read the question.

Bornholdt:

... cover the point, but if a further summons were to be issued, by this Commission ...

Patterson:

No, no, no, no. Mr Bornholdt, I'm not proposing to issue any further summons.

N

Bornholdt:
All right.

Jones:
We will respond to any summons that is issued on us. We are obliged to, and we do so. We are obliged to do so, we recognise the obligation. And that's why we're here now.

Patterson:
Do you have any documents to produce in response to the summons?

Jones:
No, you asked me that four times, and I've told you four times.

Patterson:
No.

Jones:
None. There are none that are relevant to the terms that are set out there.

Patterson:
I see. Well then, I must ask you, I think, to test your answer, for a catalogue of the documents that you do have relating to the proposal to purchase the Price Waterhouse Centre. I ask you that now. Are there such documents in existence.

Jones:
Of course there are. But the summonses have not pertained to those.

Patterson:
That may be a question for somebody else to answer, Sir Robert. I wish to get an indication of the nature ...

Jones:
Well, you're well aware they are, because you already have them in your possession, don't you, Mr Patterson. I mean, this is quite disgraceful. If you're that eager to get them, why are you making this meal out of the issue.

Patterson:
We want them from you.

Jones:
Oh, you want them from me? I see. Even though you have the identical ones from some other source in your presence now, and served the summons on me after you had them, and you've wasted 45 minutes talking about it,..... 'silence'. Shameful performance, and it will all be public.

Patterson:

Sir Robert. One of our functions is to test the evidence that is supplied to us.

Jones:

Your functions are very clearly set out in the Act. And you are abusing those functions, you're abusing the rights you have under the Act in respect of those functions.

Patterson:

I'm not going to have that from you.

Jones:

Well, you've had it from me, and you'll get it again. The functions of your Commission are clearly prescribed in the Act. You are grossly abusing the powers that are also accorded you in the Act. You are going right outside of those prescribed functions, and you know it.

Patterson:

I want to know what documents you have relating to the proposal to purchase the Price Waterhouse Centre.

Jones:

Well you'll have to serve a summons on me then, and ask that. You haven't done so.

Patterson:

I see.

Bornholdt:

Are you, Sir Robert, telling the Commission that there are no documents in your possession associated with term of reference No. 5, the circumstances surrounding the announcement of Robt. Jones Investments, etc., to the effect that it had acquired the Price Waterhouse Centre? Are you telling the Commission that you have no documents whatsoever to support the statement that was made by your company to the Stock Exchange and the statement that was announced in the newspapers ...

Jones:

Well, I suppose

Bornholdt:

.. that was approved by your company, and I assume yourself.

Jones:

I suppose we could argue, in respect of item 5, I suppose we could have produced the Stock Exchange statement. Frankly, that never occurred to me. We didn't, but you have it anyway, so :... After all, one could reasonably assume you have it, because you refer to it.

N

Bornholdt:

I'm asking you whether you have any other documents ...

Patterson:

Documents other than the statement.

Jones:

No, not in respect of item 5. Item 5 is very clear. It refers particularly and specifically to that announcement. So there's only the announcement statement that could relate to it.

Patterson:

When that announcement was made, on 27 October, what documents were in your possession relating to the Price Waterhouse Centre?

Jones:

Oh well that's not a question that the summons deals with, Mr Patterson.

Patterson:

I direct you to answer that question.

Jones:

Oh well, you can direct me all you like, but you'll have to direct me in terms of the terms of reference, and that's outside of it. It's clearly set out ...

Patterson:

Well, I'm sorry, I do not agree that it is outside.

Jones:

Well, we'll have to disagree.

Bornholdt:

Are you refusing to answer that question, Mr Jones?

Jones:

No, I've answered it. I've said ...

Patterson:

You have not answered the question. You've avoided the question.

Jones:

No, I haven't avoided the question. I am here under summons to answer clearly set out questions. You are going outside of those questions.

Patterson:

Well, I'm sorry. I rule against that, and direct you to answer.

N

Jones:

No. I'm not going to, because it's outside of the matters that are set out here.

Patterson:

I think I should put that to you quite deliberately. I repeat the question. Do you have documents in your possession which existed on the 27th October ...

Jones:

We have no other documents in our possession but the summonses. All right?

Patterson:

All right. If you insist on interrupting me, I'll simply have to ask it again.

Jones:

Then we'll have to walk out, if you keep asking the same question that's beyond your scope of this summons.

Patterson:

I've already said that we do not accept that that question is beyond the scope of the summons.

Jones:

Well, I'm sorry Mr Patterson, we'll have to disagree.

Patterson:

May I put the question again. Do you have, in your possession, documents that existed on the 27th October relating to the purchase of the Price Waterhouse Centre?

Jones:

It depends on your definition of the purchase. In terms of what is set out in the summons, we have no such documents. None exist. Other than the Stock Exchange statement referred to in item 5.

Patterson:

What is the date of the contract you referred to earlier ..

Jones:

We don't have a contract. It depends on your definition of contract. You referred to it, I didn't.

Patterson:

You said there was a contract.

Jones:

No, I didn't. I said that we had the right to purchase the building.

Patterson:

Well, I think we'll check back on the notes that you did distinctly use the term "contract".

N

Jones:

Well if I did, it was an oversight, because there was no contract in the normal sense of the word.

Patterson:

Is there any written document about the purchase or proposal to purchase?

Jones:

Oh well, that's outside of the terms of this enquiry.

Patterson:

I ask the question. I want an answer, yes or no.

Jones:

I can't give you an answer to a silly question. It's outside of the terms of your enquiry. You are obliged to stay within the terms of reference as set here.

Patterson:

I will direct you that that question is within the terms of reference, and direct you to answer. What is your answer?

Jones:

I told you, in my opinion it is not in the terms of reference, and therefore I won't answer it. I'm happy to discuss any of the matters here in the terms of reference - other than item 3. We can't follow that one. It's got words we can't find in our dictionary.

Bornholdt:

If I could come in, Mr Chairman. Sir Robert. Item No. 5 of the terms of reference refers to the circumstances surrounding the announcement by Robt. Jones Investments to the Stock Exchange on the 27th October, to the effect that it had acquired the Price Waterhouse Centre. You have admitted - accepted - that there was a statement made to the Stock Exchange by your company on the 27th October, that related to the Price Waterhouse Centre purchase.

Jones:

[Coughed] Excuse me. Yes. Intention to purchase, yes.

Bornholdt:

Could you point out to me where in that statement to the Stock Exchange the word "intended to purchase", or the words "intended to purchase" were used?

Jones:

No. Because they're not there. But any reasonable reader would read that, wouldn't they? It refers to a future settlement date, buildings to be built, that sort of thing.

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Bornholdt:

And in that notice to the Stock Exchange, under the heading "Building One - the Price Waterhouse Centre, Auckland. Purchase price \$145 million" and details, what documents have you in your possession associated with the statement that's made in your statement to the Stock Exchange in support of that statement?

Jones:

Well only the Stock Exchange statement. Oh, I'm sorry. In support of it?

Bornholdt:

Yes.

Jones:

Well, I imagine we have documents. But I can't tell you here. I don't know.

Bornholdt:

Well, could you please produce those documents to the Commission, because they are relevant to that term of reference.

Jones:

Well, we're going over the same ground. We don't believe they are. We don't believe that they are. The terms of reference are very clear - except for item 3, which is in Swahili, or some other language. Item 5 pertains specifically to the Stock Exchange announcement, a copy of which you have, and obviously must have had or you wouldn't have been able to write item 5.

Bornholdt:

I think terms of reference No. 5 starts off with "The circumstances". Do you accept that?

Jones:

Yes.

Bornholdt:

And I am asking you as to the circumstances behind the statement that you have made to the Stock Exchange, pertaining to the Price Waterhouse Centre.

Jones:

Well the circumstances are entirely verbal in respect of the statement. It wasn't our intention to make one. We were asked to.

Bornholdt:

I am asking you, have you any supporting evidence by way of documentation - documentation or letter form?

Jones:

In respect to the circumstances of the announcement, no.

N

Bornholdt:

In respect to the matters that are contained within the announcement?..

Jones:

Well that's not what you say the reference says.

Bornholdt:

Have you?

Jones:

No. Not in terms of the terms of reference, no.

Bornholdt:

Mr Chairman?

Patterson:

Yes, well you carry on. He says he has no documents. Mr Jones, we are not to be trifled with.

Jones:

Nor am I.

Patterson:

And I propose to refer your answers to the Solicitor-General with a view to prosecution.

Jones:

Good.

Patterson:

Do you wish to reconsider any of your answers?

Jones:

No, no.

Patterson:

All right. Well, I think we'll leave it there.

Jones:

Good.

MH/JAN/RG

Robt. Jones Investments Limited

15th Floor Robt Jones House Jervois Quay Wellington New Zealand Telephone (04) 736-205 Fax (04) 729-770

20th June, 1988

Mr Adrian Burr,
Chase Corporation Limited,
Private Bag,
AUCKLAND

FAX No : 09-394698

Dear Adrian,

Thankyou for the various items of information. Below I have set out our views.

GENERAL ATTITUDE : We record our desire in principle to do a deal along the lines agreed, specifically by contributing on existing investment building as an equity deposit and the balance by way of a suitable Bank guarantee note showing a simple interest of 14% p.a. payable together with the principal in 3 years from settlement.

[Paragraphs omitted]

PRICE WATERHOUSE BUILDING : A handsome structure of definite appeal, the single negative being its off-centre location which particularly in the current and likely future climate has us querying a 6.5% yield.

[Paragraphs omitted]

3) Price Waterhouse Building

- a) By transfer of Crown Court building, Brisbane (ref. following explanatory note) at a 7% yield approximate anticipated value, A\$25 million.
- b) By issuing to Chase \$20 million in RJI shares to be retained for 3 years and thereafter subject to return performance guarantee to equate to 14% p.a. return with a programmed sell-down over 18 months period commencing after 3 years so as to achieve an ultimate return including dividends etc. of 14% p.a. Surplus proceeds to be repaid to RJI while any short-fall to be met by cash.
- c) Balance with 14% p.a. Bank guarantee note.

GENERAL COMMENT

The above proposal yields Chase book sales at prices not attainable in the market now or likely over the next 2-3 years.

The proposal is a base-bone outline.

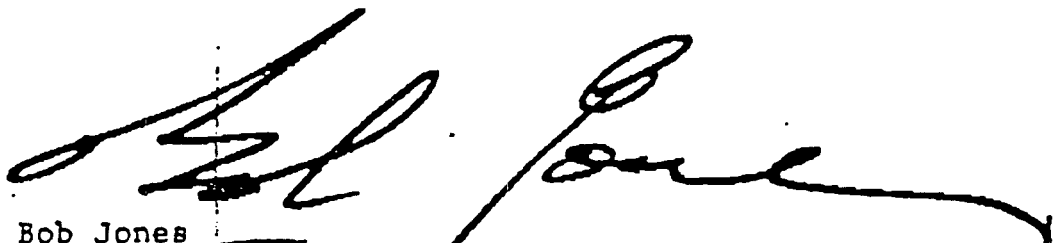
If acceptable then there will be a large number of items to discuss including our own due diligence, leasing obligations where relevant, services guarantees where relevant and so on.

CROWN COURT : This is a very well located Brisbane 23 level Brisbane building leased to the Federal Government.

We are currently completing a \$2 million renovation program that will have it in impressively sparkling condition.

I look forward to hearing from you.

Best wishes,



Bob Jones

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CHASE

CHASE NEW ZEALAND PROPERTY GROUP LIMITED

21st June 1988

The Chairman
Robt. Jones Investments Limited
15th Floor Robt. Jones House
Jervois Quay
WELLINGTON

Attention: Mr R E Jones

Dear Bob

Thank you for your Fax of 20th June 1988 in which you set out your views concerning a number of our properties including the Finance Centre which details were forwarded to you over the weekend.

We comment on your views as follows :-

[Paragraphs omitted]

Price Waterhouse Building

This building is a little more straight forward to deal with and we would be prepared to sell this property to you on completion upon the following terms and conditions.

Purchase Price \$135,000,000.00

Deposit \$14,000,000.00

Settlement 3 months after Practical Completion of the Building as certified by the Project Architect.

Balance to be met by :-

Crown Court Building as part consideration	\$25.0 million	A deposit of \$2.5 million to be paid by Chase.
--	----------------	---

Second payment backed by guaranteed bank bills	\$32.0 million	Payable in three years plus interest compounded at 13% p.a.
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Third payment backed by guaranteed bank bills	\$32.0 million	Payable in three years nine months plus interest compounded at 13.0%.
---	----------------	---

Fourth payment backed by guaranteed bank bills	\$32.0 million	Payable in four and a half years plus interest compounded at 13.0% p.a.
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As outlined in your proposal this is a base bone outline and if acceptable then there will be a large number of additional items to be discussed including leasing obligations where relevant, service guarantees etc, and also confirmation that your property in Brisbane is acceptable to us subject to the normal inspection.

Regards

Adrian Walker

ADRIAN WALKER

Robt. Jones Investments Limited

15th Floor Robt Jones House Jernutt Quay Wellington, New Zealand Telephone (04) 730-208 Fax (04) 729-770

22nd June, 1988

Mr Adrian Walker,
Chase Corporation Limited,
Private Bag,
AUCKLAND

Fax No ; 09-394-698

Dear Adrian,

Thankyou for your fax letter of the 21st June, 1988.

[Paragraphs omitted]

PRICE WATERHOUSE BUILDING - Hopefully we can do a deal here. I make the following observations.

- 1) We note your counter-proposal of \$135 million and agree to that price.
- 2) We will not pay a deposit. We do not pay deposits. This is not a house transaction in Mt. Eden. You are dealing with a substantial public company and will have an irrevocable contract.

PAYMENT - Our payment proposal is as follows.

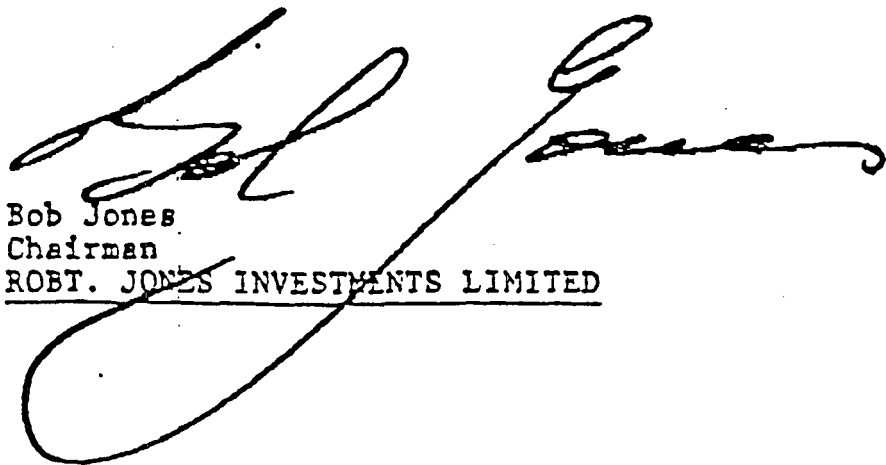
- 1) Settlement to be 3 months after certified practical completion subject to the building being fully leased to bona-fide tenants approved by us. In the event of the building not being fully leased then a pro-rata portion of the \$135 million to be paid by us to an agreed Bank (BNZ) to be held on deposit, the interest accruing to Chase after payment of any rental short-fall and to be released progressively as leases eventuate. I think you will agree that this point is fairly academic as the building should be fully leased on completion given the leasing progress to date.
- 2) Transfer of 100 Edward Street and the Crown Court buildings in Brisbane at prices reflecting 7% yields. Both are attractive buildings and this gives Chase two years to arrange sales during construction in Auckland.
- 3) The balance in three equal instalments on terms as set out in your letter.

If this is acceptable then we would be ready to go to contract forthwith. Obviously there are many things to be done such as our approval of the plans and specifications, existing leases, service guarantees etc. but with mutual good-will I believe these can be accomplished within a week.

A transaction of this size in the current climate could only be a boost to both our companies and in that respect we would like to discuss its announcement format at an Auckland luncheon function for the financial community.

I look forward to hearing from you.

Kind regards.



Bob Jones
Chairman
ROBT. JONES INVESTMENTS LIMITED

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CHASE

CHASE NEW ZEALAND PROPERTY GROUP LIMITED

22 June 1988

The Chairman
Robert Jones Investments Ltd
15th Floor
Robert Jones House
Jervois Quay
WELLINGTON

ATTENTION: Mr R E Jones

Dear Bob

Thank you for your fax of 22nd June 1988 in which you outline your position concerning the Finance Centre and the Price Waterhouse Building.

We advise we are currently assessing your offer concerning the Price Waterhouse Building and will be back to you with our comments on Thursday morning.

In the meantime could you please provide us with what details you have currently available on the Crown Court Building in Brisbane as at this time we have no information whatsoever concerning this property.

Regards

A handwritten signature in cursive script that reads "Adrian Walker".

ADRIAN WALKER

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CHASE

CHASE NEW ZEALAND PROPERTY GROUP LIMITED

23rd June 1988

The Chairman
Robt. Jones Investments Limited
15th Floor
Robt. Jones House
Jervois Quay
WELLINGTON

Attention: Mr R E Jones

Dear Bob

We have now had time to consider your Fax of 22nd June 1988 in which you outlined your proposal in respect of the Price Waterhouse Building. The proposal as outlined is essentially acceptable to us however we make the following comments : -

1. Sale Price \$135,000,000.00 exclusive of GST. This transaction would be zero rated.

2. Settlement This is to be three months after certified Practical Completion of the building as certified by the project's Architect.

In the event of the building not being fully leased at the time of settlement if 10% of the net lettable floor area is not leased then \$13.5 million of the \$135 million you are to pay for the building would be paid by yourself into an agreed bank say the BNZ to be held on deposit until such time as a bonafide tenant commences occupation of that part of the premises. The interest from this deposit would accrue to Chase less the equivalent rental, which would normally be paid by a tenant for the vacant space which would be paid to yourself.

We agree that this point is fairly academic as the building should be fully leased on completion.

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The expected settlement date would be approximately the end of September 1989 as the Price Waterhouse Centre is due for completion at the end of June 1989.

3. The balance of the money is to be met by :-

a) the transfer of 100 Edward Street and the Crown Court building in Brisbane at prices reflecting a 7% yield on net rents. The respective sale prices being A\$20 million and A\$25 million giving a total of A\$45 million.

We accept these two buildings as part payment for the Price Waterhouse Centre subject however to normal inspection in due course.

b) the balance of \$90 million to be paid in three equal instalments backed by a strong bank or syndicate of banks guarantee. The three instalments would be paid on the following basis :

- First payment of \$30 million would be payable in three years after settlement plus interest compounded at 13% per annum.

- The second payment of \$30 million would be payable in three years, nine months after settlement plus interest compounded at 13% per annum.

- The third and final payment of \$30 million would be payable in four and a half years after settlement plus interest compounded at 13% per annum.

The structure of this security would need to be in the form which would give both parties the best tax position.

In respect to the two Brisbane properties we seek your co-operation in respect of these properties that in the event we are able to sell the properties before the settlement of the Price Waterhouse Centre by RJI then RJI would allow the Brisbane properties to be settled before that date. A mechanism could be put in place whereby the proceeds were deposited in a bank for your security with interest accruing to Chase less the net rent normally received by your Company.

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aw19/3

We believe we have the basis for a deal and therefore would be ready ourselves to go to contract. Obviously as you pointed out in your letter, there are many things to be done such as your approval of the plans and specifications and existings leases, service guarantees etc., and our inspection of your Brisbane properties, approval of their leases, approval of the from of security offered and agreement on Documentation.

If you are in agreement with the above, then I suggest we have an early meeting to finalise the detail in respect of this transactions.

Kind regards

Adrian Walker

ADRIAN WALKER

DATED

1988

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BETWEEN

CHASE CORPORATION LIMITED ("CHASE")

AND

ROBT. JONES INVESTMENTS LIMITED ("RJI")

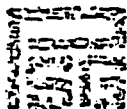
Deed

Solicitors for Chase:

Foley, Lendrum & Hughes
Barristers & Solicitors
Auckland

Solicitors for RJI:

Phillips Shayle-George
Barristers & Solicitors
Wellington, Auckland & Lower Hutt



PHILLIPS SHAYLE-GEORGE

BARRISTERS SOLICITORS AND NOTARY PUBLIC

WELLINGTON ■ AUCKLAND ■ LOWER HUTT

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THIS DEED made this day of 1988

PARTIES

FIRST 66 WYNDHAM LIMITED a duly incorporated company having its registered office at Auckland (hereinafter with its successors and assigns called "the Developer")

SECOND CHASE CORPORATION LIMITED a duly incorporated company having its registered office at Auckland (hereinafter with its successors and assigns called "the Developer's Guarantor")

THIRD ROBT. JONES INVESTMENTS LIMITED a duly incorporated company having its registered office at Wellington (hereinafter with its successors and assigns called "the Company")

WHEREAS

- A. The Developer is the registered proprietor of the land described in the First Schedule hereto ("the Land").
- B. The Developer intends to construct a development including a multi-storey tower and the refurbishment of the existing building on the Land known as the ASB Building in accordance with certain Working Drawings and Specifications ("the Development").
- C. The Developer has requested the Company to purchase the Land and contract the Developer to complete the Development on the Land.
- D. The Company has agreed to purchase the Land and to contract the Developer to complete the Development on the Land on the terms and conditions of a certain Heads of Agreement bearing even date herewith and made between the parties hereto ("the Heads of Agreement").

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NOW THEREFORE THIS DEED WITNESSETH as follows:-

1.0 INDUCEMENT FEE

1.1 In consideration of the Company agreeing to enter into the Heads of Agreement and to purchase the Land and contract the Developer to complete the Development on the Land on the terms and conditions contained in the Heads of Agreement and the Agreement for Sale and Purchase of Land and Development Agreement to be entered into pursuant to the Heads of Agreement the Developer agrees to pay to the Company the sum of TEN MILLION DOLLARS (\$10,000,000.00) (exclusive of Goods and Services Tax).

1.2 The said sum of TEN MILLION DOLLARS (\$10,000,000.00) shall be non-refundable and shall be paid together with the Goods and Services Tax thereon by bank cheque on the Thirtieth (30th) Working Day after the date on which all the conditions contained in the Heads of Agreement are confirmed and the Heads of Agreement become unconditional. The Company shall within Two (2) Working Days after the date all the conditions contained in the Heads of Agreement, excepting that contained in Clause 8.1(h) are satisfied provide to the Developer a Goods and Services Tax Invoice therefor.

2.0 GUARANTEE

2.1 In consideration of the Company entering into this Agreement at the request of the Developer's Guarantor the Developer's Guarantor DOETH HEREBY COVENANT with the Company that it will duly and punctually fulfil observe perform and keep all and singular the covenants on the part of the Developer contained or implied herein AND IT IS HEREBY AGREED AND DECLARED that although as between the Developer and the Developer's Guarantor the latter may only be a surety yet as between the Developer's Guarantor and the Company the Developer's Guarantor shall be deemed a principal party and the winding up of the Developer or the

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giving of time or any indulgence by the Company to the Developer or any other person or persons or the exercise or non-exercise by the Company of any of its powers expressed or implied in this Agreement shall not exonerate or release the Developer's Guarantor from its liability hereunder nor shall it be released by any other act omission matter or thing whatsoever whereby a surety only would be released.

3.0 NOMINATION

3.1 The Company shall be entitled to nominate any wholly owned subsidiary of itself to carry out its obligations hereunder and under the Heads of Agreement but notwithstanding such nomination the Company shall remain liable as a principal debtor for the obligations of the Company hereunder.

4.0 CONFIDENTIALITY

4.1 Neither party shall disclose or make public or permit to be disclosed or made public the existence or details of this Agreement save for any recognised public accounting requirement (and then only to the extent necessary) without the consent of the other party.

IN WITNESS WHEREOF these presents have been executed the day and year first hereinbefore written.

THE COMMON SEAL of)
66 WYNDHAM LIMITED)
was hereunto affixed)
in the presence of:-)



[Handwritten signature]

Director

JR Wilson

Director/Secretary

[Handwritten initials]

THE COMMON SEAL of
CHASE CORPORATION LIMITED
was hereunto affixed
in the presence of:-



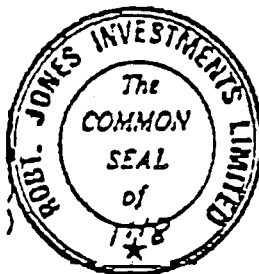
[Handwritten Signature]

Director

[Handwritten Signature]

Director/Secretary

THE COMMON SEAL of ROBT.
JONES INVESTMENTS LIMITED
was hereunto affixed
in the presence of:-



[Handwritten Signature]

Director

[Handwritten Signature]

Director/Secretary

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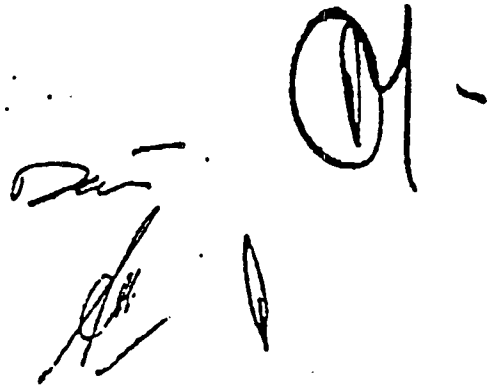
FIRST SCHEDULE

The Land

Freehold situated in the Land Registration District of North Auckland as follows:-

- (a) All that parcel of land containing 3,304 square metres more or less being Lot 1 on the plan to be deposited as 115948 such land to be comprised and described in Certificate of Title to be issued as Volume 65D Folio 907;
- (b) All that parcel of land containing 773 square metres more or less being Lot 1 on Deposited Plan 54693 and being all that land comprised and described in Certificate of Title Volume 83 Folio 364

SUBJECT TO: Covenant pursuant to Section 308(3) of the Land Ordinance 1st 1974.



THE NEW ZEALAND STOCK EXCHANGE
DAILY MEMO
27th October 1988

P. 3266

ROBT. JONES INVESTMENTS LIMITED

Fax rec'd 12.53, 27/10

In response to a New Zealand Stock Exchange query, Robt. Jones Investments Limited have provided the following information:

PREAMBLE

Robt. Jones Investments Limited is one of New Zealand's most successful public companies. With over 60,000 shareholders it is the third largest in that respect.

It owns or has contracted to purchase investment properties totalling approximately NZ\$1.75 billion (mainly Central Business District office buildings) in 20 different cities in New Zealand, Australia, Canada and the U.S.A. This portfolio exceeds 100 commercial buildings and 500 plus commercial tenancies.

The company's modus operandi is to seek out markets which are perceived to be pitched temporarily in favour of the purchaser but have long term virtue.

Since the October crash world property investment markets have boomed in every nation except New Zealand as investment capital has shifted from share-markets to property and bond markets.

In New Zealand there has been a massive loss of investor confidence resulting in the weakest investment markets in many decades. All commentators agree that the loss of confidence and consequential recession is an excessive over-reaction and will obviously not last forever. Nevertheless it is the reality and thus has presented outstanding acquisition opportunities.

THE NEW ZEALAND STOCK EXCHANGE
DAILY MEMO
27th October 1988

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P. 3267

ROBT. JONES INVESTMENTS LIMITED

(Cont.....)

Accordingly RJI has focused its attention on the home market this year and this and this alone in the global scene has been tilted solidly in the buyers favour.

The company works to no specific expenditure goals but instead makes its investment decisions on the single criterion of opportunities arising.

Thus the fact that its eight recent purchases in six New Zealand cities total almost exactly the rounded sum of \$500 million is simply coincidental.

The company recently announced one of those acquisitions, the nearly completed \$20 million office tower at 500 Victoria Street, Hamilton.

Today's announcement solely concerns the three major buildings, totalling \$450 million, two of which set a dollar value and size record for a New Zealand property transaction.

There are three other small acquisitions totalling \$19 million which will be announced next week.

The important point is that in making such a large permanent investment in New Zealand (taking its New Zealand port-folio to approximately \$850 million making it the second largest New Zealand property investor after the AMP) RJI demonstrates in the most tangible way possible, its commitment to and faith in this nation's future.

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ROBT. JONES INVESTMENTS LIMITED

(Cont.....)

BUILDING (1)

The Price Waterhouse Centre - Auckland

Purchase Price - \$145 million

N.B. This is a record for a New Zealand commercial property transaction.

DETAILS: A 267,000 sq.ft. (a little less than the Wellington BNZ Centre) 23 level high quality office tower, currently half constructed and due for completion in August, 1989 with three street frontages on Federal, Albert and Swanson Streets.

The building has 204 on site car-parks and overall is designed to a well above market specification.

Substantially leased long term to Price Waterhouse and the New Zealand Government (Lands Registry, Broadcasting etc.).

VENDOR: Chase Corporation

BUILDING (2)

The DFC Centre - Wellington

Purchase Price - \$60 million

N.B. This is a record for an individual Wellington building.

DETAILS: A striking appearance, newly constructed office tower on the corner of Jervois Quay and Hunter Street, Wellington.

The building is one of only four with long term guaranteed uninterrupted harbour views. (Robt.

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DAILY MEMO
27th October 1988

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ROBT. JONES INVESTMENTS LIMITED

(Cont.....)

Totalling 100,000 sq.ft. of rental area and with offices over 14 floors, the building has been leased back to the vendor, the DFC, for a 20 year term.

This acquisition brings the company's Wellington port-folio to approximately \$140 million.

VENDOR: Development Finance Corporation

BUILDING (3)

The Pacific Tower - Auckland

Purchase Price - \$245 million

N.B. This creates a new record for an individual building New Zealand property transaction.

DETAILS: This building, to commence construction in the near future and due for completion in mid 1991, will be easily the largest floor area and tallest office tower in New Zealand.

With 350,000 sq.ft. of rental space and 467 car-parks over 41 levels, it will afford significant city and harbour views.

Located opposite the Regent Hotel on the corner of Albert and Swanson Streets, the transaction provides for bank guaranteed full leasing obligations on the developer.

It will be New Zealand's first international quality office tower reflected by such standards as its high car-parking ratio, 9 ft. ceilings and a high speed passenger lift for every 20,000 sq.ft. of office space.

This acquisition brings RJI's Auckland port-folio

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DAILY MEMO
27th October 1988

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P. 3270

ROBT. JONES INVESTMENTS LIMITED

(Cont.....)

The top floor will house the company's Auckland offices. The company already owns the four buildings on the other side of the Regent bordering Swanson and Queen Streets.

VENDOR: MacDow Properties Limited

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28th October 1988

[Paragraphs omitted]

CHASE CORPORATION LIMITED.

Fax rec'd 3.50, 27/10

Quality, and an adherence to the fundamentals of good property development, were key elements in the record-breaking property deal announced by Robert Jones Investments yesterday, according to Chase Corporation, one of the major parties in the deal.

Chase's 267,000 sqft, 23 level Price Waterhouse Centre was sold to RJI for \$145 million, as part of the \$400 million package unveiled by RJI Chairman Bob Jones at a special function in Wellington.

Mr Jones described the Price Waterhouse Centre, which is still under construction, as a "top building" which will be an Auckland landmark. He said only RJI's Wall Street building was bigger, and the Landmark building in Sydney was comparable.

28th October 1988

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CHASE CORPORATION LIMITED

(Cont.....)

"The Price Waterhouse building is of top quality standards and our various Consultants have studied every detail - as have the tenants' Consultants," he said.

The Managing Director of Chase Corporation's New Zealand Property Group, Mr Murray Hindle, today echoed Mr Jones' sentiments.

"Naturally we are delighted to be part of such a significant sale.

"The excellence of this project by Chase has also been recognised by the high calibre tenants who will occupy it, and by the purchaser who has obviously acknowledged it as an attractive investment."

The Price Waterhouse Centre is due for completion in mid-1989 but is already substantially let. Major tenants include the accounting and consulting firm Price Waterhouse, KawaTalk Radio 12B, the Lands and Deeds Department and the ASB Bank.

Mr Hindle said the recent economic climate had underlined the need for long-term strategies in the property market, and had placed even stronger emphasis on the importance of quality developments.

"This deal is positive proof that prime CBD property, with good tenants, easy accessibility, and strong street appeal, is an attractive proposition to investors.

"We have always said that investors in property should focus on the long-term, rather than seeking short-term gains. The RJI strategy reaffirms our view," he added.

Mr Hindle said the benefits of the sale would be fully realized for Chase Corporation in the 1989/90 year. It was, he said, another significant step in a series of actions that have been undertaken to position Chase to successfully implement the strategies it has defined for the future.

7th June 1989

ROBT. JONES INVESTMENTS LIMITED

Fax rec'd 2.51 7/6

RJI has announced that the proposed purchase of the Price Waterhouse Centre in Auckland from Chase Corporation, announced last year as part of a \$500 million property package, will not now proceed as originally planned.

The 1988 announcement totalled five properties.

Three including the D.F.C. Centre at \$60m, have now been settled and possession taken. The major building, at \$245m with McConnell Dowell is proceeding satisfactorily and the contract is unconditional.

Due to uncertainties regarding the plans and specifications and the leasing situation with the Price Waterhouse building the agreement with Chase took the form of an option conditional on RJI approving the lease agreements and plans and specifications.

These conditions have not been satisfied and RJI has now exercised its contractual right not to proceed.

Full financing was completed by RJI for the project but will not now be utilised.

However the Chairman of RJI, Mr Bob Jones, said discussions are continuing with Chase. RJI remains keen to acquire the property and is optimistic of doing so. It is not in a position to make that decision however until the final leasing program is completed, and some design issues are resolved but it is hoped that these matters will be resolved in the near future.

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THE NEW ZEALAND STOCK EXCHANGE
DAILY MEMO
8th June 1989

[Paragraphs omitted]

CHASE CORPORATION LIMITED

Fax rec'd 7.30 8/6

In response to the Stock Exchange announcement made today by Robt. Jones Investment Ltd in respect of the Price Waterhouse Centre in Auckland, the Directors of Chase Corporation Ltd confirmed this evening that discussions were continuing between the two parties.

The Executive Chairman of Chase Corporation, Mr Colin Reynolds said;

"LIKE MR JONES WE ARE OPTIMISTIC THAT THE MATTER
WILL BE RESOLVED IN THE NEAR FUTURE."

Securities Commission

4,
Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

Our ref:

FILE COPY

13 July, 1989

Chase Corporation Limited,
Private Bag,
Symonds Street,
AUCKLAND.

Attention: Mr M.H. Hindle

Dear Sirs,

re: Robt. Jones Investments Limited

1. I enclose two copies of my draft of a report for the Securities Commission. I will ask the Commission to comment to the appropriate bodies upon the matters mentioned in the report. Attachment "N" has been excluded from the enclosures.
2. This document is sent to you so that you may have an opportunity to correct any errors which I may have made in preparing the draft, and to present any comments you may wish to make upon the matters mentioned in it.
3. As you know, the Commission has made an order prohibiting the publication or communication of its proceedings in this matter. That order applies to the enclosures.
4. I have sent a similar letter with enclosures to Robt. Jones Investments Limited.

Yours faithfully,


C.I. Patterson
Chairman

Encl.

[H/P/L261]

Securities Commission

42
Level 6, Greenock House
102-112 Lambton Quay—39 The Terrace
P.O. Box 1179
Wellington 1, New Zealand
Telephone (04) 729-830
Facsimile (04) 728-076

FILE COPY

Our ref:

13 July, 1989


Robt. Jones Investments Limited,
15th Floor, Robt. Jones House,
Jervois Quay,
WELLINGTON.

For Sir Robert Jones

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C.I. Patterson
Chairman

Encl.

[H/P/L260]