

21 December 2007

David Jackson  
Chief Executive  
Toll NZ Consolidated Limited  
Level 17, HSBC Building  
1 Queen Street  
Auckland

Dear David

Thank you for your letter of 20 December.

We are puzzled by the suggestion that we are not seen to be acting in good faith. We do not see agreement on valuation methodology as an essential part of any process. What we need to agree on is a valuation of the business. We can individually determine acceptable valuations based on our own analyses.

Paragraph two of your letter suggests that you wish to present alternative valuation material to us. We are happy to receive this. Following that, I expect that we will both need to make a decision on the likelihood of us reaching common ground on the valuation. We need to avoid a situation where we are incurring additional costs and the distraction of these negotiations if there is no reasonable prospect of reaching an agreement.

As discussed yesterday, I believe that a concentrated effort will be required to find out whether an agreement is possible. I suggest the following as a way forward:

- Toll gives us a presentation covering their views on valuation early in the week commencing 14 January. We suggest 15 January. This presentation is to set out Toll's valuation analysis and supporting material. Presentation to be followed by a 1 day meeting to discuss this material.
- ONTRACK request further supporting material by 16 January. This further material to allow ONTRACK to assess Toll analysis and to further develop its own valuation work for revised presentation to Toll.
- Intensive work during weeks commencing 21 and 28 January following flow of information.
- Revised ONTRACK presentation to Toll early in week commencing 28 January (We suggest 29 January)
- Further round of discussions following this presentation (tentatively 30 January).
- Parties make their recommendations to Minister and Toll Board respectively on 1 February
- Responses by 11 February

Accordingly, we need to deal with some interim arrangements:

- Subject to substantive agreement on the above, ONTRACK and Toll to agree by close of business on 21 December that the revised TAC forecast will not be presented until Monday 18 February. The intention of this deferral is to give us both time to fully explore the viability of the purchase option.
- As of 15 February, Ministers reserve the right to confirm termination of the interim TAC arrangements and reversion to terms of NRAA effective 18 February
- Unless agreed otherwise, ONTRACK will deliver its TAC forecast on Monday 18 Feb and Toll will respond 60 days later as required by the NRAA and the new TAC will take effect on 1 July 2008.

I am conscious that you are leaving for Australia in the early afternoon. Perhaps you could call me or Murdo Beattie (027 447 8229) or send a short email as soon as possible and advise whether the above package is acceptable. My suggestion would be that we meet at Cameron Partners' offices in either Auckland or Wellington on the morning of Tuesday 15 January. We can have our follow up session later that day and/or meet again the next morning.

I wish you and your family all the best for a safe and happy Christmas.

Kind regards



**William Peet**  
Chief Executive