



22 February, 2010

### **KEY TERMS OF SCHEME IMPLEMENTATION DEED**

Seven Network Limited (“Seven”) and Australian Capital Equity Pty Limited (“ACE”) and ACN 142 003 469 Limited (“SGH”) entered into a Scheme Implementation Deed (“SID”) on 21 February 2010. The SID sets out the obligations of the parties to implement the proposed transaction including separate schemes of arrangement in respect of the Seven shares and TELYS3 (“Share Scheme” and the “TELYS3 Scheme” respectively), (together, the “Schemes”).

A summary of the transaction and an outline of the key terms of the SID are set out below.

The TELYS3 Scheme is conditional on the Share Scheme. However, the Share Scheme is not conditional on the TELYS3 Scheme and can proceed whether or not the TELYS3 Scheme becomes effective. Other conditions to each of the Share Scheme and the TELYS3 Scheme are:

- ASX and any other government agency approvals;
- court approval;
- Seven shareholder approval (in respect of the Share Scheme and the TELYS3 Scheme);
- TELYS3 holder approval (in respect of the TELYS3 Scheme only);
- various tax rulings, including rollover relief in respect of both the Shares Scheme and the TELYS3 Scheme, and tax rulings in relation to the characterisation of TELYS3 as debt if the TELYS3 Scheme does not proceed;
- no temporary or permanent court order is made or other legal restraint preventing the relevant Scheme;
- no change that has or is likely to have the effect of a diminution of 5% or more in the consolidated net assets or consolidated annual net profit after tax of Seven or SGH respectively;
- no prescribed event occurs in respect of Seven or SGH including changes to capital structure, significant changes to business or solvency;
- no other regulated event occurs in respect of Seven or SGH including changes to either party’s constitution, entering into contracts involving commitments of more than \$20 million; a member of either group accepting financial indebtedness of more than \$5 million, except in the ordinary course of business, acquisitions or disposals of more than \$10 million of assets (or \$50 million in aggregate);
- Caterpillar confirms to ACE that it consents to the proposed transaction and ACE confirms that conditions to that consent have been satisfied;

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- none of the ancillary transaction documents are terminated or otherwise cease to have legal effect, including the share sale agreement under which WesTrac Holdings is transferred to SGH; and
- SGH is approved for admission and new SGH shares are approved for official quotation on the ASX.

The Schemes will not be implemented until the share sale agreement under which WesTrac Holdings is transferred to SGH is completed.

Each of Seven and SGH is obliged to take all steps necessary to implement the Schemes in accordance with the applicable timetable, including assisting in the preparation of the Scheme Booklets, the provision of information and the seeking of regulatory and court approvals. Further, each of Seven and SGH are obliged to carry on their respective businesses in the ordinary and proper course that is generally consistent with the manner in which each of those businesses have previously been conducted.

The SID also contains specific provisions dealing with transitional issues, including the appointment of Seven directors to the board of SGH, and obtaining the agreement of option holders to the cancellation of their existing Seven options in consideration for new SGH options.

The Independent Directors agreed to recommend shareholders vote in favour of the Schemes, however, their recommendation can change if:

- the Independent Expert provides a report to Seven that concludes that the Scheme or the TELYS3 Scheme is not in the best interests of Scheme Shareholders or TELYS3 holders (as appropriate); or
- Seven has received a Superior Proposal that is publicly announced; or
- the Independent Directors determine that their fiduciary duties require them to do so.

If Seven receives a Superior Proposal, it must not accept or recommend the proposal to its shareholders until the expiry of 5 business days after it has informed SGH and ACE of the reasonable details of the superior proposal and given SGH or ACE the opportunity to match.

Each of Seven, SGH and ACE has given representations and warranties which are normal for a transaction of this nature, including representations and warranties as to information to be contained in the Scheme Booklet and compliance with disclosure obligations.

The SID can be terminated in various circumstances, including if:

- a party materially breaches the SID;
- a court or government agency has taken action permanently restraining or otherwise prohibiting the transaction or has refused to do anything necessary to permit the transaction;
- the Independent Directors change or withdraw their recommendation;

- the relevant Scheme has not become effective by 30 September 2010 or any event occurs which would prevent a condition precedent being satisfied and that condition is not waived by Seven, SGH or both (as the case may be); or
- there has been a breach of another party's warranty where the loss that could reasonably be expected to follow from such a breach would exceed \$50 million in aggregate.