

16 December 2013

**PaperlinX SPS Trust ARSN 123 839 814**

**ASX Announcement – Market Update**

**Target's Statement: Response to off-market takeover bid by PaperlinX Limited for PaperlinX SPS Trust**

In accordance with item 14 of subsection 633(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) The Trust Company (RE Services) Limited (ACN 003 278 831) (**Responsible Entity**) in its capacity as independent responsible entity of PaperlinX SPS Trust (ARSN 123 839 814) attaches a copy of its target's statement dated 16 December 2013 (**Target's Statement**).

The Target's Statement is given in response to the takeover offer (**Offer**) made by PaperlinX Limited (ACN 005 146 350) (**PaperlinX**) pursuant to a bidder's statement dated 5 December 2013 (copies of which were lodged with ASIC, served on the Responsible Entity and released to ASX on 5 December 2013).

The Target's Statement will be dispatched to SPS holders on or before 20 December 2013.

**Advisors**

The Responsible Entity is being advised by ICS Advisory as corporate advisor and Watson Mangioni as legal adviser.

**Further information**

For further information during the Offer Period please call the Offer Information Line on 1800 857 303 or +61 2 8256 3366 (callers outside Australia).

**Ends**

ASX  
RE  
SERVICES  
LIMITED



**THE  
TRUST  
COMPANY**

The Trust Company  
(RE Services) Limited  
ABN 45 003 278 831  
AFSL 235150



# REJECT THE OFFER

The Directors of your independent Responsible Entity unanimously recommend that you **REJECT** the Offer for your PaperlinX SPS Units

## TARGET'S STATEMENT

This Target's Statement has been issued by The Trust Company (RE Services) Limited (ACN 003 278 831) in its capacity as responsible entity of PaperlinX SPS Trust in response to the takeover offer made by PaperlinX Limited (ACN 005 146 350).

## THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this Target's Statement, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your PaperlinX SPS Units, please disregard all enclosed documents.

You should call 1800 857 303 (toll free for callers within Australia) or +61 2 8256 3366 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) during the Offer Period if you have any questions or require assistance.

Corporate adviser

**ICS**  
ADVISORY

Legal adviser

**WM**  
WATSON MANGIONI

# IMPORTANT INFORMATION

This is a Target's Statement dated 16 December 2013 issued by The Trust Company (RE Services) Limited (ACN 003 278 831) (**Responsible Entity**) in its capacity as responsible entity of PaperlinX SPS Trust (ARSN 123 839 814) (**PaperlinX SPS Trust**) under Part 6.5 of Chapter 6 of the Corporations Act. It is given in response to the takeover offer (**Offer**) made by PaperlinX Limited (ACN 005 146 350) (**PaperlinX**). The Offer was made pursuant to a bidder's statement (**Bidder's Statement**) dated 5 December 2013 which was served on the Responsible Entity by PaperlinX on 5 December 2013.

## ASIC and ASX

A copy of this Target's Statement was lodged with ASIC on 16 December 2013 and was sent to the ASX on the same date. None of ASX, ASIC or any of their respective officers takes any responsibility for the contents of this Target's Statement.

## Investment decisions

This is an important document. The information set out in this Target's Statement does not constitute financial product advice. This Target's Statement does not take into account the individual investment objectives, financial situation or any particular needs of any PaperlinX SPS Unitholder or any other person. If you are in any doubt in relation to these matters, you should seek independent financial and taxation advice before making a decision as to whether to accept or reject the Offer.

## Risks

There are a number of risks which may affect the performance of PaperlinX SPS Trust and PaperlinX. Some of these risks are discussed in Section 6 and Section 7 of the Bidder's Statement.

## Disclaimer regarding forward-looking statements

This Target's Statement may contain forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events.

These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. No assurance can be given that such expectations will prove to be correct. Risks and variables as well as other matters as yet not known to the Responsible Entity or not currently considered material by the Responsible Entity, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Target's Statement is qualified by this cautionary statement.

None of the Responsible Entity, the Responsible Entity's officers, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

The forward-looking statements reflect views held only as at the date of this Target's Statement.

## Public information

The information on PaperlinX contained in this Target's Statement has been prepared by the Responsible Entity using publicly available information (including information contained in the Bidder's Statement). The information on PaperlinX has not been independently verified by the Responsible Entity. Accordingly, subject to the Corporations Act, the Responsible Entity does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

## Diagrams

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables is based on information available at the date of this Target's Statement.

## Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

## Foreign jurisdictions

The release, publication or distribution of this Target's Statement may, in some jurisdictions other than Australia, be restricted by law or regulation. Accordingly, persons who come into possession of this Target's Statement should inform themselves of, and observe, those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

## Defined terms

Defined terms used in this Target's Statement are capitalised. Definitions of these terms are set out in Section 9 of this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 9 of this Target's Statement, words and phrases in the Target's Statement have the same meaning and interpretation as in the Corporations Act.

## Information line

If you have any questions in relation to the Offer, please contact the Offer Information Line during the Offer Period on 1800 857 303 within Australia or +61 2 8256 3366 outside Australia.

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## IMPORTANT DATES

Date of announcement of the Offer ( <b>Announcement Date</b> )	18 October 2013
Date Bidder's Statement lodged	5 December 2013
Date of this Target's Statement	16 December 2013
Date the Offer is expected to close	5 February 2014

\*The Closing Date of the Offer may change as permitted by the Corporations Act. Any changes to the above timetable will be announced through the ASX website at [www.asx.com.au](http://www.asx.com.au) under the ASX code PXU.

Dear Unitholder,

## REJECT PAPERLINX'S OFFER AND IGNORE ANY DOCUMENTS SENT TO YOU BY PAPERLINX

As you are aware, PaperlinX has made a takeover offer for all the PaperlinX SPS Units of PaperlinX SPS Trust.

PaperlinX is offering you 250 PaperlinX Shares for each PaperlinX SPS Unit you own. At the time the Offer was first announced by PaperlinX on 18 October 2013, this implied a value of \$14 per PaperlinX SPS Unit (based on the closing price of PaperlinX Shares on ASX on 17 October 2013<sup>1</sup>). As at the date of this Target's Statement, based on the closing price of PaperlinX Shares on 13 December 2013, being the trading day prior to the date of this Target's Statement<sup>2</sup>, the implied Offer value is \$11.

This Target's Statement sets out the recommendation of the Directors of The Trust Company (RE Services) Limited (**Responsible Entity**) in its capacity as the independent responsible entity of PaperlinX SPS Trust, in relation to the Offer.

The Directors have considered all of the information available to them in relation to the Offer. In particular, the Directors read with some concern the statements from PaperlinX included in the Chairman's Letter in the Bidder's Statement where it indicates that between announcing its intention to make the Offer and the date of its Bidder's Statement, PaperlinX has identified "some uncertainty arising from its recent trading results". PaperlinX notes in its Bidder's Statement that while it currently believes its earnings guidance for FY2014 as provided on 21 August 2013 and reaffirmed on 25 October 2013 can still be achieved, the trading results for October and November were materially below PaperlinX's most recent internal forecasts. As a result, PaperlinX is re-examining the outlook for its business and will provide an updated outlook statement to the ASX and via a supplementary bidder's statement in the future.

In light of this significant uncertainty as to the financial position and outlook for PaperlinX, and the related potential impact on the value of, and risks associated with holding, PaperlinX Shares, your Directors unanimously recommend that you **REJECT THE OFFER** made by PaperlinX and **DO NOTHING** in relation to all documents sent to you by PaperlinX.

### Reasons for the Directors' Recommendation

Your Directors believe the key reasons you should **REJECT** the Offer are:

- There is considerable uncertainty regarding the financial and operational position of PaperlinX. Exchanging your PaperlinX SPS Units for PaperlinX Shares is not prudent at this time
- The Offer appears to be materially inadequate
- The Offer ratio of 250 PaperlinX Shares for every PaperlinX SPS Unit is too low and does not give you a fair share in the enlarged pro forma PaperlinX share capital
- Value may be better reflected in the PaperlinX SPS Units if and when PaperlinX delivers on its turnaround strategy
- The Offer Consideration does not compensate PaperlinX SPS Unitholders for unpaid distributions

You should read this Target's Statement, including the detailed reasons for reaching our conclusions in Section 1 of this document.

Ultimately, you should carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position. In this regard, you may wish to consult a professional financial advisor.

The Trust Company Limited, the ultimate parent of your independent Responsible Entity for the PaperlinX SPS Trust, is the subject of a scheme of arrangement under which Perpetual Limited will become the new ultimate holding company of the Responsible Entity. It is likely that there will be changes to the composition of the board of your independent Responsible Entity following implementation of that scheme. PaperlinX SPS Unitholders will be kept informed of developments.

Your independent Responsible Entity will keep you informed of any further developments in relation to the Offer, and any other relevant developments. In the meantime, if you have any questions or require assistance during the Offer Period, please call the Offer Information Line on **1800 857 303** (toll free for callers within Australia) or **+61 2 8256 3366** (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Yours sincerely,



David Grbin  
Director

<sup>1</sup> The closing price of PaperlinX Shares on the ASX on 17 October 2013 was 5.6 cents per PaperlinX Share

<sup>2</sup> The closing price of PaperlinX Shares on the ASX on 13 December 2013 was 4.4 cents per PaperlinX Share

## HOW TO REJECT THE OFFER

1. To **REJECT** the Offer, **DO NOTHING**.  
Ignore all documents sent to you by PaperlinX.
2. You should carefully read this Target's Statement which contains your independent Responsible Entity's recommendation to **REJECT** the Offer and the reasons for this recommendation.
3. If you have any queries in relation to the Offer, please contact the Offer Information Line on **1800 857 303** (Toll Free) or **+61 2 8256 3366** (Outside Australia) which is available Monday to Friday between 8.30am and 5.30pm (Sydney time) during the Offer Period.

**To REJECT the Offer, DO NOTHING and ignore all documents sent to you by PaperlinX.**

# REASONS TO REJECT THE OFFER

The Directors of your independent Responsible Entity unanimously recommend that you **REJECT** the Offer for the following key reasons:

1. There is considerable uncertainty regarding the financial and operational position of PaperlinX.  
Exchanging your PaperlinX SPS Units for PaperlinX Shares is not prudent at this time.
2. The Offer appears to be materially inadequate.
3. The Offer ratio of 250 PaperlinX Shares for every PaperlinX SPS Unit is too low and does not give you a fair share in the enlarged pro forma PaperlinX share capital.
4. Value may be better reflected in the PaperlinX SPS Units if and when PaperlinX delivers on its turnaround strategy.
5. The Offer Consideration does not compensate PaperlinX SPS Unitholders for unpaid distributions.

# DIRECTORS' RECOMMENDATION

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## REJECT the Offer

### DIRECTORS OF YOUR INDEPENDENT RESPONSIBLE ENTITY

The Directors of the independent Responsible Entity as at the date of this Target's Statement are:

- John Atkin - Director
- Andrew Cannane - Director
- David Grbin - Director
- Rupert Smoker - Alternate Director

### RECOMMENDATIONS

In assessing the Offer, the Directors of your independent Responsible Entity have had regard to a number of considerations, including the information set out in the Bidder's Statement.

Based on this assessment and for the reasons set out in this Target's Statement (in particular those set out in Section 1), the Directors believe that there is considerable uncertainty regarding the financial and operational position of PaperlinX and, the Offer is inadequate and does not reflect fair value for your PaperlinX SPS Units having regard to that uncertainty.

### EACH OF YOUR DIRECTORS RECOMMENDS THAT YOU REJECT THE OFFER

As at the last Business Day before the date of this Target's Statement, none of the Directors have a relevant interest in PaperlinX SPS Units or PaperlinX Shares (refer to Section 8.1 for more information).

To **REJECT** the Offer, you should **DO NOTHING** and take **NO ACTION** in relation to all documents sent to you by PaperlinX.

# **1. REASONS TO REJECT THE OFFER**

# 1. There is considerable uncertainty regarding the financial and operational position of PaperlinX. Exchanging your PaperlinX SPS Units for PaperlinX Shares is not prudent at this time

## THE OFFER CONSIDERATION IS COMPRISED ENTIRELY OF PAPERLINX SHARES

- PaperlinX is offering you only PaperlinX Shares for your PaperlinX SPS Units.
- The value of the PaperlinX Shares, and therefore the value of the Offer to you depends on (among other things) the future prospects of PaperlinX and the extent to which it can successfully implement its turnaround strategy.

## THE FUTURE OF PAPERLINX IS PRESENTLY UNCERTAIN

- At its annual general meeting on 25 October 2013, PaperlinX provided an update on its turnaround strategy, its results for the September 2013 quarter and near-term outlook, stating:

*“Your Company has been significantly transformed over the last 12 months as we have left no stone unturned in our endeavours to realise the true potential of PaperlinX. Our turnaround plans are delivering results but our restructuring activities must continue.”*

*“I am pleased to report that the first quarter of this financial year has shown an improvement in the Underlying EBIT results over the prior corresponding period in all regions.”*

*“We reconfirm our August guidance that the business will be marginally profitable in FY14 at the Underlying EBIT level.”*

- PaperlinX has provided no substantive information regarding the initiatives it has and/or is implementing as part of its turnaround strategy. The turnaround strategy remains ongoing and is subject to a number of execution and market related risks.
- The Bidder’s Statement draws attention to significant uncertainty arising from the recent trading results for the PaperlinX Group. In Section 7.2(a) of the Bidder’s Statement, PaperlinX provides the following disclosure (emphasis added by your Responsible Entity):

*“On 21 August 2013, PaperlinX gave guidance to the market that its business would be “marginally profitable” in FY2014 (FY14 Guidance).*

*At the end of November 2013, it became apparent that the **actual October 2013 financial result was materially below PaperlinX’s most recent internal forecasts** (Current Internal Forecasts). This slippage was predominantly attributable to PaperlinX’s European business. **Interim November results indicate a further material slippage** from Current Internal Forecasts, with the variance attributable entirely to PaperlinX’s European business.*

*PaperlinX currently believes that the FY14 Guidance can still be achieved, but it is promptly undertaking a **re-examination of the outlook for its businesses**. PaperlinX will provide updates on its outlook to the*

*ASX, and via a supplementary bidder’s statement once this information is available.”*

The concerns of PaperlinX with respect to its outlook is sufficient for its Chairman’s Letter to expressly caution PaperlinX SPS Unitholders to read the Bidder’s Statement in light of the uncertainty arising from its recent trading results and the re-examination of the outlook for the PaperlinX business. Neither the Chairman’s Letter nor the Bidder’s Statement provides any reasons for, or recommendation in support of, PaperlinX SPS Unitholders accepting the Offer at this time.

## PAPERLINX IS PRESENTLY EXPOSED TO SIGNIFICANT RISKS

- PaperlinX also warns in its Bidder’s Statement that:
  - PaperlinX’s core markets are characterised by declining consumption of paper due to factors including changes in technologies and consumer preference resulting in falling consumption and/or pricing for PaperlinX’s core products;
  - The PaperlinX Group’s largest funding facility in Europe was extended during the 2013 financial year to September 2014. PaperlinX noted that the recent trading results may make it more difficult for PaperlinX to extend this facility or otherwise access debt funding that it may need in order to carry on its businesses;
  - The ability of the PaperlinX Group to meet its operational cash requirements and remain within the terms and conditions of the existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows. PaperlinX identifies the recent trading results for October and November 2013 as examples of actual results departing from those budgeted and projected by PaperlinX internally; and
  - Pressures on the availability of cash, which may arise as a result of adverse effects from other significant risks or from such matters as working capital pressures, continuation of existing funding lines and/or availability of new funding, could result in liquidity risks and reductions in the ability of the PaperlinX business to invest, innovate and respond to market conditions and opportunities. The recent trading results for October and November 2013 could increase the risks of PaperlinX not having sufficient cash to manage its businesses as it would like, which ultimately may threaten its liquidity and its ability to carry on business.
- Until the Responsible Entity and PaperlinX SPS Unitholders have the benefit of further information regarding the PaperlinX turnaround strategy and the results of the PaperlinX re-examination of the outlook for its businesses in light of the October and November 2013 trading results, PaperlinX SPS Unitholders and the Responsible Entity are not in a position to fully assess the risks associated with owning PaperlinX Shares.

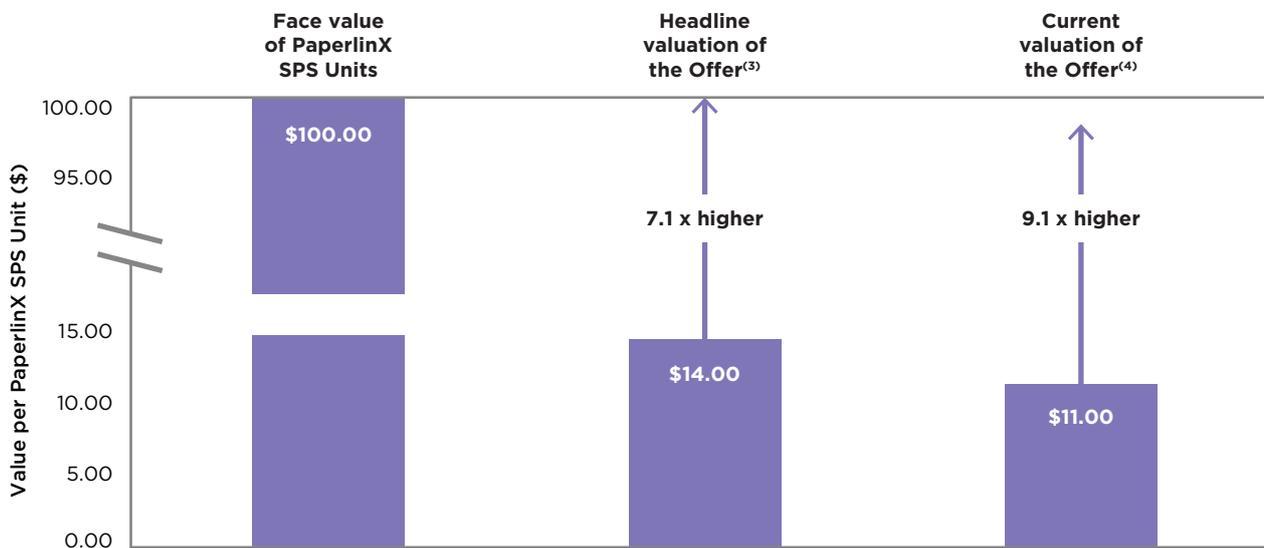
## 2. The Offer appears to be materially inadequate

### THE OFFER IS SIGNIFICANTLY BELOW THE FACE VALUE OF THE PAPERLINX SPS UNITS

- Your PaperlinX SPS Units have a face value of \$100 per security and are perpetual instruments that may be either redeemed or, in certain limited circumstances, converted into PaperlinX Shares or PaperlinX Preference Shares at some future point in time.

- Even though the financial performance of PaperlinX has deteriorated significantly since the initial issuance of the PaperlinX SPS Units, the headline valuation of the Offer, representing \$14 per PaperlinX SPS Unit based on the closing PaperlinX Share price on the day prior to the announcement of the Offer<sup>3</sup> or \$11 based on the last closing price prior to the date of this Target's Statement<sup>4</sup>, is significantly below the face value of the PaperlinX SPS Units.

### The Offer is below the face value of the PaperlinX SPS Units



- Your Directors note that there is no fixed maturity date and that PaperlinX has indicated that it is unlikely to elect a Realisation of the PaperlinX SPS Units.
- Your Directors also acknowledge that any redemption of the face value of the PaperlinX SPS Units in the future would have a lower net present value today when discounted to today's value.
- PaperlinX has indicated that it is unlikely to elect a Realisation of the PaperlinX SPS Units. Given the absence of information to enable the Responsible Entity to form any alternative view on potential Realisation scenarios or the recommencement of distributions, your Directors are unable to ascertain or verify the likelihood of such events occurring. Accordingly your Directors are unable to determine

a net present value of the PaperlinX SPS Units today with any confidence.

- However, your Directors do note that to produce a net present value of approximately \$14 per PaperlinX SPS Unit (the headline valuation of the Offer calculated immediately prior to the Announcement Date) would imply either a long-dated repayment timetable and/or a very high discount rate.
- In the absence of repayment guidance or other information from PaperlinX, the Directors of your independent Responsible Entity consider the \$100 face value of the PaperlinX SPS Units to be the only benchmark they can use to assess the Offer with any confidence.

<sup>3</sup> Based on the closing PaperlinX Share price of 5.6 cents per PaperlinX Share on 17 October 2013

<sup>4</sup> Based on the closing PaperlinX Share price of 4.4 cents per PaperlinX Share on 13 December 2013

### 3. The offer ratio of 250 PaperlinX Shares for every PaperlinX SPS Unit is too low and does not give you a fair share in the enlarged pro forma PaperlinX share capital

- Under the Offer, PaperlinX SPS Unitholders are entitled to 250 PaperlinX Shares for every PaperlinX SPS Unit held. Assuming full acceptance of the Offer, this implies PaperlinX SPS Unitholders will own approximately 54% of the equity in the enlarged pro forma PaperlinX share capital.
- However, under the terms of issue, in certain circumstances on the occurrence of a Realisation Event, PaperlinX SPS Unitholders may be entitled to over 90% of the pro forma PaperlinX share capital. See below table for details.
- Under the PaperlinX SPS Units Terms, where there is a Realisation of the PaperlinX SPS Units in exchange for PaperlinX Shares, PaperlinX SPS Unitholders are entitled to a range of different equity ownership levels, determined with reference to a defined formula, depending in part on whether the Realisation has been triggered by a Change of Control Event or another Realisation Event.
- The following table provides a comparison of the implied ownership of PaperlinX's pro forma share capital under the Offer relative to different Realisation Events were they to occur today.

#### Illustrative comparison of enlarged pro forma equity ownership

Event	PaperlinX SPS Unit ownership of equity in the pro forma share capital
The PaperlinX Offer	53.9%*
Realisation in exchange for PaperlinX Shares resulting from a Change of Control Event of PaperlinX (ILLUSTRATIVE)	90.2%^
Realisation in exchange for PaperlinX Shares resulting from an event other than a Change of Control Event of PaperlinX (ILLUSTRATIVE)	91.6%†

\* Assuming full acceptance of the Offer

^ Based on an illustrative 30% takeover premium to the 20 day VWAP of PaperlinX Shares ending on 13 December 2013, being the last trading day before the date of this Target's Statement and the exchange formula set out in the PaperlinX SPS Unit Terms. See Section 6.6 of this Target's Statement for details. Included for illustrative purposes only

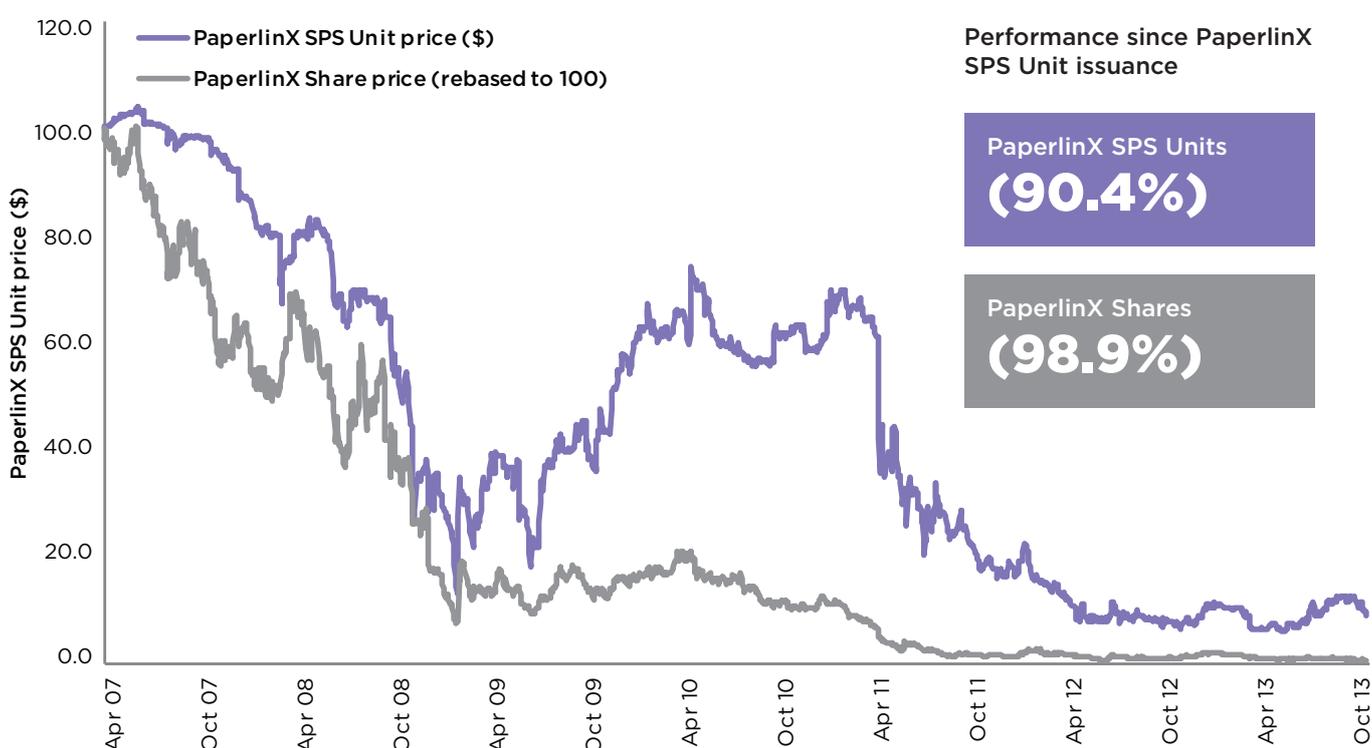
† Based on the 20 day VWAP of PaperlinX Shares ending on 13 December 2013, being the last trading day before the date of this Target's Statement and the exchange formula set out in the PaperlinX SPS Unit Terms summarised at Section 6.6 of this Target's Statement. Included for illustrative purposes only

- PaperlinX SPS Unitholders who accept the Offer will forgo their PaperlinX SPS Unit Realisation rights.
- PaperlinX has indicated that it is unlikely to elect a Realisation of the PaperlinX SPS Units. Given the absence of information to enable the Responsible Entity to form any alternative view on potential Realisation scenarios, your Directors are unable to ascertain or verify the likelihood or timing of such an event occurring or not. Implementation of a Realisation may also be constrained by requirements to obtain approval from PaperlinX Shareholders. See Section 6.7 of this Target's Statement for details.
- While your Directors are not aware of any discussions that may lead to a Change of Control Event, nor have they been provided with any information to adequately determine PaperlinX's future ability to undertake a Realisation, your Directors consider the Offer ratio to be too low as it does not take into account the PaperlinX SPS Unitholders' Realisation rights.

## 4. Value may be better reflected in the PaperlinX SPS Units if and when PaperlinX delivers on its turnaround strategy

- The trading price of both the PaperlinX Shares and PaperlinX SPS Units have been impacted by the significant deterioration in historical earnings of various PaperlinX business units, together with challenges surrounding PaperlinX's financial position and outlook. Currently, PaperlinX Shares and PaperlinX SPS Units are trading at or near historic lows.
- However, in theory, the drivers of value for each class of PaperlinX investment are different, reflecting distinct risk exposures, entitlements to distributions and opportunity to realise capital improvements. Accordingly, in the past the market trading prices of the PaperlinX SPS Units and PaperlinX Shares have not always correlated (notably, during the 2009 to 2011 period, as illustrated in the chart below).

### Relative PaperlinX Share and PaperlinX SPS Unit trading price performance\*



\*Excludes any distributions or dividends.

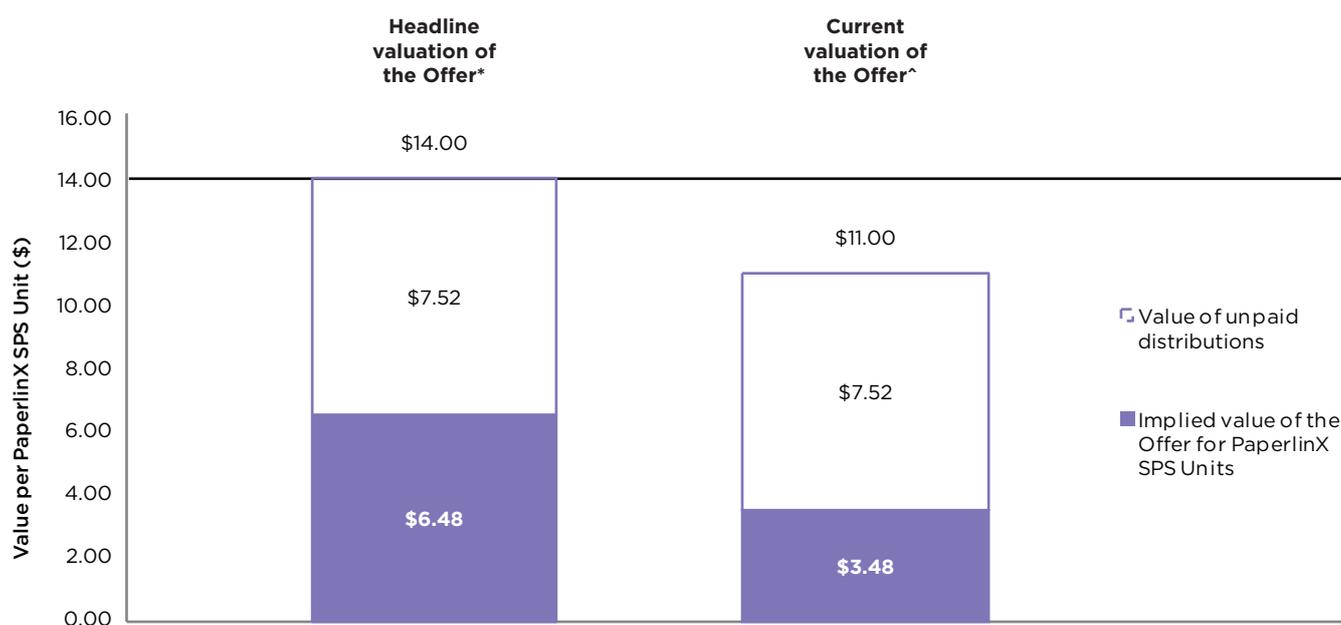
Source: Thomson Reuters. Thomson Reuters has not consented to the use of any trading data in this Target's Statement.

- While the PaperlinX turnaround strategy continues to face considerable execution and market related risks, if and when the strategy is delivered, the trading price of the PaperlinX Shares and PaperlinX SPS Units may increase and potentially at different rates.
- If the turnaround strategy delivers tangible results for PaperlinX, there is potential for appreciation in the price of PaperlinX SPS Units. Improved performance may lead to a desire to pay dividends to PaperlinX Shareholders (which cannot be paid while distributions on the PaperlinX SPS Units remain outstanding - see Section 7.5 of this Target's Statement for details), potentially increasing the likelihood of a resumption in distributions to PaperlinX SPS Unitholders. Similarly, the need for PaperlinX to fund its growth strategies may provide an incentive for PaperlinX to rationalise the capital structure of the PaperlinX Group, potentially increasing the prospects for Realisation or another proposal from PaperlinX to acquire, restructure or redeem the PaperlinX SPS Units.

## 5. The Offer Consideration does not compensate PaperlinX SPS Unitholders for unpaid distributions

- The PaperlinX SPS Units offer unfranked, semi-annual, floating rate, non-cumulative distributions, which are payable at the discretion of PaperlinX. PaperlinX SPS Unit distributions have been paid intermittently with the last distribution paid in respect of the period ending 30 June 2011. See Section 4.9 of the Bidder's Statement for details.
- Under the PaperlinX SPS Units Terms in certain circumstances, PaperlinX may elect to Realise the PaperlinX SPS Units for cash or PaperlinX Shares, subject to certain conditions and limitations.
- Where a Realisation Event occurs, in addition to the face value of the PaperlinX SPS Units, the Realisation value of the PaperlinX SPS Units must include any unpaid PaperlinX SPS Unit distributions that would otherwise have been payable for the 12 month period prior to the Realisation Event.
- Based on the distribution rates for the periods ending 30 June 2013 and 31 December 2012<sup>5</sup> the unpaid PaperlinX SPS Unit distributions for the 12 months to 31 December 2013 will be \$7.52 per PaperlinX SPS Unit.
- The Bidder's Statement makes no reference to the Offer incorporating any compensation in respect of unpaid distributions to PaperlinX SPS Unitholders that would otherwise be payable in the event of a Realisation.
- In the event that the Offer is intended to compensate for any unpaid distribution, the implied value of the PaperlinX SPS Units under the Offer would be \$6.48 (assumes a PaperlinX Share price of 5.6 cents, being the closing price on 17 October 2013, the trading day prior to the Announcement Date) or \$3.48 (assumes a PaperlinX Share price of 4.4 cents, being the closing price on 13 December 2013, the day prior to the date of this Target's Statement).

### Implied value of PaperlinX SPS Units in the event the Offer includes compensation for unpaid distributions



\* Based on the closing PaperlinX Share price of 5.6 cents per PaperlinX Share on 17 October 2013

^ Based on the closing PaperlinX Share price of 4.4 cents per PaperlinX Share on 13 December 2013

<sup>5</sup> Distribution rate of 7.5917% and 7.4550% p.a. for the semi-annual periods to 30 June 2013 and 31 December 2012 respectively, determined with reference to the 180 bank bill swap rate and step up margin of 465 bps

## **2. REASONS WHY YOU MIGHT CHOOSE TO ACCEPT THE OFFER**

# Your Directors **unanimously** recommend that you **REJECT** the Offer.

**Notwithstanding this recommendation, reasons why you may choose to accept the Offer may include the following:**

## **1. INFLUENCE OVER PAPERLINX BOARD**

PaperlinX SPS Units do not carry any voting rights at general meetings of PaperlinX. As a result, PaperlinX SPS Unitholders have no direct or indirect ability to influence the composition of the board of PaperlinX and therefore the conduct of the affairs of PaperlinX. PaperlinX SPS Unitholders who wish to exert any influence over the composition of the board of PaperlinX or generally over the affairs of PaperlinX may choose to accept the PaperlinX Offer to obtain PaperlinX Shares which carry voting rights at general meetings of PaperlinX.

## **2. LIMITED REDEMPTION PROSPECTS**

PaperlinX SPS Units are perpetual instruments which may only be Realised or exchanged for PaperlinX Preference Shares in limited circumstances. See Section 6 of this Target's Statement for details.

## **3. PAPERLINX SHAREHOLDER APPROVAL**

PaperlinX SPS Units may be Realised following the occurrence of a Realisation Event. Realisation Events include, among other things, a Change of Control Event. Realisation can be effected by a resale of PaperlinX SPS Units, redemption of PaperlinX SPS Units or the exchange of PaperlinX SPS Units for PaperlinX Shares. See Section 6 of this Target's Statement for details.

PaperlinX has stated in the Bidder's Statement that PaperlinX Shareholder approval under the Listing Rules will be required before PaperlinX SPS Units may be exchanged for PaperlinX Shares. See Section 6.7 of this Target's Statement for details. PaperlinX SPS Unitholders may conclude that Realisation is unlikely as PaperlinX Shareholder approval (if required) is unlikely to be provided.

The procedures for Realisation described in Section 6 are not the only procedures that may be used by PaperlinX to restructure the capital structure of the PaperlinX Group and wind up the PaperlinX SPS Trust. By way of example, PaperlinX may, without approval from PaperlinX Shareholders, make a takeover offer for all PaperlinX SPS Units in a manner similar to the Offer.

## **4. WIND UP OF PAPERLINX**

PaperlinX must exchange PaperlinX SPS Units for PaperlinX Preference Shares on a PaperlinX Winding Up. PaperlinX Preference Shares are entitled to participate in the surplus assets of PaperlinX on a winding up of PaperlinX in priority to PaperlinX Shareholders.

However, under the PaperlinX SPS Terms, such an exchange is not required where PaperlinX enters administration, a receiver is appointed to the assets of PaperlinX or a liquidator is appointed to PaperlinX following a resolution of creditors after the appointment of an administrator to PaperlinX. In these circumstances, unless another Realisation Event has occurred, the holders of PaperlinX SPS Units may not participate in the surplus assets of PaperlinX on a winding up of PaperlinX. PaperlinX SPS Unitholders who believe that surplus assets following such an event will be available for distribution to PaperlinX Shareholders (as opposed to PaperlinX SPS Unitholders) may decide to accept the Offer. See Section 6.4 of this Target's Statement for details.

## **3. FREQUENTLY ASKED QUESTIONS**

This Section answers some commonly asked and very important questions about the Offer. It is not intended to address all relevant issues for PaperlinX SPS Unitholders and should be read together with all other parts of this Target's Statement.

<p><b>3.1 What is the Bidder's Statement?</b></p>	<p>The Bidder's Statement is the document setting out the terms of the Offer. PaperlinX lodged its Bidder's Statement with ASIC on 5 December 2013. The Bidder's Statement was served on the Responsible Entity on the same day.</p> <p>PaperlinX is expected to complete the despatch of the Bidder's Statement to PaperlinX SPS Unitholders on 18 December 2013.</p>
<p><b>3.2 What is this Target's Statement?</b></p>	<p>This Target's Statement has been prepared by your independent Responsible Entity in its capacity as responsible entity of PaperlinX SPS Trust. It contains the Responsible Entity's response to the Offer, including the recommendation of the Directors of the Responsible Entity.</p>
<p><b>3.3 What is the offer for my PaperlinX SPS Units?</b></p>	<p>PaperlinX is offering you 250 PaperlinX Shares for each PaperlinX SPS Unit you hold. Ineligible Foreign Unitholders are unable to receive PaperlinX Shares under the Offer. Details regarding the treatment of Foreign Unitholders are set out in Section 10.21 of the Bidder's Statement.</p> <p>The Offer has an implied price of \$11 per PaperlinX SPS Unit based on the closing price of PaperlinX Shares on 13 December 2013, being the last trading day before the date of this Target's Statement.</p>
<p><b>3.4 What choices do I have as a PaperlinX SPS Unitholder?</b></p>	<p>As a PaperlinX SPS Unitholder, you have the following choices in respect of all of your PaperlinX SPS Units:</p> <ul style="list-style-type: none"> <li>• You may reject the Offer made by PaperlinX, in which case you do not need to take any action; or</li> <li>• You may accept the Offer; or</li> <li>• You may sell some or all of your PaperlinX SPS Units on the ASX.</li> </ul> <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 5 of this Target's Statement.</p> <p>When deciding what to do you should carefully consider the recommendation of the Directors. You are encouraged to consider your personal financial circumstances and seek professional advice before making any decision about your PaperlinX SPS Units.</p>
<p><b>3.5 What are the Directors of the Responsible Entity recommending?</b></p>	<p>The Directors of the Responsible Entity unanimously recommend that you <b>REJECT</b> the Offer. The reasons for the Directors' recommendation are detailed in Section 1 of this Target's Statement. Notwithstanding this recommendation, reasons why PaperlinX SPS Unitholders may choose to accept the Offer are detailed in Section 2 of this Target's Statement.</p> <p>To <b>REJECT</b> the Offer, <b>TAKE NO ACTION</b>. You do not need to do anything, simply continue to hold your PaperlinX SPS Units.</p> <p>If there is any change to this recommendation or any material development in relation to the Offer of which the Responsible Entity becomes aware, the Responsible Entity will inform you.</p>
<p><b>3.6 What do the Directors intend to do with their PaperlinX SPS Units?</b></p>	<p>As at the date of this Target's Statement, none of the Directors of the Responsible Entity hold a relevant interest in any PaperlinX SPS Units or PaperlinX Shares.</p>
<p><b>3.7 How do I reject the Offer?</b></p>	<p>To reject the Offer, you should <b>DO NOTHING</b>. Disregard all documents sent to you by PaperlinX.</p>
<p><b>3.8 What happens if the Offer Consideration is increased?</b></p>	<p>If PaperlinX increases its Offer Consideration, your Directors will consider the revised Offer and advise you accordingly.</p>

<p><b>3.9 How much time do I have to make a decision whether or not to accept the Offer?</b></p>	<p>If you wish to follow the Directors' recommendation and <b>REJECT THE OFFER</b> made by PaperlinX, you do not need to do anything.</p> <p>If you decide to accept the Offer, the Directors recommend that you do not accept until near the end of the Offer Period to ensure that you have the benefit of additional disclosures and updates provided by PaperlinX following the re-examination of its financial and business outlook and you are fully informed as to PaperlinX's likely stake in the PaperlinX SPS Trust following completion of the Offer.</p> <p>Unless the Offer is withdrawn or extended, it is expected to be open for acceptance from 18 December 2013 until at least 7.00pm (Sydney time) on 5 February 2014.</p> <p>Sections 5.5, 5.12 and 5.13 of this Target's Statement describe the circumstances in which the Offer may be withdrawn or extended.</p>
<p><b>3.10 What do I do if I want to accept the Offer?</b></p>	<p>Section 10.8 of the Bidder's Statement explains how you can accept the Offer. You should read this Section carefully.</p>
<p><b>3.11 What are the consequences of accepting the Offer now?</b></p>	<p>If you accept the Offer now (subject to the availability of any withdrawal rights discussed below):</p> <ol style="list-style-type: none"> <li>You may not be able to accept any superior initiative or proposal that may emerge;</li> <li>You will relinquish control of your PaperlinX SPS Units to PaperlinX before the Offer becomes, or is declared to be, unconditional; and</li> <li>You will not be able to sell your PaperlinX SPS Units on the ASX.</li> </ol> <p>The effect of accepting the Offer is set out in Section 10.11 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise rights attaching to PaperlinX SPS Units and the representations and warranties which you are deemed to make by accepting the Offer.</p>
<p><b>3.12 If I accept the Offer now, can I withdraw my acceptance?</b></p>	<p>You only have limited rights to withdraw your acceptance of the Offer. You may withdraw your acceptance of the Offer if PaperlinX varies the Offer in a way that postpones, for more than one month, the time when PaperlinX must meet its obligations under the Offer and the Offer remains subject to conditions.</p> <p>Further details of your ability to withdraw your acceptance of the Offer are set out in Section 5.13 of this Target's Statement.</p>
<p><b>3.13 Is the Offer conditional?</b></p>	<p>Yes. The Offer is subject to the Conditions summarised in Section 5.2 of this Target's Statement. Full details of each Condition are set out in Section 10.12 of the Bidder's Statement.</p>
<p><b>3.14 Is the Offer subject to a minimum acceptance condition?</b></p>	<p>No. The Offer is not subject to a minimum acceptance condition. The ability of PaperlinX to realise any benefits resulting from the outcome of the Offer is likely to depend on the level of acceptance of the Offer. PaperlinX may be unable to realise any benefits unless a substantial number of holders of PaperlinX SPS Units accept the Offer.</p>
<p><b>3.15 What happens if I accept and one or more of the Conditions are not satisfied or waived?</b></p>	<p>If the Conditions are not satisfied and are not waived by PaperlinX:</p> <ol style="list-style-type: none"> <li>The Offer will lapse; and</li> <li>If you have accepted the Offer, that acceptance will be void and you will not be issued PaperlinX Shares (as the Offer Consideration).</li> </ol> <p>If all of the Conditions are satisfied or waived, unless you are an Ineligible Foreign Unitholder, you will be issued 250 PaperlinX Shares in consideration for each of your PaperlinX SPS Units by PaperlinX in accordance with the Offer (refer to Section 10 of the Bidder's Statement).</p>
<p><b>3.16 Can the Offer be varied?</b></p>	<p>Yes. PaperlinX can vary the Offer by extending the Offer Period, increasing the Offer Consideration or waiving one or all of the Conditions.</p>

<p><b>3.17 How can I tell if the Offer has become unconditional?</b></p>	<p>If the Offer becomes unconditional, PaperlinX will send an announcement to the ASX, at which point it will commence processing acceptances under the Offer.</p> <p>PaperlinX is not required to send PaperlinX SPS Unitholders individual notifications relating to when acceptances are processed.</p> <p>You can check for ASX announcements about PaperlinX SPS Trust on the ASX website (<a href="http://www.asx.com.au">www.asx.com.au</a>) under ASX code PXU.</p>
<p><b>3.18 How can I get updates on the PaperlinX SPS Unit price?</b></p>	<p>If you have access to the internet, you can receive updates by visiting the ASX website at <a href="http://www.asx.com.au/asx/research/CompanyInfo">www.asx.com.au/asx/research/CompanyInfo</a></p>
<p><b>3.19 When will I receive the Offer Consideration if I accept the Offer?</b></p>	<p>If you accept the Offer and all Conditions are satisfied or waived, unless you are an Ineligible Foreign Unitholder, you will be provided with the Offer Consideration by the later of:</p> <ul style="list-style-type: none"> <li>• One month after the date you validly accept the Offer; or</li> <li>• One month after the date the Offer becomes or is declared unconditional,</li> </ul> <p>And in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.</p> <p>Ineligible Foreign Unitholders will be provided with the proceeds of sale to which they are entitled under the Offer at a different time. See Section 10.20 of the Bidder's Statement for further details on when you will be provided with your Offer Consideration.</p>
<p><b>3.20 What are the risks associated with holding PaperlinX Shares?</b></p>	<p>Section 6 and Section 7 of the Bidder's Statement contains information about the risks associated with holding PaperlinX Shares. <b>You should read these Sections carefully.</b></p>
<p><b>3.21 What are the tax implications of accepting the Offer?</b></p>	<p>The tax consequences of accepting the Offer depend on a number of factors. A general description of some of the tax implications for certain PaperlinX SPS Unitholders of accepting the Offer is contained in Section 8 of the Bidder's Statement.</p> <p>You should read this Section carefully and consult your professional tax adviser before making a decision in relation to your PaperlinX SPS Units.</p>
<p><b>3.22 What do I do if I want to remain a PaperlinX SPS Unitholder?</b></p>	<p>If you wish to keep your PaperlinX SPS Units, you do not need to take any action in respect of those PaperlinX SPS Units.</p> <p>However, you should be aware that PaperlinX may compulsorily acquire any PaperlinX SPS Units it does not own if it becomes entitled to do so.</p> <p>You should read Section 5.10 of this Target's Statement and Section 9.11 of the Bidder's Statement for further information.</p>
<p><b>3.23 Can I sell my PaperlinX SPS Units on the ASX?</b></p>	<p>You can sell your PaperlinX SPS Units on the ASX unless you have accepted the Offer in respect of those PaperlinX SPS Units. If you sell your PaperlinX SPS Units on the ASX:</p> <ul style="list-style-type: none"> <li>• You will not benefit from any future increase in the value of the PaperlinX SPS Units; and</li> <li>• You will not benefit from any possible increase in the consideration that may be provided under the Offer.</li> </ul>
<p><b>3.24 Where can I get further information?</b></p>	<p>If you have any further queries in relation to the Offer during the Offer Period, please call the Offer Information Line on <b>1800 857 303</b> (within Australia) or <b>+61 2 8256 3366</b> (from outside Australia) from 8.30am until 5.30pm (Sydney time) Monday to Friday during the Offer Period.</p>

# 4. OFFER CONSIDERATION

## 4.1 SCRIP OFFER

PaperlinX is offering 250 PaperlinX Shares for each PaperlinX SPS Unit on issue.

However, if you are an Ineligible Foreign Unitholder and accept the Offer, you will not receive any PaperlinX Shares. Instead, you will be paid the net proceeds of the sale of the PaperlinX Shares to which you would have been entitled. Please refer to Section 10.21 of the Bidder's Statement for further details about the treatment of Ineligible Foreign Unitholders under the Offer.

PaperlinX Shares offered under the Offer will be quoted on the ASX once issued. PaperlinX has confirmed that application for admission of these PaperlinX Shares has been made to the ASX.

## 4.2 PAPERLINX SPS UNIT RIGHTS

The PaperlinX SPS Units are preferred units in the PaperlinX SPS Trust, a registered managed investment scheme. The PaperlinX SPS Units are perpetual unless redeemed for cash, exchanged for PaperlinX Shares or exchanged for PaperlinX Preference Shares (see Section 6 of this Target's Statement for further details of PaperlinX SPS Units Realisation and exchange rights). They do not have a maturity date.

Rights attaching to the PaperlinX SPS Units are contained in the Constitution, the Corporations Act, the Listing Rules and the general law relating to trusts. Some of the rights attaching the PaperlinX SPS Units are linked with rights arising under other documents, for example:

- a. PaperlinX SPS Units may be exchanged for PaperlinX Shares in certain limited circumstances. The rights attaching to PaperlinX Shares are set out in the PaperlinX constitution and the Corporations Act;
- b. PaperlinX is required to exchange PaperlinX SPS Units for PaperlinX Preference Shares if a PaperlinX Breach of Undertakings Event occurs or if a PaperlinX Winding Up Event occurs. For a summary of important rights attaching to the PaperlinX Preference Shares see Section 7.7 of this Target's Statement;
- c. The gross proceeds raised through the issue of PaperlinX SPS Units have been invested in LLC Preference Shares which are issued by PaperlinX LLC. For a description of important rights attaching to the LLC Preference Shares see Section 7.6 of this Target's Statement;
- d. PaperlinX is a party to the Constitution and has given certain undertakings to the Responsible Entity in relation to the PaperlinX SPS Units. For a summary of these undertakings see Section 7.5 of this Target's Statement; and
- e. In limited circumstances, the PaperlinX SPS Units may be Realised through redemption, exchanged for PaperlinX Shares or through a resale process (these Realisation rights are in addition to the circumstances detailed above where the PaperlinX SPS Units must be exchanged for PaperlinX Preference Shares). The Realisation method for the PaperlinX SPS Units must be determined by PaperlinX. Realisation rights attaching to the PaperlinX SPS Units are set out in Section 6 of this Target's Statement.

## 4.3 RIGHTS ATTACHING TO THE PAPERLINX SHARES

PaperlinX Shares are ordinary shares in the capital of PaperlinX. PaperlinX Shares issued as Offer Consideration will have the same rights as the PaperlinX Shares currently on issue. See Section 3.2 of the Bidder's Statement for a summary of the rights attaching to PaperlinX Shares.

## 4.4 COMPARISON OF PAPERLINX SPS UNITS AND PAPERLINX SHARES

Section 3.3 of Bidder's Statement provides a comparison of the key terms of PaperlinX Shares and PaperlinX SPS Units. You should consider this Section carefully to assess the key differences between these instruments.

## **5. IMPORTANT INFORMATION ABOUT THE OFFER**

## 5.1 OFFER SUMMARY

PaperlinX is offering 250 PaperlinX Shares for each PaperlinX SPS Unit on issue. The Offer has an implied price of:

- \$14 per PaperlinX SPS Unit based on the closing price of PaperlinX Shares on 17 October 2013.
- \$11 per PaperlinX SPS Unit based on the closing price of PaperlinX Shares on 13 December 2013, being the last trading day before the date of this Target's Statement.

Under the Offer PaperlinX will be entitled to all Rights that accrue on and from the Announcement Date in respect of the PaperlinX SPS Units it acquires under the Offer. See Section 10.7 of the Bidder's Statement for details.

The amount of consideration you are paid by PaperlinX may be reduced by the amount or value of any Rights attaching to PaperlinX SPS Units which you (or any previous holder of your PaperlinX SPS Units) receive.

If you are an Ineligible Foreign Unitholder then, despite any other provision of the Offer, you will not receive PaperlinX Shares under the Offer. Instead, if you accept this Offer, you will be paid a cash amount determined in accordance with Section 10.21 of the Bidder's Statement.

If you would otherwise be entitled to a fraction of a PaperlinX Share as a result of your acceptance of the Offer in respect of your PaperlinX SPS Units, then that fractional entitlement will:

- a. If less than 0.5, be rounded down to zero; and
- b. Otherwise, be rounded up to one PaperlinX Share.

If PaperlinX reasonably believes that any parcel of PaperlinX Shares has been created or manipulated to take advantage of rounding up, then any applicable fractional entitlement will be rounded down to zero or aggregated.

## 5.2 SUMMARY OF THE CONDITIONS TO THE OFFER

The Offer is subject to the Conditions which are set out in the Bidder's Statement. The Conditions are summarised as follows:

- a. **Tax Ruling Condition:** PaperlinX obtaining a favourable Tax Ruling from the Australian Taxation Office confirming that the acceptance of the Offer should not impact the Australian tax losses of the group and that there should not be any assessable gain as a result of PaperlinX acquiring all the PaperlinX SPS Units.
- b. **No Target Material Adverse Change:** No Target Material Adverse Change event occurs between the Announcement Date and the end of the Offer Period.
- c. **No Prescribed Occurrence:** Between the Announcement Date and the end of the Offer Period none of the following occurs without the prior written approval of PaperlinX:
  - i. The Responsible Entity converts all or any of the PaperlinX SPS Units into a larger or smaller number;
  - ii. The Responsible Entity resolves to reduce PaperlinX SPS Trust's capital in any way or reclassifies, combines, splits, redeems or repurchases, directly or indirectly, any of the PaperlinX SPS Units;
  - iii. The Responsible Entity:
    - A. Enters into a buy-back agreement; or
    - B. Resolves to approve the terms of a buy-back agreement under the Corporations Act;
  - iv. The Responsible Entity issues PaperlinX SPS Units, securities or other instruments convertible into PaperlinX SPS Units, grants an option over its PaperlinX SPS Units, or agrees to make such an issue or grant such an option;
  - v. An Insolvency Event occurs in relation to PaperlinX SPS Trust;
  - vi. The Responsible Entity disposes or agrees to dispose of, the whole, or a substantial part, of the business or property of PaperlinX SPS Trust; or
  - vii. The Responsible Entity charges, or agrees to charge, the whole, or a substantial part, of its business or property of PaperlinX SPS Trust.

### 5.3 ISSUES REGARDING THE CONDITIONS TO THE OFFER

PaperlinX may declare the Offer free of any of the Conditions.

If all of the Conditions are not satisfied or waived the Offer will lapse and no Offer Consideration will be received by PaperlinX SPS Unitholders. Furthermore, PaperlinX SPS Unitholders who accept the Offer will, in the meantime, lose their ability to deal with their PaperlinX SPS Units (i.e. sell them on market).

When considering how the Conditions may affect the prospects of the Offer, you should be aware that the Tax Ruling Condition is out of the Responsibility Entity's control.

As at the date of this Target's Statement the Directors are not aware of the existence of any matter that may trigger fulfilment of any of those Conditions except as set out in this Target's Statement.

### 5.4 NOTICE OF STATUS OF CONDITIONS

Section 10.16 of the Bidder's Statement indicates that PaperlinX will give a notice regarding the status of the Conditions to its Offer to the ASX and PaperlinX SPS Trust at least seven days before the end of the Offer Period.

PaperlinX is required to set out in this notice:

- Whether the Offer is free of any or all of the Conditions;
- Whether, so far as PaperlinX knows, any of the Conditions have been fulfilled; and
- PaperlinX's Voting Power in the PaperlinX SPS Trust.

If the Offer Period is extended before the date on which the notice regarding the status of the Conditions is due to be given, the date for giving the notice will be taken to have been postponed for the same period as the extension of the Offer Period.

If the Offer Period is so extended, PaperlinX must as soon as practicable after the extension, give a notice to the ASX and the PaperlinX SPS Trust that states the new date for the giving of the notice regarding the status of Conditions to its Offer.

### 5.5 EXTENSION OF OFFER PERIOD

While the Offer is subject to Conditions, PaperlinX may extend the Offer Period at any time before giving the notice regarding the status of Conditions referred to in Section 5.4 of this Target's Statement.

If the Offer is unconditional (i.e. all the Conditions have been satisfied or waived), PaperlinX may extend the Offer Period at any time before the end of the Offer Period.

Also, the Offer Period will be automatically extended if, within the last seven days of the Offer Period:

- PaperlinX improves the consideration offered under the Offer; or
- PaperlinX's Voting Power in the PaperlinX SPS Trust increases to more than 50%.

If either of the events referred to above occur, the Offer Period is automatically extended so that it ends 14 days after the event. PaperlinX is required to give PaperlinX SPS Trust and PaperlinX SPS Unitholders who have not yet accepted the Offer notice of the extension within three days after the event.

### 5.6 CONSEQUENCES OF NO MINIMUM ACCEPTANCE

There is no minimum acceptance condition attached to the Offer. As a result, it is possible that PaperlinX will become a minority PaperlinX SPS Unitholder.

The rights that may be exercised by PaperlinX in the event that it acquires PaperlinX SPS Units under the Offer will depend, among other things, on the number of PaperlinX SPS Units that it acquires. If PaperlinX acquires more than 25% of the PaperlinX SPS Units, it will be able to block special resolutions at general meetings of PaperlinX SPS Trust and at PaperlinX SPS Unit class meetings. If PaperlinX acquires more than 50% of the PaperlinX SPS Units, it will be able to determine the outcome of ordinary resolutions considered at general meetings of PaperlinX SPS Trust and at PaperlinX SPS Unit class meetings. If PaperlinX acquires more than 75% of the PaperlinX SPS Units, it will be able to ensure the passage of special resolutions at general meetings of SP Trust and at PaperlinX SPS Unit class meetings.

If PaperlinX acquires any PaperlinX SPS Units, it may exercise its rights in relation to those PaperlinX SPS Units in such manner as it sees fit. As a holder of PaperlinX SPS Units, PaperlinX will not be subject to fiduciary constraints which might otherwise impose limits on the exercise of those rights including a duty to avoid a conflict between its own interests and the interests of PaperlinX SPS Unitholders.

## 5.7 CONSEQUENCES OF PAPERLINX ACQUIRING MORE THAN 90%

In Section 5.2 of the Bidder's Statement, PaperlinX sets out its intentions in the event that PaperlinX becomes entitled to more than 90% of the PaperlinX SPS Units and proceeds with the Offer. These intentions are as follows:

- **Compulsory acquisitions:** if PaperlinX becomes entitled to compulsorily acquire all outstanding PaperlinX SPS Units, it intends to exercise its rights of compulsory acquisition in accordance with the Corporations Act. See Section 5.10 of this Target's Statement for details.
- **De-listing:** PaperlinX intends to arrange for PaperlinX SPS Trust to be removed from the official list of ASX.
- **Wind Up:** in the event PaperlinX compulsorily acquires all outstanding PaperlinX SPS Units, PaperlinX intends to cancel all PaperlinX SPS Units and wind up the PaperlinX SPS Trust and PaperlinX LLC.

## 5.8 CONSEQUENCES OF PAPERLINX ACQUIRING MORE THAN 50% BUT LESS THAN 90%

If PaperlinX acquires more than 50% but less than 90% of the PaperlinX SPS Units, those PaperlinX SPS Unitholders who do not accept the Offer will become minority PaperlinX SPS Unitholders in the PaperlinX SPS Trust.

In Section 5.3 of the Bidder's Statement, PaperlinX sets out its intentions in the event that PaperlinX becomes entitled to more than 50% but less than 90% of the PaperlinX SPS Units. These intentions are as follows:

- **Amendment of the constitution:** PaperlinX will review the Constitution, having particular regard to the Realisation rights of the PaperlinX SPS Unitholders with a view to amending any provisions that give rise to uncertainty or adversely affect the confidence of PaperlinX's key stakeholders, including customers, suppliers and employees and financiers.
- **ASX listing:** PaperlinX may, in some circumstances, where the illiquidity and the Listing Rules permit, seek to remove PaperlinX SPS Trust's listing on the ASX.
- **Responsible Entity:** subject to the Corporations Act and the Constitution, PaperlinX intends to retain the Responsible Entity as the responsible entity of the PaperlinX SPS Trust. Notwithstanding PaperlinX's intention, the Responsible Entity can elect to resign as responsible entity in accordance with the Corporations Act. Your Responsible Entity is under no contractual obligation to remain as responsible entity in any circumstances.
- **Distribution policy:** PaperlinX will review the distribution policy of the PaperlinX SPS Trust having regard to capital funding and ongoing operational requirements of PaperlinX on the one hand and the appropriateness of paying distributions to PaperlinX SPS Unitholders on the other.
- **Compulsory acquisition:** if PaperlinX becomes entitled at some future time to exercise general compulsory acquisition rights under the Corporations Act, it probably will exercise those rights.

## 5.9 CONSEQUENCES OF PAPERLINX ACQUIRING LESS THAN 50%

If PaperlinX acquires less than 50% of the PaperlinX SPS Units, PaperlinX will be a PaperlinX SPS Unitholder but will not be in a position to control the outcome of resolutions considered at any general meeting of PaperlinX SPS Unitholders. If PaperlinX acquires more than 25% of the PaperlinX SPS Units, it will be able to block special resolutions at general meetings of PaperlinX SPS Trust and at PaperlinX SPS Unit class meetings.

In Section 5.4 of the Bidder's Statement, PaperlinX sets out its intentions in the event that PaperlinX becomes entitled to less than 50% of PaperlinX SPS Units and proceeds with the Offer. These intentions include the intention to continue to hold PaperlinX SPS Units that it acquires under the Offer. PaperlinX will seek to exercise the rights attaching to:

- a. The PaperlinX SPS Units it acquires under the Offer; and
- b. The PaperlinX Ordinary Unit,

in the best interest of PaperlinX Shareholders, including to maximise value for PaperlinX Shareholders and to oppose any action that may adversely affect PaperlinX and PaperlinX Shareholders.

## 5.10 COMPULSORY ACQUISITION

The Bidder's Statement states that PaperlinX intends to compulsorily acquire any PaperlinX SPS Units it does not own if during or before the end of the Offer Period it becomes entitled under the Corporations Act to do so. See Section 5.2 of the Bidder's Statement for details.

PaperlinX will be entitled to compulsorily acquire PaperlinX SPS Units on the same terms as in its Offer if, before or at the end of the Offer Period:

- PaperlinX has a relevant interest in at least 90% (by number) of the total number of PaperlinX SPS Units; and
- PaperlinX and its associates have acquired at least 75% (by number) of the PaperlinX SPS Units that it offered to acquire under its Offer.

Under the Corporations Act, if PaperlinX is entitled to proceed with compulsory acquisition, PaperlinX has from that time until one month from the end of the Offer Period within which to give compulsory acquisition notices to PaperlinX SPS Unitholders who have not accepted the Offer.

PaperlinX SPS Unitholders have statutory rights to challenge the compulsory acquisition by applying to a court, but the court may order the PaperlinX SPS Units not be compulsorily acquired only if the court is satisfied that the consideration does not represent fair value for the PaperlinX SPS Units.

If you do not accept the Offer and your PaperlinX SPS Units are compulsorily acquired, you will face a delay in receiving the consideration for your PaperlinX SPS Units compared with PaperlinX SPS Unitholders who have accepted the Offer.

See Section 9.11 of the Bidder's Statement for more information on compulsory acquisition.

## 5.11 LAPSE OF OFFER

The Offer will lapse if the Conditions to the Offer are not satisfied or waived by the end of the Offer Period. If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances which have not yet resulted in binding contracts will become void. See Section 10.13 of the Bidder's Statement for details.

## 5.12 WITHDRAWAL OF OFFER

PaperlinX may withdraw the Offer for your PaperlinX SPS Units with the written consent of ASIC and subject to any conditions specified in that ASIC consent. See Section 10.19 of the Bidder's Statement for details.

## 5.13 EFFECT OF ACCEPTANCE AND RIGHTS OF WITHDRAWAL

If you accept the Offer, you will only have a limited right to withdraw your acceptance of the Offer. You will only be entitled to withdraw your acceptance of the Offer if:

- a. PaperlinX varies the Offer in a way that postpones, for more than one month, the time when PaperlinX must meet its obligations under the Offer; and
- b. The Offer is still subject to Conditions.

This will occur if PaperlinX extends the Offer Period by more than one month and the Offer remains conditional at the time of the extension.

The effect of acceptance of the Offer is set out in Section 10.11 of the Bidder's Statement. You should read these provisions carefully and in full.

## 5.14 MARKET TRADING

PaperlinX SPS Unitholders who accept the Offer (even while the Offer is conditional) will give up their rights to sell or otherwise deal with their PaperlinX SPS Units, subject to the withdrawal rights summarised in Section 5.13 of this Target's Statement.

## 5.15 OFFER CONSIDERATION

No Offer Consideration for PaperlinX SPS Units accepted into the Offer will be provided until after the Offer becomes unconditional. If the Offer becomes unconditional, unless you are an Ineligible Foreign Unitholder, you will be provided with the Offer Consideration by the later of:

- One month after the date you validly accept the Offer; or
- One month after the date the Offer becomes or is declared unconditional,

And in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

Ineligible Foreign Unitholders will be provided with the proceeds of sale to which they are entitled under the Offer at a different time. See Section 10.20 of the Bidder's Statement for further details on when you will be provided with your Offer Consideration.

## 5.16 TAXATION ISSUES

A general description of some of the tax implications for certain PaperlinX SPS Unitholders of accepting the Offer is contained in Section 8 of the Bidder's Statement.

You should read Section 8 of the Bidder's Statement and consult your professional tax adviser before making any decision in relation to your PaperlinX SPS Units.

## **6. PAPERLINX SPS UNIT REALISATION RIGHTS**

## 6.1 OVERVIEW OF REALISATION RIGHTS

The PaperlinX SPS Units are perpetual unless:

- Realised (i.e. either redeemed, sold to a third party on behalf of the PaperlinX SPS Unitholders or exchanged for PaperlinX Shares); or
- Exchanged for PaperlinX Preference Shares.

The PaperlinX SPS Units do not have a maturity date.

Accordingly, the only circumstance in which a PaperlinX SPS Unitholder may realise its investment in the PaperlinX SPS Trust is if it sells its PaperlinX SPS Units (by acceptance of this or any subsequent takeover offer, on-market trade or off-market transfer), or its PaperlinX SPS Units are Realised or exchanged for PaperlinX Preference Shares in accordance with the PaperlinX SPS Unit Terms.

Below is a summary of the Realisation Events following which PaperlinX SPS Units can be Realised or exchanged for PaperlinX Preference Shares in accordance with the PaperlinX SPS Unit Terms.

### PaperlinX SPS Unitholder Realisation rights

PaperlinX SPS Unitholders may request Realisation of PaperlinX SPS Units following a Change of Control Event, but in no other circumstances. See Section 6.2 of this Target's Statement for details.

### PaperlinX SPS Unitholder Preference Share Exchange right

PaperlinX must exchange the PaperlinX SPS Units for PaperlinX Preference Shares (**Preference Share Exchange**) if:

- A PaperlinX Breach of Undertakings Event occurs; or
- A PaperlinX Winding Up Event occurs.

The Responsible Entity will redeem all of the PaperlinX SPS Units following the issue of the PaperlinX Preference Shares so that PaperlinX SPS Unitholders cease to be members of the PaperlinX SPS Trust. A PaperlinX Preference Share issued on a PaperlinX Breach of Undertakings Event is immediately redeemable at the option of the PaperlinX SPS Unitholder. See Section 6.4 of this Target's Statement for details.

### PaperlinX's Realisation rights

PaperlinX may cause the Responsible Entity to Realise the PaperlinX SPS Units in the following circumstances:

- Immediately prior to each periodic remarketing date;
- On any distribution payment date (i.e. each 30 June or 31 December before the PaperlinX SPS Units are Realised or exchanged for PaperlinX Preference Shares) if the step-up margin applies;
- Following an Acquisition Event;
- Following an RE Removal Event or a Trust Winding Up Event;
- Following a Tax Event, Regulatory Event or Accounting Event; and
- If the aggregate face value of the PaperlinX SPS Units on issue is less than \$50 million.

In addition, PaperlinX may cause the Responsible Entity to Realise PaperlinX SPS Units held by those PaperlinX SPS Unitholders who provide either a Step Up Notice or a Bid Notice in which they specified a higher margin which is higher than the "remarketing margin" (defined in the Constitution) which applies from the relevant remarketing date. See Section 6.3 of this Target's Statement for details.

## 6.2 PAPERLINX SPS UNITHOLDER REALISATION RIGHTS

PaperlinX SPS Unitholders may request that their PaperlinX SPS Units be Realised following a Change of Control Event, but in no other circumstances.

In the event of a Change of Control, PaperlinX SPS Unitholders that want to Realise their PaperlinX SPS Units have 15 Business Days following the Change of Control Event to notify the Responsible Entity. PaperlinX SPS Unitholders can elect to Realise their PaperlinX SPS Unit but cannot elect the Realisation method. Following receipt of a PaperlinX SPS Unitholder's notice, PaperlinX is entitled to determine how the PaperlinX SPS Units will be Realised. In addition PaperlinX may cause the Responsible Entity to Realise the PaperlinX SPS Units following a Change of Control Event even if PaperlinX SPS Unitholders do not make this election. See Section 6.3 of this Target's Statement and the definition of Acquisition Event for details.

### 6.3 PAPERLINX REALISATION RIGHTS

PaperlinX may cause the Responsible Entity to Realise the PaperlinX SPS Units on a Periodic Remarketing Date (irrespective of whether Remarketing has taken place) or on any distribution payment date (if an increased “step-up margin” applies).

In addition PaperlinX may cause the Responsible Entity to Realise the PaperlinX SPS Units if any of the following events occur:

- a. **An Acquisition Event:** An Acquisition Event is where:
  - i. A takeover bid to acquire all or some PaperlinX Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and either the offer is supported by a majority of PaperlinX directors or PaperlinX’s Voting Power in PaperlinX increases to more than 50%; or
  - ii. A court orders the holding of a meeting to approve a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50% of the PaperlinX Shares that would be on issue if the scheme were implemented and all classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme;
- b. **An RE Removal Event:** An RE Removal Event occurs where PaperlinX SPS Unitholders pass a resolution to remove the Responsible Entity as responsible entity of PaperlinX SPS Trust and the replacement responsible entity is not a member of the PaperlinX Group or a person approved by PaperlinX;
- c. **A Trust Winding Up Event:** A Trust Winding Up Event occurs if a meeting is called to consider a resolution directing the Responsible Entity as responsible entity of PaperlinX SPS Trust to wind up that trust;
- d. **A Tax Event:** A Tax Event is where the PaperlinX directors determine that a Change in Law or Administrative Action after the Issue Date has resulted or may result in a more than negligible increase in taxes or costs or denial of a deduction or other tax benefit for a member of the PaperlinX Group, the Responsible Entity or PaperlinX SPS Trust;
- e. **A Regulatory Event:** A Regulatory Event is (broadly) where the PaperlinX directors determine that as a result of a change in law or regulation or interpretation relating to securities or the Listing Rules any member of the PaperlinX Group or PaperlinX SPS Trust has been or will be exposed to the imposition of additional requirements which the PaperlinX directors determine to be unacceptable; or
- f. **An Accounting Event:** An Accounting Event is where the PaperlinX directors determine that a change in Australian Accounting Standards or their interpretation or implementation has had or may have the effect that:
  - i. The PaperlinX SPS Units would be treated in PaperlinX’s consolidated financial statements or in the stand-alone accounts of PaperlinX SPS Trust, other than as equity; or
  - ii. The LLC Preference Shares would be treated in the standalone accounts of PaperlinX LLC (if such accounts were prepared) other than as equity.

### 6.4 EXCHANGE FOR PAPERLINX PREFERENCE SHARES

PaperlinX must exchange PaperlinX SPS Units for PaperlinX Preference Shares if a PaperlinX Breach of Undertakings Event occurs or if a PaperlinX Winding Up Event occurs. If PaperlinX fails to issue PaperlinX Preference Shares following such an event, the PaperlinX SPS Units will remain on issue and PaperlinX will be restricted from paying dividends to PaperlinX Shareholders until such time as the PaperlinX Preference Shares are issued or the PaperlinX SPS Units are redeemed for cash.

A Preference Share issued as a result of a PaperlinX Winding Up Event is not redeemable at the option of the PaperlinX SPS Unitholders. Preference Shares issued as a result of a PaperlinX Breach of Undertakings Event are redeemable immediately at the option of PaperlinX SPS Unitholders, subject to compliance with the Corporations Act.

See Section 7.7 of this Target’s Statement for a summary of the PaperlinX Preference Share terms.

Under the Corporations Act, a PaperlinX Preference Share may only be redeemed out of profits of PaperlinX or the proceeds of a new issue of shares made for the purpose of the redemption.

If PaperlinX fails to issue a PaperlinX Preference Share, any claim by PaperlinX SPS Unitholders will be limited to specific performance or a claim for monies they would have received if the PaperlinX Preference Shares had been issued. In a winding up of PaperlinX, PaperlinX SPS Unitholders’ claim ranks junior to the claims of all other creditors but ahead of all PaperlinX Shareholders.

A PaperlinX Winding Up Event occurs if:

- a. An order is made by a court of competent jurisdiction for the winding up of PaperlinX or PaperlinX LLC (as the case maybe) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or
- b. A resolution is duly passed by the members of PaperlinX or PaperlinX LLC for the winding up of PaperlinX or PaperlinX LLC (as the case may be), in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a special resolution of PaperlinX SPS Unitholders.)

An insolvency event may occur with respect to PaperlinX other than in the above circumstances. In particular, the appointment of a receiver to the assets of PaperlinX, the appointment of a voluntary administrator to PaperlinX or the appointment of a liquidator following a meeting of creditors during the period of administration of PaperlinX do not constitute "PaperlinX Winding Up Events". If any such insolvency event were to occur, unless another Realisation Event occurred, PaperlinX SPS Unitholders will continue to hold PaperlinX SPS Units and may not participate in the surplus assets (if any) of PaperlinX following the winding up of PaperlinX.

A PaperlinX Breach of Undertakings Event occurs if the Responsible Entity gives PaperlinX a notice that PaperlinX is in breach of one of the undertakings under the Constitution (provided the breach is remediable) and that breach has not been remedied within three Business Days of receipt of the notice. The undertaking includes an undertaking to issue PaperlinX Shares PaperlinX Preference Shares in accordance with the Constitution.

## 6.5 REALISATION METHOD CONTROLLED BY PAPERLINX

The Constitution prohibits the Responsible Entity from Realising the PaperlinX SPS Units other than in accordance with instructions from PaperlinX. PaperlinX controls whether or not the PaperlinX SPS Units are Realised in the circumstances detailed in Section 6.2 of this Target's Statement.

If PaperlinX SPS Unitholders make a Realisation Request following a Change of Control Event or PaperlinX elects to Realise the PaperlinX SPS Units in the circumstances detailed in Section 6.3 of this Target's Statement, PaperlinX dictates which of the following Realisation methods will be implemented:

- a. **Redemption for cash:** PaperlinX will make a cash payment of the Redemption Amount to PaperlinX SPS Unitholders and the PaperlinX SPS Units will be cancelled. The "Redemption Amount" is:
  - i. In the case of redemption following a Change of Control Event or an Acquisition Event – an amount equal to the number of PaperlinX Shares that would have been issued if the PaperlinX SPS had been exchanged for PaperlinX Shares multiplied by the volume weighted average sale price on ASX of PaperlinX Shares over the 20 Business Days on which trading in PaperlinX Shares took place up to (and including) the Business Day before the date of Realisation; and
  - ii. In all other circumstances – an amount equal to \$100 per PaperlinX SPS Unit plus any unpaid amount of scheduled Distributions for a period of 12 months immediately preceding (but including) the date of Realisation, plus an amount equal to a Distribution that would have been paid for the period to the date of Realisation;
- b. **Resale to a third party:** PaperlinX SPS Units will be sold to a third party for an amount no less than that which would have been payable had the PaperlinX SPS Units been redeemed for cash;
- c. **Exchange for PaperlinX Shares:** PaperlinX SPS Units will be redeemed in exchange for the issue to the PaperlinX SPS Unitholder of PaperlinX Shares on the terms set out in Section 6.6 in this Target's Statement.

Pursuant to a requisition received on 4 November 2013, the Responsible Entity has convened extraordinary general meetings of members of PaperlinX SPS Trust, PaperlinX SPS Unitholders and the holder of the Ordinary Unit to consider resolutions to amend the Constitution. The proposed amendments are directed at withdrawing from PaperlinX the right to determine the Realisation methods to be applied in respect of all Realisation Events other than as a result of a Change of Control Event and allowing the Responsible Entity or PaperlinX SPS Unitholders in a general meeting by special resolution to set the appropriate realisation method.

This meeting will be held on 17 December 2013.

## 6.6 EXCHANGE FOR PAPERLINX SHARES

An exchange for PaperlinX Shares is the redemption of PaperlinX SPS Units in exchange for the issue to the PaperlinX SPS Unitholder of PaperlinX Shares.

Under the Constitution, if selected by PaperlinX (other than from a Change of Control Event or an Acquisition

Event), each PaperlinX SPS Unit will be exchanged for a number of PaperlinX Shares determined in accordance with the following formula:

$$\frac{\text{Redemption Amount}}{\text{VWAP} \times (1 - \text{ED})}$$

where:

- VWAP is the VWAP calculated in respect of the period of 20 Business Days on which trading in PaperlinX Shares took place immediately preceding the date of the exchange; and
- ED equals 2.5%.

If exchange has resulted from a Change of Control Event or an Acquisition Event, each PaperlinX SPS Unit will be exchanged for the number of PaperlinX Shares determined in accordance with the following formula:

$$\frac{\text{Redemption Amount}}{A}$$

where:

A is the lower of:

- The VWAP calculated in respect of the period of 20 Business Days on which trading in PaperlinX Shares took place immediately preceding (but excluding) the public announcement of the takeover bid or the scheme of arrangement, plus 50% of the amount calculated by subtracting that VWAP from the offer price under the takeover bid or the consideration under the scheme of arrangement; and
- 97.5% of the offer price under the takeover bid or the consideration under the scheme of arrangement.

For the purposes of both calculations, 'Redemption Amount' is an amount equal to \$100 plus any unpaid amount of scheduled distributions for the period of 12 months immediately preceding (but including) the date of exchange, plus an amount equivalent to the distribution that would be paid if the exchange date was a distribution payment date (less the amount of any cash payment in respect of the PaperlinX SPS Units made by the Responsible Entity or PaperlinX on the date of exchange).

Page 9 of this Target's Statement provides an illustrative comparison of the pro forma equity ownership of PaperlinX if PaperlinX completes compulsory acquisition of all PaperlinX SPS Units on issue, Realisation in exchange for PaperlinX Shares resulting from a Change of Control Event and Realisation in exchange for PaperlinX Shares other than as a result of a Change of Control Event.

## **6.7 POTENTIAL CONSTRAINTS ON ISSUE OF PAPERLINX SHARES AND PAPERLINX PREFERENCE SHARES**

PaperlinX is admitted to the official list of the ASX and so is subject to the Listing Rules. Listing Rule 7.1 provides that a company may not issue or agree to issue equity securities representing more than 15% of the equity securities of that company on issue on the date 12 months before the date of issue (increased by the number of equity securities issued with shareholder approval in that period or under an exception to Listing Rule 7.1) without first obtaining approval from holders of equity securities. A resolution to approve such an issue is an ordinary resolution. Prior to being issued, ASX confirmed that Listing Rule 7.1 will apply to the exchange of PaperlinX SPS Units for PaperlinX Shares.

At the time of issue of the PaperlinX SPS Units, PaperlinX did not obtain approval from its shareholders to the exchange of PaperlinX SPS Units for PaperlinX Shares or PaperlinX Preference Shares. If a Realisation Event occurs, PaperlinX may be constrained from issuing PaperlinX Shares or PaperlinX Preference Shares in exchange for PaperlinX SPS Units without first obtaining the approval of PaperlinX Shareholders under Listing Rule 7.1. There can be no certainty that PaperlinX Shareholder approval, if required by the ASX under Listing Rule 7.1, would be obtained.

If PaperlinX elects to exchange PaperlinX Shares or PaperlinX Preference Shares for PaperlinX SPS Units and does not issue those securities (including as a result of failure to obtain any necessary PaperlinX Shareholder approval), a PaperlinX Breach of Undertaking Event will have occurred. In these circumstances, the exchange for PaperlinX Preference Shares will be required. If that exchange also does not proceed, any claim will be limited to an order for specific performance or such monetary claim as it would have had if the PaperlinX Preference Shares were issued. See Section 6.4 of this Target's Statement for details.

It is open to PaperlinX to seek to achieve the same commercial outcome as Realisation by other means. By way of example, if PaperlinX considered it critical to simplify the capital structure for the PaperlinX Group and was unable to undertake Realisation due to any inability to obtain approval from PaperlinX Shareholders, PaperlinX could undertake another scrip for scrip takeover bid for PaperlinX SPS Units.

## **7. MATERIAL CONTRACTS**

## 7.1 UNITHOLDERS IN PAPERLINX SPS TRUST

The beneficial interest in PaperlinX SPS Trust is divided into units. There are two classes of units, the PaperlinX SPS Units and one Ordinary Unit, held by PaperlinX.

The Responsible Entity holds the assets of PaperlinX SPS Trust on trust for PaperlinX SPS Unitholders and the Ordinary Unitholder (together the **Unitholders**).

A PaperlinX SPS Unit or Ordinary Unit confers no interest in any particular asset of PaperlinX SPS Trust, and no Unitholder is entitled to require the transfer to them of any of the assets of PaperlinX SPS Trust. Unitholders must not interfere with the rights or powers of the Responsible Entity under the Constitution. The Constitution is summarised in Section 7.4 of this Target's Statement.

## 7.2 CAPITAL STRUCTURE

At the date of this Target's Statement PaperlinX SPS Trust has on issue:

- a. One Ordinary Unit, issued at an issue price of \$100, and held by PaperlinX; and
- b. 2,850,000 PaperlinX SPS Units, issued on 30 March 2007 at an issue price (or face value) of \$100 per PaperlinX SPS Unit.

## 7.3 UNITHOLDER RIGHTS

### Ordinary Unit rights

The Ordinary Unit carries a voting right, limited rights to distributions and rights on a winding up of PaperlinX SPS Trust that rank behind the PaperlinX SPS Units. The Ordinary Unit confers no right of exchange or redemption, while the PaperlinX SPS Units are on issue.

### PaperlinX SPS Unit rights

See Sections 4.2, 6 and 7.4 of this Target's Statement for a summary of the rights attaching to PaperlinX SPS Units.

## 7.4 SUMMARY OF THE CONSTITUTION

Key terms of the Constitution that apply to both the PaperlinX SPS Units and the Ordinary Unitholder are summarised below:

- a. **Transfers:** Subject to the Listing Rules and the Corporations Act, while PaperlinX SPS Units are officially quoted, the Responsible Entity may refuse to register a transfer or request ASTC or the Registry, as the case may be, to apply a holding lock to prevent a transfer of PaperlinX SPS Units for any reason. However, the Listing Rules substantially restrict when the Responsible Entity may refuse to register a transfer.
- b. **Voting Rights:** Unitholders are entitled to attend and vote at meetings in person or in proxy. In certain circumstances governed by the Corporations Act, Unitholders can call a meeting. A resolution passed at a meeting of Unitholders binds all Unitholders whether or not they are present.
- c. **Termination:** PaperlinX SPS Trust terminates on the earlier of:
  - i. The date specified by the holder of the Ordinary Unit as the date of termination of PaperlinX SPS Trust in a notice given to the Responsible Entity, which notice the holder of the Ordinary Unit may only give if it is the sole holder of units in PaperlinX SPS Trust; and
  - ii. The date on which PaperlinX SPS Trust terminates by law.
- d. **Winding up:** On winding up of PaperlinX SPS Trust, the net proceeds of realisation after making allowance for all liabilities of PaperlinX SPS Trust (including income entitlements of Unitholders and meeting the expenses of the termination), must be distributed:
  - i. First to PaperlinX SPS Unitholders, for each PaperlinX SPS Unit held as at termination an amount equal to the "Liquidation Amount" (being the amount the Responsible Entity is liable to distribute in respect of each PaperlinX SPS Unit under clause 19 of the PaperlinX SPS Unit Terms); and
  - ii. Second, the balance (if any) to the Ordinary Unitholder.
- e. **Right to receive reports:** Unitholder has a right to receive copies of PaperlinX SPS Trust's annual accounts and accompanying reports.

- f. **Unitholder liability:** The Constitution contains provisions designed to limit the liability of a Unitholder to the application price of their units. While it is generally considered that such provisions will be effective, this has not been definitively determined by the courts. In certain circumstances, the Responsible Entity is entitled to be indemnified by a Unitholder to the extent the Responsible Entity incurs a liability for taxation in connection with their units. Joint holders of units are jointly and severally liable in respect of all payments.
- g. **RE Powers:** The Responsible Entity has all the powers in respect of PaperlinX SPS Trust it is possible to confer on a trustee and as though it were the absolute owner of the assets and acting in its personal capacity.
- h. **Limited assets and LLC Preference Shares:** The Responsible Entity, in its capacity as responsible entity of PaperlinX SPS Trust, must not acquire any interest in any asset other than the LLC Preference Shares, interests in bank accounts in which income or capital of PaperlinX SPS Trust is invested, cash, rights and benefits under the transaction documents, and income or other rights arising in connection with those assets.
- i. **Complaints:** The Responsible Entity must handle complaints made by Unitholders in accordance with Australian standards, the Constitution and the conditions attaching to its Australian Financial Services Licence. The Responsible Entity is a member of an independent complaints resolution body.
- j. **Limitation of RE Liability:** Subject to the Corporations Act, the Responsible Entity is not liable to Unitholders for any loss suffered in any way relating to PaperlinX SPS Trust. Subject to the Corporations Act, the liability of the Responsible Entity to any person other than Unitholders is limited to the Responsible Entity's ability to be indemnified from the assets of PaperlinX SPS Trust.
- k. **RE indemnity:** The Responsible Entity is entitled to be indemnified out of the assets of PaperlinX SPS Trust for any liability incurred by it in properly performing its powers and duties in relation to PaperlinX SPS Trust. To the extent permitted by the Corporations Act, this indemnity extends to any liability incurred as a result of an act or omission by a delegate or agent of the Responsible Entity, and continues to apply after the Responsible Entity retires or is removed.

The Responsible Entity is entitled to exercise its rights of indemnification or reimbursement from PaperlinX SPS Trust assets to satisfy a liability to any creditor of the Responsible Entity (as trustee of PaperlinX SPS Trust) notwithstanding that PaperlinX SPS Trust may have suffered a loss or may have diminished in value as a consequence of any unrelated act, omission or breach of trust by the Responsible Entity or its agent or delegate.

- l. **RE Retirement:** The Responsible Entity may retire where permitted by law, and must retire when required by law.
- m. **Amendments:** Subject to the Corporations Act, the Responsible Entity may amend the Constitution by resolution passed by a 75% majority of Unitholders or by deed executed by the Responsible Entity.

## 7.5 PAPERLINX BOUND BY THE CONSTITUTION

The Constitution also binds PaperlinX in respect of its undertakings to the Responsible Entity (held on trust for the PaperlinX SPS Unitholders) that PaperlinX will:

- a. Not pay any dividends to PaperlinX Shareholders unless or until the minimum amount of distributions required under the Constitution have been paid to PaperlinX SPS Unitholders;
- b. Pay cash, issue PaperlinX Shares or on behalf of the PaperlinX SPS Unitholders sell the PaperlinX SPS Units (as required) and Realise the PaperlinX SPS Units in accordance with the Constitution; and
- c. Not issue any preference shares or other instruments which convert into a preference shares and rank (or would upon conversion rank) ahead of the PaperlinX Preference Shares with respect to dividend payments and the return of capital in a winding up.

These obligations cease to apply if there are no PaperlinX SPS Units on issue.

If the Responsible Entity gives PaperlinX a notice that PaperlinX is in breach of one of the above obligations (provided the breach is remediable) and that breach has not been remedied within three Business Days of receipt of the notice a PaperlinX Breach of Undertakings Event is deemed to occur and as a result the PaperlinX SPS Units must be exchanged for PaperlinX Preference Shares. See Section 6.4 of this Target's Statement for further details.

If for any reason PaperlinX fails to issue a PaperlinX Preference Share, the Responsible Entity has a claim on PaperlinX:

- a. For an order for specific performance that the PaperlinX Preference Share be issued; or
- b. For such monetary claim that it would have in respect of the PaperlinX Preference Share, had it been issued (so as to correspond to the amount of the PaperlinX SPS Unitholder's claim in respect of each PaperlinX SPS Unit). The claim is subordinated in the winding up of PaperlinX to all creditors of PaperlinX other than those expressed to rank equally or subordinate to the claim, so that the claimant receives an amount equal to the amount it would have received if PaperlinX Preference Shares had been issued.

## 7.6 DESCRIPTION OF LLC PREFERENCE SHARES

LLC Preference Shares represent PaperlinX SPS Trust's only material asset. These preferred shares in PaperlinX LLC, a subsidiary of PaperlinX, were issued with a face value of \$100 and entitle PaperlinX SPS Trust to semi-annual floating rate discretionary non-cumulative distributions. The distribution rate is calculated on the face value at the 180 day Bank Bill Swap Rate plus a margin. The margin is greater than the margin applicable to the PaperlinX SPS Unit: the difference between distribution rates is applied toward meeting the fees and other costs of the Responsible Entity.

The terms of the LLC Preference Shares require the Responsible Entity, as the holder, to realise the PaperlinX SPS Units upon the occurrence of certain events. If the event:

- a. Corresponds with the Responsible Entity's Realisation rights under the Constitution, including where holders of PaperlinX SPS Units have requested Realisation on the occurrence of a Change of Control Event – the PaperlinX SPS Units will be Realised in the manner elected by PaperlinX.
- b. Is a PaperlinX Winding Up Event or PaperlinX Breach of Undertakings Event – the PaperlinX SPS Units are exchanged for PaperlinX Preference Shares.

LLC Preference Shares confer no right to wind up PaperlinX LLC nor do they confer any rights to the assets of PaperlinX LLC. LLC Preference Shares can only be transferred in very limited circumstances.

## 7.7 SUMMARY OF RIGHTS ATTACHING TO PAPERLINX PREFERENCE SHARES

PaperlinX Preference Shares are redeemable preference shares in the capital of PaperlinX.

PaperlinX Preference Shares entitle the holders to a discretionary non-cumulative dividend at the same rate as that which applies to distributions on PaperlinX SPS Units at the date the PaperlinX Preference Shares are issued. This dividend is payable in priority to the payment of a dividend on PaperlinX Shares.

If a PaperlinX Preference Share has been issued as a result of a PaperlinX Breach of Undertakings Event, it will be redeemable at any time at the option of the holder. It is also redeemable at the option of PaperlinX on any dividend payment date or earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment.

If a PaperlinX Preference Share has been issued other than as a result of a PaperlinX Winding Up Event, it will be redeemable on any Distribution Payment Date (and earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment) in respect of the Preference Share but only at PaperlinX's option. The amount payable upon redemption of a PaperlinX Preference Share is \$100 plus an amount equal to the unpaid amount (if any) of the scheduled PaperlinX SPS Unit Distribution for a period of 12 months preceding (but including) the issue date.

In a winding up of PaperlinX, the holder of a PaperlinX Preference Share will be entitled to be paid out of any surplus remaining after payment of all amounts due to creditors of an amount equal to the amount payable on redemption of the PaperlinX Preference Share.

PaperlinX Preference Shares entitle the holders to attend all meetings of PaperlinX but only entitle holders to vote in the following circumstances:

- During a period during which a dividend (or part of a dividend) in respect of the PaperlinX Preference Share is in arrears;
- On a proposal to reduce PaperlinX's share capital (other than in respect of the PaperlinX Preference Shares);
- On a resolution to approve the terms of a buyback agreement (other than a resolution to approve a buyback of the PaperlinX Preference Shares);
- On a proposal that affects rights attached to the PaperlinX Preference Shares;

- On a proposal to wind up PaperlinX;
- On a proposal for the disposal of the whole of PaperlinX's property, business and undertaking;
- During the winding up of PaperlinX.

Each PaperlinX Preference Share entitles the holder to one vote.

PaperlinX may only issue a preference share which ranks senior to the PaperlinX Preference Shares with the approval of holders of the PaperlinX Preference Shares, but may issue equal ranking or junior ranking preference shares without that approval.

## 7.8 PAPERLINX FUNDING ARRANGEMENTS WITH PAPERLINX SPS TRUST

On 21 February 2007, the Responsible Entity and PaperlinX entered into the PaperlinX Services and Indemnity Agreement and the Responsible Entity Services and Indemnity Agreement (together the Services and Indemnity Agreements).

The following is a summary of the principal provisions of the Services and Indemnity Agreements.

### a. **Services:**

- i. The Responsible Entity Services and Indemnity Agreement provides for the appointment of the Responsible Entity as the trustee and responsible entity of PaperlinX SPS Trust and sets out the services the Responsible Entity is to provide in respect of PaperlinX SPS Trust.
  - ii. The PaperlinX Services and Indemnity Agreement sets out the services that PaperlinX is required to provide to the Responsible Entity.
- b. **PaperlinX indemnity:** PaperlinX indemnifies the Responsible Entity against costs and losses which the Responsible Entity may incur in connection with a range of matters. Relevant matters include other costs properly payable by the Responsible Entity under the Constitution (to the extent the Responsible Entity is not entitled to be indemnified in respect of such costs from the assets of PaperlinX SPS Trust), except to the extent that the cost or loss is directly attributable to the fraud, negligence or wilful misconduct of the Responsible Entity or any of its agents.
- c. **Retirement of the Responsible Entity:** The Responsible Entity must provide PaperlinX with at least three months prior notice if it proposes to retire as responsible entity. The Responsible Entity is required to retire upon a request from PaperlinX if the Responsible Entity reasonably considers that the retirement and the appointment of PaperlinX's proposed replacement is consistent with the Corporations Act and its duties as responsible entity. PaperlinX is obliged to nominate an appropriate replacement.
- d. **Termination:** The Services and Indemnity Agreements will automatically terminate on the date the Responsible Entity retires or is removed as responsible entity of PaperlinX SPS Trust in accordance with the procedures set out in the Corporations Act.

# 8. OTHER IMPORTANT INFORMATION

## 8.1 DIRECTORS' INTERESTS

As at the date of this Target's Statement, no Director has:

- a. A relevant interest in PaperlinX SPS Units;
- b. A relevant interest in any PaperlinX Shares; or
- c. Provided or agreed to provide or received or agreed to receive, consideration for any marketable securities in PaperlinX under a sale, purchase or agreement for sale or purchase of such securities in the period of four months ending on the date of immediately preceding the date of this Target's Statement.

## 8.2 NO AGREEMENT WITH ANY DIRECTOR

There is no agreement made between PaperlinX and any Director of the Responsible Entity in connection with, or conditional on, the outcome of the Offer.

Except as set out elsewhere in this Target's Statement, no Director has any other interest which is relevant to the Offer.

## 8.3 FINANCIAL UPDATE FOR PAPERLINX SPS TRUST

Other than as set out in this Target's Statement, the Directors are of the opinion that there have been no significant changes since the 2013 financial results of PaperlinX SPS Trust released on 23 August 2013.

## 8.4 PAPERLINX FUNDING

Pursuant to the Services and Indemnity Agreements PaperlinX is funding the costs incurred by the Responsible Entity in relation to the Offer. A summary of the key terms of the Services and Indemnity Agreements are set out in Section 7.8 of this Target's Statement.

## 8.5 MATERIAL INFORMATION

This Target's Statement is required to include all the information that PaperlinX SPS Unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept or reject the Offer, but:

- Only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Target's Statement; and
- Only if the information is known to any of the Directors.

The Directors are of the opinion that, of the information known to them, the relevant information reasonably required to make an informed assessment is:

- The information contained in the Bidder's Statement;
- The information contained in the PaperlinX SPS Trust's 2013 Annual Report; and
- The information contained in this Target's Statement.

The Bidder's Statement is expected to be sent to the PaperlinX SPS Unitholders on or before 18 December 2013.

The PaperlinX SPS Trust and PaperlinX are, for the purposes of Section 111AC(1) of the Corporations Act, disclosing entities and as such are subject to regular reporting and disclosure obligations.

Copies of documents lodged at ASIC in relation to the PaperlinX SPS Trust or PaperlinX may be obtained from, or inspected at, an ASIC office. Copies of documents lodged with the ASX in relation to the PaperlinX SPS Trust or PaperlinX may be downloaded at [www.asx.com.au](http://www.asx.com.au)

The PaperlinX SPS Trust will provide a copy of any of the following documents free of charge to any PaperlinX SPS Unitholder who requests a copy before the expiry of the Offer:

- The financial statements of the PaperlinX SPS Trust for the year ended 30 June 2013, being the last financial statements for a financial year lodged with ASIC by the PaperlinX SPS Trust before the issue of this Target's Statement; and
- Any other document or financial statement lodged by the PaperlinX SPS Trust with ASIC or the ASX under the continuous disclosure reporting requirements in the period after lodgement of the 2013 financial statements referred to above being:

Date	Announcement
09/12/2013	Amended Hdr - Register Date - PaperlinX SPS Trust offer
09/12/2013	PXU
06/12/2013	Notice of initial substantial holder from PPX
06/12/2013	Initial Response to PaperlinX's Bidder's Statement
05/12/2013	PPX: Bidder's Statement - Off Market Takeover of SPS Units
20/11/2013	Notice of Extraordinary General Meeting
06/11/2013	PaperlinX's response to RE announcement 4 November 2013
04/11/2013	EGM update
25/10/2013	AGM Speeches
25/10/2013	PPX: SPS Distribution - 31 December 2013
22/10/2013	Replacement - Responses to amendment to SPS Constitution
22/10/2013	Responses to SPS holders request to amend SPS Constitution
22/10/2013	Change in substantial holding (Full copy)
22/10/2013	Change in substantial holding
21/10/2013	EGM Update
18/10/2013	Intention by PPX to make an offer for PXUPA
18/10/2013	PPX: Proposed Takeover Offer for PaperlinX SPS Trust
18/10/2013	Trading Halt
01/10/2013	Request from members to amend Constitution
27/09/2013	PPX: Market Update in relation to PaperlinX SPS Units
18/09/2013	PPX: Management Changes
29/08/2013	Market update - Further information on valuation process
29/08/2013	Appendix 4E and annual financial report
21/08/2013	Market Update - PaperlinX SPS Trust

## 8.6 CONSENTS

Each of the persons listed below has consented to:

- a. The statements made by him/her in this Target's Statement and the documents which accompany this Target's Statement; and
- b. The statements based on statements made by him/her in this Target's Statement and the documents which accompany this Target's Statement,

being included in the form and context in which they appear. None of these consents has been withdrawn prior to this Target's Statement being lodged with ASIC:

- **Each Director:** to be named as a Director and to the inclusion of statements made by him;
- **Watson Mangioni Lawyers Pty Limited** has given and has not, before the date of this Target's Statement, withdrawn its consent to be named as legal adviser to the PaperlinX SPS Trust in this Target's Statement; and
- **ICS Advisory** has given and has not, before the date of this Target's Statement, withdrawn its consent to be named as corporate adviser to the PaperlinX SPS Trust in this Target's Statement.

### **Disclaimer regarding statements made and responsibility**

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- Does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

### **8.7 APPROVAL OF TARGET'S STATEMENT**

This Target's Statement has been unanimously authorised by the Directors.

This Target's Statement is dated 16 December 2013.

## **9. GLOSSARY AND INTERPRETATION**

## 9.1 GLOSSARY

In this Target's Statement, unless the contrary intention appears:

Term	Meaning
<b>Accounting Event</b>	has the meaning set out in paragraph (f) of Section 6.3 of this Target's Statement
<b>Acquisition Event</b>	has the meaning set out in paragraph (a) of Section 6.3 of this Target's Statement
<b>Announcement Date</b>	means 18 October 2013
<b>ASIC</b>	means the Australian Securities and Investments Commission
<b>ASX</b>	means ASX Limited ACN 008 624 691 or the financial market it operates, as the context requires
<b>ASX Listing Rules or Listing Rules</b>	means the official listing rules of ASX, except to the extent of any waiver granted by ASX
<b>Bid Notice</b>	has the meaning given in clause 5.2b of the PaperlinX SPS Unit Terms contained in Schedule 1 of the Constitution
<b>Bidder</b>	means PaperlinX Limited (ACN 005 146 350)
<b>Bidder's Statement</b>	means the Bidder's Statement in respect of the Offer given by PaperlinX under Part 6.5 of Chapter 6 of the Corporations Act and any supplementary or replacement bidder's statement
<b>Board or Directors</b>	means the board of directors of the Responsible Entity
<b>Change of Control Event</b>	means: <ul style="list-style-type: none"> <li>a. A takeover bid is made to acquire all or some PaperlinX Shares and the offer is freed from all conditions (other than any conditions referred to in Section 652C(1) or (2) of the Corporations Act) and: <ul style="list-style-type: none"> <li>i. The bidder's voting power in PaperlinX increases to more than 50% of the PaperlinX Shares that would be on issue; and</li> <li>ii. PaperlinX issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or</li> </ul> </li> <li>b. A court orders the holding of a meeting to approve a scheme of arrangement which scheme has been recommended by at least a majority of the directors of PaperlinX eligible to do so and which, when implemented, would result in a person having a relevant interest in more than 50% of the PaperlinX Shares that would be on issue if the scheme were implemented and: <ul style="list-style-type: none"> <li>i. All classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and</li> <li>ii. All conditions to the implementation of the scheme (other than approval of the scheme by the court) have been satisfied or waived</li> </ul> </li> </ul>
<b>Closing Date</b>	is the date the Offer will close, and is expected to be 5 February 2014 unless extended in accordance with the Corporations Act
<b>Condition</b>	means each condition to the Offer, set out in Section 10.12 of the Bidder's Statement
<b>Controller</b>	has the meaning given in section 9 of the Corporations Act
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth)
<b>Ineligible Foreign Unitholder</b>	means a PaperlinX SPS Unitholder whose address as shown in the register of members of PaperlinX SPS Trust is in a jurisdiction other than Australia and its external territories or New Zealand unless PaperlinX is satisfied that it is not precluded from lawfully offering or issuing PaperlinX Shares either unconditionally or after compliance with conditions that PaperlinX regards as acceptable and not unduly onerous

Term	Meaning
<b>Insolvency Event</b>	<p>means, for an entity, that:</p> <ol style="list-style-type: none"> <li>a. Process is filed in a court seeking an order that it be wound up or that a Controller be appointed to it or any of its assets, unless the application is withdrawn, struck out or dismissed within seven days of it being filed;</li> <li>b. An order is made that it be wound up or that a Controller be appointed to it or any of its assets;</li> <li>c. A resolution that it be wound up is passed or proposed;</li> <li>d. A liquidator, provisional liquidator, Controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertaking;</li> <li>e. An administrator is appointed to it, a resolution that an administrator be appointed to it is passed or proposed, or any other steps are taken to appoint an administrator to it;</li> <li>f. It enters into, or resolves to enter into, an arrangement, compromise or composition with any of, or any class of, its creditors or members, or an assignment for the benefit of any of, or any class of, its creditors, or process is filed in a court seeking approval of any such arrangement, compromise or composition;</li> <li>g. A reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors is proposed or effected;</li> <li>h. Any action is taken by ASIC with a view to its deregistration or its dissolution, or an application is made to ASIC that any such action be taken;</li> <li>i. It is insolvent within the meaning of section 95A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or is presumed to be insolvent under any applicable law;</li> <li>j. As a result of the operation of section 459F(1) of the Corporations Act, it is taken to have failed to comply with a statutory demand;</li> <li>k. It stops or suspends or threatens to stop or suspend the payment of all or a class of its debts or the conduct of all or a substantial part of its business;</li> <li>l. Any event or circumstance set out in section 461 of the Corporations Act occurs in relation to it; or</li> <li>m. Anything having a substantially similar effect to any of the events specified in paragraphs (a) to (l) inclusive happens to it under the law of any jurisdiction</li> </ol>
<b>LLC Agreement</b>	means the limited liability company agreement of PaperlinX LLC
<b>LLC Preference Shares</b>	means the limited liability company interests in PaperlinX LLC
<b>LLC Preference Share Terms</b>	means the terms of the LLC Preference Shares set out in Annex A to the LLC Agreement and summarised in Section 7.6 of this Target's Statement
<b>Offer</b>	means the conditional takeover offer by PaperlinX to acquire 100% of the PaperlinX SPS Units currently on issue referred to in the Bidder's Statement
<b>Offer Consideration</b>	has the meaning given in Section 10.5 of the Bidder's Statement
<b>Offer Information Line</b>	means during the Offer Period <b>1800 857 303</b> (toll free for callers within Australia) or <b>+61 2 8256 3366</b> (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time)
<b>Offer Period</b>	means the period commencing 18 December 2013 and ending at 7.00pm (Sydney time) on the Closing Date, unless withdrawn in accordance with the Corporations Act
<b>Official Quotation</b>	means official quotation on ASX

Term	Meaning
<b>PaperlinX</b>	means PaperlinX Limited (ACN 005 146 350)
<b>PaperlinX Board or PaperlinX Directors</b>	means the board of directors of PaperlinX (and each of the directors of PaperlinX as the case may be)
<b>PaperlinX Breach of Undertakings Event</b>	means where the Responsible Entity gives PaperlinX a notice that PaperlinX is in breach of one of the undertakings under the Constitution (provided the breach is remediable) and that breach has not been remedied within three Business Days of receipt of the notice
<b>PaperlinX Group</b>	means PaperlinX and its subsidiaries
<b>PaperlinX LLC</b>	means PaperlinX SPS LLC, a limited liability company established under the laws of Delaware, United States of America
<b>PaperlinX Ordinary Unit</b>	the fully paid ordinary unit in PaperlinX SPS Trust
<b>PaperlinX Preference Shares</b>	means redeemable preference shares in the capital of PaperlinX, the terms of which are summarised in Section 7.7 of this Target's Statement
<b>PaperlinX Shares</b>	means ordinary shares in PaperlinX
<b>PaperlinX SPS Unit</b>	means a PaperlinX step-up preference security issued in PaperlinX SPS Trust
<b>PaperlinX SPS Unit Terms</b>	means the terms on which the PaperlinX SPS Units were issued
<b>PaperlinX SPS Unitholder</b>	means a registered holder of PaperlinX SPS Units
<b>PaperlinX Winding Up Event</b>	means: <ul style="list-style-type: none"> <li>a. An order is made by a court of competent jurisdiction for the winding up of PaperlinX or PaperlinX LLC (as the case maybe) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or</li> <li>b. A resolution is duly passed by the members of PaperlinX or PaperlinX LLC for the winding up of PaperlinX or PaperlinX LLC (as the case may be), in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a Special Resolution of PaperlinX SPS Unitholders)</li> </ul>
<b>Prescribed Occurrence</b>	means an event listed in Section 10.12(c) of the Bidder's Statement
<b>Realisation Event</b>	means an event listed in the terms of issue of the PaperlinX SPS Units which requires or entitles PaperlinX to Realise the PaperlinX SPS Units
<b>Realise</b>	means redeem for cash, exchange for PaperlinX Shares or resell, and <b>Realised</b> and <b>Realisation</b> have the corresponding meaning
<b>Register Date</b>	means the date set by PaperlinX under section 633(2) of the Corporations Act, being 7.00pm Sydney time on 11 December 2013
<b>Regulatory Event</b>	has the meaning set out in paragraph (e) of Section 6.3 of this Target's Statement
<b>Relevant Interest</b>	has the meaning given to that term in sections 608 and 609 of the Corporations Act
<b>RE Removal Event</b>	has the meaning set out in paragraph (b) of Section 6.3 of this Target's Statement
<b>Responsible Entity</b>	means The Trust Company (RE Services) Limited (ACN 45 003 278 831) as the independent responsible entity of the PaperlinX SPS Trust
<b>Rights</b>	means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of PaperlinX SPS Units, whether directly or indirectly, including all rights to receive distributions or proceeds from any return or reduction of capital, to receive or subscribe for units, notes, options or other securities including by way of any return or reduction of capital and to receive all other distributions or entitlements declared, paid, made or issued by PaperlinX SPS Trust (including by way of any return or reduction of capital) after the Announcement Date which may be paid or payable to PaperlinX SPS Unitholders by the Responsible Entity but only if the record date for any such distribution occurs before PaperlinX is registered as the holder of the relevant PaperlinX SPS Units

Term	Meaning
<b>Sale Nominee</b>	means Moelis Australia Securities Pty Ltd (ACN 122 781 560)
<b>Subsidiary</b>	has the meaning given in the Corporations Act
<b>Target Material Adverse Change</b>	means one or more occurrences or any fact, matter or circumstance (whenever occurring or reasonably likely to occur) that is announced or becomes known to PaperlinX that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of PaperlinX SPS Trust taken as a whole
<b>Target's Statement</b>	means this Target's Statement in respect of the Offer given by The Trust Company (RE Services) Limited ABN 45 003 278 831, as responsible entity of the PaperlinX SPS Trust under Part 6.5 of Chapter 6 of the Corporations Act and any supplementary or replacement target's statement
<b>Tax Event</b>	has the meaning set out in paragraph (d) of Section 6.3 of this Target's Statement
<b>Tax Ruling</b>	has the meaning given in Section 10.12(a) of the Bidder's Statement
<b>Trust Winding Up Event</b>	has the meaning set out in paragraph (c) of Section 6.3 of this Target's Statement
<b>Voting Power</b>	has the meaning given to that term in section 610 of the Corporations Act
<b>VWAP</b>	means the volume-weighted average price

## 9.2 INTERPRETATION

In this Target's Statement, the following principles of interpretation apply unless the context otherwise requires:

- a. Words and phrases have the same meaning that is given to them in the Corporations Act (if any);
- b. Unless expressly defined in this Target's Statement, terms defined in the Bidder's Statement have the meaning in this Target's Statement;
- c. A reference to "you" is to a person to whom the Offer is made under Section 10.4 of the Bidder's Statement;
- d. A reference to any legislation or legislative provision includes any statutory modification or re enactment of, or any legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision;
- e. The singular includes the plural and vice versa;
- f. A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, trust, state or government, and vice versa;
- g. A reference to any gender includes both genders;
- h. Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- i. A reference to "dollars" or "\$" is to Australian currency;
- j. A reference to a time is to that time in Sydney, Australia;
- k. A reference to a period of time (including a year, a quarter, a month and a day) is to a calendar period;
- l. Schedules and annexures to this Target's Statement each form a part of it;
- m. A statement made in this Target's Statement is made as at the date of this Target's Statement;
- n. A reference to the Corporations Act is a reference to the Corporations Act as modified in its application to the PaperlinX SPS Trust or an offer by ASIC under Section 655A of the Corporations Act; and
- o. The word "including" or "includes" means "including, but not limited to" or "includes, without limitation".

# DIRECTORY

## DIRECTORS

John Atkin – Director  
Andrew Cannane – Director  
David Grbin – Director  
Rupert Smoker – Alternate Director

## COMPANY SECRETARY

Geoffrey Stirton

## REGISTERED OFFICE

Level 15  
20 Bond Street  
Sydney NSW 2000

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

## LEGAL ADVISER

Watson Mangioni Lawyers Pty Limited  
Level 13, 50 Carrington Street  
Sydney NSW 2000

## CORPORATE ADVISER

ICS Advisory  
Level 40, MLC Centre  
19 Martin Place  
Sydney, NSW 2000



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FOR THE PAPERLINX  
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