

ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT

SECTION 93AA

The Commitments in this Enforceable Undertaking are offered to the Australian Securities and Investments Commission ("ASIC") by:

Hudson Investment Group Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HGL")

and

Hudson Corporate Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HCL")

and

Hudson Securities Corporation Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HSCL")

and

Hudson Resources Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HRL")

(Collectively, "the Hudson Group")

David Henty Sutton
Level 2, 131 Macquarie Street
Sydney NSW 2000

and

Peter Cecil Holland
Level 2, 131 Macquarie Street
Sydney NSW 2000

Hudson Timber & Hardware Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HTH")

and

Hudson Securities Pty Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HSPL")

and

Hudson Pacific Group Limited
(formerly Hudson Property Group Limited)
Level 2, 131 Macquarie Street
Sydney NSW 2000 ("HPG")

Bruce William McLeod
Level 2, 131 Macquarie Street
Sydney NSW 2000

and

Peter John Meers
Level 2, 131 Macquarie Street
Sydney NSW 2000

(Collectively, "the Directors")

1. BACKGROUND

1.1 ASIC has conducted an investigation in relation to:

- (i) trading in the securities of HGL by HSPL between the period January 1997 and August 1999, including but not limited to the financing of that trading;
 - (ii) trading in the securities of Waiviata International Limited ("WVI") by HSPL between the period March 1999 to April 1999; and
 - (iii) the partial float of HTH between the period October 1998 and December 1998, including but not limited to announcements made to the ASX by HGL in relation to that float.
- 1.2 HGL is a company whose shares are listed for trading on the Official List of the ASX. HCL and HSPL are 100 percent owned subsidiaries of HGL. HGL also holds a controlling interest in HTH, HPG and HRL, all of which shares are listed for trading on the Official List of the ASX.
- 1.3 During the period 1997 to 1999 HGL, through HCL, provided various loan facilities to directors, consultants and staff of Hudson Group which, among other things, were used to purchase shares in the Hudson Group (including HGL). ASIC had concerns that these loans were not on commercial terms and that the financial statements for the relevant years did not adequately disclose all such terms.
- 1.4 ASIC had concerns that at times during the period 1997 to 1999 Mr Vincent Tan, although engaged as a consultant for the Hudson Group, was in ASIC's view involved in activities of a management nature to such an extent that he should have been formally appointed a director of HGL, HCL and HSPL. Mr Tan has now been appointed Chief Executive Officer of Hudson Asset Management Pty Ltd ("HAM"), a merchant banking subsidiary of HGL.
- 1.5 On 11 March 1999, HGL bought 4.8 million WVI shares (representing 19.9% of the issued capital of WVI) from Pacific Holdings Limited at 28 cents each in a special crossing through HSPL. On 18 March 1999, HGL lodged a substantial shareholder notice with WVI for only 3.6 million WVI shares, representing 15% of the issued capital. The 1998 Annual Report for HGL, records the acquisition by HGL on 10 March of a 14.9% stake in WVI.
- 1.6 As a result of the investigation, ASIC had concerns that:
- (i) HCL and/or HGL provided financial assistance to related parties to acquire shares in HGL in contravention of sections 243H, 259B, 260A and 709 of the Law (and former section 205(1)(a) and (c) of the Law);
 - (ii) HGL lodged an incorrect substantial shareholder notice with the ASX in relation to its interest in shares in WVI in contravention of sections 1308 and 1309 of the Law;
 - (iii) HGL lodged 1997 and 1998 annual reports with ASIC and ASX which made certain statements, and had certain omissions, which were misleading in contravention of sections 1308 and 1309 of the Law;

- (iv) by virtue of paragraphs (i)-(iii) above, the directors and former directors of HGL and/or HCL may have contravened section 232 of the Law, and/or their duties to HGL and/or HCL and the standards of corporate governance within the Hudson Group were inadequate.
- 1.7 Pursuant to the provisions of the Law, ASIC may, inter alia, make application for injunctive and other relief against the Hudson Group and its officers and agents in respect of the conduct referred to at paragraphs 1.3 to 1.6 above or the matters the subject of the investigation referred to at 1.1.
- 1.8 While the Hudson Group and the directors of HGL do not agree with all aspects of ASIC's concerns as set out above, they acknowledge them and have agreed to put in place a number of measures (including the specific requirements set out below) for the purposes of ensuring ongoing compliance with the Law, the Corporations Regulations, the Australian Securities and Investments Commission Act ("ASIC Act") and the ASX Business and Listing Rules.
- 1.9 ASIC has agreed to accept the commitments in this Enforceable Undertaking as an alternative to the exercise of the power referred to in paragraph 1.7. In accepting this Undertaking, ASIC has had regard to and relies upon the following matters:
- (i) HGL will be making certain disclosures (as set out in Annexure A) in its 1999 Annual Report to address the specific concerns raised by ASIC with regard to what ASIC considered to be inadequate disclosures in the 1997 and 1998 Annual Reports in connection with the loans described in 1.3.
 - (ii) HGL held a meeting of shareholders on 21 March 2000 at which approval was given for the participation of specified directors of HGL in the HGL Employee Share Plan ("ESP").
 - (iii) HGL and HCL implemented on 14 March 2000 a formalised loan policy ("the HCL Loan Policy") governing all current and future loans provided by HCL;
 - (iv) On 15 March 2000 the Board of HGL appointed an independent compliance consultant to the Hudson Group for a period of at least 2 years. The role of independent compliance consultant includes (but is not limited to) the identification of, and the making of recommendations for changes with respect to matters of Corporate Governance to ensure full compliance by the Hudson Group with the requirements of the Law, the Corporations Regulations, the ASIC Act, and the ASX Business Rules and Listing Rules.
 - (v) On 22 September 1999 HGL submitted an amended substantial shareholder notice to the ASX correctly identifying the interest it acquired in WVI.

2. UNDERTAKING

HGL and HCL and the Directors (but only in respect of paragraph 2.12) undertake the following for the purposes of section 93AA of the ASIC Act:

- 2.1 HGL and HCL will ensure that by 30 April 2000, all loan funding provided by HCL to directors of the Hudson Group used to finance the acquisition of shares in HGL will be repaid and any remaining loans of HCL to either directors or employees of the Hudson Group or other parties will be either repaid or brought in line with the HCL Loan Policy
- 2.2 HGL and HCL will not, before 31 December 2001, advance funds to any director, employee or agent of the Hudson Group, or to a third party, to fund the purchase of shares in any Hudson Group company other than through an employee incentive scheme approved under the ASX Listing Rules.
- 2.3 HGL agrees that Vincent Tan's involvement in the business (other than as a client or customer) of the Hudson Group will, unless he is appointed a director, be limited to an executive role in HAM to review and make recommendations about assets controlled or to be acquired by HGL with particular reference to cash flows and cost of capital utilisation.
- 2.4 HGL will by 31 May 2000, or such later date as the ASIC consents (such consent not to be unreasonably withheld) appoint a compliance officer to HGL who will have a designated compliance role and will be responsible for ensuring that the Hudson Group complies with its obligations under the Law and Corporations Regulations, the ASIC Act and the ASX Business Rules and Listing Rules.
- 2.5 HGL will ensure that the compliance officer will be a person who has not less than 3 years experience in either the securities, financial planning or managed investments industries.
- 2.6 HGL will ensure that ASIC is advised of any current or subsequent appointment of a compliance officer during the period of 24 months after the day on which this Undertaking is accepted by ASIC.
- 2.7 HGL will ensure that the compliance officer will initially report to the independent consultant for a period of 3 months from the date of appointment of such officer, after which time he/she will have appropriate authority and will report directly to the Board of HGL.
- 2.8 HGL will by 15 June 2000, appoint an external Compliance Auditor (whose appointment and terms of reference are to be approved by ASIC) to review, assess, make recommendations and report in writing to HGL and ASIC in relation to the matters referred to in (i) to (iii) below as at 1 November 2000, 1 May 2001 and 1 November 2001 ("the reporting dates"). Such report must be

delivered to ASIC within 14 days of the reporting dates and include an assessment of matters in (i) to (iii) below (including the action taken by the Hudson Group to remedy any deficiencies identified in any of the reports referred to in this paragraph):

- (i) compliance with the HCL Loan Policy;
 - (ii) any loan or advance made by HGL or HCL (other than through an employee incentive scheme approved under the ASX Listing Rule) in relation to the purchase of Hudson Group shares including whether or not such arrangements comply with the Corporations Law and ASX Listing Rules;
 - (iii) HGL statutory accounts prepared during the period for review adequately and appropriately disclose all director/related party loans.
- 2.9 HGL will ensure that the auditors of the Hudson Group are required, as part of the audit process, to disclose to ASIC any departure from the terms of this Undertaking.
- 2.10 HGL will provide a copy of this Undertaking :
- (a) to ANZ Banking Group Limited ("ANZ") and PriceWaterhouseCoopers within 7 days of the date of acceptance of this Undertaking; and
 - (b) to the ASX within one business day after acceptance of this Undertaking.
- 2.11 HGL will provide to the NSW Director of Enforcement (ASIC) written notice of compliance with 2.10 within one business day of such compliance.
- 2.12 The Directors (for so long as they remain directors) will use reasonable endeavours to ensure compliance by the Hudson Group with the terms of this Undertaking and will notify ASIC's NSW Director of Enforcement of any failure to comply with any of the terms of this Undertaking within 2 business days of becoming aware of such failure(s).

3. ACKNOWLEDGMENTS

- 3.1 The Hudson Group acknowledges that ASIC:
- (a) may issue a media release on execution of this Undertaking referring to its terms and the concerns of ASIC which led to its execution;
 - (b) may from time to time publicly refer to this Undertaking;
 - (c) will make this Undertaking available for public inspection.
- 3.2 The Hudson Group acknowledges that ASIC's acceptance of this Undertaking does not affect ASIC's power to investigate a contravention arising from future conduct.

- 3.3 The Hudson Group acknowledges that this Undertaking in no way derogates from the rights and remedies available to any other person arising from any conduct described in this Undertaking.
- 3.4 The Hudson Group acknowledges that it will pay to ASIC, within 10 days of the acceptance of this Undertaking, the sum of \$10,000 representing certain costs and disbursements associated with the ASIC investigation.
- 3.5 The Hudson Group acknowledges that this Undertaking has no operative force until accepted by ASIC.

Date: 17 April, 2000

SIGNED for and on behalf HUDSON)
 INVESTMENT GROUP LIMITED by)
)
 being duly authorised on its behalf in the)
 presence of:

Signature

.....
Witness

..... S. Russell
Name in print

SIGNED for and on behalf HUDSON)
 CORPORATE LIMITED by)
)
 being duly authorised on its behalf in the)
 presence of:

Signature

.....
Witness

..... S. Russell
Name in print

SIGNED for and on behalf HUDSON)
 SECURITIES PTY LIMITED by)
)
 being duly authorised on its behalf in the)
 presence of:

Signature

.....
Witness

..... S. Russell
Name in print

SIGNED for and on behalf HUDSON)
SECURITIES CORPORATION)
LIMITED by)

being duly authorised on its behalf in the)
presence of:)

.....
Witness

S. Russell
.....
Name in print

.....
Signature

SIGNED for and on behalf HUDSON)
TIMBER AND HARDWARE)
LIMITED by)

being duly authorised on its behalf in the)
presence of:)

.....
Witness

S. Russell
.....
Name in print

.....
Signature

SIGNED for and on behalf HUDSON)
PACIFIC GROUP LIMITED)
(formerly Hudson Property Group Limited))
by being duly authorised on its behalf in the)
presence of:)

.....
Witness

S. Russell
.....
Name in print

.....
Signature

SIGNED for and on behalf HUDSON)
RESOURCES LIMITED by)

being duly authorised on its behalf in the)
presence of:)

[Handwritten signature]
.....

Witness
S. Russer
.....

Name in print

[Handwritten signature]
.....
Signature

SIGNED by DAVID HENTY)
SUTTON)

in the presence of:)

[Handwritten signature]
.....

Witness
S. Russer
.....

Name in print

[Handwritten signature]
.....
Signature

SIGNED by BRUCE WILLIAM)
McLEOD)

in the presence of:)

[Handwritten signature]
.....

Witness
S. Russer
.....

Name in print

[Handwritten signature]
.....
Signature

SIGNED by PETER CECIL)
HOLLAND)

in the presence of:)

[Handwritten signature]
.....

Witness
S. Russer
.....

Name in print

[Handwritten signature]
.....
Signature

SIGNED by PETER JOHN MEERS
in the presence of:

)
)
)

Signature *P. Meers*

[Handwritten Signature]
.....
Witness

S. Russer
.....
Name in print

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION PURSUANT TO S 93AA OF THE AUSTRALIAN SECURITIES AND COMMISSION ACT BY ITS DULY AUTHORISED DELEGATE:

[Handwritten Signature]

Jan Redfern
Regional General Counsel
NSW Operations

