

# **NOTICE TO MEMBERS OF CHC**

2 - 4 April 2010

## **ABOUT THE SUNTEC DECISION**

City Harvest Church's ("CHC") search for additional premises, to serve its growing congregation, started since 2005. To date, we have considered 26 plots of land and found Suntec Singapore to be the most suitable in terms of size, location, facilities and price. Via the pulpit, Senior Pastor Kong Hee gave regular updates on CHC Building Committee's search for suitable premises and how CHC's leadership was looking at a facility in a more central part of Singapore that can seat 10,000 to 15,000 members.

Our voting members were regularly updated on the different plots of land that the Building Committee considered and tried for. The Management Board also updated them, during each General Meeting, on the detailed income and expenditure of CHC's Building Fund.

During the 17 April 2005 Annual General Meeting, the voting members of CHC also resolved to amend Article II, Clause 6 of the CHC Constitution. The amended clause reads: *"To make such investments, to acquire and hold by way of investment either in the name of the Church or in the name of any nominee (whether directly or indirectly) whether in debt or equity securities, real property, movable property or personal property as the Board of Directors may from time to time deem to be in the interests of the Church; and from such funds as the Board of Directors deems surplus to the normal operational needs of the Church, or such funds raised, set aside or designated by the Board of Directors for the purpose of such investments."*

To further facilitate the process, during the 20 April 2008 Extraordinary General Meeting, the voting members of CHC approved the empowerment of the Management Board to make investment decisions on behalf of the church, particularly in its search for a commercial building in a central location in Singapore.

This amendment was then submitted to and approved by the Registrar of Societies and the Commissioner of Charities ("COC").

## **ABOUT THE NON-DISCLOSURE AGREEMENT**

CHC signed a Share Sale Agreement, Non-Disclosure Agreements and a Deed of Accession and Ratification, all of which were done at arm's length with the Vendors, and with reputable law firm Rajah & Tann LLP representing CHC's interests. The Vendors required CHC to sign Non-Disclosure Agreements and the Deed of Accession and Ratification, which made us party to the initial Shareholders Agreement. The Shareholders Agreement required CHC to keep confidential all matters and details relating to the transaction, including the share price and the percentage of shares acquired.

However, under those Non-Disclosure Agreements, CHC was entitled to, and did, disclose all material details of the transaction to the relevant authorities (being the COC and the Urban Redevelopment Authority ("URA")) as requested.

In March, when the Board sought to give its members some information pertaining to the transaction, the other members of the consortium did not appear pleased as they felt CHC was in breach of its obligation of confidentiality. On 1 April 2010, the Board received a letter from the solicitors acting for various other shareholders in the consortium, reminding CHC of its obligations of confidentiality and obliging us to adhere to them.

The Management Board has now engaged Drew & Napier LLC to review the situation, given that there is a strong and unfounded allegation floating around in the blogs and online forums that CHC Management Board and Reverend Kong Hee are deliberately concealing a number of embarrassing facts from its members. This is furthest from the truth.

They have advised CHC Management Board that Clause 12.1.3 of the Shareholders Agreement, which is binding on CHC through the Deed of Accession and Ratification, obliges CHC to use *"all reasonable endeavours to keep confidential ... any information which relates to the contents of this Agreement (or any agreement or arrangement entered into pursuant to this Agreement)."*

In plain words, CHC is required by the Agreement not to disclose any information and details pertaining to the transaction save for disclosure to the relevant authorities.

We are also advised by our lawyers that further disclosures may be regarded as an “*Event of Default*” under Clause 15.1 of the Shareholders Agreement, in which event there is a possibility that CHC will be obliged to put those shares it had purchased for sale to the non-defaulting shareholders at a substantial discount on the original purchase price.

As such, CHC urges all members to please appreciate that we did not give you full details and information on the transaction due to a legal requirement of the Vendors / other shareholders, but we have disclosed such details and information to the relevant government authorities as requested by them.

### **ABOUT THE \$310M**

This \$310m consists of (1) the shares we have already bought, (2) the shares we intend to purchase in the coming years, (3) the committed rentals, (4) the optional rentals in the coming years, (5) refundable rental deposits, (6) renovation and equipment costs, (7) professional building, management logistic and maintenance fees, and (8) periodic shifting costs.

Therefore, \$310m is what we aim to raise in order to acquire the stake that we hope to have in Suntec, as well as to pay for the other costs mentioned above. The full sum of \$310m is not our committed payment to Suntec for the shares. We have arrived at this figure by calculating the point at which the return of our investments will cover the yearly rentals. In other words, CHC hopes that by being an indirect shareholder of Suntec Singapore, it will become self-sustaining in respect of payments of future rentals and there will be no need for more fundraising for this matter.

### **ABOUT OUR LIABILITY**

The members of a society, the voting members and also the non-voting members, are not personally liable for any of the society’s financial obligations.

Of the 8 expenditure items that make up the \$310m, the only continuing financial liability of CHC will be the committed rental costs for the use of Suntec Convention Center. In the event of non-payment of rent, the creditors have a cause of action against the assets of CHC (i.e. our Jurong West St 91 Church Building), but there is no cause of action against any member or his personal assets – see Section 35(d) of the Societies Act, Chapter 311.

### **ABOUT CHARITY INVESTING**

Charities are allowed to invest donor funds into different investments such as stocks, bonds, currency deposits, properties, etc. While adhering to standards of sound investment and risk management, charities invest with an aim of using the investment income to fund the objectives of the charity. For instance, Foundations often use donor funds to invest into properties, and use the rental income to fund its philanthropic activities.

For CHC, the objective is simply to use its share of dividends from Suntec Convention Center to fund some of the rental costs of running its worship services. CHC, through a special purpose investment holding company wholly owned by CHC but administered by a reputable independent bank trustee, has acquired and holds a substantial\*, minority\*\* stake in the holding company of Suntec Convention Center.

That minority stake is an indirect stake because our shareholding is in a consortium company who is the majority shareholder of the company that owns Suntec Convention Center. The use of this special purpose investment holding company facilitates distinct accounting for the investment and segregates the investment from the other regular activities of the Church. This holding company does not have charity status.

*For any further queries regarding this matter, please feel free to email us at: [ariseandbuild@chc.org.sg](mailto:ariseandbuild@chc.org.sg)*

\* “Substantial” referring to any stake that is more than 5% of the total shareholding.

\*\* “Minority” referring to any stake that is less than 50% of the total shareholding.