



**Office of Hon Dr Michael Cullen**

**Deputy Prime Minister**

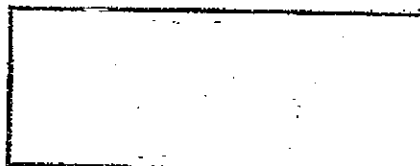
Attorney-General

Minister of Finance

Minister in Charge of Treaty of Waitangi Negotiations

Leader of the House of Representatives

6 December 2007



Cam Moore

Chairman

ONTRACK

PO Box 593

WELLINGTON

Dear Cam

Following our meeting today, I write to confirm the following:

- I note that you have received advice with respect to the preliminary view on the valuation of Toll NZ's business, based on the information made available by Toll.
- Consistent with my 15 November letter, I understand that Toll has initially sought an indicative offer for its entire New Zealand business. I expect to be kept informed if discussions start to progress along any other lines and for you to seek approval for any changed scope of acquisition.

Regarding an indicative offer:

- I am comfortable with ONTRACK making such an offer to Toll in the range of \$300million - \$350 million for equity.
- I understand that alongside this indicative offer the initial position you will be representing in negotiations with Toll will include:
  - The indicative offer is reflective of the limited information provided to date;
  - ONTRACK and its advisors believe Toll New Zealand has a low value in the event that standard NRAA terms, conditions and charges are fully implemented;
  - The Government wishes ONTRACK to proceed with full implementation of standard NRAA terms, conditions and charges;

- The Government expects that, post acquisition, the rail network will offer equal access to different freight forwarders; and
- The Government wishes to see substantial progress towards a transaction by 20 December 2007. Failing this, I reserve the right to terminate the acquisition discussions.

Otherwise, I continue to expect ONTRACK to progress discussions with Toll as outlined in my letter to you dated 15 November.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Cullen', written in a cursive style.

Hon Dr Michael Cullen  
Minister of Finance

