

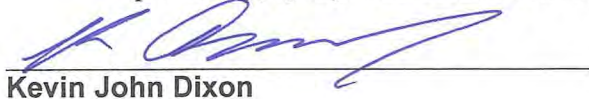
Second Statement of Kevin John Dixon

I, **Kevin John Dixon**, company director, of 6 Racecourse Road Deagon, in the State of Queensland, state as follows:

- A. I refer to my First Statement dated 2 August 2013 and provided to the Queensland Racing Commission of Inquiry (**Commission**) on that day.
- B. This Second Statement is intended to provide further detail regarding matters raised in my First Statement and to respond to statements provided by other witnesses, and is provided pursuant to the Requirement to Give Information in a Statement issued by the Commission on 16 July 2013.
- C. For the purposes of preparing this Second Statement I have, in my position as Chairman of Queensland All-Codes Racing Industry Board trading as Racing Queensland (**Racing Queensland**), had access to:
- 1) the business records of Racing Queensland; and
 - 2) officers of Racing Queensland,
- to obtain information. As a result of the statutory transitional arrangements outlined in paragraphs H to M of my First Statement, the business records of Racing Queensland include the historical business records of the former control bodies to the extent that these business records have been transferred. I have also had access to the business records of the Brisbane Racing Club (**BRC**) and its predecessor, the Brisbane Turf Club (**BTC**).
- D. Unless otherwise stated, the matters set out in this Second Statement are based on my own knowledge or the information derived from the above sources. I have necessarily relied on officers of Racing Queensland to assist me in preparing this Second Statement.

Brisbane Racing Club

1. At paragraphs 25 and 26 of my First Statement, I observed that there were several occasions in my capacity as Founding Chairman of the BRC, and previously as Chairman of the BTC, where I had concerns regarding dealings between those clubs and RQL (and previously, QRL). I am also aware that other clubs, including the Queensland Turf Club (**QTC**) and the Gold Coast Turf Club (**GCTC**), had raised concerns regarding their details with RQL (and previously, QRL). The BRC and the BTC would regularly receive copies of correspondence


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sent by the other clubs regarding their dealings with RQL (and previously, QRL), and those documents therefore form part of the records of the BRC and the BTC.

2. By way of example:

- (a) A copy of a Courier Mail article entitled 'Chairman's behaviour just extraordinary' and dated 18 September 2008 appears at Attachment "**KJD-6**" [RQL.138.005.0035] and a copy of letter in reply to the editor sent by Mr Bentley on that day appears at Attachment "**KJD-7**" to this Statement [RQL.138.005.0148]. The QTC raised concerns regarding a number of incomplete and incorrect statements made by Mr Bentley in a letter to him dated 18 September 2008 (copied to the Honourable Andrew Fraser MP (Treasurer and Minister for Racing)), a copy of which appears at Attachment "**KJD-8**" to this Statement [RQL.138.005.0151]. The QTC separately wrote to the Honourable Andrew Fraser MP on 18 September 2008, in which it sought the Minister's views on the appropriateness and equity of Mr Bentley's comments (a copy of which appears at Attachment "**KJD-9**" to this Statement [RQL.138.005.0065]);
- (b) A copy of a letter from the QTC to Mr Bentley dated 2 April 2009 appears at Attachment "**KJD-10**" to this Statement [RQL.138.005.0036]. That letter sets out concerns held by the QTC regarding a potentially false and misleading QRL media release about QRL stewards having stood down club officials;
- (c) In October 2009, the BRC became concerned that evidence given by Ms Shara Reid (formerly Murray) and others at proceedings before the Federal Court indicated that they had intentionally misled members of QRL at an earlier QRL meeting. I raised those concerns in a letter sent to Ms Reid (formerly Murray) on 30 October 2009 a copy of which appears at Attachment "**KJD-11**" to this Statement [RQL.138.005.0037]. I subsequently received a letter in reply from Mr Bentley, in which he advised that I "*had no right to deal directly with any employees*" of QRL. An unsigned and undated copy of that letter appears as Attachment "**KJD-12**" to this Statement [RQL.101.003.4735];
- (d) A copy of a letter from the GCTC to the Honourable Peter Lawlor MP dated 13 May 2010 appears at Attachment "**KJD-13**" to this Statement [RQL.138.005.0067]. That letter sets out concerns held by the GCTC regarding apparent breaches of


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confidentiality by Mr Bentley in relation to a media rights agreement entered into between it and QRL. Those concerns were also outlined in a letter sent directly to Mr Jamie Orchard, Director of Integrity Operations at QRL, a copy of which appears at Attachment "KJD-14" to this Statement [RQL.138.005.0003];

- (e) A copy a letter from the GCTC to Mr Orchard dated 14 May 2010 appears at Attachment "KJD-15" to this Statement [RQL.138.005.0006]. That letter sets out concerns held by the GCTC regarding potentially false and misleading statements made by Mr Bentley relating to funding provided to it by QRL. A copy of that letter was also sent to the Honourable Peter Lawlor MP under cover of a letter dated 14 May 2010, a copy of which appears as Attachment "KJD-16" to this Statement [RQL.138.005.0069];
- (f) In May 2010, the BRC became concerned about various incorrect statements made by the Honourable Peter Lawlor MP regarding the constitution of RQL. Those concerns are set out in its letter of 14 May 2010 which appears as Attachment "KJD-17" to this Statement [RQL.146.006.0001]. By a letter dated 14 May 2010 the BRC also raised those concerns with Mr Orchard, a copy of which appears at Attachment "KJD-18" to this Statement [RQL.146.006.0002]. A copy of the BRC's letter to the Honourable Peter Lawlor MP was also sent to the Premier's Office, which replied by letter dated 27 May 2010 (a copy of which appears at Attachment "KJD-19" to this Statement [RQL.138.005.0147]). In its reply, the Premier's Office advised "*Please be assured that Minister Lawlor will give your correspondence his full consideration*";
- (g) In December 2010, the BRC became concerned that Mr Bentley had made various misleading comments regarding the BRC's Master Plan in a reply to the Racing Editor published in the Sunday Mail. A copy of Mr Bentley's reply appears at Attachment "KJD-20" to this Statement [RQL.138.005.0022]. BRC sent a letter to Mr Bentley regarding those concerns on 14 December 2010, a copy of which appears at Attachment "KJD-21" to this Statement [RQL.138.005.0124];
- (h) By letter dated 19 November 2010, the BRC submitted a number of questions for the Auditor and Board of QRL to be addressed at an AGM on 29 November 2010. A copy of that letter appears as Attachment "KJD-22" to this Statement [RQL.102.001.3951]. Those questions were not satisfactorily answered at the


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AGM, and the BRC was concerned that Mr Bentley, as Chairman of the meeting, had refused to allow reasonable questions or comments from members of the company. Those concerns were outlined in a letter to QRL dated 30 November 2010, a copy of which appears as Attachment "KJD-23" to this Statement [RQL.146.006.0009]. By letter dated 1 December 2010, QRL responded by asserting that it adequately responded to the obligations of the company and the chairman (a copy of which appears as Attachment "KJD-24" to this Statement [RQL.146.006.0008]). Cooper Grace Ward also sent a letter to the Office of Racing dated 2 December 2010 in which it sought to address BRC's concerns, a copy of which appears as Attachment "KJD-25" to this Statement [RQL.146.006.0005].

Negotiations with Sky Channel

3. At paragraphs 27 to 32 of my First Statement, I noted my concerns regarding RQL's negotiations with Sky Channel on behalf of the racing clubs during 2010 and, in particular, that RQL had advised BRC in late 2010 that it had approached Sky Channel and secured a \$1.5m 'sign on bonus' when it had in fact already secured those funds prior to the individual clubs entering into an agreement.
4. I have reviewed the supplementary statement of Mr Bentley dated 11 September 2013 and, particularly, paragraphs 12, 13 and 53 which relate to the negotiations with Sky Channel.
5. Mr Bentley states at paragraph 53, relevantly, that:

"...previously the clubs negotiated separately and the QTC [chaired by Kevin Dixon] obtained a superior outcome and the lesser clubs scrapped for the crumbs"
6. At no time was I a member of the board of QTC nor its Chairman. In addition, I was not involved in any "previous negotiations" for broadcast rights in any capacity.
7. Further to my First Statement, I now attach at "KJD-26" [RQL.146.002.0304] to this Statement a chronological bundle of documents comprising the BRC's records of the negotiations with Sky Channel.
8. The BRC outlined its concerns regarding the \$1.5m 'sign on bonus' in a letter sent to Mr Bob Bentley (and copied to the racing clubs) on 22 November 2010. A copy of that letter appears at page RQL.146.002.0352 of Attachment "KJD-26" to this Statement.



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9. RQL responded to BRC's letter on 24 November 2010. A copy of its response appears at page RQL.146.002.0362 of Attachment "KJD-26" to this Statement.
10. The board of the BRC met on 24 November 2010 to consider how to best resolve the negotiations with Sky Channel through RQL. A copy of a board paper tabled at that meeting appears at page RQL.146.002.0364 of Attachment "KJD-26" to this Statement.
11. On 25 November 2010, RQL sent a letter to BRC confirming that it had repaid the \$1.5m fee (plus GST) to Sky Channel. A copy of that letter appears at page RQL.146.002.0368 of Attachment "KJD-26" to this Statement.
12. Mr Bentley states at paragraph 13(d) of his supplementary statement that:
- "when Mr Dixon on behalf of the BRC wanted the sign on fee refunded so that it could be paid directly to the race clubs with BRC getting the lion's share. That is what happened"*
13. I recall that although that refund was made to the clubs, QRL subsequently recovered approximately \$1.3m from the clubs for what it alleged to be consultants fees and legal fees associated with the negotiation undertaken by QRL and its consultants.

Responses to Witness Statements

Wayne Milner

14. I have reviewed the statement provided by Mr Wayne Milner, former director of RQL and more previously QRL, dated 26 July 2013 and provided to the Commission.
15. At paragraphs 41 and 42 of his Statement, Mr Milner states that:
- "41. The transition to the appointment of new members of the board was not done in accordance with the manner in which previous board members had been appointed previously. We had to attend an interview process so that there could be no doubt that those seeking appointments were suitably qualified and able to fulfil their positions. However, the transition to the new board resulted in Kevin Dixon being appointment [sic] interim chairman of the board (along with, at that time myself and Brad Ryan as the only remaining directors) and then Greg Hallam was appointed as a nominee of the thoroughbred industry, Warwick Stansfield was appointed at the behest of harness racing board and John Falvey was*


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appointed for the greyhound board. There was no process adopted around those appointments.

42. The Racing Queensland Constitution provides that if a person is a licensee or club official then he or she cannot sit on the board, yet Mr Falvey is as far as I am aware a licensee (a handler of greyhounds). I raised this issue with Mr Dixon at the time. His response was simply words to the effect that we'll get around to it."

16. I recall that prior to the date of his appointment as a director of RQL, Mr Falvey had been an owner, trainer and breeder of greyhounds. Due to this background he was considered an appropriate appointee to the board.
17. The records of RQL show that Mr Falvey had prior to 1 May 2012 held various licences and/or registrations which had been issued by RQL, being:
 - (a) a Stud Master Licence;
 - (b) a Class 1 Trainer Licence; and
 - (c) registration as the owner of five greyhound dogs.
18. Mr Falvey's status as the holder of a Stud Master Licence lapsed through the normal passing of time on 30 June 2011.
19. Early on 1 May 2012 and prior to his appointment as a director at a meeting of the board later that day, Mr Falvey delivered to RQL a letter requesting that RQL cancel his Class 1 Trainer licence, effective immediately. A copy of that letter appears as Attachment "KJD-27" to this Statement [RQL.146.006.0010]. Therefore, by the time of his appointment as a director of RQL on 1 May 2012 Mr Falvey was no longer the holder of any licence that had been issued by RQL.
20. I do not recall that Mr Milner raised the issue "at the time". I do recall that he raised the issue at a later date. At that time, I advised Mr Milner to the effect that RQL had taken advice and the issue had been dealt with appropriately.
21. At paragraphs 43 and 44 of his Statement, Mr Milner states that:



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"43. Also, one of the first orders of business in the new board was to pay the Brisbane Racing Club approximately \$1.8 million. The purpose, using the words of Mr Dixon was "to right a wrong". I can remember having a quite heated discussion with Mr Dixon about this issue that he pushed aside. The real purpose behind the payment was that after the merger of the BTC and the QTC, there did not need to be two grants to racing clubs but rather only one grant had to be made. At the time of the merger, Mr Dixon (my then deputy chairman of the BTC) did not see any issue around the single administration fee as he commented to me that overall savings in the merger would offset this amount. Even though the merger of the two clubs happened several years earlier, he obviously considered that the extra payment was long overdue.

44. At a later meeting after the government had expressed concerns about the payment, steps were taken to show that the payment was to be applied against marketing for the future winter carnival (even though the payment had already been made). "

22. An RQL board meeting was held on 1 May 2012, being the date of my appointment as Chairman. Attachment "**KJD-28**" to this Statement [RQL.101.006.0798] is a copy of the minutes of that meeting. Those minutes record at page 4 that I advised the board of a cut to the BRC subsidy by the previous board of directors and recommended that the board determine to retrospectively put the subsidy back in place. That recommendation was followed and the board unanimously resolved to reinstate the subsidy, on the proviso that the club was not to treat it as a windfall but was to benefit and share the subsidy.
23. The reinstatement of the subsidy was confirmed in a letter sent by RQL to BRC dated 1 May 2012, a copy of which appears as Attachment "**KJD-29**" to this Statement [RQL.146.006.0011].
24. As to the requirement that BRC "*share the subsidy*", by way of example, RQL's letter of 1 May 2012 sought to ensure that the oncourse stabling fees charged by BRC were reduced to the amount charged before the subsidy was removed (those fees having been increased by BRC on the basis that it had lost the subsidy). By letter dated 2 May 2012, BRC confirmed that it would reduce the fees charged and thereby share the benefit of the return of the subsidy. A copy of its letter of 2 May 2012 appears as Attachment "**KJD-30**" to this Statement [RQL.146.006.0013].

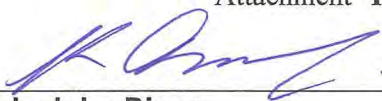


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25. The subsidy was not returned in a single, lump-sum payment to BRC as indicated by Mr Milner. Rather, it was paid back in response to a series of payment requests received from the BRC. Where required, the payment requests were first approved by the Office of Racing. I recall that it took approximately four months for the entirety of the subsidy payment to be returned to BRC.
26. I recall that the first of those requests for payment was in relation to funding that BRC required for marketing activities for its winter carnival to be held in June 2010. That forthcoming request was noted at an RQL board meeting held on 10 May 2012. The minutes of that meeting appear as Attachment "KJD-31" to this Statement [RQL.101.006.0904], and they record at page 6 that:
- "The Board to make a provision of \$1.851M to be used in the future to assist the BRC with costs that would have been met whether the subsidy was in place for the last 2 years.*
- The Chairman advised that BRC would be putting forward a marketing request to RQL for the winter carnival."*
27. BRC subsequently submitted a payment request for its winter carnival marketing activities on 11 May 2012, a copy of which appears as Attachment "KJD-32" to this Statement [RQL.146.006.0014]. The amount of that payment request was \$500,000.00. That payment was approved by email from the Office of Racing on 24 May 2012, a copy of which forms part of the email exchange at Attachment "KJD-33" to this Statement [RQL.146.006.0032].
28. The balance of the subsidy was repaid by RQL in response to the following payment requests submitted by BRC:
- (a) On 14 June 2012 BRC submitted a payment request for \$500,000.00 for a fire safety upgrade to the Paddock Stand at Eagle Farm, a copy of which appears as Attachment "KJD-34" to this Statement [RQL.146.006.0015]. That payment was approved by email from the Office of Racing on 4 July 2012, a copy of which forms part of the email exchange at Attachment "KJD-35" to this Statement [RQL.146.006.0057];
- (b) On 23 July 2012 BRC submitted a payment request for \$500,000.00 for a fire safety upgrade to the John Power Stand at Eagle Farm, a copy of which appears as Attachment "KJD-36" to this Statement [RQL.146.006.0016]. That payment



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request was not required to be approved by the Office of Racing, as by that time the condition imposed on 28 March 2012 requiring RQL to seek the approval of the chief executive of the department for payments in excess of \$20,000.00 had been lifted;

- (c) On 8 August 2012 BRC submitted a payment request for \$352,000.00 for air-conditioning works to the Paddock Stand at Eagle Farm, a copy of which appears as Attachment "KJD-37" to this Statement [RQL.146.006.0018]. Again, that payment request was not required to be approved by the Office of Racing.

Peter Smith

29. I have reviewed the statement provided by Mr Peter Smith, former Industry Training and Workforce Development Manager at RQL, dated 16 August 2013 and provided to the Commission.

30. At paragraph 14 of his statement, Mr Smith states that:

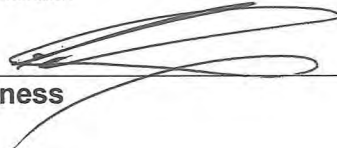
"The only occasion that I can recall where a member of the board interfered in my function was in about the middle of 2012 when a New Zealand apprentice jockey, Rosie Myers, had been on loan from New Zealand. The usual practice was that such loan arrangements would be only for three months. I was directed by the new chair of the board, Kevin Dixon, to extend Ms Myer's loan period until the end of her apprenticeship. That direction was confirmed by an email from Adam Carter."

31. The matters referred to by Mr Smith fall outside the date range specified in the Commission's Terms of Reference. That said, I make the following comments:

- (a) I recall that an issue arose within RQL as to whether apprentice jockeys should be given credit for training undertaken in jurisdictions other than Queensland. The view adopted by RQL management was that credit should be given.
- (b) I recall directing Mr Adam Carter to communicate that view to Mr Smith, but that Mr Smith was not responsive to the direction provided by Mr Carter.
- (c) As a result, I recall speaking directly to Mr Smith to inform him of the view adopted by RQL management and to ensure that credit was given to prior training undertaken by Rosie Myers in New Zealand.



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32. At paragraph 24 of his Statement, Mr Smith states that:

"Shortly after the election, Adam Carter came to see me and gave me a copy of the letter that had been received from the Office of Racing which raised numerous queries about matters that the office wanted to review... I put together all of the material from my area various to the relevant requests in the letter. Nothing came of it after that, as far as I am aware. Sometime later I asked Kevin Dixon about the matters raised in the letter. He said words to the effect, "don't worry about that. We were just trying to find something on Bentley in case he refused to go." "

33. Again, the matters referred to by Mr Smith fall outside the date range specified in the Commission's Terms of Reference. That said, while I cannot recall the exact conversation referred to by Mr Smith I do recall that the matters raised by him were well after the letters received from the Office of Racing. By that time, it was not necessary for him to take any action. I believe that I would have said words to the effect that there was no need for him to worry about those issues.

Anthony Hamner

34. I have reviewed the statement and supplementary statement provided by Mr Anthony Hamner, former Director of RQL, dated 29 July 2013 and 11 September 2013 and provided to the Commission.

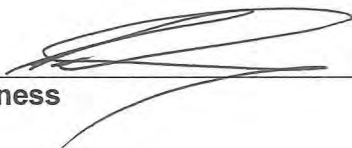
35. At paragraph 13 of his statement dated 11 September 2013, Mr Hamner states that:

"I continue to be surprised by the attention that the issue of whether additional moneys are recoverable from Tatts Group has attracted. If our assessment of the issue was wrong, then I believe those in charge of the control body and Product Co could have taken action, but no one has done so..."

36. I recall that shortly after my appointment as Chairman of RQL on 1 May 2012, with the assistance of senior management, the new RQL Board began to investigate and attempt to understand the arrangement with TattsBet regarding all facets of the Product and Program Agreement, but in particular the basis for the deduction of the Race Information Fees.



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37. In regard to the Race Information Fees Deduction, we had a particular interest since this represented the major component of the less favourable financial position we suffered compared to that enjoyed by the southern states.
38. I also recall that I could not understand in the above context why RQL had hurried the implementation of Race Information Fees in Queensland to the result of accepting an inferior payment calculation approach in regard to these fees.
39. Whilst, from our first meeting, the interim RQL board considered this topic of the highest importance and one with which we believed needed to be followed to its ultimate conclusion, we also understood that the information available to us on the reasons behind the decisions by the previous Board was limited, and we determined to take the time necessary to try and understand the position so as any action we subsequently took would have maximum chance of success.
40. At the time we first started to gather information regarding this agreement, we had not been aware of the advice provided by David Grace of Cooper Grace Ward in regard to the legitimacy of the Race Information Fees deduction.
41. After sometime after we began our investigations, the exact length of time I cannot recall, I became aware of the advice provided by Cooper Grace Ward regarding TattsBet's deduction of race information fees from the fees payable to Product Co under the Product and Program Agreement. That advice was brought to my attention by Mr Bill Andrews, former director of QRL, in August 2012.
42. A meeting of the board of RQL was held on 17 August 2012. Attachment "KJD-38" to this Statement [RQL.104.005.0050] is a copy of the minutes of that meeting, which record at page 6 that I updated the board in relation to the advice provided by Cooper Grace Ward in 2008 and that the board agreed to seek Senior Counsel advice regarding the Product and Program Agreement. Subsequently, advice from Senior Counsel was obtained. That advice is subject to legal professional privilege and such privilege is maintained by Racing Queensland.
43. I also recall that I, along with other representatives of Product Co and RQL, attended a meeting on 11 September 2012 with Mr Fletton and Mr Tamer of TattsBet. Attachment "KJD-39" to this Statement [RQL.147.004.0001] is a copy of the minutes of that meeting prepared by TattsBet. Those minutes record at Item 7.2 that I stated that RQL had advice that



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TattsBet was not entitled to deduct race information fees from the fees payable under the Product and Program Agreement. Mr Fletton, on behalf of TattsBet, noted his disagreement. That dialog has continued and TattsBet continue to deduct race information fees.

44. As set out above, this matter was the subject of consideration by the board of RQL. Given:

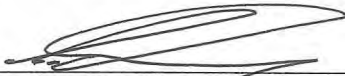
- (a) the imminent transition from RQL to Racing Queensland from 1 May 2013; and
- (b) the subsequent establishment of the Commission (which, by its terms of reference, intends to consider the "*arrangements between Queensland Race Product Co Ltd and Tatts Group... concerning fees paid by the Tatts Group*")

the matter continues to be the subject of consideration and review by Racing Queensland.

I make this statement conscientiously believing the same to be true, and by virtue of the provisions of the Oaths Act 1867 (Qld).

Dated 24 September 2013

Signed and declared by Kevin John Dixon at
Brisbane in the State of Queensland
this 24th day of September 2013
Before me:



Signature of person before whom the declaration is
made



Signature of declarant

ALEXANDER NORDANG, SOLICITOR

Full name and qualification of person before whom the
declaration is made

Dear Mr Dixon

I refer to your letter dated 30 October 2009 addressed to Ms Shara Murray of this Office, which was received on 5 November 2009.

I have discussed the matter of your communication with Ms Murray. Her performance as an officer of this Company is a matter in part for the Board to whom she reports in her capacity as Company Secretary and in part to the Chief Operations Manager (COM) to whom she reports on administrative matters.

You have no right to deal directly with employees of this organisation and as Chairman of the Brisbane Racing Club (BRC) I would have thought that you would recognise and respect the proper method of communicating concerns to this Company. I am very disappointed that a person in your position would act in this way.

Queensland Racing Limited (QRL) is a public Company limited by guarantee, and conduct of its employees is a matter for itself. QRL has not sort to interfere in any questionable employment decisions that the BRC has made since the amalgamation.

The question of where proceedings have been taken by Mr Andrews aside (it was the Supreme Court, not the Federal Court), the matter of communication between Ms Murray and Class A Members on 14 August 2009 has been considered and dealt with appropriately.

I future, please address your concerns either directly to me or to QRL's COM and do not seek to deal directly with an employee.

Yours faithfully

RG BENTLEY

Chairman

cc. Mr Malcolm Tuttle
Chief Operations Manager
Queensland Racing Limited



Tuesday, 1 May 2012

Board Room, Racing Queensland
Racecourse Road, Deagon



Meeting Commenced at 9:05am
Meeting Concluded at 12:00pm

Board
Directors
Present:

Kevin Dixon
Wayne Milner
Bradley Ryan

In attendance:

Adam Carter - *Chief Financial Officer*
Greg Hallam
John Falvey
Warwick Stansfield
Country Racing Committee

Minutes:

Debbie Toohey - *Board Secretary*

Mr Adam Carter as Company Secretary opened the Meeting at 9:05am.

No agenda was provided to the directors prior to the commencement of or during the Board meeting.

Resolution to call a Board Meeting on Short Notice

The Board gave its consent to hold the Board Meeting despite the fact that shorter notice had been given than as required by the *Corporations Act 2001* (Cth) and the Company's Constitution.

MOVED by Mr Wayne Milner **SECONDED** by Mr Bradley Ryan

Motion carried

1. Appointment of Chairperson

The board noted that with the resignation of Mr Robert Bentley (Chairman) and Mr Anthony Hanmer (Deputy Chairman) a new Chairman needed to be appointed.

The directors discussed the matter. It was agreed that the appointment of a Deputy Chairman would be held over until a later date.

Mr Kevin Dixon agreed to act as interim Chairman for this Board meeting.

It was **unanimously resolved** that Kevin Dixon would be appointed as the interim Chairman for the meeting.

MOVED by Mr Wayne Milner **SECONDED** by Mr Bradley Ryan

Motion carried

2. Appointment of 3 new Directors

The Board noted the resignation of Mr William Ludwig (in addition to Mr Bentley and Mr Hanmer already noted).

The directors discussed the matter and agreed to appoint the following 3 individuals as directors of RQL:

- Warwick Stansfield;
- John Falvey; and
- Greg Hallam.

It was **unanimously resolved** that subject to confirmation from each individual that they are an eligible individual in accordance with s.9 of the Racing Act 2002 the following 3 individuals are appointed to the Board of RQL:

- Warwick Stansfield;
- John Falvey; and
- Greg Hallam.

MOVED by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

Motion carried

The Chairman adjourned the meeting at 9:10am to await the 3 new directors to join the Board meeting.

The Chairman resumed the meeting at 9:50am.

Mr Warwick Stansfield, Mr John Falvey and Mr Greg Hallam joined the Board meeting.

Mr Dixon updated the 3 new directors in relation to the ratification of himself in the Chairman's role.

It was **unanimously resolved** that Mr Kevin Dixon be Chairman of the RQL Board.

3. Appointment of RQL representative to Country Racing Committee

The Board noted that Mr William Ludwig was the representative of the Company that sat on the Country Racing Committee. It was noted that since Mr Ludwig has tendered his resignation as a director of the Company that the Company will need to appoint a new representative of the Company to sit on the Country Racing Committee.

The directors discussed the matter. Mr Greg Hallam agreed to act as the representative of the Company on the Country Racing Committee.

It was **unanimously resolved** that Mr Greg Hallam act as the representative of the Company on the Country Racing Committee.

3. Urgent Business

The Chairman advised all Board members that Mr Bradley Ryan and Mr Wayne Milner will remain on the Board until the end of July 2012. The Chairman reiterated confidentiality is paramount in relation to the positions of Mr Ryan and Mr Milner and not to be made public.

Mr Milner stated that they were co-operating as much as possible and that if it should become public then he would require a Board meeting to be held to discuss the positions.

Resignations

The Chairman tabled the resignations of Mr Robert Bentley, Mr William Ludwig, Mr Anthony Hanmer and Mr Graeme Fry – (**Attachment 1**).

New Appointments – (Attachment 2)

The Board acknowledged that with the recent resignations of a number of executive officers and board members, there may be some additional nominations to Boards that are required to be made. In order to ensure that any nominations or appointments that RQL is required to make are actioned within required timeframes, authority should be given to the Chairman and Acting CEO to make appointments on an interim basis.

It was **unanimously resolved** that if RQL is required to appoint or nominate a representative to a Committee or Board between today and the next RQL Board Meeting, the Chairman and the Acting CEO will have the authority to do so subject to such appointments being tabled at the next Board meeting.

Briefing Paper

Mr Carter spoke to the Briefing Paper that he had prepared in relation to the update on RQL, in particular, corporate structure, industry structure and key goals. Mr Carter will provide each Board Director a pack on what was tabled for their perusal.

Each new Director will also be sent the last Board papers from the meeting of 16 April 2012.

The Chairman suggested that a Board meeting be held on Thursday, 10 May at 12pm and for the immediate future, suspend the notice of meeting of 28 days.

Sunshine Coast Racing Pty Ltd – Transfer of Shares from QRL to RQL

The Chairman updated the Board in relation to the Shares that are still with QRL.

The Board suggested the Chairman write to the secretary of Sunshine Coast Racing Pty Ltd and request that the shares be transferred into RQL's name (in accordance with s.429 of the Racing Act).

The Board **APPROVED** the transfer of Shares from QRL to RQL.

MOVED by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

Motion carried

4. General Business

Brisbane Greyhound Racing Club

The Chairman updated the Board in relation to the Brisbane Greyhound Racing Club (**Club**) and gave the new Directors a background update.

The Chairman tabled a letter from the Club with recommendations on their short term funding.

The Chairman recommended that RQL fund the Club for 3 months with a \$200,000 ceiling put in place. The RQL Finance Department would also allocate personnel to put new controls and procedures in place.

Mr Carter would seek endorsement from the ANZ Bank.

This was **unanimously resolved** by the Board.

Brisbane Racing Club – Subsidy

The Chairman advised the Board of the cut to the Brisbane Racing Club (**BRC**) subsidy by the previous RQL Board Directors and recommended the Board determine to retrospectively put the subsidy back in place.

The Board advised that they would be reviewing the way that all Clubs are subsidised.

The Board **unanimously resolved** to reinstate the subsidy of \$1.851M to BRC on the proviso that they are receiving the subsidy given the improvements that have been made and not to treat it as a windfall but to benefit and share, for example to give trainers a reduction in their costs.

Country Racing Committee

The Country Racing Committee (**CRC**) joined the Board meeting at 10:10am and Mr Gary Peoples presented to the Board the CRC recommendations (**Attachment 3**)

The Chairman advised that he would be meeting with Government and discussing the CRC recommendations. The Chairman further advised the CRC to start discussing with their other associations the CRC recommendations and advise RQL of any changes to the recommendations.

The Government would like the distribution of \$1M to be completed by 1 July 2012.

Mr Milner suggested in relation to the shortage of jockeys that the CRC look at racing on Sundays. The CRC advised that this was something that it would consider.

The CRC left the meeting at 11:40am.

Board Directors Remuneration

The Chairman advised the Board that it was the view of himself and the Government that the previous rate of Director remuneration was excessive and at the higher end. The Chairman recommended that the remuneration paid to Directors by RQL be reduced by 50%.

The Chairman informed the Board that the Government has rules moving forward on Statutory Boards remuneration, but at present will continue on a Board fee process.

The Board **unanimously resolved** to a 50% reduction of Board Directors Remuneration.

Other matters

The Chairman suggested that Mr Stansfield and Mr Falvey consider a model in which the other 3 separate codes Board is selected, in particular Harness and Greyhounds. The Chairman advised that he has ideas on how the Thoroughbred Board should be nominated. The Board to consider this further.

Mr Falvey suggested that a media release be prepared with the new Board's core values and what the Board stands for. The Chairman suggested that the Acting CEO and Chairman compose a media release.

Mr Hallam suggested at the next Board meeting that the expectations/goals of the Board be discussed. Mr Carter to provide a governance charter to all Board Directors.

Confirmed as a true record.

Kevin Dixon
Chairman
Dated...../...../2012

Thursday, 10 May 2012

Board Room, Racing Queensland
Racecourse Road, Deagon

Meeting Commenced at 12:00pm
Meeting Concluded at 6:15pm

Board Directors Present: Kevin Dixon
Wayne Milner
Bradley Ryan
Greg Hallam
John Falvey
Warwick Stansfield

In attendance: Adam Carter - *Acting Chief Executive Officer*
Warren Williams - *Facilities Maintenance & Development Manager*
Russell Thompson - *Industry Infrastructure Plan – Senior Project Manager*
Barry Dunphy - *Clayton Utz*

Minutes: Debbie Toohey - *Board Secretary*

The Chairman opened the Meeting at 12:12pm.

1.1 Apologies

The Board noted that Mr Bradley Ryan will join the Board meeting at 3pm.

Appointment of Deputy Chairperson

It was **unanimously resolved** that Mr Greg Hallam be appointed as Deputy Chairman of the RQL Board.

1.2 Declaration of Conflicts of Interest

Directors are required by the *Corporations Act 2001(Cth)* to disclose any material personal interest in a matter relating to the affairs of the Company.

The Board advised that any further Conflict of Interests would be provided to the Board Secretary to include in Attachment 'A'.

Mr John Falvey declared a conflict whereby in the Greyhound code being an owner/handler maybe classified as a licensee.

1.3 Confirmation of Minutes of RQL Board meeting of 16 April 2012, 17 April 2012, 24 April 2012 and 1 May 2012

The Board **RESOLVED** that the RQL Board Meeting Minutes of 16 April 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Wayne Milner

Motion carried

The Board **RESOLVED** that the RQL Board Meeting Minutes of 17 April 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Wayne Milner

Motion carried

The Board **RESOLVED** that the RQL Board Meeting Minutes of 24 April 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Wayne Milner

Motion carried

The Board **RESOLVED** that the RQL Board Meeting Minutes of 1 May 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Wayne Milner

Motion carried

1.4 Action Sheet

The Board **NOTED** the action sheet.

1.5 Media Releases / Correspondence / Matters for Noting

The Board **NOTED** the following:

Media Releases

RQL Board members resign	17 April 2012
Queensland country racing at the fore	1 May 2012
New RQL board directors appointed	1 May 2012

The above correspondence was **NOTED** by the Board.

1.6 Confirmation of Flying Minutes

There are no Flying Minutes to be **CONFIRMED** by the Board.

2.1 Introduction to Corporate Governance Charter & Board Objectives

Mr Barry Dunphy presented to the Board - Conflicts of Interest and Corporate Governance obligations by the RQL Directors.

All Directors (excluding Mr Bradley Ryan) were present for the presentation.

2.2 Review of matters from previous Board papers (16 April 2012)

Mr Adam Carter updated the Board in relation to outstanding action items from the Board meeting of 16 April 2012.

2.3 RQL Structure & Organisation

Mr Adam Carter updated the Board in relation to the current RQL Structure & Organisation.

The Chairman advised that the roles and responsibilities of RQL will change, in particular to the venue resources and the Product Development Team.

The Chairman informed the Board that the roles vacant will not be filled at present.

Mr Carter to outline a new RQL structure and provide to the Board at the next Board meeting. Mr Carter will present to the Board the existing budget and where savings can be made.

Mr Wade Birch to formulate a design for the Integrity Department, taking into account the suggestion of outsourcing the Investigative team.

This was **NOTED** by the Board.

2.4 Overview – CEO & Financial Report

Mr Carter spoke to the paper regarding RQL Briefing Paper and Financials and updated the Board on key goals and issues facing RQL.

Mr Ryan joined the Board meeting at 3:35pm.

Mr Hallam suggested looking at putting a legal panel in place.

Mr Carter advised the Board that there would be an increase of 20% for insurance premiums due to flooding over the past couple of years. Mr Hallam suggested looking at insurance pools and looking at alternatives for jockeys instead of using workcover.

Mr Carter informed the Board that significant costs savings in marketing will be made going forward and suggested whether or not marketing should be the responsibility of the Clubs rather than RQL.

Mr John Falvey suggested freeing up of advertising for Jockeys.

The Chairman advised the Board that the subsidy Clubs receive should be tied into their performance as the current model is not working.

The Chairman suggested that the Racing Science Centre Agreement be reviewed and alternatives looked at and report provided to the Board.

The Chairman advised the Board that a Race Information project team had been formed to look at Race Information Fees.

The Report was **NOTED** by the Board.

2.5 Various Board external/internal obligations

The Board ratified the new external and internal Board appointments as presented.

Mr Carter was appointed as Director of Sunshine Coast Racing Pty Ltd.

It was **unanimously resolved** that Adam Carter be appointed as a Director of Sunshine Coast Racing Pty Ltd.

3.1 Industry Infrastructure Report

Mr Russell Thompson updated the Board in relation to the various Industry Infrastructure Projects.

The Report was **NOTED** by the Board.

4.1 Clubs – Structures and Infrastructure Plan

The Chairman updated the Board in relation to the Beaudesert Race Club and addressing whether or not it needed to become a TAB track. The Chairman suggested that the Club did not have the capability of maintaining a TAB track and that it should remain a Non Tab track and training facility.

Mr Warren Williams presented a paper to the Board in relation to the proposed track upgrade and associated works to address the WH&S requirements and to meet RQL's minimum standards as required for a Non-TAB track.

Mr Williams has identified \$1.815M cost estimate for proposed track upgrade and associated works to address the WH&S requirements. The Chairman suggested Mr Williams provide a report to the Board at the next Board meeting identifying additional priorities and costs associated with the Club to increase the amount to \$4M.

The Chairman suggested that the Beaudesert Race Club could use the services and machinery of the Brisbane Racing Club and the Gold Coast Turf Club at Beaudesert.

The Board delegated for the Chairman to work on new structures for Sunshine Coast Turf Club, Rockhampton Jockey Club, Logan, Capalaba and Albion Park.

Mr John Falvey and Mr Warwick Stansfield to consult with the greyhound and harness industries on what they would like in their facilities.

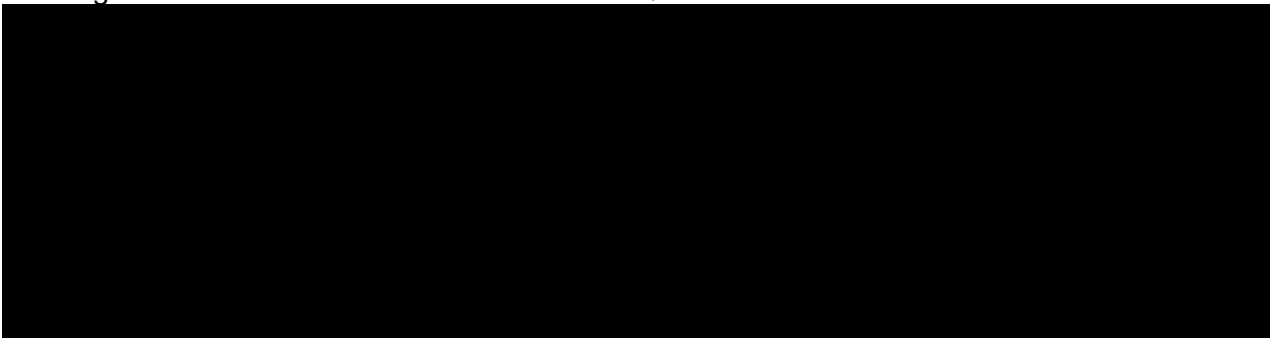
4.2 Legal & Compliance Report

Kerry Watson v Racing Queensland Ltd & Ors

Mr Dunphy updated the Board in relation to the status of the Kerry Watson matter.

The Chairman advised that the basis of the claim had changed, in that, the Board fee has reduced and the term has also reduced to 1 year.

Mr Dunphy indicated that Clayton Utz were finalising statements and that Ms Watson has incurred significant legal costs. The Chairman suggested that Clayton Utz investigate whether the matter could be settled for between \$80,000 to \$160,000. Mr Carter to investigate whether this settlement falls under RQL's D & O Insurance.



Integrity matters – QCAT Appeals

Mr Carter updated the Board in relation to the current status of integrity matters.

Mr Hallam declared a conflict of interest in relation to Mr Terry Butts and took no part in discussions.

The Chairman suggested that Mr Wade Birch develop an objective process deciding whether to appeal. This process should take into account RQL's prospects of success, the cost to RQL in running the matter and the significance of the issue in dispute. Each appeal is to be approved by the Board.

Mr Hallam suggested a meeting with Justice Wilson at QCAT to get appeal decisions expedited, as some are taking months for decisions.

Mr Carter and Mr Birch to prepare an analysis looking at the trend over the past 2 years of QCAT appeals and RQL Appeal committees.

Mr Carter advised the Board that Mr Kevin Carr, Integrity Manager's employment probation period had ended and RQL will not be employing Mr Carr on a permanent basis.

Mr John Falvey acknowledged that in the Greyhound industry you are required to be licensed as an owner of dogs, where in the other codes you were not required to be licensed as an owner. The Board advised that more clarification was needed and for Mr Carter and Mr Falvey to work together and seek legal advice on the matter.

Other matters

Brisbane Racing Club (BRC)

The Board to make a provision of \$1.851M to be used in the future to assist the BRC with costs that would have been met whether the subsidy was in place for the last 2 years.

The Chairman advised that BRC would be putting forward a marketing request to RQL for the winter carnival.

Toowoomba Turf Club

The Chairman advised the Board that there was still an expenditure of \$4.3M for a third synthetic track, however, he felt there was not an appetite for another synthetic track. The Chairman has spoken to the Government who has are considering that the \$4.3M is to be used in relocating the synthetic track to the inside track and grass to be put back on the course proper at the Toowoomba Turf Club.

RQL Credit Cards

Mr Carter informed the Board that access to credit cards had been reviewed and streamlined and that an expenditure limit of \$1,000 was in place for employees.

All employee terms and conditions will be reviewed from 1 July 2012, including car leases.

Confirmed as a true record.

Kevin Dixon
Chairman
Dated...../...../2012

Attachment 'A'

Mr Kevin Dixon

To be confirmed on the day

Mr Bradley Ryan

Member of the Brisbane Racing Club
Member of Tattersalls Club

Mr Wayne Milner

Member of the Brisbane Racing Club
Member of the Sunshine Coast Turf Club
Member of the Ipswich Turf Club
Member of the Victoria Racing Club
Life Member of QROA
Holder of Victoria Owners Gold Card
ME Bank

Mr John Falvey

Nil

Mr Gregory Hallam

Local Government Association of Queensland Ltd
Resolute Information Technology Pty Ltd ATF The DDS Unit Trust
Prevwood Pty Ltd
Local Partnerships Services Pty Ltd, as manager for Services Qld Partnership
Services Qld Partnership
Queensland Partnerships Group (LG Shared Services) Pty Ltd, as manager for the Propel
Partnerships Joint Venture
Local Buy Pty Ltd ATF The Local Buy Trading Trust
Local Government Infrastructure Services Pty Ltd
LG Mutual
LG Workcare
LG Cloud Pty Ltd

Mr Warwick Stansfield

Albion Park Harness Racing Club



19 November 2010

Shara Murray
Legal Compliance Council
Company Secretary
Queensland Racing Ltd
PO Box 63
Sandgate Qld 4017

Dear Shara,

Questions of Auditor and Board at AGM

In regard to the Queensland Racing Limited AGM to be held 29 November 2010, I have several questions for the auditor and Board in regard to the:

- conduct of the audit
- preparation and content of the auditor's report
- accounting policies adopted by the company in relation to the preparation of the financial statements
- management of the company

My specific questions are set out below.

1) Product Co revenue

The Chairman's Report (page 1) states "As at 30 June 2010, the consolidated group paid out all revenue received from Queensland Race Product Co in accordance with the Product and Program distribution agreement".

- a) To which entities were the monies paid out?
- b) How were the distribution amounts determined?

2) Downturn in wagering

The Chairman's Report (page 2) refers to a downturn in pari-mutuel and fixed odds wagering of almost 2% on prior year.

- a) What are the reasons for that downturn?
- b) What is the forecast for FY11?

3) Synthetic track grant funds

The Chairman's Report (page 2) refers to grant funds for Synthetic Track construction.

- a) What are the terms of the grant?
- b) How much money has QRL received?

- c) We understand funds have been allocated from this fund to two projects. How much has been spent on each of the projects?
- d) Is there funding remaining? If so, how much remains?

4) Property Plant and Equipment

Property, plant and equipment has risen by \$22.1m (from \$44.5m to \$66.6m).

- a) If \$18.5m is the total of Caloundra stables and Rockhampton track (as per Chairman's report page 2) – what is the other \$3.6m?

5) Toowoomba synthetic track – Agreement “to be determined”

The “Letter of Offer” from QRL to TTC dated 28 May 2009 set out “Obligations of QRL” and “Obligations of TTC”. The only agreement to be completed was a Service Level Agreement relating to the delivery of maintenance services. Nothing in that Letter of Offer referred to the “balance of the track and capital development” being subject to an “agreement to be determined”. However, the Chairman's Report (page 2) states, “An amount of \$5.6M (including interest) was drawn from the grant funds for synthetic track construction at the Toowoomba track, made available by the Queensland Government. The balance of the track and capital development was funded by Queensland Racing Limited with an agreement to be determined in the financial year ending 30 June 2011.” Therefore:

- a) Please table any agreement, purchase order, minute, heads of agreement, term sheet, exchange of letters, etc, that shows Toowoomba Turf Club is bound to repay any monies invested in the cushion track.
- b) if there is no agreement in existence, thus no audit evidence available to reasonably draw a conclusion that an asset exists, how can the Toowoomba Synthetic track be claimed as an asset of QRL?

6) Toowoomba synthetic track – Agreement with TTC

Work commenced on the new track shortly after 17 February 2009. The first race meeting was held on the new synthetic track on Saturday 11 July 2009.

- a) Given that work commenced 1 year, 8 months and 17 days ago, why hasn't the agreement been determined?
- b) Why will it take another 7 months and 21 days to resolve the matter?

7) Toowoomba synthetic track – Management practice

- a) It is understood that the total expenditure on the Toowoomba project has been approximately \$10m. Why was an agreement not determined prior to expenditure of this significant amount?
- b) Does the Board and auditor consider the Toowoomba synthetic track a “material item”?
- c) Is it standard Management practice to expend large sums with no agreements in place?

8) Toowoomba synthetic track – Accounting Standards

- a) Has the item been treated as a debt recoverable or as equity in the asset?
- b) How is the expenditure treated in the FY10 accounts?
- c) What documentary evidence supports that treatment?
- d) What effect did the treatment of the expenditure have on the FY10 profit/loss?
- e) Was the auditor made aware by QRL that the audited accounts of TTC for FY 10 tabled at QRL on 4 October 2010 contained a note stating in part “By virtue of a letter of offer dated 28 May 2008, QRL entered into an agreement with the TTC to fund by way of grant (partially subsidized by the Qld Government) the development and construction of a synthetic cushion track”?
- f) If the auditor saw the TTC audited accounts, does the auditor dispute those audited accounts

- g) If the auditor did not see the TTC chart of accounts, why was he not advised that a dispute existed
- h) What is the estimated risk percentage that agreement cannot be reached?
- i) If the treatment of this expenditure was other than “expensed” what would the profit/loss of QRL have been if the item had been expensed?
- j) If RQL is asserting it holds equity in the racecourse, does that equity form part of the security in the Charge 1875549 held by NAB over the assets of RQL?
- k) If an agreement cannot be determined with TTC, how will the expenditure be treated in the FY11 accounts?

9) Toowoomba synthetic track – QRL transparency to auditor

Was the auditor made aware by QRL that:

- a) QRL has no registered interest in Lot 982 Crown Plan AG 3831 (Toowoomba Racecourse). The Registered owner is TTC.
- b) The letter of offer from QRL to TTC dated 28 May 2010 did not list any obligation upon TTC to repay monies or create any claim of QRL over the asset
- c) The letter from QRL to TTC members dated 30 January 2009 stated “... a positive vote will see QRL allocate \$10 million to undertake the following capital works – conversion of the course proper to all weather synthetic”
- d) The TTC letter to members 22 May 2008 stated “in addition to the \$4m from the State Government, QRL has committed to a further \$6M”?
- e) TTC has entered the synthetic track as “Unearned Grant Income” in its FY10 Annual Report, as tabled to QRL
- f) Toowoomba Turf Club (TTC) has stated publicly that the investment was by way of grant
- g) TTC denies publicly the existence of any agreement with QRL
- h) TTC has publicly advised it has no intention of entering into any agreement
- i) Therefore, given it would appear that agreement seems less than probable, is it not true that under the Australian Accounting Standards the item should have been fully expensed in the QRL accounts?

10) Toowoomba synthetic track – Debtor

Does the auditor say that TTC was a debtor at 30 June 2010? If so, did the auditor:

- a) Review any loan/funding contract; duly executed, unconditional and signed by both parties?
- b) Confirm directly with TTC the balance of the debtor?
- c) Assess whether the debtor is impaired?

11) Integrity raceday functions

The Chairman’s Report (page 2) states that QRL it has accepted responsibility for integrity race day functions previously undertaken by the Clubs resulting in additional costs of \$1M.

- a) Which functions?
- b) Which clubs?
- c) How much each club?
- d) What is the forecast for each club for FY11?

12) Corbould Park stables

The Chairman’s Report (page 2) states “The Board of QRL invested \$12M from consolidated reserves on the construction of 256 on-course stables at Corbould Park.” Note 8 refers to QRL having secured loans totaling \$10.9M (Current 1.751M and Non-Current 9.149M). Note 20 refers to contingent liabilities of \$10.152M.

- a) What is the total debt owed on the stables?

- b) What is the total extent of security provided to lenders as security for this debt.
- c) How many boxes were leased to trainers as at 30 June 2010?
- d) How many boxes were leased to trainers as at 3 November 2010?
- e) What was the gross revenue from the investment for FY10?
- f) What is the forecast revenue for FY11?
- g) Are any tenants paying less than the commercial rate?
- h) How much was spent on maintenance in FY 10?
- i) What is the forecast maintenance for FY11?
- j) In the January 2010 QRL Magazine, Mr. Bentley states "... the 256 stabling modules in phase one are oversubscribed". Was that statement correct? If so, which trainers have failed to take up the stables for which they subscribed?
- k) If the secured loans were for the purpose of building stables at Corbould Park, is the Chairman's report correct (page 2) where he states that the construction was funded from consolidated reserves?
- l) Given the debt servicing and maintenance costs, it is estimated that the stables will cost in excess of \$750,000 p.a. Will future revenue cover these costs. What is the plan to repay the debt raised to construct the stables.

13) Auditor remuneration (Note 15, page 24)

- a) Why has auditors remuneration increased by \$187K in FY10 (note 15)?
- b) Why has auditor's remuneration risen from \$87,000 in FY05 to \$384,000 in FY10?
- c) What is the difference between "internal audit" and "external audit"?

14) Property Plant and Equipment - Note 6

- a) The Statement of Cash flows (page 11) states that Property, Plant and Equipment was purchased for \$19.696M. What items were purchased?
- b) PPE Note 6 (page 19) lists "Works in Progress" of \$13.418M. What are those Works in Progress?
- c) "Consolidated Group 2010 table footnote 1" (page 20) states, "disposals of work in progress include \$2.972M of track related expenditure that has been transferred to investments and loans receivable". What are the items included in the \$2.972M?
- d) What is the make-up of non-current trade receivable for \$6.022m?

15) Deferred Grants

Non-current trade and other payables (page 20) refers to a Deferred Grants of \$3.975M

- a) What is the nature of that Deferred Grant
- b) What items is the Deferred Grant to be spent upon?



**KEVIN DIXON
CHAIRMAN
CLASS A MEMBER REPRESENTATIVE**

Friday, 17 August 2012

Board Room, Racing Queensland
Racecourse Road, Deagon

Meeting Commenced at 9:10am
Meeting Concluded at 2:55pm

Board Directors Present:	Kevin Dixon	- <i>Chairman</i>
	Greg Hallam	- <i>Deputy Chairman</i>
	John Falvey	
	Warwick Stansfield	
In attendance:	Adam Carter	- <i>Acting Chief Executive Officer</i>
	Michelle Hutchinson	- <i>Secondee – Clayton Utz</i>
	Wade Birch	- <i>Chief Steward – 3 codes</i>
	Peter Smith	- <i>Industry Training & Workforce Development Manager</i>
	Sharon Drew	- <i>Finance Manager</i>
	Damien Raedler	- <i>Harness & Greyhound Racing Manager</i>
	Mark Ingham	- <i>Deloitte</i>
	James Foote	- <i>Deloitte</i>
	Michael Parfitt	- <i>Sunshine Coast TAFE</i>
Minutes:	Debbie Toohey	- <i>Board Secretary</i>

The Chairman opened the Meeting at 9:10am.

1.1 Apologies

There were no apologies for this meeting.

Mr Greg Hallam arrived at the Board meeting at 9:15am.

1.2 Declaration of Conflicts of Interest

Directors are required by the *Corporations Act 2001(Cth)* to disclose any material personal interest in a matter relating to the affairs of the Company.

The Board advised that any further Conflict of Interests would be provided to the Board Secretary to include in Attachment 'A'.

1.3 Confirmation of Minutes of RQL Board meeting of 16 July 2012 & 2 August 2012

The Board **RESOLVED** that the RQL Board Meeting Minutes of 16 July 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Warwick Stansfield

Motion carried

The Board **RESOLVED** that the RQL Board Meeting Minutes of 2 August 2012 be received and confirmed.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Warwick Stansfield

Motion carried**1.4 Action Sheet**

The Board **NOTED** the action sheet.

1.5 Media Releases / Correspondence / Matters for Noting

The board **CONFIRMED** the following correspondence:

Letters

Letter to Mr Kevin Dixon from Mr Steve Dickson MP	Skills shortages in the racing industry	25 July 2012
Letter to Mr Kevin Dixon from Mr Ian Joblin – President, Mackay Turf Club	Mackay Cup Day	25 July 2012
Letter to Mr Adam Carter from Mr Mike Kelly – Office of Racing	Governments six month action plan	2 August 2012
Letter to previous RQL Directors	RQ's response to Auditor-General's Report	3 August 2012
Letter to previous 4 RQL Executives	RQ's response to Auditor-General's Report	3 August 2012

Media Releases

RQL response to the Auditor- General's Report	3 August 2012
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1.6 Confirmation of Flying Minutes

There are no Flying Minutes to be **CONFIRMED** by the Board.

1.7 Workplace Health & Safety

This report was **NOTED** by the Board.

2.1 CEO Report**Budget 2012/13**

Mr Adam Carter and Ms Sharon Drew presented the Board with the 3 code - FY13 budget.

Ms Drew informed the Board that the Key Statistics - FY1213 harness total TAB and Non TAB race meetings of 340 is incorrect – it should be 285 and FY1213 Thoroughbred total TAB and Non TAB race meetings of 751 is incorrect – it should be 754.

Page 10 of the Budget should read:

- Thoroughbred budgeted prizemoney \$78.8M.
- Harness budgeted prizemoney \$15.5M
- Greyhound budgeted prizemoney \$10.4M
- Overall prizemoney budget reflects 2% withheld for Thoroughbreds, 1% withheld for Harness and 1% withheld for Greyhounds.

Mr Falvey queried the reallocation of the greyhound breeding scheme budget to prizemoney. Ross Dowd to confirm value.

Mr Falvey advised that the Greyhound budget will be based on the consultation paper.

The Chairman is concerned about the way the data funnels through to the budget. Some staff have no corporate understanding of the way the data is collated. The Chairman stated that wherever the numbers were coming from was not working at the moment. RQL needs to rethink the process.

Mr Carter advised that he and Mr Wade Birch are looking at the Racing Science Centre Agreement and other options. The Chairman advised that Gatton is the preferred option. The Chairman would like RQL to consider and find another provider.

The Chairman queried if the Administration expenditure of \$2.466M is worth reviewing.

Mr Carter advised the Board that a revised budget will be presented by 1 December 2012.

The Board **APPROVED** the FY1213 Budget as presented.

MOVED by Mr Kevin Dixon **SECONDED** by Mr Greg Hallam

Motion carried

Thoroughbred Club New Contribution Scheme

Mr Carter updated the Board in relation to the proposed TAB thoroughbred race club funding model which is set to replace the current operational subsidy.

Mr Carter advised that several meetings and telephone conferences had been held with representatives from respective Clubs to work on a model for the Boards review. The new industry contribution scheme was factored in the FY1213 budget and would increase from \$7m annually to \$8.5m annually effective from 1 September 2012.

The Board **unanimously APPROVED** the new Industry Contribution Scheme for Thoroughbred TAB Clubs from 1 September 2012. \$250K would be withheld to assist these clubs in the promotion and advertising of thoroughbred TAB racing in Queensland.

IIPCG Charter

The Board **unanimously APPROVED** the IIPCG Charter.

Motion carried

Wagering and Racing FY 2012 and July 2012

The Wagering and Racing Report was **NOTED** by the Board.

Deagon

The Board noted that the day to day operations and maintenance of the Deagon Facility would be outsourced to the BRC from 1 September 2012 with the annual fee of \$325,000. A facility management agreement would be signed for a 5 year period.

Sunshine Coast Turf Club Agreement

The Board noted the Sunshine Coast Turf Club (SCTC) had now signed the agreement effective from 1 August 2012. All roles and responsibilities had now been transferred to the club. RQL would outsource the day to day operations and maintenance of the Corbould Park stables to the club until the stables became profitable. A facility management agreement would be signed by both parties.

Rockhampton Jockey Club

The board noted that all roles and responsibilities had been transferred to the club effective from 1 August 2012. The agreement is yet to be signed. The transfer duty is currently being considered with the Office of State Revenue with the wind up of Rockhampton Racing (Pty) Ltd.

Race Information Fees

The Board noted the list of approved operators as at 9 August 2012 for oncourse bookmakers, corporate bookmakers, betting exchange and Totes licenced to use Queensland Race Information for FY13.

HR Report

HR Report was **NOTED** by the Board.

2.2 Corporate Services

Finance

Prizemoney Schedules and Budgets

Mr Carter sought the Board's approval for the prizemoney and bonus schedules for the upcoming financial year.

Mr Damian Raedler to review the Monday night harness strategy to ensure the proposed additional meetings have been included in the budgeted prizemoney \$13.557M (net of 1% for washouts) and bonus scheme of \$1.974M (net of 5% saving).

Mr Raedler to provide the submission to Acting CEO, Mr Carter to reconsider.

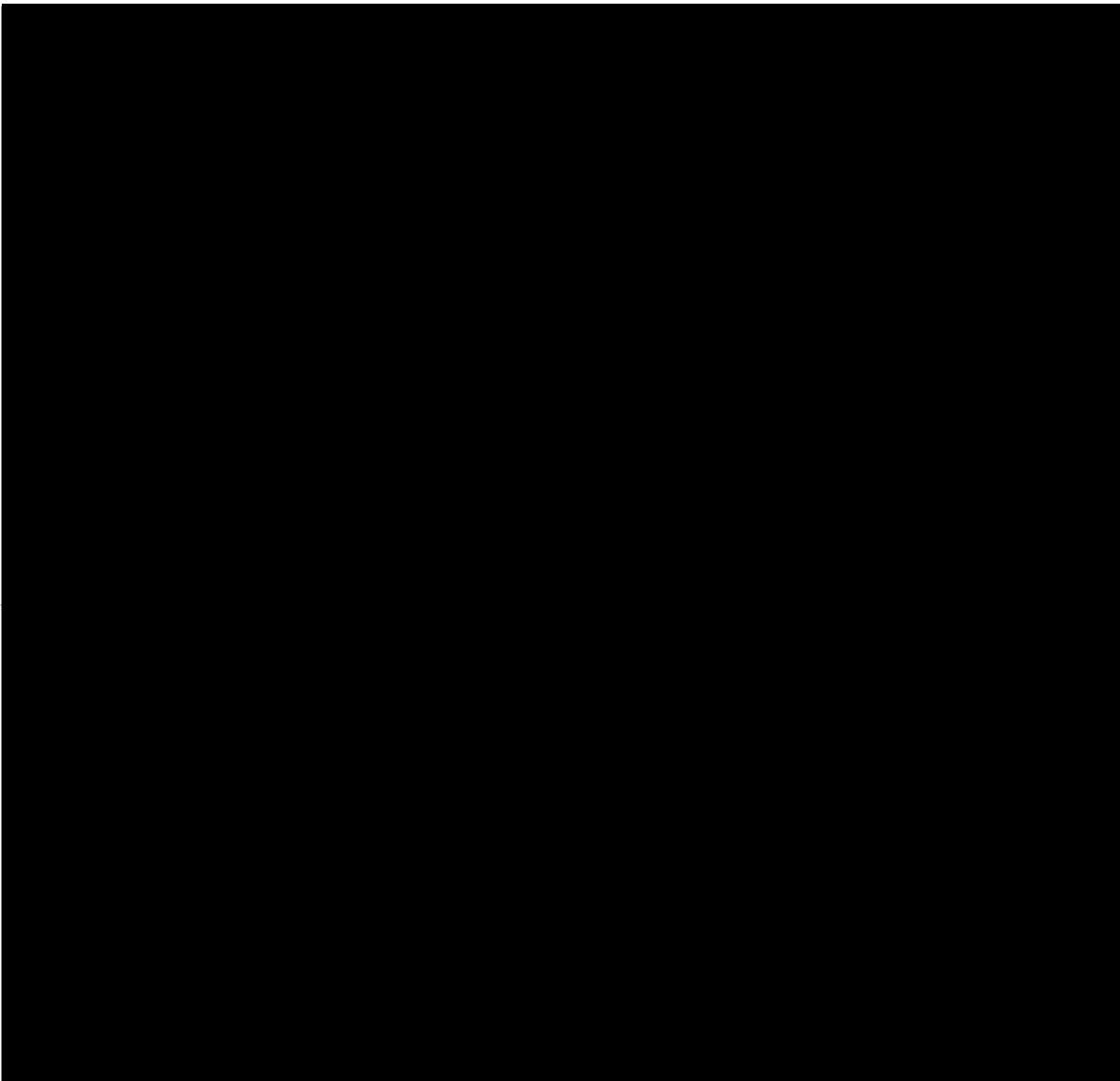
The Board **unanimously APPROVED** the prizemoney and bonus schedules.

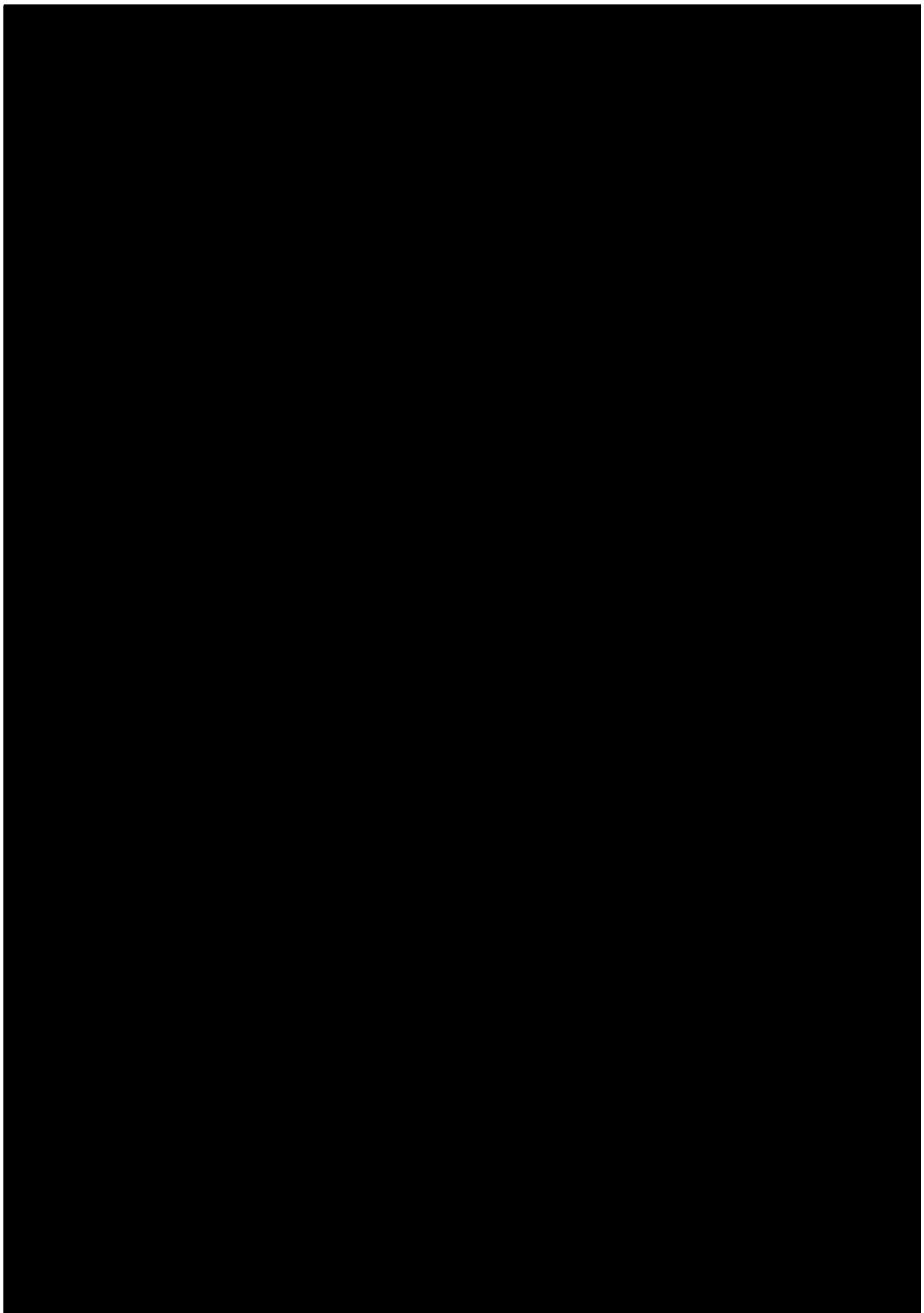
Motion carried**Legal & Compliance Report****Watson matter**

Ms Michelle Hutchinson advised the Board that the discrimination complaint brought by Ms Kerry Watson against Racing Queensland had settled. The terms of the settlement included a payment of \$180 000 (inclusive of all costs) to Ms Watson.

Ms Hutchinson noted that:

- The Deed imposed confidentiality obligations on Ms Watson. Racing Queensland and the former directors were not subject to confidentiality obligations;
- Racing Queensland had incurred approximately \$230,000 in legal fees (being fees paid to Senior Counsel, Clayton Utz and Cooper Grace Ward) throughout the duration of the matter;
- As a condition of providing consent to settle, the insurer capped its contribution at \$260 000. Accordingly the total cost to Racing Queensland of these proceedings is approximately \$150 000.



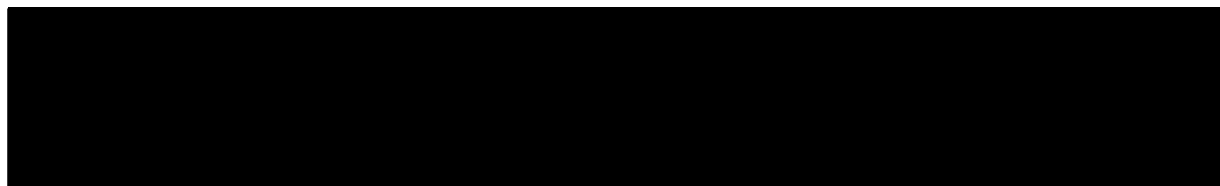


The Chairman also updated the Board in relation to the advice received back in 2008 from Cooper Grace Ward Lawyers on whether Tattsbet (UniTAB previously) is entitled to deduct a Third Party Charge from the product fee payable to Queensland Race Product Co. The Chairman advised that it was brought to his attention via a telephone conversation. Ms Hutchinson advised the Board they she was still collating as much information on this matter as possible so she can fully understand the situation.

Mr Hallam suggested requesting the files from Cooper Grace Ward and that RQL should request QC advice on the issue including all other legal issues that have been identified previously in relation to the Product and Program Agreement.

The Board agreed that:

- Racing Queensland should obtain Senior Counsel advice regarding the Product and Program Agreement and in particular, the issues raised by the CGW Legal Advice; and



The Board suggested the Chairman talk to Mr Dick McIlwain of Tattsbet.

Business Services

The Board **NOTED** the Licensing Report as tabled.

2.3 Operations

Mr Carter advised the Board that the revised business cases for Phase 1 had been submitted to Treasury. RQL has committed \$700,000 to get the Beaudesert and Gold Coast business cases approved and the funds released to ensure deadlines are met for both projects.

The Chairman advised that he and the Acting CEO met with Treasury and the Office of Racing and they indicated that no previous individual business cases were ever approved and with the assistance of the former Treasurer they were approved.

The Chairman informed the Board that the Government was looking strategically and at an infrastructure model and that individual projects will not be justified in spending. The new Treasurer wants the vision and strategy of the general spending and justification of how each individual project supports the racing industry.

The Chairman informed the Board that he was working on a strategy paper. Once finalised, he will distribute to the board for consideration and review. This will then be sent to the Office of Racing and Treasury for support of Phase 1 of the infrastructure plan which includes Beaudesert, Cairns Gold Coast, Toowoomba and Mackay. Other projects such as Logan and Rockhampton will be considered in future phases.

Projects

Gold Coast Turf Club

Mr Carter sought the Board's approval to extend the initial engagement of HBO+EMTB architects to include full building design services.

HBO+EMTB has provided a fee proposal to complete the full building design package for the proposed scope of works, including the grandstand bar & lounge renovation, extension to the Skyline restaurant, new production kitchen, roof renovation and corporate boxes. HBO+EMTB' fee is \$506,775.00 excl. GST to complete these services. This price is considered to be fair and reasonable and within current market rates. The price is well within the current Phase 1 business case budget for these services. HBO+EMTB have

the required resources available to commence these services immediately and await instruction from RQL.

The Board **unanimously APPROVED** the extension of HBO+EMTB service to include full building design services for the extra lump sum price of \$506,775.00.

Motion carried

Gold Coast Turf Club – Equine Pool

Mr Carter sought the Board's approval to proceed with the contract for the design of the equine swimming pool at the Gold Coast.

The proposed cost of \$111,100 is within the budget of \$1.1M for the design and construction of the equine swimming pool.

RQL is currently holding \$3.5M from the originally approved business case for Gold Coast Turf Club, Bundall.

The Board **unanimously APPROVED** the appointment of Dalton Consulting Engineers for the design component only of the equine swimming pool for a total contracted amount of \$111,100.00.

Motion carried

Logan Greyhound Facility

Mr Carter sought the Board's approval to engage SKM to provide further geotechnical investigation to provide recommendations for ground improvements for the Logan site.

The SKM fee proposal of \$25,110 plus GST allows for site investigation, geophysics, recommendation report, and modifications to the civil concept design to minimise the amount of fill required on the site.

The Board **unanimously APPROVED** the appointment of SKM for the further geotechnical investigation of the Logan Greyhound site for the amount of \$25,110.00 plus GST.

Motion carried

The Chairman suggested that a group be formed to look at the needs of the Greyhound industry. The group should be represented from different factions of the industry. The Chairman has an idea of who the group should be made up of, with Mr Falvey as Chairperson. The Chairman is not convinced that Logan is the most suitable venue.

The Chairman advised that cost is a big issue and is there a better solution somewhere else. The group should also look forward at the needs of replacing Capalaba in the future mainly due to its location and how many times it has flooded.

Mr Falvey advised that the rezoning from Council is the biggest issue facing RQL which favoured the Logan site. Rezoning would take a long period of time at other sites.

Mr Falvey suggested that the Logan facility could be developed as a 'bare bones' facility which could be extended overtime. Mr Falvey stated that RQL should design to a cost not cost to a design.

Beaudesert Racecourse

Mr Carter sought the Board's approval to award Brisbane Racing Club Limited the contract for the upgrade works at the Beaudesert Racecourse, to commence immediately.

The contract amount for the Beaudesert track upgrade works by the preferred contractor is \$1,650,884.00 plus GST, being within budget for these works.

The Board **unanimously APPROVED** the appointment of BRC as managing contractor for the track upgrade works to Beaudesert Racecourse for the contract amount of \$1,650,884.00 plus GST.

Motion carried

Thoroughbred Non-TAB Racing

Mr Carter updated the Board in relation to Thoroughbred Non-TAB Racing.

This report was **NOTED** by the Board.

Harness Racing

Additional Monday Meetings (D) Sky1 – Funding

Mr Damian Raedler sought the Board's approval for funding of 7 additional Monday (day) SKY1 restricted penalty meetings to be conducted at Albion Park which have just become available due to NSW Harness forgoing Monday (day) and these being offered to RQL.

Mr Warwick Stansfield stated that if RQL was to say no to a SKY1 timeslot, RQL may not get another opportunity in the future. He went on to say the conduct of these meetings will have a significant positive impact on the turnover for harness racing.

The Chairman queried if there wasn't racing on Monday (day) where would they race?

Mr Raedler replied that they would race either on Wednesday (night) or Thursday (day).

Mr Stansfield stated that it was an opportunity to advance the product.

The Chairman advised that RQL has allocated as much as it can to the FY13 budget to the Harness prizemoney and RQL is not willing to commit \$196,000 plus for it to continue on without knowing how to pay for it.

Mr Carter stated that RQL cannot keep having these ad hoc requests coming through. Prizemoney has already increased on prior years and QBred Incentive Scheme. RQL is not getting the revenue in and needs to make commercial decisions.

The Chairman is supportive of Mondays (day), however, RQL has to pay for it and at the moment RQL is trying to breakeven.

The Chairman suggested Mr Stansfield and Mr Raedler meet to find the difference between costed and the revenue fee, present to Mr Carter for his approval.

John Tabone and consideration for a Benevolent Fund

This was considered and discussed by the Board, that if the industry is happy to endorse, RQL will facilitate the fund.

Greyhound Racing

Grading Process

Mr Falvey advised the Board that RQL was looking at resources at the moment, with the resignation of Ross Dowd and implementation of a new grading policy and outsourcing grading department procedures to GRNSW.

The Chairman queried the NSW Grading model. Mr Falvey responded that there are no perfect grading systems. The NSW grading system is in place in 4 or 5 states, its automated and can be outsourced from RQL.

Mr Falvey indicated that any announcements on the new system has to include how it works and how the previous issues are addressed. Mr Falvey has spoken to both Mr Raedler and Mr Carter concerning training.

The Chairman suggested that the level of detail in writing has to be there! Address peoples worries. There needs to be as much education and training as possible.

Mr Falvey advised that RQL needs to get a large part of the greyhound industry sustainable and that the Consultation paper will go a long way in addressing some problems. In the paper there needs to be a second line of what RQL has in the pipeline. There also needs to be no firm dates, but RQL should let the greyhound industry know that they have not been forgotten. RQL needs to sell a vision for the next 2-3 years.

Mr Falvey confirmed that Albion Park Thursday nights will remain as they currently are and to remove unplaced prizemoney from Albion Park (add to the win) and leave paying 4th place.

Mr Falvey requested that Mr Ron Mathofer look at Ross Dowd's prizemoney budget, and be involved in the process moving forward.

The Chairman would like early next week a hybrid consultation paper with the overall strategy of direction to be released to the industry.

Townsville CRC and Townsville Show Society Relationship

The Chairman requested Mr Falvey provide a briefing paper of the current issues for consideration and review.

Greyhound Adoption Program

Mr Carter advised the Board that he and Mr Williams had met with Ms Gail Lane who gave a presentation on the Gap Adoption Program.

The Chairman stated that they needed to show that they are finding a home for the majority of the dogs – dogs in, dogs out statistics. We need to run efficiently. Mr Carter to meet with the RSPCA and provide a recommendation to the Board.

This report was **NOTED** by the Board.

2.4 Stewarding

Mr Wade Birch updated the Board in relation to Integrity/Stewarding Department.

Purchase of I-Stat Machine

Mr Birch sought the Board's approval for the purchase of an I-Stat machine for the Integrity Department at an approximate cost of \$8,779 plus GST with cartridges costing \$23 each.

Mr Birch stated that the Racing Science Centre indicated that the use of the machine will reduce the amount of samples going to the lab and that it was a good deterrent. The stewards would be testing on mass in the early stages.

The Chairman suggested testing at least 50 a week for the first 3 months.

The Board **unanimously APPROVED** the purchase of an I-Stat machine.

Robert McGowan

Mr Birch sought the Board's approval for the warning off of Mr Robert McGowan from all racecourses in Queensland.

Mr Birch advised that Mr McGowan has outstanding debts of \$57,000 with no attempts of paying the debts off or enter into any payment arrangements.

The Chairman indicated that this amount was not huge in this industry.

Mr Birch confirmed that Mr McGowan is racing two horses at the moment.

Mr Stansfield suggested that if the Board was to warn off Mr McGowan it would open the floodgates with other requests of warning off.

The Chairman expressed that he was not sure that warning off is appropriate. The Chairman suggested that the Board would be satisfied with Mr McGowan being unable to race a horse or register a horse until his debt is paid off.

Mr Birch to correspond this to Mr McGowan.

Greyhound Racing Hot Weather Protocol

Mr Birch sought the Board's approval to adopt the Greyhound Racing Hot Weather Protocol which will form part of the Animal Welfare Policy.

The Board **unanimously APPROVED** the Greyhound Racing Hot Weather Protocol.

Amendments to the Local Rules of Racing (Greyhounds)

The Board did not accept the changes to the Local Rules. Mr Birch to liaise with Sabrina Long, RQL's Greyhounds Registrar for more clarification on the rules. Mr Birch to report back to the Board.

Grant Dixon

Mr Birch sought the Board's approval to seek leave to appeal the decision by QCAT and consequently seek leave to admit new evidence regarding the Grant Dixon appeal.

The chairman asked for an estimate of cost on how much Mr Birch would need to run the appeal. Mr Birch replied \$10,000 to \$15,000 and it may take 3-4 months to get a decision.

Mr Stansfield queried how will it change QCAT's decision.

Mr Birch stated that QCAT claimed that Mr Dixon was not blameworthy. The way he administered the horse was different to the way he said he administered the horse. The Racing Science Centre scientists were willing to testify.

The Chairman informed the principle is of the accepted racing standard, if a horse is presented with a substance, irrespective of how it was administered. This seems to vary significantly from RQL's belief. If QCAT's decision was flawed, RQL has a responsibility to pursue.

The Board agrees to the appeal – the only negative is that it may cause stress and burden to Mr Dixon, as RQL could have had the test done previously. RQL should be mindful of the additional cost to Mr Dixon.

3.1 Sustainability Review – Deloitte

Mr Mark Ingham and Mr James Foote updated the Board in relation to the Sustainability Review.

Mr Ingham advised that 95% of the draft report is completed.

The Chairman queried if the report can be finalised as soon as possible so that RQL can understand the report and determine what actions need to be taken. The Chairman suggested once the draft report is available a 2-3 hour follow up session to be scheduled.

3.2 RQL – TAFE Partnership Model

Mr Peter Smith and Mr Michael Parfitt updated the Board in relation to the progress of RQL-TAFE partnership.

Mr Smith advised that a working partnership model had been developed and had reached final stages where final adjustment and customising of the documentation remains before the completed agreement can be provided for execution.

The Board proposed Mr Smith to finalise all documentation for execution as soon as possible and ensure strict timelines are met.

Other matters

Mr Greg Hallam left the meeting at 12:05pm.

Confirmed as a true record.



Kevin Dixon
Chairman

Dated 25.1.9.2012

Attachment 'A'

Mr Kevin Dixon

Member of the Brisbane Racing Club
Member of the Gold Coast Turf Club
Member of Queensland Thoroughbred Breeders Association
Member of Queensland Racehorse Owners Association
See attached – horses owned
Managing Director - Racetree

Mr Gregory Hallam

Local Government Association of Queensland Ltd
Resolute Information Technology Pty Ltd ATF The DDS Unit Trust
Prevwood Pty Ltd
Local Partnerships Services Pty Ltd, as manager for Services Qld Partnership
Services Qld Partnership
Queensland Partnerships Group (LG Shared Services) Pty Ltd, as manager for the Propel
Partnerships Joint Venture
Local Buy Pty Ltd ATF The Local Buy Trading Trust
Local Government Infrastructure Services Pty Ltd
LG Mutual
LG Workcare
LG Cloud Pty Ltd
Member of Brisbane Racing Club
Member of Queensland Racehorse Owners Association
Member of Tattersalls Club
See attached – horses owned
Other horses raced/owned – Gift Man, Canasta Player, Stamford Love, Shinania and
Spruce Knob

Mr John Falvey

See attached – Greyhounds owned and trained

Mr Warwick Stansfield

Member of Albion Park Harness Racing Club



GOLD COAST TURF CLUB

"Racing every Saturday in Paradise"

13 May 2010

Mr. J Orchard
Director of Integrity Operations
Queensland Racing Limited
PO Box 63
SANDGATE QLD 4017

Dear Jamie,

RE: COMPLAINT RE BREACH OF CONFIDENTIALITY BY MR. BOB BENTLEY

Gold Coast Turf Club (GCTC) is a licensed club and wishes to make a complaint under the Queensland Racing Limited (QRL) complaint management system. The facts of the complaint are:

- 1) GCTC is a licensed racing club
- 2) QRL is the control body for thoroughbred racing in Queensland and Mr Bentley is its Chairman
- 3) The QRL website www.queenslandracing.com.au listed a media release in the form of a letter to stakeholders dated 10 May 2010 (attached) from Mr. Bentley on its website.
- 4) Under the heading "What funding does the GCTC receive from QRL?", a line appears "Sky broadcast fees \$240,000"
- 5) GCTC and Sky Channel Pty Ltd are currently party to a Rights Agreement, the content of which is confidential and commercially sensitive.
- 6) Further, GCTC and QRL are parties to a Media Rights Agreement. In this agreement, GCTC has agreed to grant exclusive rights to QRL to exploit the media rights owned by GCTC to other parties. In this agreement, QRL undertook to keep the confidential information of the GCTC secret and to protect and preserve the confidential nature and secrecy of that confidential information. QRL was not permitted to use the confidential information for purposes of performing QRL's obligations under that agreement.
- 7) The statement by Mr Bentley that GCTC receives \$240,000 in Sky Broadcast Fees appears in breach of those agreements.
- 8) The release by Mr Bentley of confidential information has the following effect.
 - a) Breaches the confidentiality of GCTC
 - b) Breaches the confidentiality of Sky Channel Pty Ltd

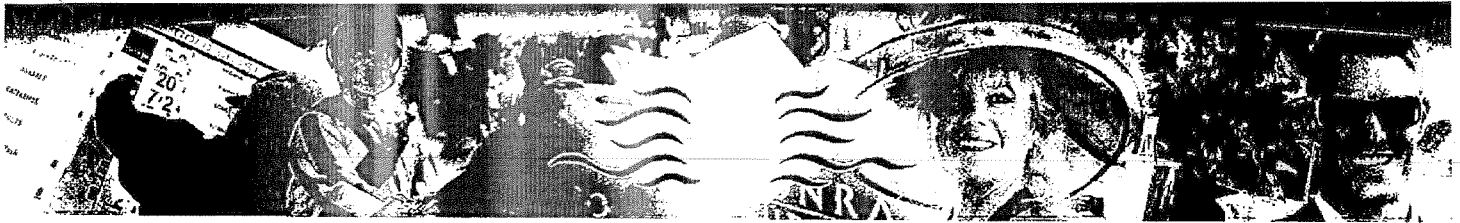
- c) Significantly jeopardise the commercial bargaining power in regard to parties other than Sky Channel for the use of GTC media rights

GTC considers this breach to be of the most serious nature and requests that the matter be properly investigated by QRL. Please advise how you intend for the matter to be progressed.

Yours sincerely,



ANDREW EGGLESTON
CHAIRMAN



14 May 2010

GOLD COAST TURF CLUB

"Racing every Saturday in Paradise"

Mr. J Orchard
Director of Integrity Operations
Queensland Racing Limited
PO Box 63
SANDGATE QLD 4017

Dear Mr. Orchard,

RE: COMPLAINT RE FALSE AND MISLEADING STATEMENTS BY MR BOB BENTLEY

Gold Coast Turf Club (GCTC) is a licensed club and wishes to make a complaint under the "Queensland Racing Limited (QRL) Complaints Management System". The complaint relates to a media release dated 10 May 2010 addressed to Industry Stakeholders by QRL's Chairman, Mr. Bob Bentley. QRL is the Control Body for thoroughbred racing in Queensland.

The letter from Mr. Bentley appears to contain false and misleading statements relating to funding provided to GCTC by QRL. The letter distorted and categorised aspects of GCTC funding in an attempt to prop up and enhance the QRL contribution. In your consideration of the matter, it may be relevant that:

- The QRL Complaints Management System defines a complaint as meaning "a specific statement which could make a person subject to disciplinary action, legal action or both".
- Australian Rule of Racing 175(gg) provides to the effect that, "The Committee of any Club or the Stewards may penalise any person who makes any false or misleading statement in respect of any matter in connection with the administration or control of racing".
- If the complaint is proved correct that a false or misleading statement was made by Mr. Bentley in connection to racing, he may be subject to disciplinary action under QR 175(gg)
- As such, this complaint falls within the definition of complaint as defined in the QRL Complaints Management System

The facts of the complaint are:

1. Mr. Bentley stated to the effect that "GCTC receives \$1,100,000 from QRL for on-course tote commission". Such statement is false, misleading and not in accordance with the facts.

The truth is that QRL does not pay GCTC any amount of money related to on-course tote revenue. QRL used to pay GCTC a commission; however, QRL reneged on that arrangement from 1 July 2005.

GCTC is licensed by UniTAB to conduct an on-course totalisator. QRL is not a party to that agreement. In 2008/2009, GCTC had total on course tote sales of \$22,815,814. GCTC

Racecourse Drive, Surfers Paradise, Queensland 4217 • PO Box 5070 GCMC QLD 9726 • Telephone: +61 7 5538 1599
Facsimile: +61 7 5538 5083 • Email: info@goldcoastturf.com.au • www.goldcoastturf.com.au

ABN: 29 102 941 980

1

received \$1,119,935 in gross tote commissions from on-course operations from UNITAB. After paying \$827,935 in costs such as tote staff wages, data links, etc, GCTC retained \$292,000 as net profit. QRL made no contribution towards these costs.

Via Product Co, the QRL share of GCTC on-course totalisator sales was about \$1,081,000. In other words, QRL received more than \$789,000 in net earnings from the efforts of GCTC in running its on course tote.

(Note: The principal wagering income document between UNITAB and the racing industry is the "Product and Program Agreement". Parties to this agreement are UNITAB and a company called "Product Co". Product Co is a company owned by all three Queensland Control Bodies for racing.

It is believed that QRL director Mr. Tony Hanmer is the QRL nominee to Product Co due to Mr. Bentley's conflict of interest of also being a director of publicly listed company Tatts Group Ltd (the parent company of UNITAB).

Under the Product and Program Agreement the following are defined:

- *"Queensland Control Body" means QRL and the Harness and Greyhound Control Bodies.*
- *"Queensland Racing Entities" means any race clubs registered by a Control Body under the Racing Act (e.g. GCTC).*

As agent for the Queensland Control Bodies (e.g. QRL) and the Queensland Racing Entities (e.g. GCTC), UNITAB pays a fee based on "Gross Wagering Revenue" to Product Co. Gross Wagering Revenue" is the amount wagered by customers of UNITAB, less declared dividends and unpaid fractions.

Approximately, 16% of all amounts wagered by UNITAB customers are retained by UNITAB as Gross Wagering Revenue. UNITAB then pays Product Co a 39% share of Gross Wagering Revenue. 76% of that share is then paid by Product Co to QRL as the thoroughbred share.

The effect is that QRL receives about 4.74% of all monies wagered by customers of UNITAB. Last year that total amount was \$89,177,000.)

- 2. Mr. Bentley stated to the effect that "there is no contribution to prizemoney by GCTC". Such statement is false, misleading and not in accordance with the facts.**

The truth is that UNITAB, GCTC and QRL are parties involved in a series of wagering agreements relating to the contractual ability of UNITAB to offer wagering on GCTC races (as set out above). Races held by GCTC generated UNITAB gross wagering sales of \$97,845,386. The QRL share of that revenue was about \$4,600,000. QRL then uses those monies generated by GCTC to pay out prizemoney on GCTC races.

- 3. Mr. Bentley stated to the effect that "GCTC receives \$300,000 from QRL for raceday integrity costs". Such statement is false, misleading and not in accordance with the facts.**

The reverse is true. GCTC pays QR \$100,000 p.a. for integrity services. GCTC receives zero funding from QRL in regard to integrity. The service of integrity is performed by QRL as part of regulatory requirements.

4. **Mr. Bentley stated to the effect that "GCTC receives \$240,000 from QRL for Sky broadcast fees". Such statement is false, misleading and not in accordance with the facts.**

The truth is that GCTC has no agreement with QRL in regard to current broadcast rights. Such agreement is between GCTC and Sky Channel Pty Ltd. GCTC receives zero funding from QRL in regard to Sky broadcast fees.

GCTC provides the QRL integrity department with full broadcast vision from 5 cameras. GCTC does not charge QRL for that service. The total cost of providing television to Stewards is paid by GCTC.

Sky Broadcast Fees are commercial in confidence and Mr. Bentley has breached that confidentiality by making such statements. As you are aware, this breach of commercial confidentiality is the subject of a separate complaint.

5. **Mr. Bentley stated to the effect that "GCTC receives \$300,000 from QRL for training track subsidy". Such statement is false, misleading and not in accordance with the facts.**

The truth is that the Queensland State Government (and not QRL as stated) funds the Club a Queensland TAB starters bonus for horses trained at GCTC and that start at Queensland TAB meetings as well as providing a fixed amount for training track maintenance.

These two (2) funding streams are funnelled through to racing venues from the Queensland State Government as part of a Queensland Government Capital Works Grant. The money does not come from QRL. The amount as stated was not \$300,000 but was \$276,050 for the 2008 / 2009 financial year.

I await your advice as to how this complaint will be assessed.

Yours sincerely



**ANDREW EGGLESTON
CHAIRMAN**

An Open Reply To Sunday Mail Racing Editor Bart Sinclair

Bart

It was indeed nice to catch up at the races and why wouldn't it have been a courteous chat, after all there was certainly nothing new to debate or any alternative plan to consider, not even a mention of the Kevin Dixon, Stephen Ferguson development plan in partnership with Watpac for Eagle Farm. We could have discussed the progress of the Eagle Farm development and I could have informed you that Racing Queensland Limited (RQL) has made a number of requests for information to carry out due diligence, but there has been insufficient detail provided to even consider an approval. This would be in all other circumstances, of interest, and worth reporting to the industry.

I have on numerous occasions had the discussion with you on corporate governance and conflict of interest yet you continue with your view, contrary to RQL's best legal advice. Any perceived conflict of interest as far as my directorships are concerned have been in the public domain for eight years and the rules of good governance have always been observed. Fellow director, Mr Bob Lette is a director of RQL and Watpac, and this is managed successfully.

There is nothing wrong with people having conflicts or potential conflicts of interest. It is how they are managed that is important and the law provides clear guidance on how that is to occur. We follow the law in this area and carefully observe it so that decisions of RQL are not affected by those matters.

You and I have a long association with racing and no doubt you will recognise that history is a wonderful teacher, so long as mistakes are not repeated. You were around in the 1980's and observed the non-existence of corporate governance practiced in the Russ Hinze era and the government relationships with developers. The Fitzgerald Royal Commission Report details this as a statement of fact. The betting activities surrounding the 'Fine Cotton ring in' are examples of massive conflict. I suggest you reminisce back to those days when the Queensland Turf Club (QTC) ran the industry. There you will see examples of massive conflict of interest.

The revenue outcomes of the fee charges to corporate bookmakers will be an issue for the board, excluding myself, who will make commercial decisions on the advice available at the time. The New South Wales position that you readily champion is entirely different to that currently existing in Queensland and Victoria. As I explained at length to you in our encounter at the weekend, the New South Wales distribution agreement has a non claw back clause on product fees incurred by TABCORP operating on interstate racing that is not applicable in other states. Your journalistic licence has allowed you to discount and trivialise this aspect. RQL will not be announcing an increase in prizemoney, much as we would like to be in a position to do so. The fate of the race fields' outcomes is subject to the High Court granting leave to appeal and the board will await the High Court decision which may still be lodged by one or other of the corporate bookmakers involved in that litigation.

The valuation of Albion Park seems to have you fixated, and again I advised you that the realisable value of Albion Park, addressing the traffic and other logistics, has been accessed by professional consultants, not by you or me and certainly not by developers. The outcome of Albion Park has always been to achieve the best result for all codes of racing and the community. The realisable value your article postulates, is a value that you are disputing as a figure in a leaked document.

The Toowoomba Turf Club expenditure on the cushion track was not discussed with you, however the questions you are asking are strangely also being asked by Kevin Dixon, the Chairman of the Brisbane Racing Club (BRC), as questions on notice. If we had this discussion at the races, I would have posed the question as to why Kevin Dixon was asking questions on the affairs of the Toowoomba Turf Club and not the current Chairman, Bob Frappell. Kevin Dixon and the BRC Chief Executive Officer, Stephen Ferguson, would be better concentrating their efforts on progressing the development at Eagle Farm and providing the documentation for due diligence and approval, and addressing the biggest June 2010 loss of \$3.14m of the combined history of the QTC and the BTC, rather than concerning themselves with Toowoomba.

A reasonable member would question why the Chair and Chief Executive Officer are pursuing matters at another club when the BRC is in desperate need of their full attention.

The questions on Toowoomba were today answered by the auditor at the annual meeting of Queensland Racing Limited, as is the proper process.

Returning to the conversation that did take place in relation to the lack of information available on the harness and greyhound board on their annual results to June 30, 2010, I advised you that this is a matter for the previous harness and greyhound board directors. The audited financial statements have been prepared and have been in the directors' hands for the last three weeks and this is not a matter for RQL.

The board of RQL has a plan for the industry and this will be available shortly. The plan is necessary for all codes, but especially for country and provincial racing. The clubs continue to agitate for increased prizemoney yet there seems to be a blind spot when it comes to upgrading racing and training facilities.

The negativity and 'can't do' attitude that permeates through your open letter is disappointing. The Queensland Government is prepared to contribute the largest inflow of funds ever to upgrade and strengthen the industry. Personal differences and ideology should be put aside and not jeopardise this opportunity that is critical for the future of all stakeholders.

This opposition and negativity has a long history. Those who are seeking to derail the process now, were also at the forefront of the Shanahan Inquiry, the Daubney Rafter Inquiry, the expensive director's selection process, country racing council election and the costs associated with the constant rebuttal to witch hunts on QRL and RQL over trivial issues. This has cost the industry dearly, not to mention the intangible costs of disruption and staff uncertainty.

Sadly Bart, you have given this negativity oxygen. Maybe it is time for you to 'smell the roses' other than those at Eagle Farm and evaluate the motives of your close associates, the BRC Chairman, Kevin Dixon, Chief Executive Officer, Stephen Ferguson, and not forgetting the former QTC Chairman, Bill Sexton, who has never accepted or forgotten the heady days of the 1980's when the QTC controlled the industry.

The question being asked by those who have a significant investment in the racing industry: "Is the agenda of mindless disruption to seek a return of control of the industry to the BRC, formally the QTC?"

Bob

The Courier Mail

Edition 1 - First with the news THU 18 SEP 2008, Page 080

Chairman's behaviour just extraordinary

By Bart Sinclair

HAS someone spiked the water at Queensland Racing Limited's Deagon offices? In the past week there have been three extraordinary missives fired off by QRL chairman Bob **Bentley**, pictured.

Firstly, chairman Bob declared anyone who dared question the merit of the cushion track at the Sunshine Coast and the decision to put down a similar surface on the course proper ran the risk of his fury.

Toowoomba Turf Club even went so far as to threaten to withdraw the right to train at Clifford Park for trainers so bold to mention turf should have been retained on the course proper.

Have things slipped so far in this state it's not possible to voice a contrary opinion to the racing control body? Chairman Bob bounced out of the cushion track sideswipe to deliver a personal attack on former Supreme Court judge Bill Carter.

Carter's ``sin" was writing a personal letter to the members of Brisbane Turf Club. He recommended four members of the current board as deserving of a vote to go forward to the board of the Brisbane Racing Club, the merged entity of the two current metropolitan clubs.

Well-known businessman Ron Wanless also wrote to members urging a different vote. Yet he didn't get a serve from the QRL. Chairman Bob was moved to pen a four-page reply to all racing industry participants, even going into details of events as far back as 1992.

Chairman Bob's salvos didn't end there. He then took a baseball bat to my colleague Mark Oberhardt for, wait for it, mentioning some in the industry felt general prizemoney should be lifted.

``Obie" put the two views. Some think offering a potential \$4 million extra to QTIS-registered horses is good.

Others believe the money would be better in the general prizemoney pool. A seemingly innocuous column piece earned an over-the-top reply.

Settle down, chairman Bob. If you have an opinion on things, be prepared to wear other opinions. Free speech is a basic right of the whole community. QRL should accept that right.

Caption: Bob Bentley

Illus: Photo

Column: Comment

Section: SPORT

2 April 2009

Mr Bob Bentley
Chairman
Queensland Racing Ltd
PO Box 63
SANDGATE QLD 4017

Dear Mr Bentley

QTC Employees

I refer to your Media Release dated 20 March 2009 under the caption "Queensland Racing stewards stand down club officials" and to your earlier Media Release of 11 March 2009 under the caption "QRL Emphasise the importance of providing factual information to stewards".

The issues giving rise to your Media Release of 20 March 2009 obviously relate solely to the conduct of certain race day officials employed by the Mackay Race Club at its meeting held on 19 March 2009. Your repeated reference to "the attempted cover up by Queensland Turf Club employees in giving false evidence to a steward's inquiry" in the second Media Release is not only false but malicious and scurrilous. At the outset, I request that you notify me by return the names of the QTC employees who you asset were allegedly involved in the so called "cover up".

In your Media Release of 11 March 2009 you stated that you would be forwarding a complaint to the Office of Liquor, Gaming and Racing. You will recall that, in my letter of 16 March 2009 to you, QTC welcomed such review so that the truth of the matters asserted by you (and, particularly, the three issues particularised in my letter) could be fully examined. However, you would be aware, that –

- None of the persons charged and found guilty of breaches of the Rules arising out of the "Unapproved Spurs Inquiry" was acting as an employee of QTC at the time of such breaches of the Rules;
- Your statement is not in accordance with the facts given at the Inquiry.

The statements made by you in your media releases has caused severe distress to all employees of Queensland Turf Club (including many who were not in any way involved in relation to the "Unapproved Spurs Inquiry").

The QTC Board at its most recent meeting authorised me to place on record that the statements made by you in your Media Release of 20 March 2009 relating to QTC employees –

- Are not in accordance with the facts;
- Are false and misleading; and
- Have tarnished the character of innocent QTC employees.

Accordingly, the Board request that you –

- Issue a Media Release forthwith withdrawing your statements relating to QTC employees in your Media Release of 20 March 2009; and
- Apologise in such Media Release to all QTC employees for the harm which you have caused to them.

I also place on record that both QTC and its employees reserve their respective rights against you personally as author of the Media Release and Queensland Racing Limited in relation to the false and misleading statements made by you of 20 March 2009 in such Media Release.

Yours faithfully

BILL SEXTON
CHAIRMAN

QUEENSLAND TURF CLUB LTD.
ABN 22 079 598 235

Eagle Farm Racecourse, Ascot
PO Box 21 Hamilton Central Qld 4007
Tel: (07) 3268 2171 Fax: (07) 3868 2410
Email: info@qtc.org
www.qtc.org





BRISBANE
RACING CLUB

30 October 2009

Shara Murray
Corporate Counsel/Company Secretary
Queensland Racing Limited
P.O. Box 63
Sandgate Qld 4017

Dear Ms Murray,

It has come to my attention that evidence provided by yourself and others at the recent Andrews v Queensland Racing Limited (QRL) proceedings within the Federal Court of Australia, may indicate that you intentionally mislead the Class A Members meeting of QRL on August 14, 2009, held to determine the short listing of candidates in the election of QRL directors.

At that meeting you repeatedly asserted that no communication had occurred between the Independent Recruitment Consultant and QRL Management, QRL Directors or yourself, in regard to the criteria to be used, and the number of candidates to be selected.

It now appears that such communication did take place, and that you were aware of it. Whether or not this communication was appropriate is not significant. The issue at hand is that given you had this knowledge I am at a loss to understand your assertions at the Class A meeting.

Considering the above, and the possible significant consequences should my concerns prove founded, I request an urgent meeting with you so that I can understand your views as to the above circumstances, and therefore determine what actions and/or referrals of this matter, if any, are appropriate.

Yours Sincerely,

KEVIN DIXON
CHAIRMAN

Cc: Bob Bentley, Chairman QRL

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED

PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 • F: 61 7 3868 2410 • W: www.brc.com.au

ABN: 80 133 679 786 • ACN: 133 679 786

RQL.138.005.0037



queensland turf club
eagle farm racecourse

18 September 2008

The Honourable Andrew Fraser MP
Treasurer and Minister for Racing
GPO Box 611
Brisbane Qld 4001

Dear Minister,

Queensland Racing Limited

I attach the following for your consideration:

- Courier Mail article by Bart Sinclair 18 September 2008
- Letter to the Courier Mail Editor from Bob Bentley 18 September 2008
- Letter from Ferguson to Bentley 18 September 2008

I am disturbed that a person in his position has relied on second hand information, especially as his assertion of my views is incomplete and incorrect.

I regret having to bring such matters to your attention.

However, I would be interested in your views on the appropriateness and equity of Mr. Bentley's letter.

Yours faithfully,

STEPHEN FERGUSON
CHIEF EXECUTIVE

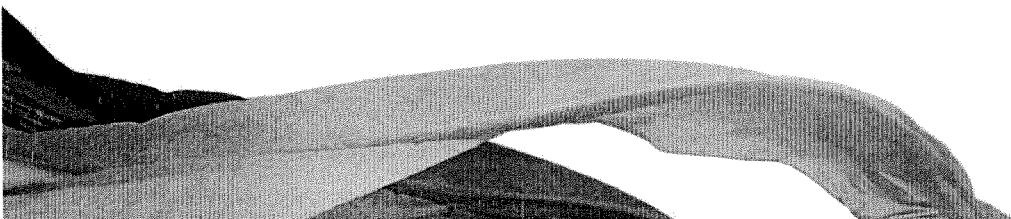
QUEENSLAND TURF CLUB LTD.

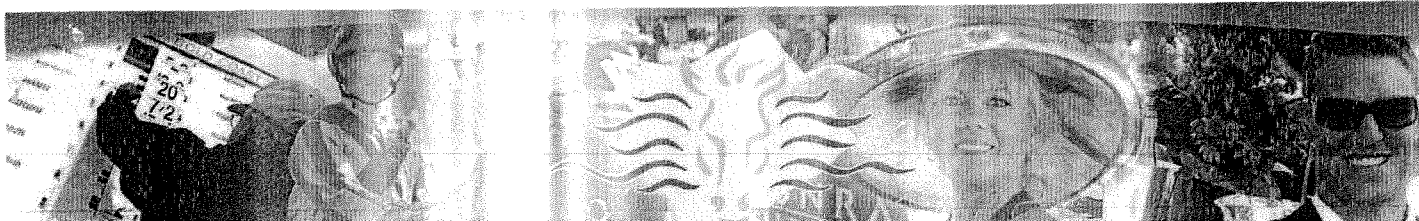
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GOLD COAST TURF CLUB

"Racing every Saturday in Paradise"

COPY

13 May 2010

The Hon. Peter Lawlor MP
Minister for Tourism and Fair Trading
GPO Box 1141
BRISBANE QLD 4001

Dear Minister,

RE: BREACH OF CONFIDENTIALITY BY MR. BOB BENTLEY

Please find attached correspondence addressed to Mr. Jamie Orchard, Director of Integrity Operations at Queensland Racing Limited (QRL). The matter relates to what appears to be a serious breach of confidentiality by the Chairman of Queensland Racing Limited, Mr. Bob Bentley.

Gold Coast Turf Club is aware that you have tabled before the House a bill to amend the *Racing Act*. We understand that bill intends to appoint Racing Queensland Limited (RQL) to be the new control body for all three codes of racing in Queensland. We further understand that Mr. Bob Bentley is to be appointed as a Director and Chairman of RQL.

We believe that the matter raised with Mr. Orchard should be properly investigated by a competent body. We are of the view that if the conduct is proved, it is conduct that is grossly reckless, breaches commercial confidentiality and jeopardises the significant value of media rights.

Your proposal to amend the *Racing Act* grants the new Control Body chaired by Mr. Bentley extensive side powers over the assets of race clubs. If it is found that Mr. Bentley has breached confidential and commercially sensitive information owned by third parties and held by him in good faith, it may be untenable for Mr. Bentley to continue in his position as either Chairman of QRL or RQL.

Therefore we suggest that you either not consent to Mr. Bentley being a director of RQL or that you defer the bill until the matter is finalised.

We have brought this important issue to your attention as Racing Minister because you have stated in the media that under the Racing Act 2002 the State Government does not intervene in racing except "where it concerns issues of probity."

Our complaint clearly falls into your jurisdiction as Racing Minister.

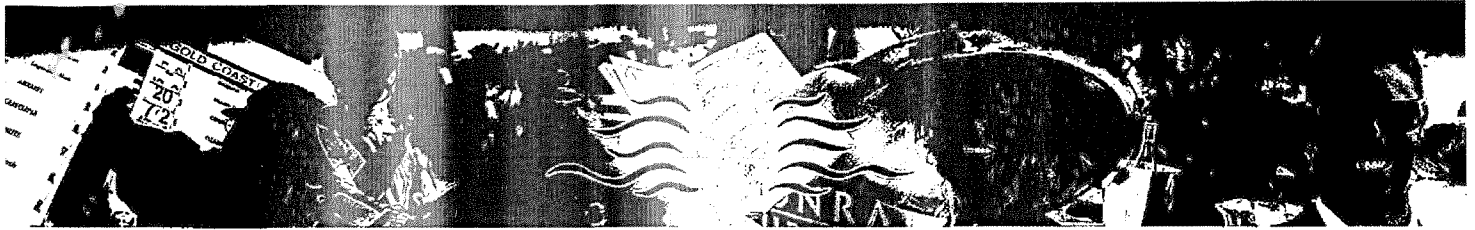
Yours faithfully,



ANDREW EGGLESTON
CHAIRMAN

cc Hon. Anna Bligh MP
Premier, Queensland

cc Hon. Andrew Fraser MP
Treasurer, Queensland Government



GOLD COAST TURF CLUB

"Racing every Saturday in Paradise"

14 May 2010

The Hon. Peter Lawlor MP
Minister for Tourism and Fair Trading
GPO Box 1141
Brisbane QLD 4001

Dear Minister,

RE: FALSE AND MISLEADING STATEMENTS BY BOB BENTLEY

Please find attached correspondence addressed to Jamie Orchard, Director of Integrity Operations at Queensland Racing Limited (QRL). The matter relates to what appears to be false and misleading statements made by the Chairman of Queensland Racing Limited, Mr. Bob Bentley.

Gold Coast Turf Club is aware that you have tabled before the House a bill to amend the *Racing Act*.

We understand that bill intends to appoint Racing Queensland Limited (RQL) to be the new control body for all three codes of racing in Queensland. We further understand that Mr. R. G. Bentley is to be appointed as a Director and Chairman of RQL.

We believe that the matters raised with Mr. Orchard should be properly investigated by a competent body. We are of the view that if the statements are found to be false or misleading, it is conduct that is grossly reckless and seeks to distort public opinion to further his ambitions.

Your proposal to amend the *Racing Act* grants the new Control Body chaired by Mr. Bentley extensive side powers over the assets of race clubs. If it is found that Mr. Bentley has made false or misleading statements in regard to the administration or control of racing, it may be untenable for Mr. Bentley to continue in his position as Chairman of QRL or RQL.

Therefore we suggest that you either not consent to Mr. Bentley being a director of RQL or that you defer the bill until the matter is finalised.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A. Eggleston', written over a horizontal dotted line.

ANDREW EGGLESTON
CHAIRMAN

cc Hon. Anna Bligh MP
Premier, Queensland

cc Hon. Andrew Fraser MP
Treasurer, Queensland Government



14 December 2010

Mr Bob Bentley
Chairman Racing Queensland Ltd
P.O. Box 63
Sandgate Qld 4017

Email: mtuttle@racingqueensland.com.au

Dear Bob,

Open reply to Sunday Mail Racing Editor Bart Sinclair 29 November 2010

I refer to your recent "Open reply to Sunday Mail Racing Editor Bart Sinclair" dated 29 November 2010 and appearing on the RQL website and Sunday Mail. There are several matters that I will raise with you in person, but one I wished to raise with you in writing in regard to the BRC Master Plan. Your letter states in part:

"Racing Queensland Limited (RQL) has made a number of requests for information to carry out due diligence, but there has been insufficient detail provided to even consider an approval."

You would be well aware that such statement is mischievous, designed to mislead and create the impression that BRC is recalcitrant. The statement is not in accordance with the facts, which are:

- BRC has provided every piece of information requested by RQL
- BRC and Watpac have briefed RQL face to face on numerous occasions
- RQL has an open invitation to attend all Project Control Group meetings
- RQL has been invited to examine all papers in regard to the master plan including minutes, financials, agreements, etc

We do not know which pieces of information you believe you have not been provided. Please let us know and if they are in existence we will forward them to you. The master plan is a work in progress and there is still a significant consultation and approval process to go through.

As such it is not possible for RQL or the Minister to give approval at this stage. The Minister has stressed to us that no approval can be given until the plans are final. This in turn will not be the case until the BCC has considered them and approved them.

BRC and Watpac are still in the review, consultation and approval stage with Brisbane City Council. Many documents are still in draft form awaiting the final approval from Council. When BRC has its plans approved, it will then seek formal approval from RQL.

The Preliminary Approval for Council is being prepared for lodgement by the end of this year. When it is finalised and submitted to Council, I will send a copy to you. In the meantime, I request that you correct your misrepresentation of the facts by printing a retraction on the RQL website.

KEVIN DIXON
CHAIRMAN



Office of the Premier

For reply please quote: MC/NC - TF/10/11796 - DOC/10/62573

Executive Building
100 George Street Brisbane
PO Box 15185 City East
Queensland 4002 Australia
Telephone +61 7 3224 4500
Facsimile +61 7 3221 3691
Email ThePremier@premiers.qld.gov.au
Website www.thepremier.qld.gov.au

27 MAY 2010

Mr Kevin Dixon
Chairman
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4007

Dear Mr Dixon

Thank you for forwarding the Premier a copy of your letter of 14 May 2010 addressed to the Honourable Peter Lawlor MP, Minister for Tourism and Fair Trading concerning the draft Racing Queensland Limited's constitution. I have been requested to reply to you on the Premier's behalf.

The contents of your letter have been noted.

Please be assured that Minister Lawlor will give your correspondence his full consideration.

Again, thank you for bringing this matter to the Premier's attention.

Yours sincerely

M Weaver
Director
Executive Correspondence



Queensland
Government



08092249k

Queensland Racing Limited
A.B.N. 93 116 735 374
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@queenslandracing.com.au
W www.queenslandracing.com.au

18 September 2008

The Editor
Mr David Fagan
Courier Mail
GPO Box 130
BRISBANE QLD 4001

Dear Sir

Reference is made to a comment published in your newspaper, the *Courier Mail* on September 18, 2008, entitled, "*Chairman's behaviour just extraordinary*".

It is with interest that I read this morning's comment by *Courier Mail* journalist, Bart Sinclair, in which Mr Sinclair purports that it is unusual for a Chairman of a company to defend the proprietary of that company.

Firstly, the article misinterprets the situation entirely and I attach a copy of the press release to which Mr Sinclair refers.

QRL has offered to install a Cushion Track to replace the grass surface at Clifford Park, Toowoomba. It is an offer to install, not a demand. It is entirely a decision to accept or otherwise for the Toowoomba racing community. The choice of an alternative surface is solely to assist the Toowoomba Turf Club to maintain the number of racing dates they are presently awarded. The Cushion Track will secure these dates.

The existing grass track at Toowoomba, has for some time, been severely stressed owing to the long drought and Toowoomba's inability to store or supply sufficient water to maintain the track to a satisfactory TAB standard.

The publication of turnover figures was to correct the ridiculous innuendo on turnover figures that had been touted by opponents of the installation.

I think it is reasonable to provide the facts to the industry in relation to the successful installation of the Cushion Track at Corbould Park, Caloundra, and the rationale for the installation of a similar track at Clifford Park, Toowoomba.

In his article, Mr Sinclair also refers to two letters sent to the membership of the Brisbane Turf Club; one letter by Ron Wanless and a second by, "racing enthusiast", Bill Carter. In Ron Wanless' letter, he simply put forward the names of people that he believes would be successful as Directors of the proposed Brisbane Racing Club ("BRC") Board, and the rationale supporting his position. In Bill Carter's letter, Bill Carter chose to criticise QRL through the following comments about the criteria he believes members of the BRC Board must meet:

- *"first and foremost, are persons who have demonstrated and/or who are strong individual minds who will be concerned only to further the best interests of the amalgamated Club and of metropolitan racing and who will strenuously oppose any attempts by Queensland Racing (QR) to compromise the best interests of the Club and the Club's assets and of metropolitan racing.*
- *who can be relied upon to engage appropriately with QR, the Control Body, as required but who will fearlessly challenge QR by all lawful means at its disposal, if the best interests of the Club and of metropolitan racing are in any way compromised by QR decision making.*
- *who will oppose by all lawful means available to the Board any proposal by QR that Doomben Racecourse and/or Eagle Farm Racecourse be destroyed (as was proposed by QR in respect of both Doomben and Eagle Farm in 2003/04 and in respect of Doomben in November 2006).*
- *who are persons who will be concerned about the reasonable requirements of members and the club's business and assets as matters of fundamental importance and who can demonstrate that they will not be compromised by any previous dealings with QR and any of its directors."*

Further to the above points, Bill Carter outlined his *"concern that the BRC move forward positively, productively and with unity, so that QR and its directors will understand that the members of this club are sick and tired of disunity and division and of QR decision making which is seen to be influenced, rightly or wrongly, by personal rivalries or long-standing friendships."*

Any reasonable person will discern that Mr Carter's agenda is not one of promoting people in the best interests of racing, but it is one of attempting to continue the adversarial role that is evidenced by the racing history dating back to 1992.

The third item discussed in Bart Sinclair's article, is in relation to comments by Mr Mark Oberhardt in a column published in last Monday's *Courier Mail*. Mr Oberhardt went about questioning the decision of the QRL Board to boost the already successful Queensland Thoroughbred Incentive Scheme ("QTIS").

In doing so, Mr Oberhardt pointed to a number of trainers that had left the Queensland racing industry in recent times; but unfortunately, Mr Oberhardt failed to mention that a number of leading interstate trainers had taken a decision to relocate and base their operations in South East Queensland.

I accept Mr Oberhardt's assertions that there are two views. Firstly, that the money should have gone to general prizemoney, a view espoused by the current CEO of the QTC, Mr Ferguson, to the Chairman of the Breeders, and secondly, the current decision to boost the QTIS scheme.

The boost to the QTIS scheme is a joint promotion of QRL and Magic Millions Sales Company to assist the Queensland Breeding industry and promote new ownership of thoroughbred horses.

The scheme, with the incentive applying, will offer new owners an opportunity to race for exceptional prizemoney with the purchase of a quality horse at a reasonable price. It will also encourage breeders to upgrade the Queensland breeding stock through the Breedback scheme. It is unfortunate that Mr Oberhardt did not take the opportunity to consult QRL whereby the mechanics of the scheme could have been explained that this new initiative is not a drain on the general prizemoney pool.

I agree as Mr Sinclair quoted *"Free speech is a basic right of the whole community"*. However, balanced reporting to the community is also a basic right.

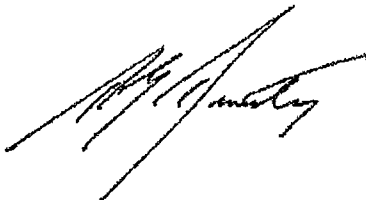
QRL will continue to work towards increasing the general prizemoney levels, always as a priority. The level can only be lifted out of recurring income through increased turnover, quality tracks, good fields, consistent racing and above all, positive reporting. This supports increased turnover for the ultimate benefit of all stakeholders.

As Chair of QRL, I accept criticism and other's opinions as a daily diet. As Martin Daubney QC said,

"Everyone has their own opinion on every issue in the industry."

I am more than happy for this correspondence to be printed in full, in your, *"Letters to the Editor"* section of the *Courier Mail*.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. G. Bentley', written in a cursive style with a long, sweeping underline.

R. G. BENTLEY
Chairman



18 September 2008

Mr. Bob Bentley
Chairman
Queensland Racing Limited
P.O. Box 63
Sandgate Qld 4017

Dear Bob,

Letter to the Courier Mail Editor 18 September 2008

I refer to your letter to The Editor of the Courier Mail dated 18 September.

In that letter you refer to a view "espoused by the CEO of the QTC, Mr. Ferguson, to the Chairman of the Breeders" in regard to the QTIS scheme.

I am disturbed that a person in your position has relied on second hand information, especially as your assertion of my views is incomplete and incorrect.

It would not have been too difficult to have extended such a simple courtesy as a telephone call.

As always, I am available to discuss any matter.

**STEPHEN FERGUSON
CHIEF EXECUTIVE**

Cc: the Hon Andrew Fraser MP, Treasurer and Minister for Racing

QUEENSLAND TURF CLUB LTD.
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**FILE NOTE
STEHEN FERGUSON
MEETING WITH QUEENSLAND RACING LTD & QUEENSLAND TAB
CLUBS
22 MAY 2008**

1. On 22 May, I attended a "Broadcast" meeting at Doomben Racecourse put on by Queensland Racing Ltd with all Queensland TAB Clubs present.
2. QTC did not receive the first notice of the meeting and found out about it second hand. Due to the late notice, the chairman was invited but was unable to attend due to prior commitments.
3. Clubs present included:
 - Queensland Turf Club
 - Tattersall's Racing Club
 - Brisbane Turf Club
 - Gold Coast Turf Club
 - Sunshine Coast Turf Club
 - Ipswich Turf Club
 - Toowoomba Turf Club
 - Rockhampton Jockey Club
 - Mackay Turf Club
 - Townsville Turf Club
4. Persons present included:
 - Mal Tuttle
 - Bob Bentley
 - Neville Stewart
 - Hoss Heinrich
 - Brett Kitching
 - Malcolm Holmes
 - Wayne Milner
 - Michael Paramor
 - Mick Sullivan
 - Grant Sheather
 - and others

Bob Bentley

5. Mr. Bentley said that his intention in bringing the meeting together was to attempt to amalgamate the broadcast rights for Queensland. He said that this was not a takeover, but rather focused on getting the best deal for the industry as a whole. He said that QRL was not interested in taking the money. Rather he just wants the industry as a whole to get better returns. He said that at the moment, Clubs were negotiating blind as they had no idea about the real value of their agreements.

6. Malcolm Tuttle conducted the meeting with a PowerPoint presentation which is attached. He said QRL was looking to have a collective approach instead of the current splintered approach to negotiating with Sky Channel. Malcolm believed that the current splintered approach resulted in a sub-optimum deal for all the Clubs.
7. Malcolm said that the tactic of Sky Channel was normally to acquire the rights of the biggest players in the game, e.g. the Metropolitan Clubs. He said that this usually meant that the smaller Clubs were left to pick up the crumbs.
8. Mr. Bentley requested that no Clubs sign any agreements with Sky Channel or any other parties regarding the assignment of rights until a collective agreement could be further investigated. He said that any Club that stepped outside the collective agreement would suffer from an equalizing loss of revenue from admin subsidies, etc.
9. I advised that the major concern for Clubs needed to be the protection of revenue streams, and guarantee that the money went direct to the Clubs. Mr. Bentley said he was not interested in getting hold of the money, just unifying the clubs so that a better deal overall could be struck.

Other comments

10. Malcolm Holmes said that many of the new ideas from Sky Channel were attractive in that Sky Channel wanted to invest in new media and other technology.
11. I advised Malcolm that that might be well and good, but a benefit needed to accrue to the Clubs in Queensland, where as presently it did not do so. I gave the example that if people wanted to bet through their television they would not be betting in UNITAB pools, but rather Tabcorp pools.
12. Wayne Milner made the observation that a collective agreement would certainly save costs rather than each Club running off hiring its' own lawyers, negotiations and valuer experts.
13. Mr. Tuttle suggested a working party to further go down the path of putting together a scheme whereby the Clubs could collectively negotiate. No one was opposed to that view.
14. However Michael Paramor said that the terms of what Mr. Tuttle were seeking were beyond the scope of the Clubs to agree to at this stage. Mr. Paramor said that QRL was seeking for the Clubs "to give principle support" to proceed to arbitrate and sign all broadcast rights.
15. The meeting got bogged down on "chicken or egg" arguments related to the makeup of a working party and whether it was more important to appoint a consultant with the necessary skills to properly advise the Clubs.

Letter of commitment

16. Mr. Bentley said that a concern of his is that he didn't want to spend \$500K of QRL money only for one of the major Clubs to drop out of the arrangement and try and get a better deal for itself, which he said had always happened in the past.
17. Therefore, it was suggested that a letter of commitment be forwarded by Queensland Racing to all Clubs seeking commitment that the Clubs would not enter into agreements at least for the next 12 months in regard to their Sky Channel rights. I said that I believed QTC would look favourably on a fixed term non-negotiable period to investigate collective arrangements.
18. I said that QTC would look favourably on a collective arrangement if it provided a greater industry benefit, but that the devil was in the detail. I said a letter of commitment could only go so far. Whilst in principle support was fine, Clubs could not firm commitment to something they hadn't seen. That was especially the case today as the legal requirement was for the Boards to approve and not those present.
19. I said that it was not possible for the Clubs at this time to give commitment to aggregation and assignment of rights for reasons including:
- a. legal reasons including TPA, ACCC, etc
 - b. the Clubs had not seen the details
 - c. (e.g. each club has different termination dates, some in two years. It was possible that a deal would not be done within that period, so what happens to the clubs whose agreements have expired?)
20. I also said that QTC had already advised Sky Channel that it would not grant it an extension to negotiate further and that the preference of QTC was to negotiate at a time that other bidders could come to the table in line with the pre-emptive rights in the existing contract.

Observations

21. In regards to all of the above, my views are set out below.
- a. If QTC does seem to go alone, there is absolutely no doubt that QRL will decrease any other subsidies by a similar amount as to what QTC currently receives.
 - b. QTC cannot give the warranties that Sky Channel should require in regards to its rights. In regard to whether the Clubs like it or not, QRL handles all the dates and the dates are what dictate the value of wagering turnover which dictates the value of Sky Channel revenue.

- c. It is inequitable when Clubs either run more race meetings or run fewer race meetings, and they are not compensated accordingly.
- d. In general observation, QTC would be seen as the bad guys if it sought to do a deal for itself that resulted in other Clubs being able to not get as good a result as otherwise could be.
- e. In my view, the only fear for QTC is that it has to protect the revenue stream separately from QRL.
- f. Without being there to those present, it is doubtful that those present in the room are the best individuals to negotiate broadcast rights.
- g. If the collective agreements generate more money for all clubs as a whole, QTC will benefit from a healthier racing economy

22.I see no upside in QTC coming out of the collective arrangement.

- QRL have the right to give a direction to the Club :
 - a. "relating to the operations of the Club"
 - b. to "do something or refrain from doing something"¹
- The industry at large will see QTC as selfish if it goes alone
- QRL will subtract the value of any improved position from our admin subsidy
- QTC cannot warrant applying the minimum racing program as required currently under Clause 12 and Schedule 5 of the Rights Agreement.

23.In my view, there is little option other than to join the collective process. This will generate the best result for QTC in the circumstances

24.I noticed after the meeting that Mr. Milner stayed behind to talk with Mr. Bentley.

¹ Racing Act s34(2)-(4)

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14. However Michael Paramor said that the terms of what Mr. Tuttle were seeking were beyond the scope of the Clubs to agree to at this stage. Mr. Paramor said that QRL was seeking for the Clubs "to give principle support" to proceed to aggregate and sign all broadcast rights.
15. The meeting got bogged down on "chicken or egg" arguments related to the makeup of a working party and whether it was more important to appoint a consultant with the necessary skills to properly advise the Clubs.

Letter of commitment

16. Mr. Bentley said that a concern of his is that he didn't want to spend \$500K of QRL money only for one of the major Clubs to drop out of the arrangement and try and get a better deal for itself, which he said had always happened in the past.
17. Therefore, it was suggested that a letter of commitment be forwarded by Queensland Racing to all Clubs seeking commitment that the Clubs would not enter into agreements at least for the next 12 months in regard to their Sky Channel rights. I said that I believed QTC would look favourably on a fixed term non-negotiable period to investigate collective arrangements.
18. I said that QTC would look favourably on a collective arrangement if it provided a greater industry benefit, but that the devil was in the detail. I said a letter of commitment could only go so far. Whilst in principle support was fine, Clubs could not firm commitment to something they hadn't seen. That was especially the case today as the legal requirement was for the Boards to approve and not those present.
19. I said that it was not possible for the Clubs at this time to give commitment to aggregation and assignment of rights for reasons including:
 - a. legal reasons including TPA, ACCC, etc
 - b. the Clubs had not seen the details
 - c. (e.g. each club has different termination dates, some in two years. It was possible that a deal would not be done within that period, so what happens to the clubs whose agreements have expired?)
20. I also said that QTC had already advised Sky Channel that it would not grant it an extension to negotiate further and that the preference of QTC was to negotiate at a time that other bidders could come to the table in line with the pre-emptive rights in the existing contract.

Observations

21. In regards to all of the above, my views are set out below.
 - a. If QTC does seem to go alone, there is absolutely no doubt that QRL will deduct any other subsidies by a similar amount as to what QTC currently receives.
 - b. QTC cannot give the warranties that Sky Channel should require in regards to its rights. In regard to whether the Clubs like it or not, QRL handles the dates and the dates are what dictate the value of wages & turnover which dictates the value of Sky Channel revenue.

- c. It is inequitable when Clubs either run more race meetings or run fewer race meetings, and they are not compensated accordingly.
- d. In general observation, QTC would be seen as the bad guys if it sought to do a deal for itself that resulted in other Clubs being able to not get a good a result as otherwise could be.
- e. In my view, the only fear for QTC is that it has to protect the revenue stream separately from QRL.
- f. Without being able to those present, it is doubtful that those present in the room are the best individuals to negotiate broadcast rights.
- g. If the collective agreements generate more money for all clubs as a whole, QTC will benefit from a healthier racing economy

22.I see no upside in QTC coming out of the collective arrangement.

- QRL have the right to give a direction to the Club :
 - a. "relating to the operations of the Club"
 - b. to "do something or refrain from doing something"¹
- The industry at large will see QTC as selfish if it goes alone
- QRL will subtract the value of any improved position from our admin subsidy
- QTC cannot warrant applying the minimum racing program as required currently under Clause 12 and Schedule 5 of the Rights Agreement.

23.In my view, there is little option other than to join the collective process. This will generate the best result for QTC in the circumstances

24.I noticed after the meeting that Mr. Milner stayed behind to talk with Mr. Bentley.

¹ Racing Act s34(2)-(4)

LEK

Author: Sean McCreary
 Case: QRL02
 Date Created: 11/11/2010 11:24
 Date: 11/11/2010 11:24
 Filename:
 Description: RQL Stewards Subsidy

blue input cells
 green cells fed from elsewhere
 black cells containing a calculation

Comparison of Scenarios

Units	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	Total	Average	
Rights: BRC														
Scenario 1 (Approved: June 24)														
Domestic Rights*	[\$000s]	3,927	7,885	4,527	4,716	4,919	5,137	5,370	5,620	5,887	6,172	7,116	57,348	5,735
International Rights	[\$000s]	315	346	379	512	561	616	676	742	814	893	980	6,518	652
Gross Rights*	[\$000s]	4,242	8,230	4,906	5,228	5,480	5,753	6,046	6,362	6,701	7,065	8,096	63,867	6,387
Costs**	[\$000s]	(738)	(950)	(964)	(979)	(1,017)	(1,032)	(1,047)	(1,063)	(1,079)	(1,096)	(1,112)	(10,339)	(1,034)
Net Rights	[\$000s]	3,504	7,281	3,942	4,249	4,463	4,721	4,999	5,299	5,622	5,969	6,984	53,526	5,353
Scenario 2 (Approved)														
Domestic Rights*	[\$000s]	3,927	7,693	4,527	4,716	4,919	5,137	5,370	5,620	5,887	6,172	7,116	57,158	5,716
International Rights	[\$000s]	341	374	410	576	632	693	761	835	916	1,005	1,103	7,302	730
Gross Rights*	[\$000s]	4,268	8,067	4,937	5,292	5,551	5,830	6,131	6,455	6,803	7,177	8,219	64,460	6,446
Costs**	[\$000s]	(738)	(950)	(956)	(963)	(993)	(1,000)	(1,007)	(1,014)	(1,021)	(1,028)	(1,035)	(9,969)	(997)
Net Rights	[\$000s]	3,530	7,117	3,980	4,329	4,558	4,830	5,124	5,441	5,782	6,149	7,183	54,491	5,449
Scenario 3 (Approved)														
Domestic Rights	[\$000s]	-	(191)	(1)	0	0	0	0	0	0	0	(0)	(191)	(19)
International Rights	[\$000s]	26	28	31	64	71	77	85	93	102	112	123	784	78
Gross Rights	[\$000s]	26	(164)	31	64	71	77	85	93	102	112	123	593	59
Costs	[\$000s]	-	-	8	16	24	32	40	49	58	68	77	370	37
Net Rights	[\$000s]	26	(164)	38	80	95	109	125	142	160	180	199	965	96
Percent variance net rights	[%]	0.7%	-2.2%	1.0%	1.9%	2.1%	2.3%	2.5%	2.7%	2.8%	3.0%	2.9%	1.8%	1.8%

* Includes Sign on Fee
 ** Includes RQL Stewards Subsidy



FILE NOTE

BRISBANE
RACING CLUB

Broadcast Strategy Meeting

Thursday 19th November, 2009

91m – 10am

Eagle Farm

Present

Colin Smith, LEK

Kevin Dixon, Chairman

Stephen Ferguson, CEO

Mr Smith said that the purpose for the meeting was to advise the stage that negotiations had reached.

He said that the non disclosure agreements were very strict, meaning that he could only discuss contracts with that particular club and he could not discuss contracts with any other party including clubs with Queensland Racing.

He said that Sky Channel had not permitted them to take copy of contracts but that he and his lawyers had been able to sit in a room at Sky Channel with the contracts and make notes.

Mr Smith said that it was particularly important that any cartel type activities or structures were avoided.

Mr Smith said that term sheets had been issued together to Sky Channel and TVN. He said all the Turf sheets had gone out together as one package with the umbrella licensor being QRL and each club and venue having a separate term sheet underneath. Mr Smith said that the best way to maximise the rights was to licence them all together under the one agreement.

Immediately that Mr Smith identified QRL as the licensor Mr Dixon advised him that this was completely intolerable. Mr Smith said that clear instructions had been given by all the clubs and agreement from QRL that QRL would not be a party to any of the agreements apart from perhaps the need to warrant the supply of race dates.

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED

PO Box 817 Hamilton Central, Queensland 4007 • Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.

P: 61 7 338 871 • F: 61 7 3868 2410 • W: www.brc.com.au

Phone: 80 133 679 786 • ACN: 133 679 786



BRISBANE RACING CLUB

After discussion it was agreed that the actions from Mr Smith were to complete the following by 10am Friday 19 November.

1. Substitute a different entity as the licensor on the term sheet.
2. If unable to do the above withdraw BRC from the current term sheet immediately.
3. BRC would then work with LEK on an appropriate structure.

Further in addition Mr Smith is to provide BRC with

1. A copy of the term sheet sent to Sky and TVN
2. All Legal advice in regard to the matter

Mr Dixon said that despite Mr Smiths protests otherwise, he had always formed the view that LEK would insert QRL into the process as a party. Mr Smith was not convincing in his reasons as to why QRL needed to be a part.

Mr Smith referred to vague legal advice from Mallisons that this was the only way forward. He said he had taken advice from Nicole Henry of the Brisbane Mallisons office. When asked to table that advice Mr Smith said it had only been received verbally. Mr Smith said that Sky and TVN had been requested to submit offers by 20 December. However, he said that there was opportunity to seek extension.

Mr Smith used weasel words to describe why QRL needed to be involved in the process such as strengthening the collective, maximising rights etc.

Mr Dixon said "to be perfectly frank BRC will not licence QRL, I will say it again BRC will not licence QRL or have any party to the agreement". Mr Smith also said he had not sought permission from QRL to have it as the licensor under the agreement, this seems odd. Mr Ferguson advised Mr Smith that he had legal advice that there were at least three other possible structures that could be utilised instead of QRL. Mr Smith said that he would get his lawyers to look at the matter again.

The revenue distribution under the term sheet would be per venue and club and not paid as gross to the licensor. Mr Smith had secured a 5 year term. Mr Dixon expressed concern that Mr Smith had issued a term sheet without having consulted the clubs. Mr Smith said he would not be surprised if TVN did not bid he held a view that Sky Channel would soon take over TVN. Mr Smith said that both Sky and TVN

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BRISBANE
RACING CLUB

needed to be careful during this negotiation process with the clubs that there was a competitive environment. He said that it would be grounds to block the merger if a competitive environment did not exist.

Mr Smith said the TVN business model does not stack up and the Sky Channel business model has hotel and club revenue but the TVN business model does not. He said that Peter Sweeney of TVN said they would need two to three months to prepare a bid.

Mr Dixon also raised an issue in regard to a possible or perceived conflict of interest between a director of QRL also being a director of Unitab and that unagreement with Sky whose parent company is Tabcorp.

Mr Dixon advised Mr Smith "don't bother to have a suggestion that QRL is part of any contractual arrangements". Mr Smith said that the agreements were the most constrained he had seen especially in regard to the first and last clauses. He said that Mallisons had advised him that there were grounds to argue that the contracts were unconscionable "I imagine this would have been verbal advice as well".

Mr Smith said that even if TVN made a great offer he would need to ensure they had a capacity to deliver.

Mr Dixon referred to a broadcast strategy meeting that was called by Qld Racing to be held Monday 23 November. Mr Dixon noted that Sky Channel had been invited to attend but TVN had not.

Mr Dixon also had on the proviso that by the end of February that the situation was not clear BRC would have to negotiate on its own behalf. Mr Smith said that he had only been able to see the contracts three weeks ago. Mr Dixon stressed to Mr Smith that BRC was not afraid to pull out of the process if LEK were not able to deliver a better result in terms that BRC was happy with. Mr Dixon also stressed that he was hoping that the process and involvement of a metropolitan club would enable a greater dividend for the other Queensland clubs.

END

STEPHEN FERGUSON
CHIEF EXECUTIVE

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED
PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
T: 61 7 3868 2410 * F: 61 7 3868 2410 * W: www.brc.com.au

ABN: 80 133 679 786 ACN: 133 679 786

RQL.146.002.0315

25 November 2009

[Name]

Chairman

[Club]

[Address]

STRICTLY CONFIDENTIAL – Not for outside discussion

Dear [Name],

RE: Broadcast Rights Project

As you are aware, a project is currently underway regarding the potential negotiation with Broadcasters of the collective Broadcast rights of racing conducted in Queensland.

In our preliminary meetings regarding the selection and appointment of LEK Consulting to undertake this project, the BRC and a number of other clubs stressed that any arrangements that were to come from this project would need to be directly with the clubs.

Further, should it be more beneficial to the whole that these be somehow combined into a single entity, then, before this could be assumed, we would need to understand how this would work, how each club would continue to maintain control over their own property, and how the distribution of funds would occur. At a recent meeting with LEK they informed us that:

1. They have issued a term sheet to both TVN and Sky, due for return on December 20, 2009.
2. That, because of legal advice in regard to potential breaches of the Trade Practices Act, this term sheet proposed a structure in which each club would license QRL regarding their Broadcast rights, and QRL would be the entity dealing with the broadcasters
3. That, because of privacy requirements, LEK could not provide us a copy of the term sheet, nor explain to us the terms of the arrangements proposed.

Further, LEK stated that they had taken this action of their own doing, and had not discussed the proposal with QRL, nor shown QRL the term sheet. Subsequent correspondence with LEK would place some doubt over these statements.

As a result, BRC has requested that LEK withdraw the term sheet. We suggested to them that they were not authorized to proceed in this way, and that a greater level of discussion between the clubs would be needed before such a proposal could proceed. LEK to this point, have refused to comply with this request.

This letter is to assure you that BRC is dedicated to protecting the rights of all Clubs. We believe that transparency in this endeavour is critical. We understand that some confidentiality restrictions in regard to existing contracts must be observed, and that there are indeed a number of Trade Practices issues regarding the cumulative bargaining for a new deal. However, a number of possible solutions exist, and simply these have not been explored, nor discussed with the Clubs.

We will continue to keep you informed.

Yours Sincerely,



**KEVIN DIXON
CHAIRMAN**



BRISBANE
RACING CLUB

8 December 2009

[Name]
[Title]
[Club]
[Address]

Without prejudice - STRICTLY CONFIDENTIAL – Not for outside discussion

Dear [first name],

RE: Broadcast Rights Project

By now you will have received an update letter from LEK Consulting, entitled Update No. 4, regarding the outcomes of a meeting between LEK, the Brisbane Racing Club and QRL. In keeping with my undertaking to keep you informed I am providing this letter to add a little background and commentary.

After my last letter to you, QRL requested the meeting referred to above. At the opening of that meeting QRL expressed great dismay at why we, the BRC, would have difficulty with the proposed approach of licensing our rights to QRL, and letting them get the best deal for us. We expressed to QRL that our concerns should have been obvious. We then expressed the following concerns and issues:

1. That licensing QRL to collectively bargain the rights deal, would in all likelihood, lead to the suggestion that since the Broadcaster proposal was to QRL, then so would the contract also need to be with QRL, and the money flow would of course follow this path as well. A consequence of this may be a distinct lack of transparency.
2. This path may result in each club being less able to negotiate other issues with the Broadcasters, such as production capabilities and costs, the manner in which the product is presented, and the associated non cash benefits that a club could receive.
3. In light of (1) we restated our view that the resulting contracts must be with the Club directly; must allow for club specific negotiation of certain items; and the associated money must flow directly to the clubs.
4. We expressed concern at the QRL stated position of "no one being worse off". It is our belief that each club can, and should, be considerably better off, and that no club's benefit should be at the expense of another club. We expressed the view that BRC will evaluate the results of this process by referencing what our belief is regarding the value of the rights of BRC, as well as by being assured of significant benefit to the rest of the state. The BRC has no difficulty with a reduced percentage share of the total Queensland value, if this is achieved

by other clubs rights value increasing disproportionately to recognize that their rights are currently undervalued. We further expressed the view that to assist clubs to form these views they must at least know their share of the total now, and under any proposed new arrangements, as well as a clear understanding of the net value to them, clear of any costs (including production cost).

5. In regard to the "Trade Practices Act issues" we acknowledge that issues do exist in this area. However, the clubs themselves would not necessarily satisfy all of the criteria to prevent collective bargaining of the rights. However, the addition of QRL, the entity that can manipulate the timing and availability of the product, may increase the issues rather than ease them.

After expressing the above views, QRL and LEK expressed to us that our issues would all be solved by the license agreement. This may be the case, however this agreement had not yet been drafted. We therefore suggested that before the approach being proposed could proceed, all clubs needed to be provided with the draft agreement, to enable each of them to evaluate the suggested approach. LEK undertook to do this.

In regard to our previous request that LEK withdraw the current term sheet since it was based on an unauthorized structure, and is very much subject to the clubs review of the license agreement, we were advised that they refuse to do that, and that they take their instructions on this from their client, which in their view is QRL.

We are of course more than happy to discuss these issues with you at any time. We now await the draft agreement from LEK and hope that, as they assure us, all of the issues will be resolved.

A handwritten signature in black ink, appearing to be 'H. O. ...', written in a cursive style.

Yours Sincerely,



BRISBANE
RACING CLUB

19 January 2010

Bob Bentley
Chairman
Queensland Racing Ltd
P.O. Box 63
Sandgate Qld 4017

Dear Bob,

Broadcast Agreement

Thank you for yours and Malcolm's time today. I note your re-stated commitment that:

- QRL will not seek to acquire ownership of the intellectual property or the revenue streams associated with broadcast rights
- Each club must be satisfied with all elements of the final proposal including legal structure and revenues and that if a club is not satisfied it will not be compelled to agree to the proposal

On that basis, I give assurance that BRC will not seek to directly engage with any broadcast providers in regard to the negotiation of any agreements whilst the QRL Intangible Assets Policy is going through its consultation period.

BRC shares the view that a unified agreement with all clubs has the greatest prospect of maximising both individual club revenues and also whole of industry revenues. BRC intends to work with the other TAB clubs towards that goal.

Irrespective of the current difficulties BRC has with elements of the LEK proposal, we encourage LEK to continue its work in negotiating the rights on behalf of BRC and all other TAB clubs, in the expectation that a suitable agreement can be reached.

As further discussed today, we remind you that one of the current BRC broadcast contracts is due for renegotiation within the coming months, and should no alternative agreement have been finalised as this time approaches, BRC will then need to open discussions on its own behalf.

KEVIN DIXON
CHAIRMAN



**QUEENSLAND
RACING**

25 May, 2010

PRIVATE AND CONFIDENTIAL

Kevin Dixon
Chairman
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4007

Queensland Racing Limited
ABN 93 116 735 374
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@queenslandracing.com.au
W www.queenslandracing.com.au

Dear Kevin

Following the final negotiation meeting with LEK and noting that the outcome was less than expectations, but in line with the Queensland's contribution to the national programme, Queensland Racing Limited (QRL) will commit to making available a subsidy to clubs to defray the increased costs of on course broadcast coverage and steward's footage.

A subsidy of \$1m will apply per annum subject to the contracts being signed by all clubs and will be for the 10 year term of the broadcast contracts. The subsidy will be based on the number of TAB meetings conducted and capped for any one club at \$250k.

QRL advises that there is no intention of reviewing the administration subsidy currently received by the BRC and this will remain at current levels. Any future discussion on this subsidy will not involve the broadcast subsidy.

In relation to the training track subsidy currently applying to Doomben and Eagle Farm will remain at current levels whilst Treasury continues to provide this on going financial support.

Yours sincerely

R.G. BENTLEY
Chairman



SKY and RQL Broadcast Licence Agreement
Comments by Stephen Ferguson and Andrew Moore CFO, BRC
23 August 2010

Background

- In 2009 LEK was appointed by RQL (with the consent of all Qld TAB race clubs) as the consultant for negotiation of media rights for race clubs.
- On 31 March 2010, BRC entered into an agreement to grant RQL exclusive right to negotiate its media rights. In that agreement BRC may not enter into any sub licence agreement without obtaining the approval of RQL on the same terms. In all discussions, with LEK, BRC was reassured that it would be "at the table" in all discussions regarding this document.
- On 24 June 2010, all Qld race clubs advised RQL that they were willing to enter an exclusive negotiating period with Sky. RQL agreed to regard to the media rights. The next step involved preparation of the licence agreement between RQL and Sky.
- On 18 August 2010, Mallesons presented a draft of license agreement to BRC at 9.18pm. Mallesons requested a review of the agreement the next day. The document is 48 pages long.

Observations

- The timeframes requested for the agreement to be reviewed are unreasonable given it has take nearly two months for the agreement to be reviewed. BRC was given initially less than 7 hours to review it.
- BRC has not been "at the table" in the compilation of the agreement.
- Mallesons continually request BRC to seek instructions from their client (RQL) in regard to the agreement.
- This is frustrating and not in line with BRC being "at the table".
- BRC has requested LEK to provide instructions from RQL that Mallesons is able to take instructions from BRC.
- Mallesons has made no attempt to provide a review period by BRC. It appears to be acting with undue haste.
- BRC strongly suggests that Mallesons not sign any draft agreement until we have had a proper chance to review the document.
- BRC seeks to "be at the table" in all discussions relating the finalization of this agreement.

"Redacted" clauses

Much of the document has been redacted. Mallesons advise:

"The attached draft BRC/RQL Media Rights Agreement only show the items requiring BRC's approval under its Media Rights Agreement and that we have redacted all fee information from the attached draft for their review"

Without knowing what the clauses in question are, it would seem that some of the clauses may relate to BRC and BRC has an approval right in regard to clause 5.1 of the BRC/RQL Media Rights Agreement provides to the effect:

"RQL may not enter into any sub license Agreement without obtaining the approval of the Racing Club to all the sub license Agreement that relate to the Racing Club (other than the applicable sub license OB fees) ... RQL agrees that the rights fees payable to the Racing Club shall be as set out in the agreement of the Racing Club"

Clauses in question include, the following:

- Clause 1.1 (12 definition)
- Clause 5.2
- Clause 6.1
- Clause 9.1(a)
- Clause 11
- Clause 12
- Clause 13.3
- Clause 17 (ex 17.9)
- Schedule 6
- Schedule 7
- Schedule 8

BRC requires knowing all the terms of the BRC/RQL Media Rights Agreement except:

- The applicable sub license OB fee
- Information relating to the sub license agreement for each club

It is assumed that some of the clauses in question may apply to BRC. Therefore, BRC respectfully suggests that the agreement be restructured to:

- all information in the media rights agreement is applicable to all race clubs including the applicable sub license OB fee and included in a schedule for RQL (notwithstanding that the Racing Clubs do not have a sub license agreement with RQL (OB fees)
- confidential information relating to each race club or RQL be included in a schedule for that entity

Without knowing all the terms of the BRC/RQL Media Rights Agreement, BRC will not be able to approve the Agreement.

Recital B and Clause 14.1(a)

Are Recital B and Clause 14.1(a) inconsistent with each other? It would seem that:

- Recital B provides that RQL owns and controls the IP in respect of the Racing Material of that Race Club

- Clause 14.1(a) provide “Rights in relation to the Racing material”

Clearly, BRC owns and controls the rights in relation to broadcast rights, media rights and associated racing material.

Clause 1.1

BRC requires seeing all the relevant definitions (definitions redacted)

Clause 3.1 (b) and (c)

What is the intention of these clauses?

Clause 3.1(b) and others refer to RQL’s rights

Several clauses grant RQL authority in relation to Sky. BRC needs to discuss and consider the extent to which a club can grant rights on these matters either directly or via RQL, e.g.

- Clause 3.1(b)
- Clause 3.1(c)
- Clause 3.3(c)(i)
- Clause 5.2
- Clause 7.4

It would be BRC’s preference for RQL to provide this instruction directly to SKY.

Clause 4.1(a)

- After the words “cover the race” insert the words “Brisbane Racing Sports and Social Club”
- Delete the words “and the race meeting is held”

Clause 4.1(b) and (c)

BRC wishes to access all the relevant channels all the time. Therefore, the clauses should be deleted.

Clause 4.2

Replays should be immediately available on the Club’s website and there should no period of expiration of such use. Delete clauses 4.2(a) and (b).

Clause 4.4

Amend clause so as to provide that DVD’s are provided to the Club at sky’s cost within five minutes of the conclusion of the race. Club may use these DVD’s for display or as gifts to winning owners. Our understanding is that DVD’s for DB services being provided by SKY.

Clause 4.9

BRC currently has its races broadcasted on stereo on some feature days. RQL and the clubs should be free to grant radio broadcast rights to anyone they please. The clause should be deleted.

Clause 5.2

BRC requires seeing all the races

Clause 5.2(a)

The current agreements have a restriction to five days. Therefore, the restriction to five days still needs to be discussed.

Clause 5.3

This clause prohibits the use of BRC's name other than a Sky caller on FTA broadcasts. BRC wishes to reserve its rights in regard to the use of its name on a free to air broadcast of its races.

Clause 6.1

BRC requires seeing all the numbers. This clause relates to Advertising Airtime Value and needs further examination as to its content.

Clause 6.1(a)(ii)

How was the figure of 40% for advertising allocation to BRC has not been subject to any discussion as yet.

Clause 7.2(b)

- BRC is aware that it has non-descriptive clauses in its employment agreements with its on-air talent and commentators on Sky or Tabcorp. BRC wishes to have those clauses replicated in its agreements with race callers to protect the BRC brand and reputation.
- As currently drafted, the clause applies to race callers only. The clause needs to be expanded to include any Sky commentator.

Clause 7.4

- Please include a provision which explicitly states that Sky is responsible for all costs associated with any technology used in the production of the race.
- Delete the words "discuss" and "discussing".
- BRC would prefer to see "Sky must discuss" and seeks a positive obligation on SKY to comply with the requests for its raceday production requirements.

Clause 9.1(a)

To be reviewed after redaction of the clause is complete.

Clause 9.1(b)

The last sentence should specify the clause is (c).

Clause 9.2(a)(i)

Why is the reference to FY09 and FY10 or FY11?

Clause 11

BRC requires seeing all the relevant

Clause 12

BRC requires seeing all the relevant

Clause 13.2

“DVN connection” should be defined

Clause 13.3

BRC requires seeing all the relevant

Clause 14.1

Please see earlier reference to clause 14.1 is in conflict with Recital B

Clause 17 (ex 17.9)

BRC requires seeing all the relevant

Clause 24.1 - Dispute resolution

Still being drafted so unable to comment at this stage.

Clause 17.9

This clause needs further discussion. I do not understand the second sentence where it states “any difference” must be paid to the Club. Is the Club obligated to pass that “difference” to the Club?

Clause 20 and Schedule 9 – Dispute resolution

These terms are unable to be finalized in current form and will require further discussion.

Schedule 3 – OB Services requirements

BRC will require to be made consistent with items in paragraph B relating to “additional requirements”

Schedule 4 - KPI's

Still being drafted so unable to comment at this stage.

Schedule 5 – Baseline Number

AB race meetings per year

BRC currently conducts 94 race meetings per year plus 4 Tattersall's meetings. BRC would need to see how this schedule would apply

Schedule 6

BRC requires seeing all the

Schedule 7

BRC requires seeing all the

Schedule 8

BRC requires seeing all the

Conclusion

Nothing in this paper constitutes an offer or acceptance of any clause in the draft agreement. BRC reserves to itself the right to review and accept or reject the terms relating to it.



RACING
QUEENSLAND

27 October 2010

Dear Club Presidents, Chairpersons and Chief Executives

RE: BROADCAST PROJECT UPDATE

Racing Queensland Limited
A.B.N 52 142 786 874
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Following the decision to appoint Sky Racing as the preferred broadcaster for Queensland thoroughbred media rights, we would like to update you on the current position of finalising those rights.

Key areas of interest to the clubs are:

1. Racing Queensland Limited (**Racing Queensland**) and Sky Racing signed a heads of agreement reflecting the intention to enter into a long form licence agreement with Racing Queensland (as the licensor of the Qld Clubs' media rights) and Sky Racing.
2. The negotiation of the long form licence agreement is ongoing and now progressing well towards finalisation.
3. As per the media rights agreements between the clubs and Racing Queensland, the proposed long form licence agreement includes specific provisions which will require the approval of each club individually.
4. Mallesons Stephen Jaques, lawyers (**Mallesons**) engaged by Racing Queensland and briefed by L.E.K., have drafted a long-form licence agreement.
5. The initial draft of the long form licence agreement was reviewed by Sky Racing and its legal advisors last week.
6. At a face to face meeting last week, Racing Queensland and Sky Racing discussed and agreed on all of the major commercial issues that arose out of the draft agreement and negotiation of the long form licence agreement is now nearing completion. The negotiated long form licence agreement will need to be reviewed and approved by the clubs in accordance with the media rights agreements.
7. As part of the process a working team of Racing Queensland and Sky Racing have addressed specific outside broadcasting issues and drafted a set of KPI's by which to measure performance as well as defined transition arrangements to Sky taking responsibility for outside broadcasting at the agreed quality standard.
8. In relation to Outside Broadcasting (**OB**), can each club continue to keep David Ferrarin of L.E.K. aware of any issues. In particular, if contracts with existing providers expire and are up for renewal before the long form agreement is finalised. The intention is to transition all OB to Sky Racing's responsibility by 30 June 2011 (subject to club approval of the detail on the matter contained in the long form agreement).

9. Once the drafting of the long form licence agreement is completed, which is expected in the next 10 days, it is proposed that meetings (either teleconference or face to face) will be organised with each club to seek their input. As noted in (3) above, the relevant parts of the long form licence agreement will need the approval of each Queensland club, and these will be provided to each club prior to its meeting.

10. L.E.K. and Racing Queensland will facilitate this process ASAP.

For the sake of completeness, we would like to remind all clubs that:

- (a) under recent provisions introduced into the *Racing Act 2002 (Qld) (Act)* and Racing Queensland's recent policy titled "Policy on dealing with intangible assets by non-proprietary licensed clubs", both of which came into effect on 1 July 2010, each licensed club must obtain written approval from Racing Queensland before dealing with its intangible assets (which includes intellectual property rights such as those utilised as part of a club's media rights); and
- (b) under the media rights agreement, your club has granted an exclusive right to Racing Queensland to exploit your club's media rights by negotiating with, and granting rights to, third party broadcasters during the term of the media rights agreement; and

It is important that each club abides by the requirements of the Act and Racing Queensland's policy, and its exclusivity obligations under the media rights agreement.

Clubs should also be aware that Racing Queensland and L.E.K have received letters from the lawyers for a non-preferred broadcaster in which concerns were raised regarding the process engaged in by Racing Queensland and L.E.K regarding the Queensland thoroughbred media rights, the current arrangements between the Clubs and Sky Racing and the decision to appoint Sky Racing and to enter into exclusive negotiations with them as the preferred broadcaster for those rights. These letters raised allegations that the conduct of Racing Queensland, L.E.K, the Clubs and Sky Racing may be in breach of the *Trade Practices Act 1974 (Cth) (TPA)* and requested that Racing Queensland and L.E.K provide them with a range of confidential documentation (including documents of or involving the Clubs) to assist that broadcaster with its alleged legal claims.

Mallesons, have responded to these letters on behalf of Racing Queensland and L.E.K. In doing so, Mallesons have:

- rejected all allegations that the process or decision involved any conduct by Racing Queensland or LEK in breach of the TPA; and
- refused to hand over any documents.

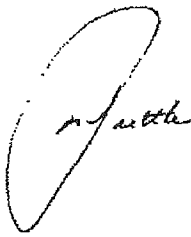
Racing Queensland and L.E.K will continue to facilitate the process and do not see any basis in these letters for concern regarding the timing or completion of the particular matters referred to above.

We understand that some Clubs may have recently received similar letters and that they may wish to seek legal advice in relation to those matters.

However, if there are any questions in relation to that issue, please firstly direct them to either Shara Murray on (07) 3869 9712 and / or myself on (07) 3869 9730.

If there are questions and / or comments to the current process please direct these to either David Ferrarin on 0403 124 456 or Colin Smith on 0411 850 133 of L.E.K.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M Tuttle', enclosed within a large, loopy oval shape.

Malcolm Tuttle
Chief Executive Officer

LEVEL 35, FRESHWATER PLACE
2 SOUTHBANK BOULEVARD
SOUTHBANK VIC 3006
AUSTRALIA

T: 61.3.9270 8300
F: 61.3.9270 8350
LEK.COM

9 November 2010

Mr Stephen Ferguson
Chief Executive Officer
Brisbane Racing Club
PO Box 817
Hamilton Central Qld 4007

Dear Stephen

Broadcast Project Update

Further to the Broadcast Project Update from Racing Queensland Limited (RQL) of 27 October 2010, we are writing to provide you with an additional update in relation to the finalisation of the media rights deal for Queensland thoroughbred racing with Sky Racing.

1. RQL is in the final stages of finalising the legal drafting in the long form contract with Sky Racing. There are now very few outstanding issues and it is intended that these should be resolved by early next week (17th November).
2. The relevant sections of the negotiated long form contract will need to be reviewed and approved by the clubs in accordance with the media rights agreements between RQL and the clubs.
3. Once RQL finalises its negotiation of the long form contract with Sky Racing, an Amending and Approval Agreement will be provided to each club and club CEO for their review and approval. The Amending and Approval Agreement will set out the relevant sections of the negotiated long form contract requiring the club's approval, the rights fees payable to the club and necessary amendments to the media rights agreement to reflect the negotiated long form contract.
4. Face to face meetings or telephone conferences will be scheduled with each of the clubs individually to discuss any issues they may have with the proposed Amending and Approval Agreement.
5. The long form contract with Sky Racing will not take effect until all the clubs have approved the relevant provisions by signing the Amending and

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Approval Agreements, and UNiTAB's consent is also received. Once these conditions are met each club will start receiving payments for their media rights under those agreements. It should be noted that once the conditions are met, the domestic media rights fees will be backdated to the 1st of July 2010.

- 6. As a reminder from the previous update, if there are any issues regarding current and / or future Outside Broadcasting agreements, please refer those to David Ferrarin of L.E.K. Consulting.

Clubs should also note that the non-preferred broadcaster has recently contacted RQL in relation to a potential further offer for the media rights. We have written to them on behalf of RQL to confirm that RQL is in exclusive negotiations with Sky Racing and is therefore not in a position to consider any further proposals at this time.

We also remind you that RQL has been granted the exclusive right by each club to exploit the media rights and undertake negotiations for the duration of the term of the media rights agreements, and that the clubs approved RQL entering into exclusive negotiations with Sky Racing as the preferred media rights broadcaster. Accordingly, no club should be having any discussions (either formal or informal) about any other offers regarding Queensland thoroughbred racing media rights during the exclusive negotiation period with Sky, nor the exclusive rights period granted to RQL.

It is intended that the media rights deal with Sky Racing and the clubs will be finalised within the next 3 weeks and we will keep you informed of further developments.

As per the last update, if the clubs have any issues can they contact either David Ferrarin or myself to discuss further. Our contact details are as follows:

	<u>Mobile</u>	<u>Office</u>	<u>Email</u>
Colin Smith	0411 850 133	03 9270 8300	c.smith@lek.com
David Ferrarin	0403 124 456	02 9323 0700	d.ferrarin@lek.com

Kind regards

Colin J Smith
Principal Advisor - Sport, Media and Entertainment

copy to:

Mr Malcolm Tuttle
Chief Executive Officer
Racing Queensland

Stephen Ferguson

From: Stephen Ferguson
Sent: Monday, 15 November 2010 7:36 PM
To: Shara Murray
Subject: RE: Disbursement of the \$1.5M Sign On Fee

Shara,
10.30am

Sent from my Windows Mobile® phone.

-----Original Message-----

From: Shara Murray <smurray@racingqueensland.com.au>
Sent: Monday, 15 November 2010 5:14 PM
To: Stephen Ferguson <sferguson@brc.com.au>
Subject: RE: Disbursement of the \$1.5M Sign On Fee

Stephen

For my information, could you please advise me of the time of your Board meeting on Thursday?

Regards

Shara

Shara Murray

Senior Corporate Counsel I Company Secretary

PO Box 63, Sandgate QLD 4017

P +61 7 3869 9712

F +61 7 3269 9043

M 0407 156 539

E smurray@racingqueensland.com.au

W www.racingqueensland.com.au <<http://www.queenslandracing.com.au/>>

From: Stephen Ferguson [<mailto:sferguson@brc.com.au>]
Sent: Monday, 15 November 2010 10:54 AM
To: Shara Murray; Cho, Jenny; Heller, Nicole; C.Smith@lek.com; D.Ferrarin@lek.com; Andrew Moore
Cc: R Bentley; Malcolm Tuttle; Kevin Dixon
Subject: RE: Disbursement of the \$1.5M Sign On Fee

Shara,

Thanks for your note.

Your earliest response on Wednesday evening would be much appreciated.

My Board meets on Thursday and would benefit from an early advice from your Board.

Can you please that this \$1.5M is the only sum of money from Sky to RQL that is undisclosed?

Stephen

Stephen Ferguson
Chief Executive
Brisbane Racing Club

P.O. Box 817 Hamilton Central QLD 4007

07 3268 2171

0412 654 000

07 3868 2410

<<http://www.brc.com.au/>>

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Your acceptance of this document

will serve as acceptance of the above conditions. If you have any queries or difficulties with the above please raise them when reviewing this paragraph. Please advise us if you have received the e-mail in error.

From: Shara Murray [mailto:smurray@racingqueensland.com.au]

Sent: Monday, 15 November 2010 9:39 AM

To: Cho, Jenny; Heller, Nicole; C.Smith@lek.com; D.Ferrarin@lek.com; Stephen Ferguson;
Andrew Moore
Cc: R Bentley; Malcolm Tuttle
Subject: Re: Disbursement of the \$1.5M Sign On Fee
Importance: High

Private and Confidential

Dear all

Please note that in relation to the disbursement of the \$1.5M sign on fee received by RQL from SKY, I advise that this matter will be formally discussed and resolved by the Board of RQL on Wednesday, 17 November 2010.

I advise that I will convey the Board's resolution after its Board meeting.

Kind Regards

Shara

Shara Murray

Senior Corporate Counsel I Company Secretary

PO Box 63, Sandgate QLD 4017

P +61 7 3869 9712

F +61 7 3269 9043

M 0407 156 539

E smurray@racingqueensland.com.au

W www.racingqueensland.com.au

<<http://www.queenslandracing.com.au/>>

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Shara Murray

From: Cho, Jenny [Jenny.Cho@mallesons.com]
Sent: Wednesday, 17 November 2010 5:44 PM
To: Shara Murray
Cc: Heller, Nicole; Henrick, Sharon; Henry, Trish
Subject: Racing Queensland - Media Rights - Fee estimate

Confidential communication

Hi Shara

As requested, the following is a fee estimate consisting of unbilled fees up to yesterday 16 November and estimated fees from 17 November to next Friday 26 November:

Unbilled fees up to 16 November: \$171,000 (ex GST)
Estimated fees for 17 to 26 November: \$85,000 (ex GST)
Total: **\$256,000 (ex GST)**

Please note the following:

- The above includes both the general commercial file and the TVN litigation file.
- As discussed, we have assumed there will not be any activity regarding the potential TVN litigation from now until 26 November 2010.
- Even if the Licence Agreement is signed by next Friday, 26 November, there will be legal costs beyond the signing of the Licence Agreement to get all the club Amending and Approval Agreements done and dealing with UNITAB disclosure issues etc.

Please do not hesitate to call either Nicole or myself if you wish to discuss the above further.

Kind regards

Jenny Cho | Senior Associate
Mallesons Stephen Jaques
Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
T +61 2 9296 2458 | M +61 439 451 318 | F +61 2 9296 3999
jenny.cho@mallesons.com | www.mallesons.com

18/11/2010

RQL.146.002.0336

LEVEL 35, FRESHWATER PLACE
2 SOUTHBANK BOULEVARD
SOUTHBANK VIC 3006
AUSTRALIA

T: 61.3.9270 8300
F: 61.3.9270 8350
LEK.COM

18 November 2010

Mr Stephen Ferguson
Chief Executive Officer
Brisbane Racing Club
PO Box 817
Hamilton Central Qld 4007

Dear Stephen

Broadcast Project Update

Racing Queensland Limited (**RQL**) and L.E.K. are in the final stages of resolving the outstanding issues in the long form agreement for thoroughbred racing media rights across Queensland between Sky Racing and RQL (**Licence Agreement**). It appears that there are now only a small number of issues that are yet to be agreed.

Once these issues have been finalised it is intended that an Amending and Approval Agreement will be provided to each club for review and approval. The Amending and Approval Agreement will set out the relevant sections of the negotiated Licence Agreement requiring the club's approval, the rights fees payable to the club and necessary amendments to the club's Media Rights Agreement to reflect the negotiated Licence Agreement.

In order to finalise negotiations with Sky Racing on the Licence Agreement, RQL requests the clubs' urgent endorsement of the rights fees payable to the clubs. There have been some changes to the fee structure that require each club's endorsement since the club's decision to negotiate exclusively with Sky Racing.

We have therefore included as Attachment 1 to this letter:

- 1 the original fee structure provided to your club (Scenario 1); and
- 2 the changes that have occurred to your fee structure during the negotiating period of the Licence Agreement (Scenario 2).

The materiality of the changes are minimal and can be attributed to the following factors:

- negotiating the correct fee structure with Sky Racing;

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- CPI increase per year for the RQL OB subsidy; and
- an increase in RQL's cost recovery due to the very significant increases in costs associated with execution of the broadcast project.

We remind you again that your club's fee structure is strictly confidential to your club, RQL and Sky Racing and under no circumstances can it be shared with any other club or any other third party.

During the Licence Agreement negotiations, Sky Racing has requested that each club provide it with certain sponsorship rights in return for the sponsorship fees portion of the media rights fees. Therefore, RQL also requests your club's urgent endorsement of the sponsorship rights that Sky Racing has requested from your club as set out in Attachment 2 to this letter.

If there are any issues and / or questions on the media rights fee table provided please direct your questions in the first instance to David Ferrarin of L.E.K. Consulting on 02) 9323 0700, 0403 124 456 or d.ferrarin@lek.com

Upon your acceptance of the fee structure and the sponsorship rights, can you please sign this letter and return to Shara Murray at RQL via email (smurray@racingqueensland.com.au). Your approval must be returned to Ms Murray by close of business on Monday 22 November 2010. RQL intends to provide the Amending and Approval Agreement for your review and approval at the end of next week. RQL and L.E.K. will arrange telephone meetings to discuss this next week.

Kind regards

A handwritten signature in black ink, appearing to read 'Colin J Smith', written over a horizontal line.

Colin J Smith
Principal Advisor - Sport, Media and Entertainment

Att.

Attachment 1 - Revised Fee Schedule
Attachment 2 - Sponsorship Rights



Club Endorsement:

Brisbane Racing Club hereby approves the Scenario 2 fee structure in Attachment 1 and the sponsorship rights in Attachment 2:

Signature of authorised representative

Position of authorised representative



Attachment 1 - Fee structure

Scenario	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Variance
Scenario 1	3,504	7,274	3,942	4,249	4,463	4,721	4,999	5,299	5,622	5,969	6,344	53,520	5,352
Scenario 2	3,504	7,089	3,949	4,265	4,487	4,753	5,039	5,348	5,680	6,037	7,061	53,707	5,371
Variance (Scenario 2 - Scenario 1)	-	(185)	7	16	24	32	40	49	58	68	77	187	18
	0.0%	-2.5%	0.2%	0.4%	0.5%	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%	0.4%	0.3%



Attachment 2 - Sponsorship rights

BRC

Sponsorship Rights

- a) Naming rights for SKY to one or more feature races conducted by the Racing Club at a Covered Racetrack, and all the associated sponsorship benefits in relation to that feature race (including but not limited to temporary on course signage, logo association on the Racing Club Official Website, logo association on the Racing Club's advertising collateral, race book advertisement, bib and saddlecloth signage, winning post signage, grass signage, hospitality, members/reserve ticketing and signage on the presentation rug). The Racing Club will consult with SKY and seek SKY's approval (which approval must not be unreasonably withheld or delayed) for the race book advertisement and any associated artwork. Naming rights for the relevant feature race must be available to SKY for at least 3 consecutive years.
- b) Permanent signage at SKY's cost at either Doomben or Eagle Farm in a prominent position, such position selected after consultation with SKY. SKY will be responsible for providing artwork, which may be updated at SKY's expense at any time during the Term.
- c) A minimum of 50 race names per year for the benefit of SKY, selected at the discretion of the Racing Club.

For the avoidance of doubt, SKY will be responsible for all costs in relation to the production of signage, provided SKY approves such costs prior to such costs being incurred.

18 November 2010



Mr Kevin Dixon
Chairman
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4007

Racing Queensland Limited
A.B.N 62 142 786 874
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Dear Chairman

RE: THE MEDIA RIGHTS

The Board of Racing Queensland Limited (**RQL**) met today in relation to the issue of the costs associated to the broadcast media negotiations. To give some sense of practicality, below is a look back into the history of these negotiations.

Prior to July 1, 2010, Queensland Racing Limited (**QRL**) undertook to amalgamate the media rights for all TAB clubs. The purpose of this action was to avoid fragmentation of rights, to maximise the value and avoid the past practice of the stronger clubs receiving the best deal and the smaller clubs dividing the leftovers.

Negotiations commenced in the first quarter of 2009 at a meeting of the clubs at Doomben on January 23, 2009, whereby QRL made the offer to the clubs, that in the best interest of the industry, the rights should amalgamated as a whole of industry broadcast contract. At the time, L.E.K. Consulting (**LEK**) advised the clubs at the meeting that they expected negotiations to take twelve (12) weeks. This was displayed in their presentation entitled Broadcast Rights Strategy dated January 23, 2009, on page 20, showing an indicative timeframe of twelve weeks. This timeframe of course has blown out of all proportions.

At that meeting, QRL advised the clubs that it would contribute up to **\$250,000** towards reasonable costs and QRL was not seeking to profit in any way from the media rights negotiations. However, the clubs being the beneficiaries would bare any costs above the \$250,000.

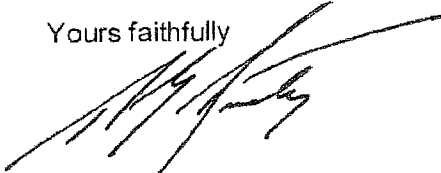
QRL advised, at the meeting on June 9, 2010, in the Vice Regal Room at the Brisbane Racing Club (**BRC**), that negotiations were becoming increasingly complicated and the costs had escalated considerably. QRL at this meeting also advised that additional funds would need to be set aside from the proposed sign on fee to meet costs.

LEK at this meeting advised each individual club of their anticipated entitlement, which will be included in LEK's correspondence today. The clubs agreed to continue negotiations and at a telephone meeting of all clubs on June 24, 2010, agreed individually to accept the Sky offer that was presented at the previous meeting and instructed QRL to enter exclusive negotiations with SKY to settle the individual contracts. RQL has continued to have carriage of the finalisation of these contracts.

RQL is currently holding the sign on fee and has paid the consultancy and legal fees that will amount to **\$1,300,034** to November 26, 2010. RQL will honour the original commitment of contributing \$250,000 to the overall costs. RQL will contribute an additional \$50,034 to leave the balance at zero as at November 26, 2011. The remaining cost beyond November 26, 2010, to finalise the negotiations will be the responsibility of each individual club and, at this stage, the costs are estimated to finalisation of a further \$250,000 in total.

The clubs have received a vastly improved media rights contract than has previously been the case, showing an overall increase to the industry of **90.83%**.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. G. Bentley', written over a horizontal line.

R. G. BENTLEY
Chairman



BRISBANE
RACING CLUB

18 November 2010

Mal Tuttle
Queensland Racing Ltd
PO Box 63
Sandgate Qld 4017

Dear Mal,

Certainty of broadcast funding

I understand your Board is giving consideration to the broadcast arrangements tomorrow. So as to give clarity on outstanding major issues, I have set out some points below:

BRC cash benefits

Relying on representations from LEK and RQL, in a table titled "Summary of Brisbane Racing Club (cash benefits only)", my Board agreed to the recommendation to enter exclusive negotiation with Sky Racing. It was recently advised by RQL that the total paid to all clubs would decrease by \$1M from what they were previously advised. At least in regard to BRC, I confirm that it is extremely doubtful that my Board will agree to anything less than the amounts set out in the "cash benefits" table.

Admin subsidy

During the process, RQL has agreed to:

- incur at its own cost all legal (Mallesons) and consultancy (LEK) fees and expenses
- provide \$1M funding to the TAB clubs for stewards OB contribution (BRC share capped at \$250K)
- purchase all BRC photo finish equipment
- provide all staff and equipment for photo finish at BRC
- pay for all TAB clubs triax cabling costs (in excess of a Sky contribution of \$150K)

it is a concern to BRC that RQL will seek to reclaim these expense by other means e.g. reduce the admin subsidy. Therefore, BRC seeks a legal and binding commitment that it will not seek to reclaim such costs and specifically will not reduce the BRC admin subsidy from its current value of \$1,000,000.

**STEPHEN FERGUSON
CHIEF EXECUTIVE**

Stephen Ferguson

From: D.Ferrarin@lek.com
Sent: Friday, 19 November 2010 6:01 PM
To: Andrew Moore
Cc: C.Smith@lek.com; kevin@racetree.com.au; Stephen Ferguson
Subject: RE: BRC Broadcast Rights
Attachments: BRC Detail_18NOV10v2.pdf; ATT74082.jpg; ATT74083.jpg; ATT74084.jpg; ATT74085.jpg; ATT74086.jpg; ATT74087.jpg; ATT74088.jpg

Andrew,

Apologies for the delay in getting responses to you on these questions but there has been a revision by Sky of the offers based on an update of the FY10 international rights payments and I wanted to flow them through to BRC. This only came to light today when some clubs compared the FY10 number (which given the timing of the offer in June was partly an estimate) is now a full year actual. In your case this has been revised up \$26k in FY10 which flows through each year of the offer (refer to the new sheet attached).

In answer to your questions:

- 1) The original figure of 7,885 is the correct number for Scenario 1. This has been corrected in the spreadsheet attached and was a small error on our part.
- 2) The OB cost line from Sky has not changed from Scenario 1. However, the RQL stewards subsidy has CPI applied from FY12 onwards (3% is used in the table). This translates to an average reduction in costs to BRC of \$37k p.a. which can be seen in the variance table of the attachment.

3) Assuming the correction in 1) above the specific amount are:

"Negotiating the correct fee structure with Sky Racing"; amounts to +\$143k to BRC

"CPI increase for the RQL OB subsidy; and" amounts to ~\$37kp.a. on average but no impact in FY11 as it is the first year and CPI is first applied in FY12

"An increase in RQL's cost recovery due the very significant increases in costs associated with execution of the broadcast project" amounts to ~\$334k (Note: +143k-335k = (191k) in the variance table in FY11)

In addition, the international fee impact today described above amounts to an increase of \$78k p.a. on average over the 10 years or \$28k in FY11

4) As you are aware, we are unable to provide the total Qld rights number to you and hence not able to provide the percentage BRC amounts of the total

5) I have spoken to Brendan to obtain the split of BRC by EF and Doomben.

Overall, the combination of all of these adjustments amount to an average increase of \$96k p.a. on the table accepted in June 24.

Andrew, I tried calling earlier to take you through this before drafting the email but please call me on my mobile if you have any questions (0403124456).

Regards
David

David Ferrarin • L.E.K. CONSULTING
Partner
Level 36, 88 Phillip Street • Sydney NSW 2000 Australia
T +61.2.9323.0700 • F +61.2.9323.0600
d.ferrarin@lek.com • www.lek.com

New web site launched:
www.lek.com

"Andrew Moore" <amoore@brc.com.au>

19/11/2010 11:41 AM

To <D.Ferrarin@lek.com>

cc <C.Smith@lek.com>, "Stephen Ferguson" <sferguson@brc.com.au>, <kevin@racetree.com.au>

Subject RE: BRC Broadcast Rights

Thanks for the info David

Can you pls provide the following:

1. In Scenario 1, the domestic rights for BRC as presented in June 2010 were \$7.885m (see attached schedule) – why has this number dropped by \$7k to \$7.878m?
2. In Scenario 2, please confirm the OB cost line has been adjusted for CPI, what CPI rate has been used and the formula (ie gross costs indexed by CPI less stewards OB costs indexed by CPI)
3. Under Scenario 2, the FY11 domestic rights have been reduced by \$185k – according to the LEK letter, the factors for the changes are as follows:
 - *"Negotiating the correct fee structure with Sky Racing";*
 - *"CPI increase for the RQL OB subsidy; and"*
 - *"An increase in RQL's cost recovery due the very significant increases in costs associated with execution of the broadcast project"*

Can you pls provide the exact value of the changes driven dot point 1 and 3 above and calculations for each change

4. What percentage are the BRC rights of the Qld total?
5. The EF and Doomben breakdown as mentioned in your email

Thanks for your assistance David.

Regards
Andrew

From: D.Ferrarin@lek.com [<mailto:D.Ferrarin@lek.com>]
Sent: Thursday, 18 November 2010 11:32 PM
To: Andrew Moore
Cc: C.Smith@lek.com; Stephen Ferguson
Subject: Re: BRC Broadcast Rights
Importance: High

Andrew,

Attached is a more detailed comparison of the two scenarios.

I don't have the breakdown between EF and Doomben but will get that to you tomorrow.

Let me know if you need anything else.

Regards
David

David Ferrarin • L.E.K. CONSULTING
Partner
Level 36, 88 Phillip Street • Sydney NSW 2000 Australia
T +61.2.9323.0700 • F +61.2.9323.0600
d.ferrarin@lek.com • www.lek.com

New web site launched:
www.lek.com

"Andrew Moore" <amoore@brc.com.au>

18/11/2010 05:37 PM

To <C.Smith@lek.com>, <D.Ferrarin@lek.com>
cc "Stephen Ferguson" <sferguson@brc.com.au>
Subject BRC Broadcast Rights

Colin/David

This afternoon we received a letter from you regarding revised rights for BRC (labelled "Scenario 2") – the new net number for FY11 was \$7.089m.

Could you please send me the breakdown of this new number as per the attached sheets for the 10 years which you provided previously. They show gross domestic, international, OB and net numbers and also the breakdown of the FY11 number between EF and Doomben.

Thanks for your assistance.

Kind Regards
Andrew



Andrew Moore
Chief Financial Officer
Brisbane Racing Club



P.O. Box 817 Hamilton Central QLD 4007

07 3268 2171

0438 712 827

07 3868 2410

Stephen Ferguson

From: Adam Carter [acarter@racingqueensland.com.au]
Sent: Friday, 19 November 2010 7:13 PM
To: Stephen Ferguson
Cc: D.Ferrarin@lek.com; Malcolm Tuttle
Subject: \$250K breakdown
Attachments: image002.jpg

Stephen,

As per the message I left on your phone, the breakdown of the \$250K is \$145K allocated to the BRC

Regards

Adam

Adam Carter

Chief Financial Officer



RACING
QUEENSLAND

P.O.Box 63, Sandgate QLD 4017
P +61 7 3889 9702
F +61 7 3269 9304
M 0400 761 700
E acarter@racingqueensland.com.au
W www.racingqueensland.com.au

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BRISBANE
RACING CLUB

Board Meeting

**MEETING OF THE DIRECTORS OF THE BRISBANE RACING CLUB
(ACN 133 679 786)
HELD ON 20 NOVEMBER 2010
AT DOOMBEN RACECOURSE, ASCOT, QLD**

Meeting Attendees

Mr Kevin Dixon	Chairman
Mr Eddie Kann	Vice Chairman
Mr Paul Williams	Director
Mr David Dawson	Director
Mr Bill Sexton	Director
Mr Peter Tighe	Director
Mr Neville Bell	Director
Mr Sam Adams	Director
Stephen Ferguson	Chief Executive
Darren Condon	Chief Operating Officer
Andrew Moore	Chief Financial Officer (Minute Secretary)

Agenda

1. Media Rights Agreement
2. General Business



BRISBANE
RACING CLUB

22 November 2010

Bob Bentley
Chairman
Racing Queensland Ltd
P.O. Box 63
Sandgate Qld 4017

DRAFT

Dear Bob,

Media Rights Agreement

Thank you for your letter of November 18, 2010 in regard to the ongoing Broadcast Rights project.

Whilst we sympathize with you in regard to the extraordinary costs that have been incurred by RQL, we do, however, find the rationale and views in your letter difficult to reconcile with our agreements with RQL in this matter. In addition, your letter has raised a number of serious concerns for which we now seek explanation.

1. Your Obligations Under the License Agreement.

On 31 March 2010 BRC entered into an Agreement with RQL in which we licensed RQL to negotiate on our behalf an arrangement in regard to the acquisition of Broadcast Rights by an appropriate Broadcaster. We remind you of the following aspects of that agreement.

- a. Under that agreement, your obligations include, per clause 7.1, that any fees paid to you in regard to this project will be immediately disbursed to the clubs. We note that in your letter you advise you are "holding" a \$1.5m payment. It would appear that this may be a material breach of our contract.
- b. The contract contains no set off provisions. As such you have no ability to retain any of the fees referred to above for any reason.
- c. The contract has, as its only consideration on the part of BRC, the provision of a license to negotiate on our behalf. It contains no provision for any payment of costs you may incur as a result of the execution of your responsibilities under the contract.

2. Actions of RQL during the Negotiation Period.

We are further puzzled by your claim for cost compensation when we consider the behavior of RQL officers during the negotiation period.

At no time during or since the contract has been in place, has RQL sought the approval or even agreement of BRC to its project approach, engagement of consultants and/or legal advisors, nor the tasks these external consultants were asked to undertake. On a number of occasions, your legal counsel, both internal and external, reminded the BRC that they had no responsibility in the project execution. Both your consultants and legal advisers repeatedly advised us that RQL was their client and they took direction only from RQL.

DRAFT

In addition, whilst LEK Consulting reported periodic progress of the project, at no time did RQL report to BRC on the current or likely financial costs, nor seek BRC input on whether these costs were appropriate. In other words, at no time did RQL behave in a manner indicative of a belief that these costs were being incurred on our behalf.

3. Notice of Material Breach.

As a consequence of the issues discussed above, BRC therefore, pursuant to clause xxx of our agreement, gives notice of a material breach of the contract, and requires RQL to immediately remedy this breach. Failure to do so will, as per the contract, result in termination of the contract. We further remind you, should termination occur, the contract has no provision for the recovery of any costs incurred under the contract by either party.

4. Other Items of Concern.

Your letter contains other items which are of equal or greater concern than the issue addressed above.

You refer to the payment you have received from Sky Channel as a "Sign On Bonus". We struggle to understand how such a payment could be a sign on payment when you are prohibited under our agreement from agreeing any position, and certainly from "signing on" until you have express written approval to do so from the BRC. As you acknowledge in your letter, you do not have such approval.

As such, we have no knowledge as to why you should have received a payment of \$1.5m, which is, by your admission, fundamentally associated with this project.

In this regard, we also have concern given that you are currently negotiating on our behalf with Sky Channel, yet you are in receipt of a previously undisclosed payment from them.

We therefore request your urgent advice on the following matters:

1. When was the payment received
2. What undertaking did RQL give to Sky Channel in order to receive a payment of \$1.5m.
3. How does RQL believe that they can in good faith, and impartially, negotiate on behalf of BRC having received this payment from Sky Channel.
4. Why was this payment not disclosed.

5. Summary

In summary, BRC is very concerned in regard to the events advised in your letter. We are currently analyzing the LEK provided revised financial considerations, and will advise our view in due course. However, in the meantime, we request your immediate attention to the items addressed in this document.

**KEVIN DIXON
CHAIRMAN**



BRISBANE
RACING CLUB

22 November 2010

Bob Bentley
Chairman
Racing Queensland Ltd
P.O. Box 63
Sandgate Qld 4017
By email to Mal Tuttle

Company Secretary/Corporate Counsel
Racing Queensland Ltd
P.O. Box 63
Sandgate Qld 4017
By mail to Shara Murray

Dear Bob,

Media Rights Agreement

Thank you for your letter of November 18, 2010 in regard to the ongoing Broadcast Rights project.

In your letter you advised us for the first time of the extraordinary costs that have been incurred by RQL in regard to this project. We find the rationale and views in your letter difficult to reconcile with the arrangements previously agreed with RQL and the other Qld TAB Clubs. In addition, the appropriateness of the process you have followed in determining your position as stated in your letter is, in our mind questionable.

Having said that, the BRC wishes to bring this matter to conclusion as swiftly as possible to ensure the early delivery of benefits to the Queensland Industry. In addition, the BRC recognizes that it is likely that many reasons exist for the unfortunate cost escalations of this project. Further, we acknowledge that the BRC is willing to work with RQL and the other TAB Clubs to determine the appropriate sharing of these costs.

However, the BRC believes that a revised approach to resolving this matter is required. We believe that this situation can be resolved using businesslike, commercially based principles, but at all times adhering to the legal contractual obligations surrounding this project. We further believe that the process advised in your letter fails to meet these objectives.

1. Basis of Our Concerns

On March 31, 2010, the BRC and RQL entered into an agreement under which BRC would grant a license to RQL for the purpose of procuring a broadcast rights agreement on our behalf. We believe that RQL actions have caused RQL to now be in breach of that agreement. Further, we believe RQL's proposals to resolve this matter by retention of funds to which they have no entitlement will not only

further breach the agreement, but is demonstration of characteristics of RQL's business approach which are extremely troublesome to the BRC.

2. Your Obligations Under the License Agreement

As background we remind you of the following aspects of that agreement.

- a. Under that agreement, your obligations include, per clause 7.1, that any fees paid to you in regard to this project will be immediately disbursed to the clubs.
- b. The contract contains no set off provisions. You have no ability to retain any of the fees
- c. The contract has, as its only consideration on the part of BRC, the provision of a license to negotiate on our behalf. It contains no provision for any payment of costs you may incur as a result of the execution of your responsibilities under the contract.

3. The Agreement and RQL Actions

With regard to the obligations outlined above, it appears that RQL, in its decision to withhold the \$1.5m in fees already received, has breached the agreement. Further, RQL has sought to off set these fees against costs without the contractual rights to do so. In addition, RQL, at the time the agreement was entered into, was aware that costs would be incurred as a result of executing their obligations under the agreement. We can only assume that it was RQL's expectation at this time that RQL would meet these costs. As such, RQL, in seeking cost recovery, is now attempting to vary the contract. This is clearly not able to be done without negotiation with, and agreement by, the BRC and the other TAB Clubs. In your letter you indicate RQL is not intending to negotiate, but seeks to impose a contract change.

In addition, it is troublesome to us that RQL has already received a "sign-on" bonus when no such sign-on has yet occurred. RQL is currently negotiating with Sky Channel on our behalf, and it's ability to do that in good faith, may be compromised by having accepted that payment. The BRC was unaware that this payment had been made, and is unaware of what undertakings were made by RQL that resulted in the payment being made.

Nothing in the discussion above should be interpreted as an unwillingness by the BRC to participate in renegotiation, nor to determining a commercial approach to the sharing of the cost overruns..

4. Actions of RQL during the Negotiation Period

At no time during or since the contract has been in place, has RQL sought the approval or even agreement of BRC and the other TAB clubs to its project approach, engagement of consultants and/or legal advisors, nor the tasks these external consultants were asked to undertake. On a number of occasions, your legal counsel, both internal and external, reminded the BRC that they had no responsibility in the project execution. Both your consultants and legal advisers repeatedly advised us that RQL was their client and they took direction only from RQL.

In addition, whilst LEK Consulting reported periodic progress of the project, at no time did RQL report to BRC and the other TQB clubs on the current or likely project financial costs, nor seek BRC or other TAB club's input on whether these costs were appropriate. In other words, at no time did RQL behave in a manner indicative of a belief that these costs were being incurred on our behalf.

5. Notice of Material Breach

As a consequence of the issues discussed above, the BRC therefore, pursuant to clause 10.2(b) of our agreement, gives notice of a material breach of the contract, and requires RQL to immediately remedy this breach.

6. The Suggested Way Forward

As we have indicated, the BRC is enthusiastic to bring this project to its conclusion as soon as possible. As such, in the spirit of cooperation, we suggest the following approach to the resolution of this matter.

- a. RQL immediately remedy the contract breach. It is the view of the BRC board that the only acceptable remedy, bearing in mind the other discussion points, is for the immediate and full repayment to Sky Channel of any fee paid by them to RQL.
- b. The agreements going forward to be based on the full payment to the Queensland TAB Clubs as per the originally accepted revenues (now called Scenario 1 in the LEK spreadsheets) and adjusted for any valid adjustments such as error correction, International rights movements and OB costs CPI changes.
- c. Immediately the actions in a. and b. are completed, RQL enters negotiation with the Queensland Clubs regarding the recovery and sharing of the project costs. Given that the greatest proportion of these will be incurred by the BRC, we suggest that, for expediency, RQL approach the other clubs with a view of gaining their agreement that BRC will represent them in these negotiations. BRC warrants that it will approach these discussions in a businesslike and commercial manner, bearing in mind the nature of the costs, the beneficiaries of the activities performed, and any mismanagement of the process. To set some expectations of scope, we consider the lower limit to the clubs contribution will be \$0.5m. BRC recognizes that RQL had previously advised its intention to withhold \$0.5m of fees to cover growing costs. Whilst this is similarly not permitted under our contract, we recall that the clubs did not, at the time, object to this amount. In addition, we believe that the upper limit to the contribution be set at the amount included in the latest claim by RQL through the spreadsheet supplied by LEK known as "Scenario 2".
- d. We suggest that in the first instance that the negotiations referred to in c. will be undertaken by the CFO of each of RQL and BRC. This process will include a complete analysis of the nature of the costs and the work performed.
- e. Effective immediately, the management of costs going forward will be supervised jointly by RQL and BRC, and that all consultants and advisors be immediately advised that they are not authorized to perform any work without the agreement of both RQL and BRC.
- f. Finally, once agreement in relation to the cost sharing is obtained, we will require RQL to give explicit warrantee to BRC and the other TAB clubs that it will not seek to use any other mechanism, financial or otherwise, to claw back further contribution to the costs.

7. Conclusion

BRC are enthusiastic that this project now progress quickly. However, we are not willing to follow a process that is based on contract beach and non co-operative behavior. We look forward to your agreement to our suggested approach so that progress can continue.

Yours faithfully,



KEVIN DIXON
CHAIRMAN

cc: Qld TAB Clubs

Stephen Ferguson

From: Stephen Ferguson
Sent: Monday, 22 November 2010 10:32 AM
To: Andrew Moore
Subject: FW: letter from RQL re media rights dated 18 November 2010
Attachments: image010.gif; image001.png; doc20101119120156.pdf; image003.png; image011.jpg; image012.jpg; image013.jpg; image014.jpg; image015.jpg; image016.jpg; image017.jpg

Not sure if I had sent you this

From: Shara Murray [mailto:smurray@racingqueensland.com.au]
Sent: Friday, 19 November 2010 1:39 PM
To: Stephen Ferguson
Subject: letter from RQL re media rights dated 18 November 2010

Stephen

In response to your e-mail of 18 November 2010 at 6:27pm, I advise accordingly:

1. Racing Queensland Limited (RQL) is currently holding the sign on fee and from this fee has dispersed the following consultancy and legal fees in relation to the clubs broadcast negotiations of \$995,034.13.

Summary – RQL costs to date:	\$995,034.13
Costs to 26/11/2010 (yet to be invoiced costs) (refer to Mallesons e-mail (copy attached))	<u>\$256,000.00</u>
Sub Total	\$1,251,034.13
LEK fees to be invoiced	\$49,000.00
Total cost to 26/11/2010	<u>\$1,300,034.13</u>

RQL will contribute \$300,034.13 towards these costs, being \$250,000 as originally committed plus an additional \$50,034.00 reducing the clubs commitment for costs to date to \$1M.

The balance of the sign on fee remaining is \$500,000 after \$1M club contribution is accounted for and this has been included in the spreadsheets of income received, spread across each individual club. In your case to receive the net rights fee as advised.

2. The fully itemised invoices for fees from Mallesons and LEK in relation to negotiations will be supplied in due course.
3. The position going forward are estimated costs to finalisation as an indicative cost only and I refer to you the Mallesons e-mail attached.


In relation to your e-mail of even date at 10:33am, the estimated costs of \$250,000, is an estimate only, and future costs will be borne by each club in proportion to the revenue received and will be billed monthly until completion.

Kind Regards

Shara

Shara Murray

Senior Corporate Counsel | Company Secretary


PO Box 63, Sandgate QLD 4017
P +61 7 3869 9712
F +61 7 3269 9043
M 0407 156 539

E smurray@racingqueensland.com.au
W www.racingqueensland.com.au

From: Stephen Ferguson [mailto:sferguson@brc.com.au]
Sent: Thursday, 18 November 2010 6:27 PM
To: Shara Murray
Subject: letter from RQL re media rights dated 18 November 2010

Shara,
I refer to the letter addressed to Kevin Dixon received today in regard to media rights.
The letter contains various statements not in accordance with the facts – these will be addressed at a later time.

In the meantime,

1. Can you please ask Bob to more clearly express the meaning of his second last paragraph. That is the paragraph referring to sign on fees and figures of \$1,300,034, \$250,000 and \$50,034. Several clubs have advised me that they do not understand what his explanation means.
2. We also need to better understand the costs Bob says RQL has incurred. Therefore, could Bob please provide copies of the invoices he says he has paid, plus the estimates taking the matter to 26 November.
3. Also, can Bob please set out a breakdown of the further estimated costs of \$250,000 post 26 November. What will these costs be for?

Please call me with any questions.



Stephen Ferguson
Chief Executive
Brisbane Racing Club

✉ P.O. Box 817 Hamilton Central QLD 4007
☎ 07 3268 2171
📠 0412 654 000
📠 07 3868 2410



BRISBANE
RACING CLUB
EAGLE FARM & DOOMBEN

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BRISBANE
RACING CLUB

COST REVIEW SUMMARY

On Tuesday 23 November, the CFO went to RQL Deagon offices and reviewed the invoices relating to the Broadcast project to date. His summary is below:

1. Summary

LEK and Mallesons have been the major consultants used by RQL on the broadcast project. Based on invoices viewed by BRC, LEK has been operating/billing since July 2009 and MSJ since November 2009. A summary of their project costs to date follows:

Supplier	Actual Costs to Date	Accrued to 26 Nov 2010	Sub Total	Potential Future Costs	Total
LEK	624,837	49,000	673,837	50,000	723,837
MSJ	370,200	256,000	626,200	250,000	876,200
Total	995,037	305,000	1,300,037	300,000	1,600,037

The information in this report was obtained by "sighting" the invoices of LEK and MSJ at RQL office. While detailed MSJ attendance information was sighted, no copies were allowed to be taken.

2. LEK

LEK has been operating (according to invoices) since July 2009 and has been working on a module approach as presented to RQL and the clubs:

- Module 1 – Establish a common fact base
- Module 2 – Review the strategic benefits and limitations of rights aggregation
- Module 3 – Stakeholder consultation and design agreement
- Module 4 – Provide strategy and leadership for negotiation with bidders
- Module 5 – Successfully negotiate a better deal for racing in Queensland

LEK costs to date are \$673,837 which includes an accrual of \$49,000. On review of their invoices (summary attached in Appendix A), the following breakdown is presented:

<u>Subject Matter</u>	<u>Costs</u>
Module 1-3 Fees	136,000
Module 1-3 Expenses	32,110
Module 4-5 Fees	319,800
Module 4-5 Expenses	136,927
Accruals	49,000
Total	673,837

Observations

- On review of the invoices, there is no back up documentation for any of the claims for “expenses”. It is not unusual for consultants to work on a “fee + out of pocket expenses” basis for their services however it is common practice to include a summary of the “out of pocket” expenses incurred.
- BRC has not been instructing LEK during the process

3. Mallesons (MSJ)

MSJ has been operating (according to invoices) since November 2009.

Again based on the invoices, MSJ has been dealing with a wide range of issues including:

- Various agreements relating to the actual broadcast deal – media rights agreement, license agreement
- Review of contractual arrangements that currently exist – product and program agreement, existing SKY contracts, UNITAB consents
- Review of Trade Practices Act issues
- Specific responses to Tattersalls in relation to its broadcast rights
- Specific responses to BRC in relation to its broadcast rights
- Specific review, response and management of LEK questions/actions
- Review of general issues in relation to the agreements – stamp duty, GST, etc
- Advice to RQL in relation to TVN legal action
- Advice to RQL in relation to interpretations of its rights under the Racing Act, how to prevent clubs “going alone”, RQL rights in relation to directing clubs

MSJ costs to date are \$626,200 which includes an accrual of \$256,000 (detail invoice summary is included in Appendix B).

Observations

- On review of the invoices, there appears to be inadequate management of the legal costs and how they were being accumulated. Examples are:
 - in the attendances summary of each invoice, there are numerous case of MSJ taking instruction from LEK
 - there are many “back and forths” between SKY and MSJ – note SKY is using its in-house counsel in these discussions, RQL is using a consultant
 - In general, reading through the attendances, it is questionable how MSJ was being managed to ensure efficient use of resources.
- There are clearly activities and associated costs which are not the responsibility of BRC (or other clubs) including the TVN action and reviews of the Racing Act, GOC Act, how to prevent a club from going alone, etc
- There is a large accrued legal cost in the above numbers (\$256,000) which has not been analysed

Appendix A – LEK Invoices

Supplier	Inv #	Inv Date	Main Subjects	Cost	Cumulative
LEK	M9220	10/07/2009	Modules 1-3 - Fees	136,000	136,000
			Modules 1-3 - Expenses	27,547	163,547
LEK	M9258	31/08/2009	Modules 1-3 - Expenses	4,563	168,110
LEK	M9285	30/09/2009	Modules 4-5 - Fees	19,000	187,110
			Modules 4-5 - Expenses	4,338	191,448
LEK	M9314	28/10/2009	Modules 4-5 - Fees	19,000	210,448
			Modules 4-5 - B Ward Legal	7,400	217,848
			Modules 4-5 - Expenses	2,200	220,048
LEK	M9329	19/11/2009	Modules 4-5 - Fees	19,000	239,048
			Modules 4-5 - Expenses	2,585	241,633
LEK	M9363	23/12/2009	Modules 4-5 - Fees	19,000	260,633
			Modules 4-5 - Expenses	8,674	269,307
LEK	M9371	8/01/2010	Modules 4-5 - Fees	19,000	288,307
			Modules 4-5 - Expenses	8,803	297,110
LEK	M9401	17/02/2010	Modules 4-5 - Fees	19,000	316,110
			Modules 4-5 - Expenses	1,642	317,752
LEK	M9436	29/03/2010	Modules 4-5 - Fees	19,000	336,752
			Modules 4-5 - Expenses	28,537	365,289
LEK	M9472	11/05/2010	Modules 4-5 - Fees	44,000	409,289
			Modules 4-5 - Expenses	9,985	419,274
LEK	M9473	11/05/2010	Modules 4-5 - Fees	44,000	463,274
			Modules 4-5 - Expenses	11,962	475,236
LEK	M9520	30/06/2010	Modules 4-5 - Fees	22,800	498,036
			Modules 4-5 - Expenses	11,931	509,967
LEK	M9533	29/07/2010	Modules 4-5 - Fees	19,000	528,967
			Modules 4-5 - Expenses	11,030	539,997
LEK	M9560	31/08/2010	Modules 4-5 - Fees	19,000	558,997
			Modules 4-5 - Expenses	14,296	573,293
LEK	M9579	30/09/2010	Modules 4-5 - Fees	19,000	592,293
			Modules 4-5 - Expenses	9,286	601,579
LEK	M9586	21/10/2010	Modules 4-5 - Fees	19,000	620,579
			Modules 4-5 - Expenses	4,258	624,837
LEK	Accrual of costs to 26 Nov 2010			49,000	673,837
			Total	673,837	

Appendix B – Mallesons Invoices

Supplier	Inv #	Inv Date	Main Subjects	Cost	Cumulative
MSJ	1397671	30/11/2009	- Advice re TPA		
			- Review ACCC issues, collective bargaining		
			- Numerous emails and phone calls with LEK		
			- Total Invoice	15,692	15,692
MSJ	1401731	23/12/2009	- Draft License Agreement		
			- Draft Media Rights Agreement		
			- Numerous emails and phone calls with LEK		
			- From approx 14 Dec - review comments from BRC (cost est \$6k)		
			- Total Invoice	34,306	49,998
MSJ	1404764	29/01/2010	- ACCC Collective bargaining		
			- Revised BRC Media Rights agreement (cost est \$2k)		
			- Research into Racing Act, TPA, GOC Act		
			- Review UNITAB Agreement (est cost \$5k)		
			- QRL reviews and edits of agreements		
			- Total Invoice	17,531	67,529
MSJ	1408484	26/02/2010	- Review BRC amendments to MRA (cost est \$9k)		
			- Discussions with Cooper Grace Ward re MRA (cost est \$4k)		
			- Review of TPA issues in MRA		
			- Discussion and emails with Brett Bolton (cost est \$5k)		
			- Total Invoice	30,940	98,469
MSJ	1411788	31/03/2010	- GST issues in MRA		
			- BRC discussions and amendments on MRA (cost est \$6k)		
			- MRA's for each club incl letters		
			- Review of TVN and Sky offer docs, CA deeds, valuations		
			- UNITAB consents		
			- Total Invoice	36,340	134,809
MSJ	1415243	30/04/2010	- Emails and calls with Michael Woods representing Tatts (cost est \$5k)		
			- Stamp Duty issues (cost est \$3k)		
			- Total Invoice	9,409	144,218
MSJ	1419511	31/05/2010	- Tatts review (\$2k)		
			- Discussions with LEK re Sky drafting language/LEK obligations		
			- Review of GCTC complaint against RQL Chair (\$330)		
			- Total Invoice	4,416	148,634
MSJ	1424533	30/06/2010	- Heads of Agreement with Sky - LEK/QRL discussion (cost est \$14k)		
			- Review of offer letter to Sky		
			- TVN Shareholder comfort letter?		
			- Total Invoice	21,044	169,678
MSJ	1427725	30/07/2010	- SKY and QRL review of HOA - multiple edits, calls and emails (est \$12k)		
			- BRC Issues with HOA (est \$2k)		
			- TVN action re: C/Utz (est \$3k)		
			- Tatts interim arrangements (est \$2k)		
			- Product and Program Agreement/UNITAB consent (est \$3k)		
			- Calls back and forth with Sky (Eve Macgregor)		
			- Total Invoice	25,287	194,965
MSJ	1430701	31/08/2010	- All TVN action - emails, letter, calls		
			- Total Invoice	12,772	207,737

Supplier	Inv #	Inv Date	Main Subjects	Cost	Cumulative
MSJ	1430740	31/08/2010	- Draft License Agreement (cost est \$45k) (covers emails, calls, letters involving LEK, Sky, RQL)		
			- Redacted HOA to UNITAB and other issues (cost est \$5k)		
			- Emails and calls to BRC re: comments? (cost \$5k)		
			- 25 Aug - prepare response to BRC re: redacted doc (calls to LEK/RQL) - \$4k		
			- Total Invoice	66,665	274,402
MSJ	1435038	30/09/2010	- License agreement discussions with BRC and other issues (cost est \$20k)		
			- Restructured and revised documents (cost est \$15k)		
			- License agreement edits, package to SKY, calls to LEK		
			- Total Invoice	42,099	316,501
MSJ	1438732	29/10/2010	- 12 Oct - preparing redacted lic agreement for disclosure to BRC		
			- 13 Oct - email to RQL re proposed approach to BRC (est \$2k)		
			- 14 Oct - reviewing of movement in baseline fee		
			- 14 Oct - discussing BRC and other issues, stat powers of RQL re racing clubs (\$1k)		
			- 15 Oct - discussing what can be disclosed to BRC in HOA (est \$2k)		
			- 21 Oct - considering a clubs ability to enter an independent deal without RQL (est \$4k)		
			- 21 Oct - advice regarding rights of RQL to prevent breakaway by a single club (est \$2k)		
			- 22 Oct - discuss any TPA issues relating to exercise of rights by RQL to prevent breakaway by single club (\$1k)		
			- CPI adjustment formula's		
			- Preparing for and conducting Syd meeting (RQL, LEK, BRC, MSJ) - est		
			- BRC OB Services requirements		
			- TVN action (\$1k)		
			- Est of costs involving BRC emails, calls, etc (\$20k)		
			- Total Invoice	53,699	370,200
MSJ	Cost accrual to 26 Nov 2010		- Unbilled - to 16 Nov (Includes general commercial and TVN litigation)	171,000	541,200
			- Estimated - 17 Nov to 26 Nov	85,000	626,200
			Total	626,200	

24 November 2010

Mr Kevin Dixon
Chairman
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4007



Racing Queensland Limited
A.B.N 52 142 786 874
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3289 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Dear Kevin:

RE: MEDIA RIGHTS AGREEMENT

Thank you for your correspondence dated November 22, 2010, concerning the above matter.

Racing Queensland Limited (RQL) remains committed to seeing this project through to finalisation and this was outlined to you during discussions over the weekend of November 19 and 20, 2010. I also note that we agreed that RQL will reduce the required Club contribution costs to \$900,000 in total, down from \$1 million in total that was reflected in the spreadsheets provided last week. This further improves the financial outcome for all Clubs.

RQL does not agree that its current retention of the \$1.5 million Incentive Fee breaches the Media Rights Agreement with Sky Racing (SKY). Clause 7.1 of the Media Rights Agreement requires RQL to pay to the BRC fees equal in amount and frequency as the Sub-licence Fees paid by the Sub-licensee. The \$1.5 million Incentive Fee cannot at this point be considered a Sub-licence Fee as the Heads of Agreement does not grant SKY any broadcasting rights (other than under the interim arrangements for Eagle Farm, which have their own specified fees). Further, the amount is required to be refunded to SKY if the Licence Agreement is not entered into by the end of the negotiating period.

RQL is in the process of seeking agreement in relation to the sharing of the significant costs associated with the broadcast project. On reaching agreement with Clubs on a contribution to the costs, and on signing the licence agreement, the Incentive Fee can be paid as required and Clubs invoiced for agreed amounts in terms of contributions to costs.

In sending out correspondence last week, RQL aimed to reach agreement with Clubs on costs and ensure all Clubs understood the impact of this, along with the upside from negotiating the correct fee structure with SKY and the CPI increase on the OB subsidy of \$1 million per annum.

In relation to reaching agreement, it is noted that discussions are continuing between the Brisbane Racing Club (BRC) and RQL with a view to agreement being reached in the very near future. RQL has a deadline of Friday, November 26, 2010, by which the License Agreement must be entered into with SKY and we will continue to progress matters as quickly as possible.

Given that the overall SKY income to Queensland race Clubs has increased substantially for the term of the agreement, it further concerns me that there is now reluctance on behalf of the BRC to meet its fair share of the costs associated with this project. Yesterday, RQL

further accommodated the needs of the BRC in enabling your Chief Financial Officer to review all of the accounts associated with this lengthy process. This offer has also been extended to all Clubs involved with this project via e-mail on 22 November, 2010.

Again for the sake of clarity, we have asked Clubs to contribute a total of \$900,000 up to November 26, 2010, for an outcome that delivers significant revenue to Clubs over the term of the agreement. The cost to Clubs represents less than 0.9% of the total revenue over the term of the agreement.

On September 1, 2010, we both met with representatives from L.E.K. Consulting along with our Chief Executive Officers. At that meeting, we discussed a number of things, amongst these were the escalating fees associated with the project and the challenges associated with the project given the number of Clubs and other entities that were involved. I personally outlined the escalating costs and confirmed that these would need to be met as part of the fees. The conversation on this day was had in good faith and with a view to being able to finalise the broadcast project and allow the associated benefits to flow to Queensland thoroughbred Clubs as soon as possible. Just prior to this time and during a previous meeting, RQL confirmed a contribution of \$10 million to Queensland Clubs to offset the costs associated with the stewards' component of the OB service. We felt it only reasonable, in the spirit of the project that RQL commit to this payment to our Clubs. Subsequent to this, RQL also confirmed that these ten \$1 million annual payments would be effective from July 1, 2010, and these payments would be indexed in accordance with CPI annually. The CPI alone at 3% per annum over nine years represents a further \$304,000. Again, this commitment was provided in good faith with a view to ensuring finalisation of the broadcast project.

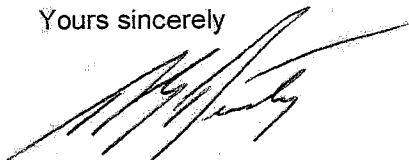
It is my understanding that from a 'terms' point of view only several matters require resolution and these are likely to be resolved with SKY in the next 24 hours or so.

I trust that you will see the value of the investment in this broadcast project, not only in the context of the financial returns for individual Clubs, but also for the fact that we have alignment between the expiry of domestic and international rights, and move towards consistent delivery of OB services state-wide in accordance with agreed standards and KPIs. Finalisation of this project will provide certainty and stability in the area of broadcast for a considerable period.

Further, I confirm that the fee estimate covering costs to Friday November 26, 2010, includes the provision of a suite of draft documents for the consideration of all Clubs. More information on the timing of the provision of these documents will be provided as soon as possible. Some material is currently being reviewed by SKY.

We look forward to reaching resolution with you on outstanding matters as a matter of urgency.

Yours sincerely



R. G. BENTLEY
Chairman

Cc. All Queensland Broadcast Clubs



BRISBANE
RACING CLUB

Board Paper
BRC Media Rights
24 November 2010

RECOMMENDATION

This paper is for consideration by the Board.

Information

ATTACHMENTS

- BRC Letter to RQL – 22 November 2010
- RQL Letter to BRC – 24 November 2010
- Cost review summary – 23 November 2010

BACKGROUND

BRC has been negotiating its broadcast rights for the last 18 months and is now at the stage of finalizing arrangements with SKY Racing, the preferred negotiation partner.

While BRC began its involvement in the project in January 2009, it only really obtained a "seat at the table" in August 2010. To date, BRC involvement has been primarily to review the license agreement, ensure its OB service needs are met and the performance criteria of the broadcast provider. BRC has also made comments on the appropriate of documents (eg redacted areas) that TAC clubs will eventually be asked to sign.

A background on the timeline relating to the broadcast project:

Item	Date
RQL introduces LEK to Clubs – Clubs agree for LEK to review industry position	23 January 2009
Clubs and RQL broadcast meeting. Clubs agree to engage LEK to negotiate	6 July 2009
BRC requests LEK to withdraw Term Sheet. Doc was issued without clubs having sighted it. QRL listed as licensor which BRC objected to.	23 November 2009
LEK writes "As I noted in my previous email QRL is the organisation who has appointed LEK. On that basis we will now seek instructions from QRL in respect of your request"	24 November 2009
Media Rights Agreement executed	31 March 2010
Jenny Cho Malleson "We are instructed by our client Queensland Racing Limited (QRL) to provide your company Brisbane Racing Club (BRC) with a copy of a confidential and privileged legal advice we provided to QRL ... "	23 June 2010



BRISBANE
RACING CLUB

Board Paper
BRC Media Rights
24 November 2010

Item	Date
Teleconference Clubs, RQL and LEK (Club agree to enter exclusive negotiations with SKY)	24 June 2010
1 st draft of Licence Agreement released – heavily redacted. Jenny Cho Mallesons “We are still working with RQL to finalise the first draft of the Licence Agreement to go to SKY. In the interests of time, we are sending the attached draft to you for review while our client is reviewing it at the same time”	18 August 2010
BRC comments on draft Licence agreement provided to Mallesons	23 August 2010
Kevin Dixon advised LEK that “Mallesons have till 5pm today to give us an undertaking as to their intent to serve us as a client, or their arrangement with us will be terminated.”	30 August 2010
BRC approved to participate in weekly calls. Shara Murray “In all matters pertaining to the BRC, it will be RQL's instructions that the BRC will be invited to participate fully in those “weekly calls.	29 September 2010
Meeting with Sky, Mallesons, RQL & LEK in Sydney. RQL invite SF to attend	20 October 2010
Teleconference re TVN actions against smaller clubs - RQL, Mallesons and Clubs. Bentley advises clubs Mallesons acting only for RQL and LEK; clubs should seek own legal advice.	29 October 2010

DISCUSSION

Over recent days, BRC and RQL have been discussing how to deal with the costs of the broadcast projects to date, the treatment of the sign on incentive fee and the management of the process going forward.

To this end, Mr Williams met with Mr Milner from the RQL Board on Wednesday to discuss a potential way to finalise the broadcast negotiation.

The key aspects of this proposal are:

- RQL to pay out the \$1.5M incentive fee to all clubs (BRC share \$1.005M or 67%)
- Of the \$1.3M in costs incurred to date, RQL will pay \$0.4M leaving \$0.9M to be paid for by the TAB clubs (BRC share \$603K or 67%)
- BRC to jointly manage costs going forward and its share of those costs is conservatively estimated to be \$174K or 58% (RQL estimate)



BRISBANE
RACING CLUB

Board Paper
BRC Media Rights
24 November 2010

- ① future costs.
- Final Docs.
- ② expand upon
drawdown tags.
- ③ pay back \$1.5M.
- ④ Extend

FINANCIAL IMPACT:

Broadcast Domestic Rights

Original Deal		
Rights	4,150	
Sponsorship	150	
Bonus	3,009	as advised by Gerard Pantane
Sign on	576	believe this to be 57.6% of \$1M
Total	7,885	
Scenario 2		
Rights	4,150	
Sponsorship	150	
Bonus	3,009	
Sign on	576	believe this to be 57.6% of \$1M
Rights increase	143	as advised by LEK
Sign on adj	(334)	Sign on reduced by \$334k
Total	7,694	
Proposal from RQL (Milner)		
Rights	4,150	
Sponsorship	150	
Bonus	3,009	
Rights increase	143	presume this is still valid from scenario 2
Sign on	1,005	Estimate based on 67% of \$1.5M
Sub Total	8,457	
Less BRC share of costs	(603)	See table to the left
New Total	7,854	
Variance to original	31	
BRC share of future costs	(174)	estimate only

TUN
Bob costs
to BRC
Admin SA
sketch agent
costs
1st & last cost
VMS.
Act b'cast
power
whole deal over
This Friday 26
with extension
Expres.

David Ferrain



BRISBANE
RACING CLUB

Board Paper
BRC Media Rights
24 November 2010

Costs

Current Cost Summary			
LEK	624,837	Invoices sighted	
LEK accrual	49,000	RQL provided	
MSJ	370,200	Invoices sighted	
MSJ accrual	256,000	RQL provided	
Total	1,300,037		
Less RQL payment	400,037	Offered by Milner to Paul on 24 Nov	
Balance for Clubs	900,000		
Future Cost Summary			
LEK est to complete	50,000	BRC estimate	
MSJ est to complete	250,000	MSJ estimate	
Costs to Complete	300,000		
BRC Cost Share			
Existing Costs	603,000	BRC share	67%
Total BRC Costs	603,000		
Future Costs	174,000	BRC share	58%

LEGAL ISSUES

The above proposal has not been received in writing at time of writing this paper.

.....
Stephen Ferguson
Chief Executive

25 November 2010

Mr Stephen Ferguson
Chief Executive Officer
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4007

By E-mail: sferguson@brc.com.au
Original by Post

Dear Stephen

RE: INCENTIVE FEE - \$1.5M

I refer to previous correspondence, concerning the above matter.

I confirm that Racing Queensland Limited (**RQL**) has, in good faith, repaid the Incentive Fee of \$1.5M plus GST to Sky Racing as at even date. Please find **attached** RQL's NAB Direct Credit Report confirming this EFT payment.

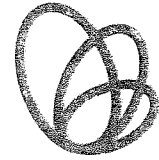
Despite the above, RQL continues to maintain that its previous retention of the \$1.5M Incentive Fee did not breach the Media Rights Agreement between RQL and the Brisbane Racing Club.

Yours faithfully



Shara Murray
Senior Corporate Counsel | Company Secretary

Enc.



**RACING
QUEENSLAND**

Racing Queensland Limited
A.B.N 52 142 786 874
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au



nab connect

Payment ID 17442620 **Payment type** Direct Credit
Status Requires authorisation (0 done, 2 remaining) **Remitter name** RAC QLD LTD
DE user ID 411423 RACING QUEENSLAND LI **Description**
Pay from account name RAC QLD LTD **File name**
Pay from account BSB and number 084-004 173211930 **Total amount** AUD 1,650,000.00
Value date 25/11/2010 **Number of credit transactions** 1

Tran No.	Account name	Account BSB	Account number	CUR	Amount	Status	Reference
1	RAC QLD LTD	084-004	173211930	AUD	1,650,000.00 DR	Valid	
2	SKY CHANNEL PTY LTD	082-001	790239912	AUD	1,650,000.00 CR	Valid	RACING QUEENSLAND

25 Nov 2010
25/11/10
Paul 25/11/10

Preparation of this document was completed on 25 November 2010. National Australia Bank Limited ABN 12 004 044 937 AFSL 230686

30 November 2010

Malcolm Tuttle
Chief Executive
Queensland Racing Limited
PO Box 63
Sandgate QLD 4000



BRISBANE
RACING CLUB

Colin Smith
Principal Advisor – Sports, Media and Entertainment
LEK
Leve 35, Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Dear Mai and Colin,

BRC BROADCAST RIGHTS

This letter replaces the letter sent yesterday dated 30 November 2010. With reference to the LEK letter received on Friday 26 November 2010 by email, Brisbane Racing Club Limited provides the following response:

1. BRC accepts the broadcast rights revenue total for FY11 as presented in Scenario 2 in the LEK letter (Total \$8.737M being domestic fees \$7.359M, Sign on bonus \$1.004M and international fees \$0.374M))
2. BRC accepts the broadcast rights revenue total for years FY12 to FY20
3. While RQL enticed the clubs to be part of the process on the basis RQL would pay all costs, and RQL has mismanaged such costs, BRC agrees to contribute \$603K in costs to RQL. The payment of these costs will be structured as follows:
 - \$303K payable 30 days after BRC receives all back payment amounts from Sky Racing
 - \$150K payable by 1 July 2011
 - \$150K payable by 1 July 2012
4. BRC agrees to pay the appropriate share (58%) post 26 November 2010 of future broadcast process costs to finalise the broadcast agreements as and when they fall due provided:
 - a. BRC is jointly managing the negotiation process
 - b. BRC has agreed the scope of works and quantum of costs
 - c. RQL warrants that it will not claw back additional contribution to costs arising from the media agreements

Please have David Ferrarin restate the broadcast rights schedule. The schedule should not include the contribution of costs to RQL by BRC. It should only include Sky revenues and costs. Please call me if you require further information.

STEPHEN FERGUSON
CHIEF EXECUTIVE

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED

PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 • F: 61 7 3868 2410 • W: www.brc.com.au

ABN: 80 133 679 786 ACN: 133 679 786

RQL.146.002.0370

Stephen Ferguson

From: Stephen Ferguson
Sent: Wednesday, 1 December 2010 11:37 AM
To: 'Shara Murray'
Cc: Andrew Moore
Subject: RE: Draft BRC Amending and Approval Agreement
Attachments: image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg; image007.jpg

Shara,

The entirety of clause 6 of the Amending and Approval Agreement was included without any input or instruction from BRC.

BRC had instructed LEK not to include such costs in the revenue tables.

We have made it clear that the "cost reimbursement" imposed by RQL should not be included in the Amending agreement.

Costs should be dealt with outside the agreement, and BRC has confirmed in writing that it will contribute to costs.

Stephen

1 Incentive fee and RQL costs

1.1 Incentive fee

SKY has agreed to pay RQL an incentive fee of \$1,500,000, and RQL will direct SKY to pay that portion of such incentive fee equal to the Club Incentive Fee directly to the Racing Club.

1.2 Reimbursement of RQL costs

- (a) *RQL estimates that it will have incurred consulting and legal costs totalling \$1,300,034 up to the date RQL issued the first draft of an Amending and Approval Agreement to each of the racing clubs, in connection with conducting the bid process and negotiating and establishing the agreements with SKY and the racing clubs. The Racing Club agrees to pay to RQL the Cost Reimbursement Amount in contribution towards such costs, in accordance with the following timeline:*
- (i) *\$303,000.00 on the Satisfaction Date;*
 - (ii) *\$150,000.00 on 1 July 2011; and*
 - (iii) *\$149,416.00 on 1 July 2012.*
- (b) *The Racing Club further agrees that any further consulting and legal costs incurred by RQL beyond the amount referred to in clause 6.2(a) to negotiate and establish the agreements with SKY and the racing clubs must be reimbursed by the racing clubs, and the allocation of such costs amongst the racing clubs will be reasonably calculated by RQL having regard to the relative size of each racing club's rights fees and the extent to which the additional costs result from activities of each racing club. The Racing Club agrees to pay to RQL the portion of such additional costs so allocated to it.*

From: Shara Murray [mailto:smurray@racingqueensland.com.au]
Sent: Wednesday, 1 December 2010 11:31 AM
To: Stephen Ferguson
Cc: Andrew Moore
Subject: RE: Draft BRC Amending and Approval Agreement
Importance: High

Sent on behalf of RQL's CEO, Mr Malcolm Tuttle

Stephen

I refer to your e-mail to Jenny Cho of Mallesons of even date at 9:32am.

I note your comment to Ms Cho that: *'There are significant changes that I have had no input into and are against our direction to RQL e.g. cost reimbursement.'*

Please advise and provide further clarification in relation to your reference of purported directions.

I look forward to your response.

Kind Regards

Malcolm Tuttle
Chief Executive Officer
Racing Queensland Limited

From: Stephen Ferguson [mailto:sferguson@brc.com.au]
Sent: Wednesday, 1 December 2010 9:33 AM
To: Malcolm Tuttle
Cc: Shara Murray; Andrew Moore
Subject: FW: Draft BRC Amending and Approval Agreement

From: Stephen Ferguson
Sent: Wednesday, 1 December 2010 9:32 AM
To: 'Cho, Jenny'
Subject: RE: Draft BRC Amending and Approval Agreement

Jenny,
Can you please forward a marked up version of this doc?
There are significant changes that I have had no input into and are against our direction to RQL e.g. cost reimbursement



Stephen Ferguson
Chief Executive
Brisbane Racing Club
P.O. Box 817 Hamilton Central QLD 4007
07 3268 2171
0412 654 000
07 3868 2410



BRISBANE
RACING CLUB
EAGLE FARM & DOOMBEN

Please Note: This e-mail may contain information which represents the views and opinions of the author and so do not necessarily reflect those of the organisation. This document and subsequent conversations and information are confidential. They are intended solely for the use of the addressee(s) named and may not be disclosed to outside parties unless done with specific written consent of our authorised personnel. Any unauthorised use of the e-mail or contents is strictly prohibited. Your acceptance of this document

will serve as acceptance of the above conditions. If you have any queries or difficulties with the above please raise them when reviewing this paragraph. Please advise us if you have received the e-mail in error.

From: Cho, Jenny [mailto:Jenny.Cho@malleasons.com]
Sent: Tuesday, 30 November 2010 5:54 PM
To: Stephen Ferguson
Cc: Andrew Moore; 'Shara Murray'; 'mtuttle@racingqueensland.com.au'; Heller, Nicole; D.Ferrarin@lek.com; 'C.Smith@lek.com'
Subject: Draft BRC Amending and Approval Agreement

Confidential communication

Dear Stephen

Attached for your review is a draft of the Amending and Approval Agreement for BRC. The attached is consistent with the template agreement we provided to you a few months back, but with the information now completed.

The following is some background to help you navigate around the agreement:

- The SKY rights fees, OB fees and OB subsidy are set out in Clause 5 and Schedule 2, and a working example (using certain assumptions) is set out in Schedule 4.
- BRC's share of the incentive fee and reimbursement of RQL costs is set out in clause 6 and in the Details section of the agreement.
- Clause 2, Schedule 1 and Annexures A & B contain the relevant terms from the SKY Licence Agreement requiring BRC approval. Annexures A & B from the Licence Agreement will be attached as Annexures A & B to this agreement. Schedule 1 extracts certain clauses from the front end of the Licence Agreement. Note that the front end of the Licence Agreement and Annexure F (with the relevant redactions to remove other club specific information) will be provided to the BRC as Annexure C to this agreement.
- Clause 3 deals with the Suspension and Waiver Deed between BRC and SKY. We have provided you the form of this deed earlier.
- Clause 4 provides for RQL consultation with BRC with respect to certain actions under specified provisions of the Licence Agreement.
- Clause 7 and Schedule 5 contains the necessary amendments to the Media Rights Agreement to reflect the approved terms of the Licence Agreement.
- Clause 8 reflects the agreement between RQL and BRC in connection with the photo finish equipment at BRC's racetracks.

We will need to replicate this agreement for each of the other clubs, and, if possible, would like to incorporate any comments you may have on the BRC agreement before we do that. We understand you have agreed with Shara to provide your feedback on the draft agreement within 24 hours of receipt. Please do not hesitate to contact us if you have any questions during your review.

Kind regards,
Jenny

Jenny Cho | Senior Associate
Mallesons Stephen Jaques
Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
T +61 2 9296 2458 | M +61 439 451 318 | F +61 2 9296 3999
jenny.cho@malleasons.com | www.malleasons.com

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14 December 2010

Mr Stephen Ferguson
Chief Executive Officer
Brisbane Racing Club
P.O. Box 817
HAMILTON QLD 4007

By E-mail: sferguson@brc.com.au
Original by Post



Racing Queensland Limited
A.B.N 52 142 786 674
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Dear Mr Ferguson

RE: MEDIA RIGHTS PROJECT

I refer to my e-mail to Mr Colin Smith of LEK Consulting on Wednesday, 1 December 2010 at 11:41am.

In that e-mail to Mr Smith, Racing Queensland Limited (**RQL**) confirmed that it would not claw back additional amounts in relation to costs in establishing the new media agreements with race clubs in Queensland.

Accordingly, clause 6 of the agreed draft of the Amending and Approval Agreement reflects your club's obligation with respect to the reimbursement of RQL's incurred costs and any further ongoing costs in relation to the Media Rights Project.

Yours faithfully



Shara Murray
Senior Corporate Counsel Company Secretary

Stephen Ferguson

From: Stephen Ferguson
Sent: Wednesday, 15 December 2010 2:21 PM
To: 'Kevin Dixon'
Cc: Andrew Moore
Subject: FW: Media Rights Project Letter
Attachments: image001.png; doc20101214140512.pdf; image002.png; image004.jpg; image005.jpg; image006.jpg; image007.jpg; image008.jpg; image009.jpg; image010.jpg

Kevin,
FYI

From: Shara Murray [mailto:smurray@racingqueensland.com.au]
Sent: Wednesday, 15 December 2010 2:20 PM
To: Stephen Ferguson; Malcolm Tuttle
Subject: RE: Media Rights Project Letter

Sent on behalf of Mr Wayne Milner

Stephen

I was brought up to date on this matter yesterday afternoon, and as you are aware, I have had discussions with Paul Williams in relation to this matter.

I am aware Shara has conversed with you on this matter today and she has kept me fully informed on those conversations.

I will be dealing directly with Paul Williams on this issue, and I am sure he will update you as the matter unfolds.

Wayne Milner
Director
Racing Queensland Limited

From: Stephen Ferguson [mailto:sferguson@brc.com.au]
Sent: Wednesday, 15 December 2010 12:34 PM
To: Malcolm Tuttle
Cc: Shara Murray
Subject: FW: Media Rights Project Letter

Mal,
Shara and I have been tick tacking on this issue.
I have tried calling Shara a few times today but with no success.
I have also been out so may have missed Shara's return call.

My Board meets on this broadcast issued.
This is the last piece of the puzzle.
Sorry to come to you but I am anxious to get it resolved.
Stephen

From: Stephen Ferguson
Sent: Tuesday, 14 December 2010 4:45 PM
To: 'Shara Murray'
Subject: RE: Media Rights Project Letter

Shara,
The "no claw back" was intended to cover "legal" and "ongoing" costs.

Despite those costs being included in the agreements as to be paid by RQL, there is nothing in the agreement to stop RQL "clawing" them back.

We want to be sure that the costs "stop" with RQL and that RQL does not seek to recoup them by other means.
Stephen

From: Shara Murray [mailto:smurray@racingqueensland.com.au]
Sent: Tuesday, 14 December 2010 4:46 PM
To: Stephen Ferguson
Subject: RE: Media Rights Project Letter

Stephen

RQL has always been of the understanding that the discussion about "no clawback" was about the legal and consultant costs, which is now covered under clause 6 of BRC's Amending and Approval Agreement.

The extent to which RQL has agreed to contribute towards the ongoing, non-legal costs you list in your email below are already set out in the Licence Agreement and Amending and Approval Agreement. The agreements cover the TRIAX cable upgrade, photo finish equipment and OB subsidy as contribution towards stewards OB costs.

But the agreements do not cover "judges" costs. Are you looking for cost commitments from RQL in addition to what is already clearly set out in the agreements?

Regards

Shara

Shara Murray
Senior Corporate Counsel | Company Secretary



PO Box 63, Sandgate QLD 4017
P +61 7 3869 9712
F +61 7 3269 9043
M 0407 156 539
E smurray@racingqueensland.com.au
W www.racingqueensland.com.au

From: Stephen Ferguson [mailto:sferguson@brc.com.au]
Sent: Tuesday, 14 December 2010 3:51 PM
To: Debbie Toohey
Cc: Shara Murray
Subject: RE: Media Rights Project Letter

Shara,
Thanks for sending that letter through.
Unfortunately, it does not quite address the areas I was interested in.
The letter refers to "establishment" costs.
However, the area I was talking about was "ongoing" or non legal costs e.g.

- Triax
- Judges
- Photo finish
- Stewards OB costs

The above are costs not currently paid for by RQL.
However, RQL has agreed to absorb those costs during the negotiation process.
Therefore:

- Can you please amend the letter accordingly
- I would also request that the letter be given more legal weight and be signed by the chairman or a director of the board stating that the letter has Board imprimatur



Stephen Ferguson
 Chief Executive
 Brisbane Racing Club
 P.O. Box 817 Hamilton Central QLD 4007
 07 3268 2171
 0412 654 000
 07 3868 2410



BRISBANE
RACING CLUB
 EAGLE FARM & DOOMBEN

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From: Debbie Toohey [mailto:dtoohey@racingqueensland.com.au]
Sent: Tuesday, 14 December 2010 2:15 PM
To: Stephen Ferguson
Subject: Media Rights Project Letter

Dear Mr Ferguson

Please see letter attached from Ms Shara Murray.

Regards

Debbie Toohey
 EA to Senior Corporate Counsel/Company Secretary
 Board Secretary



PO Box 63, Sandgate QLD 4017
 P +61 7 3869 9707
 F +61 7 3269 9043

E dtoohey@racingqueensland.com.au
 W www.racingqueensland.com.au

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22 December 2010

Kevin Dixon
Chairman
Brisbane Racing Club
PO Box 817
HAMILTON QUEENSLAND

By E-mail: sferguson@brc.com.au
Original by Post

Dear Kevin

RE: Media Rights – Amendment to the Approval Agreement

With reference to an email from the Brisbane Racing Club dated 14 December 2010 (4:45pm), regarding the proposed Amendment to the Media Rights Agreement from the operational subsidiary of the Brisbane Racing Club ("BRC") to the operational subsidiary of Racing Queensland Limited ("RQL") with effect from 1 December 2010, RQL confirms that the proposed Amendment will not result in any clawback of the same as it is

In regards to the Amendment to the Media Rights Agreement upon Racing Queensland Limited's ("RQL") costs; RQL confirms that the Amendment will not result in any clawback of the obligations of the Brisbane Racing Club ("BRC") and ongoing costs;

- OB subsidy (As per the Amendment to the Media Rights Agreement)
- Photo finish (As per the Amendment to the Media Rights Agreement)
- Triax cabling (As per the Amendment to the Media Rights Agreement)
- Terms common to the Amendment to the Media Rights Agreement – Annexure A –

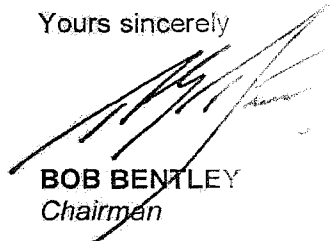
RQL confirms its commitment to the Amendment to the Media Rights Agreement and its costs.

RQL also confirms as per the Amendment to the Media Rights Agreement that any further consultation costs incurred by the Brisbane Racing Club ("BRC") and the racing club ("RC") under clause 6.2(a) totaling \$100,000 per annum will be borne by the Brisbane Racing Club ("BRC") and the racing club ("RC") and not by RQL.

We attach a schedule of costs for the Amendment to the Media Rights Agreement for the Brisbane Racing Club ("BRC") and the racing club ("RC") in accordance with this Amendment to the Media Rights Agreement.

The above confirmation is given in accordance with the current media rights agreement and is not intended to be a contractual obligation which are in the process of being renegotiated.

Yours sincerely



BOB BENTLEY
Chairman



**RACING
QUEENSLAND**

Racing Queensland Limited
A.B.N 62 140 736 874
Racecourse Rd Deagon QLD 4017
PO Box 61 Sandgate QLD 4017
T 07 3861 7777
F 07 3261 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

**Racing Queensland Limited
Broadcast Costs**

RQL Contribution		400,030	
Racing Clubs Contribution		<u>900,000</u>	
Total Costs to Drafting clause 6.2 (a)		300,030	
BRC Contribution to costs	67%	602,100	
BRC Sign on fee	67%	1,003,500	
Net Amount to BRC		401,400	
Ongoing cost over and above \$1,300,034 to be allocated to BRC as per clause 6.2 (b) (ii)			
Estimate to complete		80,860	
Estimate BRC Contribution to costs post \$1,300,034	58%	46,900	



14 May 2010

The Hon. Peter Lawlor MP
Minister for Tourism and Fair Trading
GPO Box 1141
Brisbane QLD 4001

Dear Minister,

Statements in regard to RQL constitution

I refer to our meeting held 27 April, attended also by Stephen Ferguson (BRC CEO) and Mike Kelly. (Director, Office of Racing). The purpose of the meeting was to discuss the *Racing and Other Legislation Amendment Bill*. At that meeting I asked how the interests of country race clubs would be protected given that the bill omits from the current *Racing Act* the provisions that establish country racing associations and establish the Queensland Country Racing Committee.

You replied that the country sector would be protected in the new Racing Queensland Ltd constitution. I replied that the current legislation would be a greater protection than a company constitution. You replied that any amendments to the RQL constitution would have to be approved by you, thus guaranteeing the retention of the protection provisions. Mr. Kelly confirmed to us that your understanding of the constitution was correct.

An article written by Nathan Exelby in today's Courier Mail, and titled "Outrage at top secret racing plan", states in part as follows:

- "... last night Mr. Lawlor said he had not seen a draft constitution even though he described parts of it in Parliament last month"
- "Mr. Lawlor claimed yesterday he had not been provided with a draft constitution."

These statements, if you have been correctly reported, do not appear to align with what we discussed on 27 April and also other matters. The relevant aspects are:

- On 13 April, In your second reading speech, you outlined elements of the constitution
- On 27 April, at our meeting, you outlined elements of the constitution
- On 30 April, QRL confirmed the constitution had been drafted and submitted to Government
- On 30 April, the Office of Racing confirmed to BRC that it had a draft of the constitution
- On 13 May, you apparently claimed not to have been provided with or seen a copy of the draft constitution

Can you please confirm whether or not you have been provided with or seen the draft RQL constitution? Further, can you please provide a copy of the constitution to racing industry stakeholders so that it can be properly scrutinized and commented upon? Of particular interest will be the protection provisions for country racing that you told me are contained within the draft constitution.

KEVIN DIXON
CHAIRMAN

Cc: The Hon. Anna Bligh, Premier of Queensland

RQL.146.006.0001

14 May 2010

Jamie Orchard
Director of Integrity Operations
Queensland Racing Limited
PO Box 63
Sandgate QLD

Dear Mr. Orchard,

Complaint re: the Hon Peter Lawlor MP

Brisbane Racing Club (BRC) is a licensed club and wishes to make a complaint under the "Queensland Racing Limited (QRL) Complaints Management System". The complaint relates to a newspaper article in the Courier Mail 14 May 2010 (page 17). The article sets out statements by the Hon Peter Lawlor MP, Minister for Racing and discusses the draft constitution for the proposed new racing Control Body, Racing Queensland Ltd. The news paper article states:

- "... last night Mr. Lawlor said he had not seen a draft constitution even though he described parts of it in Parliament last month"
- "Mr. Lawlor claimed yesterday he had not been provided with a draft constitution."

If Mr. Lawlor has been reported correctly, it may be that his statements are false and misleading. This situation must be investigated. In your consideration of the matter, it may be relevant that:

- The QRL Complaints Management System defines a complaint as meaning "a specific statement which could make a person subject to disciplinary action, legal action or both".
- Australian Rule of Racing 175(gg) provides to the effect that , "The Committee of any Club or the Stewards may penalise any person who makes any false or misleading statement in respect of any matter in connection with the administration or control of racing".
- If the complaint is proved correct that a false or misleading statement was made by Mr. Bentley in connection to racing, he may be subject to disciplinary action under QR 175(gg)
- As such, this complaint falls within the definition of complaint as defined in the QRL Complaints Management System

The facts of the complaint are:

1. On 13 April 2010, Minister Lawlor tabled the Racing and Other Legislation Amendment Bill. In his second reading speech and in commending the bill to the House, the Minister stated, "To ensure stability within the new control body structure, the initial directors of Racing Queensland Ltd will hold office until 2014 and then two directors will retire on a rotational basis every two years. The initial directors of Racing Queensland Ltd will be the current five directors from the existing thoroughbred control body, one from the harness control body and one from the greyhound control body. The directors of Racing Queensland Ltd will be the only members of

the company.... After expiry of the initial term, a selection panel will be responsible for appointing directors to the control body. It will be made up of – The chair or deputy chair of the control body; One person who is Fellow of the Australian Institute of Company Directors who is a sitting member of an ASX Top 200 listed company; and One person appointed by the director-general of the department responsible for racing. In making decisions, the directors of Racing Queensland Ltd ... will also have to have regard to the best interests of the thoroughbred, harness and greyhound codes as a whole. The remuneration of the directors can only be varied with the approval of the chief executive officer of the department responsible for racing. The constitution of Racing Queensland Ltd establishes advisory committees for non-TAB racing in all codes so maintaining thoroughbred specific bodies in legislation is now redundant.

2. On 27 April, I and Stephen Ferguson (BRC CEO) met with the Minister and Mike Kelly (Director Office of Racing). The purpose of the meeting was to discuss the Racing and Other Legislation Amendment Bill. At that meeting I asked the Minister how the interests of country race clubs would be protected given that the bill omits from the current *Racing Act* the provisions that establish country racing associations and establish the Queensland Country Racing Committee. The Minister replied that the country sector would be protected in the new RQL constitution. I replied that legislation would be a greater protection than a company constitution. The Minister replied that any amendments to the RQL constitution would have to be approved by him. Mr. Kelly confirmed to the Minister and me that the Minister's understanding of the constitution was correct
3. On 30 April, Mr. Ferguson emailed Mr. Kelly and requested "Could you please forward me a copy of the RQL constitution? I understand it may still be in draft form." Mr. Kelly replied that afternoon "Stephen, I do have a draft provided by RQL however, as you identified it is preliminary in nature and requires further work ..."
4. On 30 April, Mr. Ferguson also emailed Shara Murray (QRL Corporate Counsel and Company Secretary) and requested a copy of the constitution. Ms Murray replied that day, "... the Minister has not advised that the Constitution as drafted and submitted to Government is final and we therefore cannot release drafts. You will of course appreciate that the document, once finalised and approved by the Government will be lodged with the Australian Securities and Investments Commission and therefore BRC will be able to obtain a copy from there if you wish to do so."
5. On 14 May, the Courier Mail (page 17) contained a news article by Nathan Exelby titled "Outrage at top secret racing plan". The article discussed the draft constitution for the proposed new racing Control Body, Racing Queensland Ltd. The article by states in part, "... last night Mr. Lawlor said he had not seen a draft constitution even though he described parts of it in Parliament last month" and "Mr. Lawlor claimed yesterday he had not been provided with a draft constitution."

The complaint is that the statements set out above and attributed to the Minister in the Courier Mail article on 14 May appear to be false and misleading and not in accordance with the facts. This assumption is arrived at given:

- the Minister referred to the constitution and outlined elements of it In his second reading speech
- the Minister referred to the constitution and outlined elements of it at his meeting with me on 27 April
- the Office of Racing confirmed that it had a draft on 30 April
- QRL confirmed the constitution had been drafted and submitted to Government

As stated in your policy, the integrity of racing is essential to provide a safe, harmonious and productive racing industry. Please advise as to how this complaint will be assessed.

**KEVIN DIXON
CHAIRMAN
BRISBANE RACING CLUB LTD**



COOPER GRACE WARD
LAWYERS



RECEIVED
2/12/2010

Our Ref: DJG 10071725

Level 21, 400 George Street
Brisbane 4000 Australia

GPO Box 834, Brisbane 4001

T 61 7 3231 2444

F 61 7 3221 4356

2 December 2010

www.cgw.com.au

ABN 95 591 906 639

Ms Carol Perrett
Senior Policy Adviser
Department of Racing
George Street
BRISBANE QLD 4000

Queensland Racing Limited - Annual General Meeting

At the request of Mr Bob Bentley and Ms Shara Murray, I write to advise you of the position having regard to the way in which the annual general meeting of Queensland Racing Limited was held. You attended the meeting and were able to observe for yourself the conduct of the meeting.

Mr Kevin Dixon, the authorised representative of Class A members attended as the representative of the Class A members.

Prior to the meeting in accordance with past practice, Mr Dixon wanted to raise questions and he was invited to submit them so that they could be properly addressed at the meeting. He did so.

At the meeting there were 56 questions asked and answered over range of 15 different topics. Mr Bentley had the questions read out by Shara Murray and either answered them himself or asked the auditor to do so.

There were questions asked of Queensland Racing Limited concerning what will happen in the current or future years. Queensland Racing Limited is, of course, no longer a controlled body and cannot comment on the future.

Equally, matters were raised regarding the accounts of Toowoomba Turf Club and the auditor of Queensland Racing was asked to comment on matters concerning its accounts. It was firstly improper that the auditor of Queensland Racing Limited should be asked to comment on the accounts of another body. The auditor, in any event, expresses an opinion in relation to the accounts of Queensland Racing Limited and in the course of expressing that opinion, he seeks to justify the statement by the directors of Queensland Racing Limited in their account prepared for members. The auditor made it clear that that was done. He signed the opinion letter in accordance with the Corporations Act and the accounts and statement by directors and auditor were provided to the members.

The trouble taken to prepare answers was extensive. The fact that a member may not be satisfied with one or more answers is not a matter which required to be obtained by the Corporations Act. There are often disgruntled members or shareholders of companies who may seek very detailed information from boards or management and not be given it for a variety of reasons albeit confidentiality, risk to the company of what might be done by that information or otherwise.

The board of Queensland Racing Limited properly prepared answers to questions although some of the answers went beyond that which the board of a company necessarily should give. However, it was considered that it was better for members who are representatives of industry to know the answers to the information sought, and if that did not happen the board would have been accused of some clandestine secrecy.

/



Ms Carol Perritt
Senior Policy Adviser
Department of Racing
Page 2

1

In our view, the steps taken by the board and by the Chairman at the meeting were perfectly proper. Mr Dixon may have had further questions but he had more than adequate opportunity to provide them to the board in advance as he did with the other 56 questions.

If you wish this to be discussed further, we would be pleased to do so.

Yours faithfully
COOPER GRACE WARD



David Grace
Partner
T 61 7 3231 2421
F 61 7 3231 8421
E david.grace@cgw.com.au

DJG 10071725 3577841v1

SENT *to emailed*
11/12/2010



1 December 2010

Mr Kevin Dixon
Chairman
Brisbane Racing Club Limited
PO Box 817
HAMILTON CENTRAL QLD 4007

Queensland Racing Limited
A.B.N. 93 116 735 374
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@queenslandracing.com.au
W www.queenslandracing.com.au

By E-mail: Kevin@racetree.com.au
Original by Post

Dear Mr Dixon

RE: QUEENSLAND RACING LIMITED ANNUAL GENERAL MEETING

I refer to your letter dated 30 November 2010.

As you know, since 2006 Queensland Racing Limited has, as a matter of process at its annual general meeting, to afford members as a whole, the opportunity to ask questions about or make comments on the management of the company, asked that members put matters in writing so that complete and adequate responses could be made to legitimate questions.

You sent a very detailed letter covering 15 topics and raising 56 questions.

Each of those questions was answered to the extent that it was within the company's capacity to do so. Forward projections or matters requiring a future judgment or decisions were not answered because they were wholly within the province of Racing Queensland Limited.

By following this process, more detail is able to be provided than if you asked at the meeting.

The answers to your questions, in some cases, went beyond that which the company was required to do but the information was nonetheless provided so that you and members generally are made aware of those responses.

In this respect, I completely reject that the company has not afforded members reasonable opportunity to ask questions about or make comments on the management of a company. The process that has been followed over the four years and that which was followed at the 2010 annual general meeting, more than adequately responds to the obligations of the company and the chairman at the annual general meeting.

Yours faithfully

Shara Murray
Company Secretary

RECEIVED
30/11/10 - am



30 November 2010

Bob Bentley
Chairman
Queensland Racing Limited
PO Box 63
Sandgate QLD 4000

BRISBANE
RACING CLUB

By Email: bbentley@racingqueensland.com.au

Dear Bob,

QRL AGM – BREACH OF CORPORATIONS ACT

On 29 November 2010, the Annual General Meeting of Queensland Racing Limited was held. I note you chaired the meeting which was also attended by Damian Wright of BDO Kendalls (QLD) who is the auditor of the company.

Prior to the meeting, I sent a number of questions directed to you and the auditor of the company. Many of these questions were not answered to my satisfaction at the meeting, despite my efforts to seek further information and clarification at the AGM.

At the AGM, you as Chairman, refused to allow reasonable questions or comments from the members of the company to be asked of either yourself or the company's auditor. By failing to answer or allow questions, we believe you have breached a number of sections of *Corporations Act 2001*, namely:

- Section 250S(1) – “The chair of an AGM must allow a reasonable opportunity for the members as a whole at the meeting to ask questions about or make comments on the management of the company”; and
- Section 250T(1) – “If the company's auditor or their representative is at the meeting, the chair of an AGM must:
 - (a) allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor or the auditor's representative questions relevant to:
 - (i) the conduct of the audit; and
 - (ii) the preparation and content of the auditor's report; and
 - (iii) the accounting policies adopted by the company in relation to the preparation of the financial statements; and
 - (iv) the independence of the auditor in relation to the conduct of the audit; and
 - (b) allow a reasonable opportunity for the auditor or their representative to answer written questions submitted to the auditor under section 250PA.”

A breach of these provisions is a strict liability offence and incurs penalties under the *Corporations Act*. In light of the position that you hold with the control body and your actions at the AGM amounting, in our opinion, to a breach of the *Corporations Act*, we believe that the only prudent course of action we can now take is to refer your conduct to the Australian Securities and Investment Commission for investigation.

KEVIN DIXON
CHAIRMAN

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED
PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.

1 May 2012

Racing Queensland Ltd

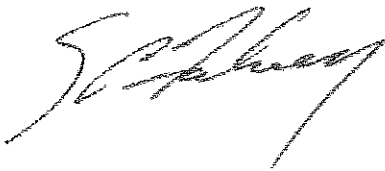
Po Box 63

Sandgate Qld 4106

To Whom it may Concern,

Please be advised I wish to cancel my Class 1 Greyhound Trainers license 31095 as of today
Tuesday 1st May 2012.

Yours faithfully,

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

John Falvey

1 May 2012

Mr Stephen Ferguson
Chief Executive
Brisbane Racing Club
PO Box 817
HAMILTON CENTRAL QLD 4017



Racing Queensland Limited
A.B.N 52 142 788 874
Racecourse Rd Deagon QLD 4017
PO Box 63 Sandgate QLD 4017
T 07 3869 9777
F 07 3269 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Dear Stephen

RE: OPERATIONAL SUBSIDY

At the Racing Queensland Limited (**RQL**) board meeting today, the board discussed the operational subsidy currently paid to the Brisbane Racing Club (**BRC**). It is the Board's view that in hindsight it was inappropriate to reduce that subsidy by 50 per cent over the last two years. This is especially the case given the major racing infrastructure improvements made by the BRC during this time. As such, the board has resolved to adjust the BRC's operational subsidy retrospectively for the last two financial years for the periods July 1, 2010, to June 30, 2012, to restore it to 100 per cent of its previous amount.

This retrospective payment of \$1.851 million can be used by the BRC to offset training costs and the development of infrastructure. This is a one off retrospective subsidy and will be paid to the club on Friday May 4, 2012. The subsidy will remain at this level until the next subsidy review is undertaken. It should be noted that RQL believes that the objectives, method of determination and application of operational subsidies across racing in Queensland need review, and it is likely the current methods and amounts will change for future years. RQL will consult with the BRC and other clubs during this review process.

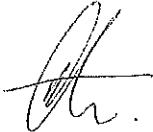
In addition to considering the operational subsidy for the BRC, the board also considered the previous oncourse stabling funding agreement dated August 10, 2011, and the rental subsidy requirements for oncourse and off course trainers under this agreement. RQL considers that, with the change in direction concerning Deagon, there is now no requirement going forward in regard to these conditions. Any stables constructed under these agreements are now able to be used as BRC sees fit, and no payment is required in this regard by BRC to RQL. Additionally, no subsidised stabling is required to be provided to trainers from Deagon or any other venue. Any subsidies given going forward are entirely at the BRC's discretion.

In order that the retrospective subsidies, and relief from the provision of subsidised stabling, be used in a way that provides some relief across stakeholders who were disadvantaged by the initial subsidy reduction, the condition placed on this retrospective payment is that BRC undertake to:

- reduce oncourse stabling fees, for all oncourse stables, by \$10 per week from May 1, 2012, and that this must be guaranteed by the BRC until at least June 30, 2013; and
- apply the retrospective operational subsidy funds with a priority toward covering any shortcomings in the current infrastructure projects of the BRC, and to offset the costs of operational considerations in this important period leading up to the Brisbane Racing Carnival so that the carnival will showcase BRC at its best.

If you have any queries in relation to this resolution, please feel free to contact me.

Yours sincerely



ADAM CARTER
Acting Chief Executive Officer

Cc. Andrew Moore (emailed)
Chief Financial Officer/Company Secretary, BRC



BRISBANE
RACING CLUB

2 May 2012

Mr Kevin Dixon
Chairman
Racing Queensland
PO Box 63
SANDGATE QLD 4017

Dear Kevin,

Operational Subsidy

Thank you for your letter dated 1 May 2012 in regard to the operational subsidy currently being paid to the Brisbane Racing Club (BRC).

Operational subsidy

We thank you for the retrospective payment and appreciate RQL restoring the operational subsidy to 100% of its previous amount. We undertake to apply the retrospective operational subsidy funds with a priority towards covering any shortcomings in the current infrastructure projects of the BRC. BRC look forwards to participating in a review of the current operational subsidy with RQL and other stakeholder groups

Stable rent

BRC agrees to reduce oncourse stabling fees, for all oncourse stables by \$10.00 per week from 1 May 2012 until at least 30 June 2013. We note that the Shared Operational Subsidy (currently \$15 pw) is currently under review and an increase to recover our costs may be necessary in the near future.

Thank you very much for your Board's resolution in regards to these matters. We look forward to working with RQL and other stakeholder groups in the future. In particular, a meeting of both boards may be a good start.

Yours sincerely

BILL SEXTON

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED
PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 • F: 61 7 3868 2410 • W: www.brc.com.au

ABN: 80 133 679 786 ACN: 133 679 786

RQL.146.006.0013



BRISBANE
RACING CLUB

11 May 2012

Adam Carter
Acting Chief Executive
Racing Queensland Limited
PO Box 63
Sandgate Q 4017

By email: acarter@racingqueensland.com.au

Dear Adam,

ASSISTANCE FUNDING TO BRC

With reference to your letter of 1 May 2012 regarding the repayment of \$1.851 million in subsidy to Brisbane Racing Club (BRC), we write to seek funding assistance for the Brisbane racing carnival.

BRC is committed to delivering an outstanding racing carnival in 2012 to all industry stakeholders – licensees, owners, sponsors, media, members, interstate and international guests and the wider Queensland racing public. To achieve this, the facilities of the BRC need to be presented at their very best.

To this end, BRC requests funding assistance from Racing Queensland Limited (RQL) of \$500,000 to assist in this endeavour. These funds will be applied to provision of temporary infrastructure, the completion of various minor works around both racecourses and to showcase both the Eagle Farm and Doomben Racecourses.

Thank you for your consideration in this matter and we look forward to seeing you over the carnival racedays.

Yours faithfully

STEPHEN FERGUSON
CHIEF EXECUTIVE

cc. Kevin Dixon, Chairman – Racing Queensland Limited
Andrew Moore, CFO – Brisbane Racing Club Limited

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED

PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 · F: 61 7 3868 2410 · W: www.brc.com.au

ABN: 80 133 67 786 · ACN: 133 67 786

14 June 2012

Adam Carter
Acting Chief Executive
Racing Queensland Limited
PO Box 63
Sandgate Q 4017



B R I S B A N E
RACING CLUB

By email: acarter@racingqueensland.com.au

Dear Adam,

FUNDING TO BRC – FIRE SAFETY UPGRADE PADDOCK GRANDSTAND

With reference to your letter of 1 May 2012 regarding the repayment of \$1.852 million in subsidy to Brisbane Racing Club (BRC), we write to seek funding assistance for a fire safety upgrade in the Paddock Stand at Eagle Farm.

BRC is committed to providing a safe and compliant environment to racecourse attendees. In the lead up to the Brisbane racing carnival, the Paddock Grandstand at Eagle Farm came under scrutiny from Queensland Fire Services and a range of upgrades are required to make the building compliant from a fire and general safety perspective. These works include:

- Asbestos to be removed from Strawberry Road restaurant and parts of Laboratory Room
- Underground hydrant connection from eastern end of St Leger through to Paddock Stand
- Fireate wall in gap between administration office and Laboratory
- Install new aluminium fire doors with conforming door hardware to Eastern and Western exits to the Moreton Room
- Upgrade handrails to exits to conform to BCA
- Rebuild fire exit stairs to Eastern end of Stand.
- Install automatic fire detection and alarm system in Admin stairs.
- Install sound systems and intercom systems for emergency purposes.

Initial estimates for this work are in excess of \$500,000. To this end, BRC requests funding assistance from Racing Queensland Limited (RQL) of \$500,000 to assist with these works.

Thank you for your consideration in this matter and we look forward to your early advice.

Yours faithfully

STEPHEN FERGUSON
CHIEF EXECUTIVE

cc. Kevin Dixon, Chairman –Racing Queensland Limited
Andrew Moore, Chief Financial Officer – Brisbane Racing Club Limited

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED

PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 • F: 61 7 3868 2410 • W: www.brc.com.au

ABN: 80 133 679 786 ACN: 133 679 786

23 July 2012

Adam Carter
Acting Chief Executive
Racing Queensland Limited
PO Box 63
Sandgate Q 4017



B R I S B A N E
RACING CLUB

By email: acarter@racingqueensland.com.au

Dear Adam,

FUNDING TO BRC – COMPLETION OF FIRE SAFETY FOR JOHN POWER STAND, EAGLE FARM

With reference to your letter of 1 May 2012 regarding the repayment of \$1.852 million in subsidy to Brisbane Racing Club (BRC), we write to seek funding assistance for the completion of the fire safety upgrade to the John Power Stand at Eagle Farm.

As you may be aware, in early 2011, BRC started a fire system upgrade of the John Power Stand and halted this work while the jockeys and stewards rooms were relocated from the ground floor of this stand to their current position. To date, this project has cost just over \$1.6 million. The final stage of this work will upgrade the fire safety system in the area where the jockeys and stewards rooms used to be while also refurbishing the toilet facilities located in this area.

Initial estimates for this work are \$506,000 (\$460,000 + 10% contingency). To this end, BRC requests funding assistance from Racing Queensland Limited (RQL) of \$500,000 to assist with these works.

We note BRC has invoiced RQL \$852,000 in late June (invoice #39232 attached). If this funding is approved, please drawdown \$500,000 (+GST) from this invoice leaving a balance of \$352,000 to be repaid.

Thank you for your consideration in this matter and we look forward to your early advice.

Yours faithfully

STEPHEN FERGUSON
CHIEF EXECUTIVE

cc. Kevin Dixon, Chairman – Racing Queensland Limited
Andrew Moore, Chief Financial Officer – Brisbane Racing Club Limited

EAGLE FARM & DOOMBEN

BRISBANE RACING CLUB LIMITED
PO Box 817 Hamilton Central, Queensland 4007. Administration Office: Eagle Farm Racecourse, 230 Lancaster Road, Ascot, Queensland 4007.
P: 61 7 3268 2171 · F: 61 7 3868 2410 · W: www.brc.com.au

ABN: 80 133 679 786 ACN: 133 679 786

8 August 2012

Adam Carter
Acting Chief Executive
Racing Queensland Limited
PO Box 63
Sandgate Q 4017



BRISBANE
RACING CLUB

By email: acarter@racingqueensland.com.au

Dear Adam,

FUNDING TO BRC – FIRE SAFETY UPGRADE PADDOCK GRANDSTAND

With reference to your letter of 1 May 2012 regarding the repayment of \$1.852 million in subsidy to Brisbane Racing Club (BRC), we write to seek further funding assistance related to the fire safety upgrade in the Paddock Stand at Eagle Farm.

Previously by letter dated 14 June (attached for reference), BRC sought and was granted \$500,000 to fund a fire safety upgrade in the Paddock Stand at Eagle Farm.

With further scoping of the works, it has become apparent the entire air conditioning system currently located on the roof of the Paddock Stand has become dangerous to access and uneconomic to service. It is practical to replace the air conditioning in this stand in conjunction with the fire safety work as many ceiling areas will be upgraded with fire detectors and the air conditioning can be replaced at the same time.

The estimate for this additional air conditioning work is \$348,000. To this end, BRC requests funding assistance from Racing Queensland Limited (RQL) of \$352,000 to assist with these works.

We note BRC has invoiced RQL \$852,000 in late June (invoice #39232 attached) with \$500,000 (+GST) already being applied for by letter of 23 July. If this funding is approved, please drawdown from this invoice the final \$352,000 meaning all invoices will now be finalised.

A reconciliation of the original \$1.852 million follows:

Item	Reference	Amount	Status
Assistance with Winter Carnival	Letter 11 May	500,000	Paid
Fire Safety (Paddock Stand)	Letter 14 June	500,000	Paid
Fire Safety (John Power Stand)	Letter 23 July	500,000	Awaiting Payment
Air Conditioning (Paddock Stand)	Letter 9 August	352,000	Awaiting Payment
	Total	\$1,852,000	

Thank you for your consideration in this matter and we look forward to your early advice.

Yours faithfully

STEPHEN FERGUSON
CHIEF EXECUTIVE

EAGLE FARM & DOOMBEN

cc. Kevin Dixon, Chairman – Racing Queensland Limited
Andrew Moore, Chief Financial Officer – Brisbane Racing Club Limited

Sharon Drew

From: Perrett, Carol <Carol.Perrett@racing.qld.gov.au>
Sent: Thursday, 24 May 2012 9:37 AM
To: Sharon Drew
Subject: FW: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

Sharon

Please see below.

Regards Carol

From: Kelly, Michael - Racing
Sent: Thursday, 24 May 2012 8:17 AM
To: 'acarter@racingqueensland.com.au'
Cc: Perrett, Carol
Subject: Fw: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

Adam

Approved as below.

MK

From: Glaister John [mailto:John.Glaister@nprsr.qld.gov.au]
Sent: Thursday, May 24, 2012 07:48 AM
To: Kelly, Michael - Racing
Cc: Rhys Turner <Rhys.Turner@ministerial.qld.gov.au>
Subject: RE: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

Approved
JG

Regards,

Dr John Glaister
Director-General
Department of National Parks, Recreation, Sport and Racing
Level 7 | 111 George Street | BRISBANE 4000 | PO Box 15187 | CITY EAST 4002 |
Telephone: 07-3224 6126
Email: john.glaister@nprsr.qld.gov.au

From: Kelly, Michael - Racing [mailto:Michael.Kelly@racing.qld.gov.au]
Sent: Tuesday, 22 May 2012 3:11 PM
To: Glaister John
Subject: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

John

Attached is the latest RQL request for expenditure approval totalling \$824,205. The Toowoomba portion of the costs related to maintaining appropriate venue WH&S standards and track maintenance.

Mr Dixon has approved this request. Also, I understand that he has already discussed this matter with you.

Submitted for your consideration/approval.

Regards
MK




on Drew
RACING Queensland, 22 May 2012 1:46 PM
QUEENSLAND
Racing Queensland
john.glaister@racing.qld.gov.au
Subject: FW: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

Good afternoon Carol,

As discuss please see attached request for payment, any concerns please let me know.

Kind regards

Sharon Drew
Management Accountant


PO Box 63, Sandgate QLD 4017
P +61 7 3869 9704
F +61 7 3269 9304
RACING QUEENSLAND E sdrew@racingqueensland.com.au
W www.racingqueensland.com.au

From: Kevin Dixon
Sent: Tuesday, 22 May 2012 1:06 PM
To: Sharon Drew
Subject: RE: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12


Approved,
Kevin.

From: Sharon Drew
Sent: Tuesday, 22 May 2012 1:00 PM
To: Kevin Dixon
Cc: Adam Carter
Subject: Racing Queensland Limited payments in excess of \$20,000 due for payment 23/5/12

Good afternoon Kevin,

Please find attached document containing the payments we would like to make to both the Brisbane Racing Club (\$550,000) and the Toowoomba Turf Club (\$274,205) this week. As per the agreed process with the Office of Racing, can I please ask you to approve these payments (as they are in excess of \$20K) and I will then submit them with the Office of Racing today.

Kind regards

Sharon Drew
Management Accountant

PO Box 63, Sandgate QLD 4017
P +61 7 3869 9704
F +61 7 3269 9304
RACING QUEENSLAND E sdrew@racingqueensland.com.au
W www.racingqueensland.com.au

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Sharon Drew

From: Adam Carter
Sent: Wednesday, 4 July 2012 12:39 PM
To: Sharon Drew
Subject: FW: Racing Queensland Limited supplier payments in excess of \$20K due for payment 12/07/12

Sharon,

Approved


Adam Carter
Acting Chief Executive Officer

PO Box 63, Sandgate QLD 4017

W +61 7 3869 9702

M +61 40076 1700

F +61 7 3269 9304


RACING
QUEENSLAND

E acarter@racingqueensland.com.au
W www.racingqueensland.com.au

From: Kelly, Michael - Racing [mailto:Michael.Kelly@racing.qld.gov.au]
Sent: Wednesday, 4 July 2012 12:11 PM
To: Adam Carter
Cc: Perrett, Carol
Subject: FW: Racing Queensland Limited supplier payments in excess of \$20K due for payment 12/07/12

Adam - approved as below

MK

From: Glaister John [mailto:John.Glaister@nrpr.qld.gov.au]
Sent: Wednesday, 4 July 2012 12:10 PM
To: Kelly, Michael - Racing
Subject: RE: Racing Queensland Limited supplier payments in excess of \$20K due for payment 12/07/12

Approved

JG

Regards,

Dr John Glaister
Director-General
Department of National Parks, Recreation, Sport and Racing
Level 7 | 111 George Street | BRISBANE 4000 | PO Box 15187 | CITY EAST 4002 |
Telephone: 07-3224 6126
Email: john.glaister@nprsr.qld.gov.au

From: Kelly Michael @ Racing
Sent: Wednesday, 4 July 2012 11:16 AM
To: Glaister John
Cc: Perrett, Carol
Subject: Racing Queensland Limited supplier payments in excess of \$20K due for payment 12/07/12

John

RQL has sought approval for expenditure payment \$550,000 to the BRC.

This payment relates to funding the fire safety upgrade to the Paddock stand and is an advance payment to the BRC. The Club was audited by the Qld Fire Service and necessary works identified. The Club has quotes and detailed plans to undertake the following work:-

- Asbestos to be removed from Strawberry Road restaurant and parts of Laboratory Room
- Underground hydrant connection from eastern end of St Leger through to Paddock Stand
- Fire ate wall in gap between administration office and Laboratory
- Install new aluminium fire doors with conforming door hardware to Eastern and Western exits to the Moreton Room
- Upgrade handrails to exits to conform to BCA
- Rebuild fire exit stairs to Eastern end of Stand.
- Relocate air conditioner plant from roof to upper stairwell at eastern end of Paddock Stand
- Install automatic fire detection and alarm system in Admin stairs.
- Install sound systems and intercom systems for emergency purposes.

The club will be required to provide an acquittal to RQL on how the funds have been spent once all work is done.

Funding request is approved by Kevin Dixon.

I recommend you approve he request.

MK



Kevin Dixon

RACING
QUEENSLAND
Carter

Monday, 2 July 2012 2:54 PM

Subject: RE: BRC Payment

I approve.

Kevin

From: Adam Carter

Sent: Monday, 2 July 2012 2:03 PM

To: Kevin Dixon

Subject: BRC Payment

Kevin,

As this payment is above the \$20,000 threshold, I seek your approval to pay the third installment to the Brisbane Racing Club (BRC) for \$500,000 excl. GST for the fire safety upgrade please can you confirm we can pay this to the BRC on certain conditions.

Regards

Adam Carter

Acting Chief Executive Officer

PO Box 63, Sandgate QLD 4017

W +61 7 3869 9702

M +61 40076 1700

F +61 7 3269 9304

E acarter@racingqueensland.com.au

W www.racingqueensland.com.au



RACING
QUEENSLAND

From: Sharon Drew

Sent: Monday, 2 July 2012 1:39 PM

To: Adam Carter

Subject: RE: Retro Operating Subsidy

Hello Adam,

Please see attached payment in excess of \$20K for the 2nd installment of \$500K for the BRC.

Please see below status of invoices received from the BRC to date;

<u>Payments to BRC</u>		
<u>Date</u>	<u>Amount Paid</u>	<u>Details</u>
1 10/05/2012	\$77,125.00	BRC Operational Subsidy May 2012
2 22/05/2012	\$500,000.00	BRC SUBSIDY (BRC Inv # 37482)
3 19/06/2012	\$500,000.00	BRC SUBSIDY (BRC Inv # 38939) Not yet paid
4 20/06/2012	\$774,875.00	BRC SUBSIDY (BRC Inv # 40148) Not yet Paid
5	<u>\$1,852,000.00</u>	

Kind regards


Sharon Drew

Finance Manager

PO Box 63, Sandgate QLD 4017

P +61 7 3869 9704

F +61 7 3269 9304


RACING QUEENSLAND E sdrew@racingqueensland.com.au

W www.racingqueensland.com.au

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APPENDIX D

COMMERCIAL IN CONFIDENCE

MINUTES OF PRODUCT AND STRATEGY COMMITTEE MEETING

HELD AT TATTSBET HEAD OFFICE ON

TUESDAY 11 SEPTEMBER 2012 AT 11.30AM

Attendees:	Mr K Dixon	-	Product Co
	Mr G Hallam	-	Product Co
	Mr W Stansfield	-	Product Co
	Mr A Carter	-	Racing Queensland Limited
	Mr B Fletton	-	TattsBet Limited
	Mr B Tamer	-	TattsBet Limited

Mr Barrie Fletton assumed the chair.

Item 1: Report on the performance of TattsBet's race wagering business for H2 and full year FY12 (Product Co)

Combined totalisator and fixed price sales from 1 July 2011 to 30 June 2012 of \$2.248B up 0.4% (H1 -0.6%, H2 +1.6%). Revenue growth for the same period was \$10.4M or 3.0% up from \$345.6M to \$356.0M.

Sales were flat for a variety of reasons including but not limited to the softness of the economy, mature nature of the racing industry combined with competitors spending many more millions of dollars in an effort to increase market share.

Item 2: Report on TattsBet's wagering turnover projection for FY13 (Product Co)

Combined totalisator and fixed price sales and revenue growth is forecast to be flat in FY2013.

This forecast is underpinned by a continued lack of consumer confidence, increased competition in the wagering market, ongoing government red tape which reduces TattsBet's competitiveness and a return to 52 Saturdays in FY13 compared to 53 Saturdays in FY12.

Item 3: Update on recent wagering product developments; smart phone apps, self-service terminal, mobile bet van (TattsBet)

TattsBet's Android app was released on 22 March and iPhone app on 26 June. Whilst it is difficult to measure the incremental value apps deliver, sales via the apps since 1 July of \$9.5M indicates that TattsBet customers have adopted apps enabling them to place bets at a time of their choosing - anywhere, anytime.

TattsBet has approval to conduct a field trial of six venues for six months of its self-service terminal in Queensland. The first green-field site to receive a self-service terminal was the Sandgate Seahawks AFL club on 23 August. Sandgate Seahawks is a relatively small club located in Zillmere, 14 kilometres north of the Brisbane CBD. In its first two weeks of operations it recorded sales of \$11,000 each week. Importantly the impact on surrounding agencies and licensed venues has been negligible indicating that much of the \$11,000 may be new money.

To encourage sampling and tap into wider audience interest by leveraging off social aspect of an onsite TattsBet service at major sport and racing events/venues throughout the year TattsBet has developed a mobile bet van.

Item 4: Update on TattsBet's pari-mutuel commission cap increase submission to OLGR (TattsBet)

Provisions within the Wagering Act 1998 and Wagering Regulation 1999 prescribe a maximum commission percentage for each totalisator bet type. These rates are currently regulated by the state government and were set with a philosophy that each rate should be no higher than the equivalent rates in New South Wales and Victoria.

Since these rates were set Victoria has raised some of their commission rates. To avoid having to reapply for changes to the Act and Regulation each time competing jurisdictions change their commission rates TattsBet intends to apply to the government to remove the need for discrete commission rate maxima to be specified in the Wagering Regulation and to adopt the South Australian model where the maximum rate for any totalisator is 25%. Market forces within the highly competitive wagering environment will ensure Queensland customers are not disadvantaged compared to their interstate counterparts.

Acting Racing Queensland Limited CEO Mr Adam Carter indicated that he had sent TattsBet a letter of support in respect of the submission to the Queensland Government to gain approval for a change to the Wagering Regulation.

Item 5: Race programming and its impact on fixed price revenue (TattsBet)

A brief overview of the impact certain Queensland thoroughbred races have on fixed price revenue was provided.

Product Co was alerted to the revenue pressures Class 6 Plate races in particular was having on financial returns to the racing industry. The problem is being caused by the highly predictable nature of Plate races as compared to other classes of racing. If this trend continues the potential exists for lower fixed price revenue returns to the racing industry.

Item 6: Annual gambling market research (TattsBet)

The percentage of Australians who gambled in the last 12 months to June 2012 fell to 62% according to the results of the latest Roy Morgan Gambling Monitor down from 76% a decade ago.

Whilst participation in race betting has displayed the least decline of all forms of gambling since 2002 it was still down 5 percentage points from 26% to 21% a concerning trend for the racing industry.

Item 7: Other business

7.1 Social Media

Mr Tamer provided information regarding TattsBet's success in utilising social media to attract and energise a new generation of punters.

7.2 Queensland product fees

Mr Dixon stated that RQ has legal advice that TattsBet is not entitled to deduct RFF paid to other racing bodies from product fee payments made to RQ. He indicated that RQ would be writing to TattsBet to direct that payments no longer be deducted. Mr Fletton requested a copy of the advice.

Mr Fletton noted that the Product and Program Agreement (PPA) entitles TattsBet to deduct payments for product that RQ cannot supply. He advised that TattsBet will not comply with any direction from RQ to not deduct third party payments. Mr Fletton noted in addition to the PPA being unambiguous, he was present when the PPA was negotiated and it was a very deliberate and considered requirement of the agreement that TattsBet be able to offset any third party payments for racing product.

Mr Dixon stated that a previous Board of RQ had obtained similar legal advice but had chosen to not act on it. Mr Fletton advised that the issue had never been raised with him by previous RQ directors or management and he had no knowledge of any previous or current legal advice.

Mr Dixon stated that TattsBet had at no time provided evidence to RQ as to why it was entitled to deduct RFF payments. Mr Fletton responded that the agreement was clear on this and there had been a number of conversations over time between TattsBet and RQ regarding the deduction of third party payments.

Mr Dixon questioned whether RQ and TattsBet could negotiate a future agreement that waived the need for RQ to pursue the outstanding payments. Mr Fletton responded that these were separate matters and should be treated as such.

There being no further business, the meeting was closed at 1:05pm.