

**Racing Queensland Limited
Corporations Act 2001 – Conflict of Interest**

BRIEF TO COUNSEL FOR JOINT OPINION

Mr Michael Hodge
31 West Chambers
Level 31 Santos Place
32 Turbot Street
Brisbane Qld 4000

You with:

Mr Simon Couper, QC

COOPER GRACE WARD
Lawyers
Level 21, 400 George Street
Brisbane Qld 4000

T 61 7 3231 2444
F 61 7 3221 4356
W www.cgw.com.au

DATE DELIVERED:

DATE RECEIVED:

We may include some of your opinions, advices, pleadings and other material you prepare or settle for us in our electronic database for internal reference and training purposes. Unless you object, we will take it that you consent to our utilising the material for these purposes.

RAT10096366 3839783v1

Following our conference on the afternoon of 10 May 2011, I had a telephone discussion with Mr Bob Bentley, chairman, Racing Queensland Limited and director, Tattersalls Limited, in which I asked the following questions and received the following answers:

1. Question: Who owned Sky Channel in 2009?

Answer: Tabcorp.

2. Question: Were there any discussions with anyone outside of the Tattersalls board meetings, whether board members or management with you concerning the proposed takeover?

Answer: I was not involved in any discussions with anyone concerning it. I did not even know whether any discussions were being held with Sky Channel about anything at all.

3. Question: Did you have any information that an offer might be/was made to Sky Channel?

Answer: No.

4. Question: Was there any discussions from which it might be inferred that it could be a good idea if you could bring about an agreement between Queensland Racing Clubs and Sky Channel for ten years because you could by some exercise of control over Queensland Clubs bring about a termination of those rights if Tabcorp sold Sky Channel to anyone other than Tattersalls?

Answer: Absolutely not.

5. Question: RQL was not a party to the clubs/Sky Channel agreement?

Answer: No.

6. Question: Who thought of the idea of inserting the termination provisions in the agreement on change of control? Was it you or, if you know who it was, who was it?

Answer: It was Malcolm Tuttle. He had a strong view on those matters. Malcolm Tuttle was/is the chief executive of Racing Queensland Limited and was the chief operating manager of Queensland Racing Limited. He had discussions with LEK about its inclusion.

7. Question: For the clubs' decision on who to select to do business with, TVN or Sky Channel, what precisely was your role? Did you prepare or cause to be prepared a report including the offers available?

Answer: There was a report by LEK, the expert consultant appointed by QRL to undertake the research and negotiate with the media companies to get the best deals for the clubs. There was no recommendation to go with either Sky Channel or TVN by QRL or RQL. A copy of the LEK report was given to QRL with the LEK recommendations dated 23 June 2010 attached. A copy of that Report is attached to this supplementary Brief.

Queensland Racing/Racing Queensland through LEK was the agent appointed by the clubs to negotiate in the first instance the best possible deal for the clubs from both Sky Channel and TVN. The deal would have incorporated side issues to make the deal acceptable for the clubs consideration. For example TV coverage timing of payments, add-ons so that at the end of the day the best deal was on the table for the clubs to decide who they were going to choose for QRL/RQL through LEK to negotiate the final contracts.

The process took several stages. QRL arranged meetings at Eagle Farm and Doomben attended by the Clubs and LEK at which meetings the clubs consulted on an individual basis with LEK to address any concerns they might have had with the proposals. After those meetings, QRL arranged a meeting of the clubs at Deagon which they could attend by phone or in person through a club representative. All attended by one means or another. LEK through Mr Colin Smith attended the meeting by telephone. I explained that we reached a stage where they had received the recommendation of LEK, they all had had the opportunity to discuss the proposal in detail with LEK and that it was time to make a decision as to which way they each wanted. I then asked each in turn and each indicated that Sky Channel was to be preferred.

8. Question: Were the minutes kept of the clubs' final decision on the alternative propositions?

Answer: No minutes were kept however letters to each broadcaster were sent by LEK advising of the clubs unanimous decision.

9. Question: What level of control/influence do you have to secure agreement within the clubs and Sky Channel?

Answer: Each club had to decide to accept which of the two alternative offers it wanted. Once each club made a decision, Queensland Racing (successor Racing Queensland Limited) became the exclusive agent to negotiate decisions of an operational nature, not of a monetary nature between the clubs and Sky Channel.

10. Question: Is there anything else relevant to these matters?

Answer: After the clubs made the decision to go with Sky Channel, Dick Mollwain, the CEO of Tattersalls Limited, contacted LEK and said he thought the LEK recommendation was ridiculous and that he thought the clubs should have gone with TVN.

11. Question: Bob Bentley is cautious of making decisions which deal with on course bookmakers to avoid the notion that he favours Tattersalls vis a vis on course bookmakers?

Answer: Yes. There is a clear conflict of interest here and I therefore avoid it altogether.

12. Note: Bob Bentley has received an email from the Company Secretary of Tattersalls in response to a request for times when he left the Board meeting because of a possible conflict of interest that they *"have reviewed the Board Minutes from 2007 on. The only time that the minutes record this happening was at the Board meeting held on 24 July, 2009. At that meeting you (Mr Bentley) left the Board meeting for 40 minutes. During that time the CE advised the Board of several potential acquisitions/divestment opportunities for the Group. No further details are provided in the Minutes"*

"Although you (Mr Bentley) have left the Board meeting on other occasions this is generally related to a discussion about your re-election or other like matters"

I note we discussed that insofar as Mr Bentley acts in any way to ensure that the wagering turnover of TattBet (formerly Unitab) is maximised, that interest is completely aligned with the interest of Racing Queensland Limited as the control body because moneys paid by TattBet to Queensland Race Product Co Ltd and by that company to Racing Queensland Limited are maximised by the percentage of turnover which TattBet earns from wagering.

The question for counsel to consider is:

On the basis of the facts set out in the brief to counsel and the supplementary brief contained in this document, does Mr Bentley have a conflict of interest in his roles as a director and chairman of Racing Queensland Limited and his role as a director of Tattersalls Limited and, if so, does he handle it in an appropriate way by making the declarations required and departing the meetings at which the boards of the respective entities discuss matters which could be of conflict?

Should Counsel require any further information or material would Counsel kindly contact David Grace on direct telephone number 3231 2421 or if not available then on 0417 722 718. On Monday 16 May I am travelling to China. If anything further is required please email me and I will respond as quickly as possible.

DATED this 13th day of May 2011.

With compliments,
COOPER GRACE WARD



RAT10096366 3839783v1

INDEX

No.	Document	Date
1.	L.E.K Presentation	23 June 2010
2.	B Bentley's notes of conversation with H Mitchell	29 October 2010