

Elise Adams

From: Malcolm Tuttle [mtuttle@queenslandracing.com.au]
Sent: Wednesday, 28 May 2008 6:35 AM
To: Reid Sanders
Subject: RE: Cushion Track order
Attachments: image002.emz

As discussed let me know how you got on.
Tks Mal.

From: Reid Sanders
Sent: Tuesday, 27 May 2008 4:26 PM
To: Shara Murray; Malcolm Tuttle; Robert Bentley; Adam Carter
Subject: Cushion Track order
Importance: High

Dear All,

Please find below an email I wish to send to Paul Harper of Equestrian surfaces this evening confirming or initial order.

If you have any changes please let me know ASAP

Dear Paul,

Following on from our meeting with you at our offices on Tuesday 20 May 2008, I wish to confirm the following order.

Queensland Racing Limited will purchase 50 containers of Cushion Track synthetic material at a cost of \$40,000AUD per container. The total cost being \$2,000,000.00AUD excluding GST.

The invoice will be paid upon receipt of the shipping documentation.

The location of the containers is to be notified in the next week, however likely to be Toowoomba Turf Club.

We will endeavour to forward a contract to you later in the week, but we are just awaiting final confirmation from the Toowoomba Turf Club.

If you require any further information please contact myself.

Thanks

Reid Sanders
Chief Stipendiary Steward



Elise Adams

From: Malcolm Tuttle [mtuttle@queenslandracing.com.au]
Sent: Thursday, 5 June 2008 9:56 AM
To: philip@equestriansurfaces.co.uk
Cc: R Bentley
Subject: RE: Business Relationship

Philip

I have further discussed this with Bob Bentley and whilst we wish to continue to work closely with Equestrian Surfaces, and as you are aware we are moving to install two further Cushion tracks, timing may not be right for QRL at the moment.

My initial comments to Paul were based on 2 main principles:

1. QRL is committed to the installation of 2 more tracks at this stage and on the basis that the surfaces are accepted and continue to perform well we may in the future install more, and
2. As part of our commitment to Cushion track racing and programming we will continue to promote our strategy which in turn promotes Cushion Track in this part of the world.

Notwithstanding all of this, we are extremely busy on a number of other projects at present and the timing of entering into an agreement that takes us away from our core business probably doesn't suit us right at this point in time.

Thanks for following this through and we look forward to catching up with you and or Paul again soon.

Kind Regards Malcolm.



From: philip@equestriansurfaces.co.uk [mailto:philip@equestriansurfaces.co.uk]
Sent: Friday, 30 May 2008 2:34 AM
To: Malcolm Tuttle
Cc: paulcushiontrack@hotmail.com
Subject: Business Relationship

Malcolm

I forgot to mention that the reason we are forming the new company in Australia is to comply with the Australian taxation authorities as our business is more of a permanent nature now than when we did the first project.

It is however a convenient moment in time to do this as it gives us the opportunity to restructure the business in Australia with the possible inclusion of an Australian partner.

Philip

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Philip Bond		Equestrian Surfaces International Ltd	
		Railway Sidings Station Road, Padiham Burnley, Lancashire BB12 8EF United Kingdom	
bond@equestriansurfaces.co.uk		tel:	+44(0)1282 681720 
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CUSHION TRACK

Australia Pty Ltd.

Manufacturers & Suppliers of Synthetic Riding Surfaces

Mr Malcolm Tuttle
Queensland Racing Limited
PO Box 63
Sandgate
QLD4017

16th September 2008

Dear Malcolm

In the letter of 10th September, I received from Mr Bentley, he suggested I contact you in order that we might resolve outstanding issues.

I have attached to my email, the outline proposal for the costing of the Deagon/Toowoomba projects sent to Reid Sanders on 16/5 and which was reviewed at the meeting where Mr Bentley, yourself, Reid Sanders and Paul Harper were present.

The proposal outlined draft costings for both racecourses as:

- a) Individual project basis
- b) Combined project basis.

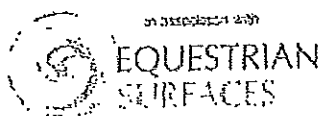
The combined project costing offered certain financial concessions based on the economies of scale our company would achieve by carrying out both projects consecutively. The combined project costing offered Cushion Track at a discounted rate of \$455/ton and \$462/ton for the Deagon and Toowoomba projects respectively compared with the individual costing of \$459 and \$467/ton.

Our company agreed at the meeting that a price of \$450/ton would apply to the combined contract of 23,000 tons of Cushion Track on the understanding that the manufacture of Cushion Track for the two racecourses would run consecutively.

In good faith and before a contract was drawn up, our company commenced the shipment of raw materials and maintenance equipment (for both racecourses), dispatching the first containers of synthetic fibre from the UK on 30th May, 2008.

On 10th July, 2008 a contract was emailed by your legal counsel, Shara Murray which included the Toowoomba track only. The Toowoomba track due to distance from Brisbane and subsequently increased haulage costs, is the more expensive of the two tracks. The rate/ton quoted in the contract was however the discounted rate of \$450/ton that would apply to a contract for both tracks running consecutively. On raising this issue with Shara Murray, I was informed that the only formal order placed at that point in time was in relation to Toowoomba.

Cushion Track Australia Pty Ltd.
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To mitigate the lower price of \$450/ton for the combined project of 23,000 tons, we obtained price concessions from our main suppliers based on the production volume of the two combined racecourses. The discounted prices of raw materials do not, of course apply to a quantity of 11,500 tons for Toowoomba.

Taking into consideration that the negotiated price of \$450/ton included only two of each model of maintenance equipment instead of 4, the price of Cushion Track for the reduced quantity being manufactured for Toowoomba should be \$458.50/ton instead of \$450/ton, giving a total contract price of \$5,272,750 instead of \$5,175,000 as shown in the contract. The margin in this project is extremely small and is expected to service a 7 year warranty.

With this in mind may I respectfully suggest that the contract value be amended to \$5,272,750.

Furthermore, it was agreed at the meeting that raw materials be shipped from the UK as soon as possible. Shipping commenced on 30th May on the assumption that a mixing site would be available from the arrival of raw materials into port. The preparation of the site was however delayed by two weeks during which time our men and equipment were on site unable to commence mixing.

The additional costs we have incurred as a result of the delay are as follows:

14 days labour and machinery	\$16,210
Two weeks wax purchased at the September Rate, 13% higher than August	\$51,456
Total extra cost caused by delay	\$67,666

This cost will be invoiced to Queensland Racing Limited.

The implications of any delays were outlined to Reid Sanders on 8th July and were confirmed as having been received by Shara Murray.

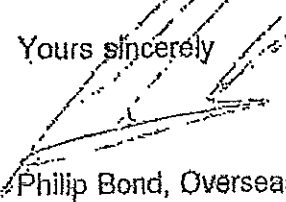
The mixing site we were allocated was not ideal. It is a long narrow site with the presence of trees and difficult access for large trucks. This was pointed out to Reid Sanders and Shara Murray. We agreed to work with Clifford Park on this as no other site was available. Due to the presence of trees, it was impossible to tarmac the entire site and we have therefore purchased membrane to lay on the grassed area being used to store the manufactured Cushion Track.

To prevent contamination from the underlying soil, 3 rolls of membrane have been purchased at a cost of \$1,950. ✓

The cost of this will be invoiced to Queensland Racing Limited.

It is important that these matters are resolved before we enter the final phase of the project and I therefore look forward to receiving your comments at your earliest convenience.

Yours sincerely


Philip Bond, Overseas Business Manager