



Pacific Star Network to merge with Crocmedia

- Pacific Star Network Limited (“PNW”) has agreed to merge with Crocmedia Pty Ltd (“Crocmedia”) by acquiring 100% of the equity in Crocmedia in exchange for issuing 91.6 million¹ PNW shares to the shareholders and executives of Crocmedia (“Merger”)
- Crocmedia is an Australian sports content and entertainment business with capabilities to deliver brand stories to national, metropolitan and regional audiences with unique and exclusive content via multiple platforms including radio, television, online, in-stadium and events
- The Merger will create a leading sports content and entertainment business of scale with complementary services across multiple media platforms, providing a clear point of differentiation and an attractive platform for growth
- The combined group will have a compelling radio broadcast footprint comprising two Melbourne-based owned broadcast licences and syndication agreements with 200 frequencies in 88 radio markets across metropolitan and regional Australia
- The PNW Board believes strong cost and revenue Merger synergies are achievable, and has identified a minimum of \$3.0 million pro forma cost synergies² and further potential revenue synergies not yet quantified
- Combined group pro forma revenue and EBITDA of over \$48 million and \$10 million³ respectively, including identified pro forma cost synergies⁴, for the 12 months to October 2017
- PNW will raise \$10.0 million in cash from the placement of 40 million new shares at \$0.25 per share (“Placement”) to pay out its existing debt facility which is due to mature on 30 March 2018 and support growth initiatives
- Viburnum Funds Pty Ltd (“Viburnum”)⁵, a 19.5% PNW shareholder will cornerstone the Placement with an \$8.25 million investment
- The Merger is expected to be approximately 54%⁶ earnings per share (“EPS”) accretive on a pro forma basis
- The Merger is subject to shareholder approval at a general meeting (“Meeting”) expected to be held in March 2018

¹ Excludes any shares to be issued to Crocmedia shareholders under the Placement.

² Excluding restructuring costs.

³ Based on accounts of PNW and Crocmedia for the 12 month period to 31 October 2017, which in respect of Crocmedia are not audited and in respect of PNW, audited to 30 June 2017.

⁴ Excluding restructuring costs.

⁵ Craig Coleman, Chairman of PNW is the Executive Chairman of Viburnum.

⁶ Based on accounts of PNW and Crocmedia for the 12 month period to 31 October 2017, which in respect of Crocmedia are not audited and in respect of PNW, audited to 30 June 2017 and expected cost synergies (excluding any restructuring costs), and excluding shares to be issued under the proposed equity incentive plan for management and shares to be issued upon exercise of options on issue.

Overview

PNW is pleased to announce it has reached agreement with Crocmedia to merge via the acquisition of 100% of the issued shares in Crocmedia in exchange for PNW shares.

The Merger is based on a like-for-like valuation of PNW and Crocmedia and a PNW share price of \$0.25 per share (being the undisturbed 30-day volume weighted average price at the time of negotiation of the term sheet for the transaction).

The Merger represents an implied trailing twelve month to October 2017 EBITDA multiple of 6.4x and is expected to be approximately 54%⁷ EPS accretive on a pro forma basis.

PNW delivered unaudited revenue of \$22.7 million⁸ and normalised EBITDA of \$3.5 million⁹ for the trailing 12 months to 31 October 2017.

PNW will also raise \$10.0 million in cash from the placement of new shares at \$0.25 per share conditional on the Merger completing. Viburnum¹⁰, a 19.5% PNW shareholder will cornerstone the Placement with an \$8.25 million investment. PNW intends to allocate \$1.75 million of the Placement to other strategic investors and Crocmedia shareholders and executives.

Crocmedia shareholders and executives will receive 91.6 million¹¹ new shares in PNW as consideration for the sale of Crocmedia ("Consideration Shares"). Some Crocmedia shareholders and executives will participate in the Placement. Post completion of the Merger and Placement, current Crocmedia shareholders and executives are expected to own approximately 47% of PNW¹².

Crocmedia shareholders and executives will enter into a voluntary escrow agreement in respect of the Consideration Shares for 18 months in respect of 100%, and 24 months with respect of 75%, of the consideration. All Placement participants will be required to enter into an escrow agreement for 12 months in respect of Placement shares.

⁷ Based on unaudited historical performance and expected cost synergies (excluding any restructuring costs), and excluding shares to be issued under the proposed equity incentive plan for management and shares to be issued upon exercise of options on issue.

⁸ Accounts to 30 June 2017 were audited.

⁹ Normalised to remove impairment of intangibles, restructuring costs, discontinued operations and other one-off costs.

¹⁰ Craig Coleman, Chairman of PNW is the Executive Chairman of Viburnum.

¹¹ Excludes any shares to be issued to Crocmedia shareholders under the placement and proposed equity incentive plan for management.

¹² Percentages post Merger excludes existing options, proposed equity incentive plan for management, and includes securities to be issued under the Placement.

About Crocmedia

Crocmedia is an Australian sports content and entertainment business which was established in 2006. The group's capabilities deliver brand stories to national, metropolitan and regional audiences with unique and exclusive content via multiple platforms including radio, television, online, in-stadium and events.

Divisional Overview

Crocmedia has six complementary business units encompassing the sport and entertainment industries, namely:

- **Branded Content (Crocmedia):** produces bespoke content tailored to audiences and brands for radio, television, podcasts and digital channels. Crocmedia's talent and state of the art production infrastructure delivers efficiently produced content for brand partners of all sizes and their requirements to national and truly local audiences;
- **Talent Management (Bravo):** specialising in boutique and exclusive representation of media professionals including presenters, broadcasters, journalists, sports professionals, entertainers and some of Australia's biggest and most recognisable names in television and radio;
- **Events (BallPark Entertainment):** provides exclusive access for individuals and corporate groups to the biggest and best events and experiences on the planet with an outstanding reputation for organising fun, once-in-a-lifetime sports, entertainment and travel tours including the Super Bowl, US Masters and Kentucky Derby;
- **Events and Activation (E&A):** provides brand activation advice and creative solutions for brands wanting to activate or leverage their sponsorships and media partnerships and reach consumers via non-traditional and social media platforms. E&A also develops advertising campaigns and is responsible for delivering promotional events for other divisions, including a range of football launches and interstate client breakfasts for the Branded Content division;
- **Creative Services (Thread):** boutique creative agency with extensive experience in developing and managing brand communications across all touch points including print, television, digital, radio and social media. Thread are brand strategy and sponsorship experts working closely with clients to deliver brand strategy, brand activation, public relations, sponsorship strategies and initiative led activities linked to brand objectives; and
- **Racing Media Sales (Raceforce Media):** exclusive agency sales of RSN 927 Racing and Sport Radio and Radio TAB, providing brands with opportunities to engage with racing and sport audiences.

Syndication Activities

Radio syndication is the core of Crocmedia's business. Crocmedia produces 18 radio shows and over 130 hours of content per week. The group distributes content into its established radio broadcast footprint of 200 frequencies and 88 radio markets across metropolitan and regional Australia. Management estimates this footprint represents a potential audience base of approximately 20.5 million listeners and approximately 85% of the Australian population.

Crocmedia has developed its radio broadcast footprint by entering into multi-year syndication agreements with multiple station owners on commercial terms. Syndication agreements provide Crocmedia with the ability to provide broadcasters content each week, generating multiple revenue opportunities in the form of traditional advertising inventory within the programming, in-segment advertising, naming rights and competitions. Radio station owners further benefit from being able to provide Crocmedia's unique and exclusive content to their audience base.

Crocmedia is a leading independent producer and syndicator of sport radio content. The group has entrenched this position by securing radio broadcasting rights with Australia's premier sporting codes:

- **Australian Football League (AFL):** Crocmedia has broadcast AFL matches since 2010. In 2016, Crocmedia secured a watershed six-year broadcasting deal with the AFL for exclusive commercial regional radio master rights from 2017 to 2022. Crocmedia has exclusivity on supplying commercial regional broadcasts to all commercial radio stations around Australia other than stations owned by Southern Cross Austereo. In addition, Crocmedia has the right to broadcast two AFL games per weekend across all key metropolitan markets including Victoria, South Australia, Western Australia and NSW; and
- **Football Federation Australia (FFA) – Hyundai A-League:** In 2017, Crocmedia secured the first master commercial FFA radio deal in Australia. Crocmedia is the master metropolitan and regional radio broadcast rights holder for Hyundai A-League and Westfield W-League games for five years commencing in the 2017/18 season. Crocmedia also has the option to broadcast Caltex Socceroos and Westfield Matilda's home matches.

The group also produces additional sports content distributed across television, online and in-stadium platforms. Crocmedia is focused on leveraging its exclusive sports content across multiple platforms to attract new audiences, brand partners and broadcast partners.

Brand Partners

Crocmedia specialises in creating exclusive integrated content for brands on sports and entertainment programs. National, top-tier brands are Crocmedia's starting point and connecting them to relevant audiences is a key focus of the group. Crocmedia has the capabilities to deliver brand stories to national metropolitan and regional audiences in an entertaining way.

Crocmedia has over 180 brand partners of which approximately 60% of its top 40 clients have been with the group for more than three years.

Financial Summary

Crocmedia delivered unaudited:

- revenue of \$20.6 million and normalised EBITDA of \$2.8 million in FY17; and
- revenue of \$25.7 million and normalised EBITDA of \$3.9 million¹³ for the trailing 12 months to October 2017.

¹³ Normalised to remove redundancies, relocation costs, other one-off costs and apply full year earnings for the mid-year acquisition of Thread.

Merger Rationale

The Merger would create a leading sports content and entertainment business capable of delivering brand stories to national, metropolitan and regional audiences with unique and exclusive content via multiple platforms including owned and supplied radio, television, online, in-stadium, events and print.

Commenting on the Merger, Mr Craig Coleman, Chairman of PNW said “the proposed Merger is transformational for PNW which, if approved, would create a compelling platform for future growth”

The Merger is supported by compelling strategic rationale, including:

- scale and complementary service offerings across multiple media platforms provide a clear point of differentiation and an attractive platform for future growth;
- the combined group will be better placed to service brand partners by offering an expanded solution across multiple platforms including owned and supplied radio, television, online, in-stadium, events and print;
- an opportunity to leverage the combined platform and operational expertise with other potential sports rights opportunities;
- potential cross sell opportunities of content created by both businesses; and
- potential synergies to be achieved following the Merger.

The PNW Board believes that strong cost and revenue synergies are achievable by the Merger, associated with:

- leveraging shared service functions (finance, marketing, human resources);
- centralising talent management;
- consolidating broadcast operations;
- enhancing audience listenership with expanded and diversified sports content; and
- marketing a broader set of services to a wider set of brand partners.

An initial synergies assessment has identified a minimum of \$3.0 million pro forma cost synergies could be achieved by the Merger¹⁴. Further potential revenue synergies associated with initiatives such as cross selling have not been quantified. Cost synergies are expected to be implemented and realised on an annualised run-rate basis within 24 months post completion. Management will provide an update on the quantum and timing of potential synergies as part of the FY18 results announcement.

Proposed Management and Board Composition

The following appointments will be made conditional and effective upon the Merger:

- Crocmedia's co-founder and current Chief Executive Officer, Mr Craig Hutchison will be appointed to the PNW Board as a director and will be appointed as the Chief Executive Officer and Managing Director of PNW;

¹⁴ Excluding restructuring costs.

- Chris Giannopoulos will be appointed to the PNW Board as Executive Director.

Mr Craig Coleman (Chairman), Andrew Moffat (Non-executive Director) and Colm O'Brien (Non-executive Director) will remain on the PNW Board.

Mr Hutchison, Chief Executive Officer-elect of the combined group, said "We've enjoyed a wonderful relationship with Pacific Star Network as a supplier to SEN for a decade and have unbelievable admiration for the platform they've built. SEN is Australia's only 24/7 sports station and together with the broader radio, publishing and digital business represents a tremendous growth opportunity. To join forces as one company with a single vision of a fully integrated sports content and entertainment business is incredibly exciting. We look forward to growing even further nationally and beyond and being the best place to connect fans to stars, and brands to fans"

More information about Mr Hutchison's and Mr Giannopoulos' qualifications, experience, executive services agreement material terms are attached to this announcement as Schedule 1 and Schedule 2 respectively.

Incentive Plans

PNW will implement two equity incentive plans, the 2018 PNW Performance Rights Plan and the Special Purpose 2018 PNW Performance Rights Plan ("Equity Incentive Plans") under which it will grant up to 12.8 million performance rights ("Performance Rights") to key employees and management. The Performance Rights will, subject to adjustments for corporate activity, entitle the holder to be issued with one PNW share per Performance Right (representing in total 12.8 million shares or 6% of the issued shares of PNW post-Merger and Placement) upon the satisfaction of performance hurdles.

8.6 million of the Performance Rights to be granted under the 2018 PNW Performance Rights Plan will vest in three equal tranches of 1/3 of the total granted ("Tranche") over three successive 12 month vesting periods (each a "Vesting Date") if the performance hurdles in respect of a Tranche have been satisfied. Information about the key performance hurdles and the circumstances in which these Performance Rights that do not vest on a Vesting Date roll over to a future Vesting Date are set out in Schedule 3.

The 4.1 million Performance Rights to be granted under the Special Purpose 2018 PNW Performance Rights Plan will vest immediately upon completion of the Acquisition occurring¹⁵, and 200,000 Performance Rights will vest on 29 January 2020 subject to the relevant employee remaining employed by PNW on that date. It is not expected that any further Performance Rights will be granted under the Special Purpose 2018 PNW Performance Rights Plan.

Mr Hutchison will be granted 2.1 million and Mr Giannopoulos will be granted 1.0 million Performance Rights under the 2018 PNW Performance Rights Plan.

¹⁵ The resulting shares are included within the 91.6 million shares to be issued to the shareholders and executives of Crocmedia in relation to the transaction.

Merger Implementation

To give effect to the Merger, PNW and Crocmedia have entered into a share sale and purchase agreement (“SSA”). Under the SSA, certain conditions must be satisfied prior to completion of the Merger, including obtaining:

- PNW shareholder approval of a number of ordinary resolutions at the Meeting (described in Schedule 4);
- Simultaneous completion of the Placement;
- Certain change of control consents under material contracts;
- No material adverse change in either PNW or Crocmedia; and
- No warranty breaches.

A summary of the material terms of the SSA is set out in Schedule 4.

PNW Significant Shareholders post-Merger

Upon completion of the Merger and Placement the top shareholders of PNW will be as follows:

Major Shareholders	# Shares	%
Entities controlled by Craig Hutchison	49,410,736	24.4%
Viburnum Funds Pty Ltd	46,851,198	23.1%
Entities controlled by Rothfield family	26,967,011	13.3%
Entities controlled by Ronald David Hall	20,109,998	9.9%
Entities controlled by the Herszberg family	9,610,136	4.7%
Entities controlled by Fairfax Media Limited	7,932,357	3.9%
Other Crocmedia shareholders	19,220,452	9.5%
Total	180,101,888	88.9%

Indicative Timetable and Corporate Governance

The Merger is subject to PNW shareholder approval by ordinary resolution at the Meeting expected to take place in March 2018.

A Notice of Meeting (“NoM”) and an Explanatory Memorandum (“EM”), which will include an Independent Expert’s Report, is expected to be sent to shareholders in January 2018.

The PNW Board unanimously consider the Merger and Placement to be in the best interests of shareholders in the absence of a superior proposal.

An indicative summary of the proposed Merger timetable is outlined below:

Key event	Expected date
Distribution of EM and NoM to PNW shareholders	January 2018
Meeting and shareholder vote	March 2018
Merger and Placement completion	March 2018

Further information

It is proposed that the NoM and EM, in addition to an investor presentation will be available in January 2018. Shareholders are advised to refer to the investor presentation to be released to the ASX for further details of the Merger.

PNW is being advised by Allier Capital and Norton Rose Fulbright.

Crocmedia is being advised by Canterbury Partners and MinterEllison.

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Schedule 1 – Mr Craig Hutchison biography and summary of executive services agreement

Biography

Craig ‘Hutchy’ Hutchison is a household name in the AFL media landscape.

Mr Hutchison, 43, started out with the Herald Sun newspaper in 1994. After a successful career in papers he moved to radio. Mr Hutchison transitioned into television in 1997, reporting for Channel 10, then Channel 7, establishing himself as one of the AFL’s greatest newsbreakers. He has co-hosted Nine’s popular Footy Classified for the past 11 seasons.

During his previous journalism career he won many awards, including journalism’s highest honour, the prestigious Walkley Award, and a Quill Award. He took home the Australian Football Media Association Award for Best Electronic Reporter 11 times.

Mr Hutchison co-founded the media company Crocmedia in 2006, which has grown to become a key player in the AFL landscape under his leadership.

Summary of Mr Hutchison’s executive services agreement and the contract under which his talent services are provided

Term	No fixed term. Ongoing until terminated by either party in accordance with the employment agreement (see below).
Total Fixed Remuneration (“TFR”)	\$883,752 reviewed annually, including statutory superannuation contributions.
Benefits	Mr Hutchison’s benefits include accommodation assistance.
Incentives	<p>Mr Hutchison is entitled to participate in PNW’s incentive plans, the terms and operations of which are at the discretion of the Board.</p> <p>Mr Hutchison will be granted 2.1 million Performance Rights under the 2018 PNW Performance Rights Plan and will be entitled to receive a \$61,000 bonus in respect of the CY18 year, subject to the PNW group achieving budgeted net profit before tax.</p>
Notice Period	12 months, except that the Company may summarily terminate Mr Hutchison’s employment for any act or omission justifying summary dismissal at common law.
Termination Entitlements	PNW may elect to pay Mr Hutchison in lieu of working out the notice period. In addition Mr Hutchison may be entitled to statutory

	<p>entitlements, such as redundancy payments.</p> <p>Entitlements to incentives will be determined in accordance with the terms of the relevant plan.</p> <p>PNW may not pay to Mr Hutchison on termination of his employment more than is permitted under section 200B of the Corporations Act without shareholder approval.</p>
Post-Employment Restraint	<p>If Mr Hutchison's employment is terminated:</p> <ul style="list-style-type: none"> (a) within 18 months, summarily by PNW or by Mr Hutchison's resignation – 24 month restraint provision applied; and (b) at any time after 18 months from the Commencement Date by Mr Hutchison's resignation – 18 month restraint provision applies.

Schedule 2 - Summary of Mr Giannopoulos's executive services agreement

Term	No fixed term. Ongoing until terminated by either party in accordance with the employment agreement (see below)
Total Fixed Remuneration ("TFR")	\$430,000 reviewed annually, including statutory superannuation contributions
Incentives	<p>Mr Giannopoulos is entitled to participate in PNW's incentive plans, the terms and operations of which are at the discretion of the Board.</p> <p>Mr Giannopoulos will be granted 1.0 million Performance Rights under the 2018 PNW Performance Rights Plan and will be entitled to receive up to a \$50,000 bonus in respect of the CY18 year, based on the net profit before tax of Bravo.</p>
Notice Period	6 months, except that the Company may summarily terminate Mr Giannopoulos employment for any act or omission justifying summary dismissal at common law.
Termination Entitlements	<p>PNW may elect to pay Mr Giannopoulos in lieu of working out the notice period.</p> <p>Entitlements to incentives will be determined in accordance with the terms of the relevant plan.</p> <p>PNW may not pay to Mr Giannopoulos on termination of his employment more than is permitted under section 200B of the Corporations Act without shareholder approval.</p>
Post-Employment Restraint	12 month restraint provision applies, unless Mr Giannopoulos is terminated without cause.

Schedule 3 – 2018 PNW Performance Rights Plan Key Performance Hurdles and Vesting for first tranche of Performance Rights

Performance Rights granted under the 2018 PNW Performance Rights Plan will have Performance Hurdles determined by the Board at the time of grant.

The 8.6 million of the Performance Rights to be granted under the 2018 PNW Performance Rights Plan upon completion of the Acquisition will have Performance Hurdles based on the LTM EBITDA of PNW. The LTM EBITDA performance hurdles vary for each Tranche and its corresponding performance period, and are as follows:

Tranche 1	\$10,400,000 LTM EBITDA, as set out in the audited financial statements of PNW in respect of the financial year ending 30 June 2019, normalised to exclude one-off items agreed to be excluded from the determination of the LTM EBITDA of Crocmedia and PNW in the determination of the value of Crocmedia for the purposes of their combination
Tranche 2	\$12,600,000 LTM EBITDA, as set out in the audited financial statements of PNW in respect of the financial year ending 30 June 2020
Tranche 3	\$15,500,000 LTM EBITDA, as set out in the audited financial statements of PNW in respect of the financial year ending 30 June 2021

At each Vesting Date, Performance Rights that are available to vest and have been tested, but do not vest on their Vesting Date, will be rolled forward according to the following:

Tranche 1	50% of the Tranche 1 Performance Rights will be rolled into the future and tested against the performance hurdles for Tranche 2 on 30 June 2020; and 50% of the Performance Rights will be rolled into the future and tested against the performance hurdles for Tranche 3 at any time prior to 30 June 2020.
Tranche 2	50% of the Tranche 2 Performance Rights (excluding those rolled from Tranche 1) will be rolled into Tranche 3 and tested against the performance hurdles on 30 June 2021; and 50% of the Tranche 2 Eligible Rights (excluding those rolled from Tranche 1) will be rolled into the future and tested on 30 June 2021, but will have an LTM EBITDA performance hurdle of \$17,000,000 (adjusted in accordance with corporate activity).

Performance Rights will otherwise lapse on their Vesting Date if they do not vest.

Schedule 4 – Summary of material terms of Share Sale and Purchase Agreement

Pacific Star Network Limited (“PNW”) and all shareholders of Crocmedia entered into the Share Sale and Purchase Agreement (“SSA”) on 5 January 2018.

The SSA sets out the obligations of the parties in connection with the transaction, including conditions precedent to completion and certain other contemplated arrangements of the transaction is approved and completed.

The table below summarises certain key terms of the SSA. A more detailed summary will be included in the Explanatory Memorandum accompanying the notice of meeting that will be sent to PNW shareholders in due course.

Topic	Summary
Outline of proposed transaction	PNW will acquire all share capital in Crocmedia Pty Ltd from the Sellers in consideration of a pro-rata allotment of 91.6 million shares in PNW to the Sellers.
Conditions precedent	<p>Completion of the transaction is subject to the following conditions precedent:</p> <p>(a) approval by PNW shareholders of the following shareholder resolutions:</p> <ul style="list-style-type: none">i. an ordinary resolution of non-associated shareholders pursuant to section 611 item 7 of the Corporations Act 2001 approving the acquisition of all PNW shares by the Crocmedia shareholders and executives in connection with the transaction.ii. an ordinary resolution of non-associated shareholders pursuant to ASX Listing Rule 7.1 approving the issue of PNW Shares under the Placement.iii. an ordinary resolution of non-associated shareholders pursuant to section 611 item 7 of the Corporations Act approving the acquisition of PNW shares by Viburnum under the Placement.iv. an ordinary resolution of non-associated shareholders pursuant to ASX Listing Rule 10.11 approving the acquisition of PNW shares by an entity associated with a director, Mr Andrew Moffat, under the Placement.v. an ordinary resolution of non-associated shareholders pursuant to section 611 item 7 of the Corporations Act approving the acquisition by PNW of a relevant interest

	<p>in the PNW shares arising under the escrow deeds for the Consideration Shares and the Placement shares.</p> <p>vi. an ordinary resolution of non-associated shareholders approving the appointment of Craig Hutchison and Chris Giannopoulos as directors of PNW with effect from Completion.</p> <p>vii. an ordinary resolution of non-associated shareholders under ASX Listing Rule 7.1 and ASX Listing Rule 7.2, Exception 9, and as exceptions to sections 259A and 260A of the Corporations Act, pursuant to sections 259B(2) and 260C(4), respectively, approving the issue of Rights under, and in accordance with, the Equity Incentive Plans.</p> <p>(b) each party to each material contract consents to the transaction on terms acceptable to PNW.</p> <p>(c) the acquisition of the minority shareholding in Thread Communication Pty Ltd occurring.</p> <p>(d) PNW approves the terms of any contracts currently being negotiated by Crocmedia.</p> <p>(e) there not being any material adverse change in either PNW or Crocmedia, being a matter that has the effect of a diminution in forecast EBITDA after completion of \$600,000 or more.</p> <p>(f) there not being a breach of warranty or of the pre-completion obligations of the parties.</p> <p>(g) all security interests granted by the Sellers are released.</p> <p>(h) completion of the Placement occurring.</p> <p>(i) restructuring of employee equity entitlement arrangements.</p> <p>(j) extension, consent or refinance of debt facilities.</p>
Locked Box	<p>The SSA contemplates a “locked box” mechanism, whereby any payments to shareholders or related parties after 31 October 2017 that are not in the ordinary course of business are not permitted, and will result in adjustments to the purchase price at Completion if they occur.</p>
Warranties and indemnities	<p>Each of the shareholders of Crocmedia and PNW give warranties and indemnities to each other that would be typical for a vendor of Crocmedia (in the case of the shareholders of</p>

	Crocmedia) or a vendor of PNW (in the case of PNW).
PNW Board recommendation	<p>Each member of the PNW Board (except to the extent they are conflicted in respect of a resolution) must recommend that PNW shareholders vote in favour of the shareholder resolutions above and not change, withdraw or modify that recommendation unless:</p> <p>(a) the Independent Expert issues an Independent Expert's Report which concludes that the transaction is not 'fair' or not 'reasonable';</p> <p>(b) a superior proposal is made which the Sellers fail to match (see 'Exclusivity' below); or</p> <p>(c) PNW Board has determined, after receiving legal advice, that by virtue of the directors' duties of the members of the PNW Board, is required to change, withdraw or modify its recommendation.</p>
Period before Completion	<p>The Sellers must ensure that Crocmedia and each of its related bodies corporate, and PNW must ensure it, carries on its business in the ordinary and normal course and, in particular, the Sellers and PNW must not agree or commit to do certain specified actions, except as expressly permitted by the SSA or as consented to by the other party (which must not be unreasonably withheld or delayed).</p>
Exclusivity	<p>PNW must not, during the period of signing to the earlier of termination under the SSA or Completion of the transaction:</p> <p>(a) initiate, solicit, seek or encourage (where unsolicited);</p> <p>(b) entertain, encourage, discuss, negotiate or respond to or accept from;</p> <p>(c) disclose or otherwise make available any non-public information concerning PNW's business to; or</p> <p>(d) enter into any agreement, arrangement or understanding with,</p> <p>any person or group of persons in respect of any proposal, approach or offer to acquire control of PNW or any significant portion of the companies or assets (both tangible and intangible) relevant to the operation of PNW's business or that might require or that would cause PNW to abandon, terminate or fail to consummate the transaction</p>

However, the exclusivity restriction does not restrict the PNW or any of its directors from taking or refusing to take any action with respect to a competing proposal provided:

- (e) that it is bona fide and is made in writing by or on behalf of a person that the directors of PNW consider is of reputable commercial standing; and
 - (f) the directors of PNW have determined in good faith (after receiving advice from financial and legal advisors) that failing to take the action or refusing to take the action (as the case may be) with respect to the competing interest would be likely to constitute a breach of the fiduciary or statutory obligations of the directors of PNW.
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Break fee	If PNW breaches its exclusivity obligations under the SSA, including without limitation in relation to entering into any agreement with, any person or group of persons in respect of, or by publicly recommending, a competing proposal during the Exclusivity Period PNW must indemnify the Sellers for all fees, expenses and costs incurred by the Sellers in connection with the transaction up to \$250,000.
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