

BOARD PAPER NUMBER: 2.5

Employment Agreements / Redundancy Policy

Further to my Board Report of 20 July 2011, I seek the following resolutions from the Board:

1. **Board Minute of 6 May 2011 to be Rescinded**

The Board to rescind the Board Resolution of 6 May 2011 Board Meeting, which reads:

Remuneration & Nominations Committee Meeting Minutes and Recommendations

The Board today noted the draft minutes of the April 14, 2011, meeting of the Remuneration & Nominations Committee.

The Chairman advised Board Directors that he and Mr Ludwig had considered the situation and the amount of work that the executive staff will have to do between now and 2014 with the changing wagering landscape and the approach to the end of the exclusivity of the TattsBet license.

RQL will be required to commence negotiations of a Product Fee with TattsBet post 2014 and the Board needs to understand that key staff will be integral to a successful outcome.

These key executive staff need security of tenure as well as their assistants so as to not be distracted by innuendo and rumour about the period between now and 2014. Board members unanimously agreed with the recommendation with the Remuneration and Nominations committee.

In addition, the Board considered a recommendation from the Remuneration & Nominations Committee, which led to the following resolution:

*The Board **RESOLVED** that:*

(a) The existing employment agreements be extended by 12 months up to and including June 30, 2014, for the following employees:

- Malcolm Tuttle*
- Adam Carter*
- Jamie Orchard*
- Paul Brennan*
- Shara Murray*
- David Rowan*
- Peter Smith*

- Col Truscott, and
- Warren Williams.

- (b) Wade Birch be offered an employment agreement to expire on June 30, 2014.
- (c) Employment agreements be offered to the following employees to expire on June 30, 2013:
- Wendy Thomas
 - Kearra Christensen
 - Toni Fenwick
 - All Wade
 - Debbie Toohey
 - Jaime Knight
- (d) The Chairman to approve the terms relevant to the agreements and the extension of the agreements.
- (e) Ms Murray to draft Employment Agreements for the Executive Assistants to expire 30 June 2013.
- (f) Ms Murray to draft an Employment Agreement for Mr Wade Birch to expire 30 June 2014.

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

Motion carried

2. Variation to Employment Contracts

2.1 That the employment agreements for the following Company executives:

- (a) Malcolm Tuttle;
- (b) Jamie Orchard;
- (c) Paul Brennan; and
- (d) Shara Murray,

are varied to include:

- i. A 30% increase to each executive's TRV, effective from 1 July 2011;
- ii. The inclusion of a material adverse change clause with a trigger that includes a change in the Queensland State Government, RQL ceasing to be the approved Control Body under the *Racing Act 2002* (Qld), a material adverse change in the make-up of the RQL Board of directors, or your reporting lines, or an organisational restructure that materially impacts on the Executives role at RQL in a manner adverse to the Executive;
- iii. A payment of a sum equivalent to the TRV the Executive would have been entitled to receive had they remained employed until the end of

the term of their contract, however not exceeding a sum equivalent to 14 months of their TRV;

- iv. A severance payment calculated in accordance with the relevant scale contained in any redundancy policy of RQL;
- v. Any accrued but unpaid entitlements; and
- vi. Retention of the current 3 year term with an obligation on RQL to renegotiate before 31 December 2012.

Please see **attached** legal advice (see Attachment 'A')

2.2 The employment agreements for Adam Carter, David Rowan, Peter Smith, Col Truscott and Warren Williams be styled and formatted in accordance with any recommendations from Clayton Utz on the basis that there is no change to the existing terms and conditions of their current employment agreements.

2.3 Wade Birch to be offered an employment agreement with a term until 30 June 2013 based on his current terms and conditions with the agreement to be styled and formatted in accordance with any recommendations from Clayton Utz.

3. Introduction of Company Redundancy Policy

That a Redundancy Policy in the form of the **attached** is introduced for all employees of the Company (see Attachment 'B').



RG BENTLEY
Chairman



20 July 2011

Email: smurray@racingqueensland.com.au

Private & Confidential

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Dear Shara

Executive retention strategy

1 Instructions

1.1 We have been instructed to advise the Board of Directors of Racing Queensland Limited (Board) in relation to a retention strategy for the following executives of Racing Queensland Limited (RQL):

- (1) Mr Malcolm Tuttle, Chief Executive Officer;
- (2) Mr Jamie Orchard, Director Integrity Operations;
- (3) Mr Paul Brennan, Director Product Development; and
- (4) Ms Shara Murray, Senior Corporate Counsel,

(collectively referred to as the Executives).

1.2 The Board has instructed us to advise on options available to it to address the ongoing need to retain and reward high performing executives in an environment of uncertainty, taking into account the legal obligations imposed on the Board in determining an appropriate level of remuneration and benefits.

1.3 In this letter we have:

- (1) considered the general obligations imposed on the Board under the *Corporations Act 2001* (Cth) (Act);
- (2) considered the specific requirements, if any, to avoid breaching the Act in relation to any benefits to be provided; and
- (3) provided an overview of the types of benefits that we consider would be appropriate in the circumstances that the Board may wish to consider.

APAC #10820366-v5

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2 Executive summary and recommendation

2.1 In determining the appropriateness of rewards for the Executives, the real question for the Board is whether or not any proposed benefit or change to the benefits is unfair or unconscionable. In making this determination, the Board should have regard to factors including:

- (1) the need to retain the Executives;
- (2) the level of skills and knowledge of the Executives;
- (3) the limitations imposed on other companies by the Act (specifically in relation to termination payments); and
- (4) current market conditions and drivers.

2.2 In circumstances where:

- (1) the proposed new benefits are necessary for the retention of the Executive;
- (2) the retention of the Executive is in the best interests of RQL; and
- (3) the benefits are not disproportionate,

it is unlikely that a resulting agreement would be deemed to be unfair or unconscionable.

2.3 Our suggestions for appropriate benefits that are not disproportionate, are the most straightforward and that are in the interests of RQL are as follows:

- (1) an increase to the total remuneration value (TRV) of each Executive of up to 30%;
- (2) retention of the current 3 year term with an obligation on RQL to renegotiate before 31 December 2012;
- (3) the implementation of a RQL-wide redundancy policy with payments based on length of service in a particular position; and
- (4) the inclusion of a material adverse change clause with a trigger that includes a change in State Government, RQL ceasing to be a control body for the purpose of the *Racing Act 2002* (Qld), a change to either the make up of the RQL Board, reporting lines for the Executive or an organisational restructure, entitling Executive to:
 - (a) a payment equivalent to the amount of each Executive's TRV that they would have received had the Executive remained employed by RQL to the completion of the term, plus an amount of severance pay equivalent to the RQL-wide redundancy payment, as a material adverse change severance payment; and
 - (b) all other legal entitlements (such as accrued leave).

2.4 In summary, the general effect of these benefits is that in circumstances of a termination or cessation due to a material adverse change, an Executive would become entitled to resign and trigger a payment equivalent to the amount each Executive would have received to the end of the term and a redundancy payment. We consider that this will provide the Executives with the protection they are seeking in the current environment and satisfy RQL's desire to maintain the Executives' employment.

3 Background

General

- 3.1 We are instructed that without implementing a reasonable executive retention strategy, RQL considers it faces a real risk of the resignation of one or more of the Executives. A resignation of the Executives would have serious implications for the ongoing operations of RQL.

Corporate status

- 3.2 RQL is a company incorporated under the Act and limited by guarantee. It does not have share capital.
- 3.3 None of the Executives are currently appointed, or have been appointed in the past 3 years, as a director of RQL.
- 3.4 RQL is not a "disclosing entity" for the purposes of Part 2D.2 of the Act (which relates to termination payments made to person's holding a managerial or executive office).
- 3.5 Under its Constitution, the directors of RQL are required to retire in rotation, two at every Annual General Meeting held in an election year and then every second year thereafter.

Industry environment

- 3.6 We are instructed that the current industry conditions are cause for concern in retaining the Executives.
- 3.7 In particular, there is ongoing industry speculation around the removal of the Board and the termination of the employment of the Executives if there is a change from the current Labor Government to a Liberal National Party (LNP) run Government in the next State election to be held prior to June 2012.
- 3.8 This speculation stems from a number of comments made in Parliament by Shadow Minister for Racing and member of the LNP Mr Ray Stevens MP.
- 3.9 For example, on 20 May 2010, as recorded in Hansard, Mr Stevens stated:
- (1) "We believe that each racing code should have control over its own sector of the industry";
 - (2) "If this bill is passed, we commit to the overall racing industry that this legislation will be dismantled and control will be given back to each of the codes"; and
 - (3) "When the Liberal National Party wins government at the next State election we will immediately dismantle this flawed and undemocratic legislation, and we will put control of the three racing codes back into the hands of the industry participants".
- 3.10 Mr Stevens has also strongly indicated his opposition to the current Chairman of RQL, Mr Bob Bentley, which he has most recently reiterated in Parliament on 25 May 2011.
- 3.11 As part of continued speculation in response to Mr Stevens' statements, on 6 July 2011 the following comments were published on the Letsgohorseracing.com.au website and appear to be indicative of the ongoing speculation in the racing industry:
- (1) "There is also strong speculation that two major roles will change at Racing Queensland under a new Board if the LNP wins Government and these are those of Chief Executive Officer Malcolm Tuttle and Director of Integrity Services Jamie Orchard";
 - (2) "The greatest certainty – according to those who claim to know what the LNP has planned for racing in Queensland – is that Malcolm Tuttle, the one-time steward who made a meteoric rise to CEO under the Bentley-led Board, will be dumped"; and

- (3) "Malcolm Tuttle and Jeremy [sic] Orchard odds-on to be eventually dumped from their current roles as Chief Executive Officer and Director of Integrity Services."

3.12 This speculation is also reflected in recent comments made by Mark Oberhardt in the Courier Mail:

- (1) on 4 July 2011, Mark Oberhardt commented "Huge tip that a country racing legend would replace Bob Bentley as RQ Chief if the LNP wins power. And a former race club chairman is tipped as likely new chief executive"; and
- (2) on 18 July 2011, Mark Oberhardt commented "There is continuing speculation about a clean out of racing administrators after the next election."

Executive concerns

- 3.13 As a result of the industry speculation, we are instructed that the Chairman of RQL has received a letter from the Executives dated 5 July 2011 in which the Executives raise concerns in relation to their ongoing engagement with RQL.
- 3.14 Essentially, their concerns are that they face unreasonable risks in relation to their future and are being asked to take a gamble on a reformed company or new RQL Board retaining their services beyond the State election.
- 3.15 The Executives have requested that the Chairman of RQL give urgent consideration to retaining the services of the Executives and put in place a framework that provides them with necessary security.
- 3.16 In our view, the letter from the Executives indicates a real and apparent risk to RQL that it faces early terminations from the Executives should their concerns be ignored.
- 3.17 In this context, it would be prudent of any organisation to put in place appropriate measures to ensure the retention of their senior executives, in our view.

4 Legal obligations

- 4.1 Relevantly, there are a number of legal obligations which have to be considered when determining the appropriate terms and conditions of employment and benefit structure. These are outlined in more detail below.

Common law duty to act in the best interests of RQL

- 4.2 The Board must ensure that any agreement made with the Executives is made in the best interests of RQL.
- 4.3 Further, any agreement that amounts to unconscionable conduct against RQL by the Board carries the risk that it may be set aside by a Court.

Obligation to act in good faith – section 181 of the Act

- 4.4 A director or other officer of a corporation must exercise their powers and discharge their duties in good faith in the best interests of the corporation and for a proper purpose.

Use of position – Directors, other officers and employees – section 182 of the Act

- 4.5 A director, secretary, other officer or employee of a corporation must not improperly use their position to gain an advantage for themselves or someone else or cause detriment to the corporation.
- 4.6 The directors must, of course, ensure that they are using their powers for a proper purpose. That is, a purpose that is in the best interests of RQL, when determining the appropriate level of remuneration and reward.

Termination benefits to executives – Part 2D.2 of the Act

- 4.7 Part 2D.2 of the Act places a restriction on the benefits that can be paid in connection with the termination of a person holding a managerial or executive office in a company.
- 4.8 Whether a person holds a managerial or executive office depends on whether the company is a disclosing entity. For disclosing entities, this includes a person whose details are included in the directors' report at any time in the 3 years preceding termination.
- 4.9 RQL is not a "disclosing entity" for the purposes of Part 2D.2 of the Act. However, if it was, it is likely that at least some, if not all, of the Executives would be named in the directors' report for the current financial year.
- 4.10 For all other corporate entities, a person holds a managerial or executive office if that person is a director (including "shadow" or "de facto" directors, ie someone with whose wishes the directors are accustomed to acting) of the corporate entity or a person that holds a position in connection with the management of RQL whilst holding an office of director of a related body corporate, at any time in the 3 years preceding the date of loss of that position. As far as we are aware, the Executives are not directors of RQL or any related body corporate.
- 4.11 Accordingly, Part 2D.2 of the Act does not apply to the Executives.

5 Relevant current arrangements

- 5.1 The Executive Employment Agreements all commenced on 1 July 2010 and have an expiry of 30 June 2013, unless terminated earlier in accordance with its terms.
- 5.2 Clause 15 of each Executive Employment Agreement provides for termination by RQL without cause by giving six weeks notice and paying the TRV the Executive would have received for the balance of the term.
- 5.3 Prior to 1 July 2012, RQL has an obligation to negotiate any extension to the employment contract beyond 30 June 2013.

6 Possible options*Change to remuneration*

- 6.1 The industry speculation in relation to the ongoing engagement of the Executives would, in our view, justify an increase to the Executive's remuneration to partially address the Executive's concerns.
- 6.2 In determining what might be an appropriate increase it would be beneficial to have regard to comparable market rates to offer a package that will be attractive to the Executives while ensuring that it is reasonable having regard to each of their positions.
- 6.3 This information can be obtained by the engagement of a remuneration consultant. We can assist you in identifying an appropriate provider if you wish. We have, however, reviewed the Ernst & Young Remuneration Practices in 2010 and 2011 report which analyses the ASX 200 companies' remuneration practices (EY Report) to gauge current conditions. The key highlights of this report however are that fixed remuneration increases will be constrained in the current year with a greater focus on performance-based pay.
- 6.4 It remains to be seen whether a comparison between RQL and the information in the EY Report is appropriate, because we have not performed any comparison between RQL and ASX 200 companies to determine whether there are any common characteristics. Further, it remains to be seen whether a performance based pay is appropriate to RQL's business structure, and practically, it is a less straightforward way of addressing the retention concerns.
- 6.5 Taking into account the need to retain the Executives, we consider an increase to the Executive's remuneration of up to 30% would be reasonable, because that is the most straightforward way to

address the retention concerns and would not constitute a breach of the Board's relevant legal obligations in our view.

Redundancy payments

- 6.6 Currently, there is no contractual entitlement to a payment on termination of employment due to redundancy.
- 6.7 We are also not aware of any policies applicable to the Executives of other employees of RQL that contain redundancy entitlements.
- 6.8 In line with the requirements for redundancy under the *Fair Work Act 2009* (Cth) (FW Act), we consider it appropriate for RQL to implement a redundancy policy that applies to all of its employees with payments determined on the person's length of service with RQL.
- 6.9 In this context:
 - (1) the reason for implementing an RQL-wide redundancy policy is to increase the defensibility of a severance payment made to the Executive on termination of employment, equivalent to redundancy, on the basis that the redundancy component is no more than what other employees would receive; and
 - (2) the introduction of a RQL-wide policy in this way reflects current employment practices.

Material adverse change clause

- 6.10 An option available to RQL is the inclusion of a material adverse change clause. Under a material adverse change clause the Executive will be able to terminate the employment agreement on the trigger of a material adverse change and receive a payment. Examples of material adverse changes could include a change in State Government, RQL ceasing to be a control body for the purpose of the *Racing Act 2002* (Qld), or a change in either the make up of the RQL Board, reporting lines for the Executive or an organisational restructure.
- 6.11 If there is a material adverse change, the Executive has the right to resign and if he or she does so, he or she will be entitled to payment of a sum calculated in accordance with a specified calculation. The payment would be an amount equivalent to what the Executive would have received if they had remained employed by RQL for the balance of the term of the Executive Employment Agreement, plus a severance payment equivalent to redundancy.
- 6.12 You should note that, in our view, the Australian Taxation Office (ATO) will treat an amount paid as a result of a material adverse change in these circumstances as an employment termination payment as opposed to a genuine redundancy payment. This is because there has been no "dismissal" at the initiative of RQL.
- 6.13 As an additional protection for RQL, we recommend making the payment conditional upon the execution of a deed of release.

Extension to term

- 6.14 Any variation to the terms of the Executive Employment Agreements will provide RQL with an opportunity to extend the term of each Executive's engagement.
- 6.15 One option would be for RQL to offer the Executives permanent employment (subject to notice). Permanent employment, combined with the 12 months notice of termination, would in our view ensure the ongoing employment of the Executives and allow for a smooth transition resulting from any change to RQL's structure.
- 6.16 However, it is more likely that the offer of permanent employment or any extension to the term would attract a higher level of public scrutiny and criticism. While we consider that your position would be

20 July 2011

NORTON ROSE

defensible from a legal perspective, you may like to consider a more conservative approach in order to minimise the possible negative publicity.

- 6.17 As an alternative and taking into account our suggestion on an increase to each Executive's TRV, maintaining the term as it currently is with an expiry of 30 June 2013 will minimise the risk of public criticism.
- 6.18 We recommend however amending the time by which RQL is required to renegotiate any extension to the contract (which is currently before 30 June 2012) to require renegotiation before 31 December 2012. Given the timing of the State election by no later than June 2012, the future of the Executives will be more certain at that time.

Please let me know if you have any queries. Alternatively, please contact Kristin Gamble on (07) 3414 2876.

Yours faithfully



Murray Procter
Partner
Norton Rose Australia
Contact: Kristin Gamble

CLAYTON UTZ

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Confidential

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

1 August 2011

Our ref 12223/12955/80120739

Dear Bob

Remuneration of Senior Executive Staff

I refer to our previous discussions and to the request that we now review the legal advice dated 20 July 2011 provided to Racing Queensland Limited (Racing Queensland) by Messrs Norton Rose.

We have previously in this context provided advice on the legal obligations that are owed by the Board members particularly under sections 181 and 182 of the Corporations Act. We will not for the purposes of this advice repeat those earlier observations.

For convenience, we will address the issues that arise as follows:

- 1.0 Executive Summary
- 2.0 Background
- 3.0 Proposed 30% Increase in Salary
- 4.0 Broadening of the Redundancy Triggers set out in Clause 15.3 of the Employment Contracts
- 5.0 Variation of the Employment Contract Renegotiation Date
- 1.0 Executive Summary

Our key conclusions are that:

- (a) The proposed 30% increase in salary does not appear to be unreasonable in all of the circumstances.
- (b) However, the Board needs to carefully assess whether the flow on effect of the 30% increase into the TRV for each of the four senior executives for the purposes of their relevant termination payments (under clause 15.3 of their respective employment contracts) is, in all of the circumstances, reasonable and in the best interests of Racing Queensland. We suggest that there be a form of cap (in terms of the total number of

months of TRV equivalent) on the amount that can be paid under the terms of the revised clause 15.3. The value of the capped amount is for the Board to determine but we would suggest that a range of between 12 and 14 months might be considered. Our reason for raising this point is that the timing of the next State general election is really quite flexible and uncertain. In our opinion the next State general election could be as early as September 2011 or as late as June 2012. Our concern is that if the election is held very early, e.g. October 2011 and this then led to an activation of one of the clause 15.3 triggers, that the four executives would then become entitled to a termination payment of 20 months (at the increased 30% level) which, in terms of their current salary would be the equivalent of a 26 month payment. As that trigger would occur in circumstances where the employees were only effectively retained for 3 months from the date of incentive, it is our opinion that such a windfall outcome may be difficult for the Board to justify;

- (c) The variation in the current termination payment triggers as set out in clause 15.3 of the respective employment contracts of the four senior executives appears to be reasonable. However, we recommend that all of the additional triggers ought to have a significant impact in the role or duties of each of the four senior executives. We would not recommend that one of the triggering events that activate payment be a mere change in State Government alone, as that event of itself may or may not have implications for the employment of the four senior executives; and
- (d) The change in the contract renegotiation date in the employment contracts of the four senior executives appears to be reasonable.

1.0 Background

Since we first considered this issue, there has been a most unfortunate escalation in the public discussion about the future of Racing Queensland and the likelihood that an incoming LNP Government will move quickly to dismiss the current Board. The public discussion has now also gone so far as to suggest that two of the senior executives of Racing Queensland will be replaced if there is a change of Government. All of this public discussion has clearly and understandably unsettled the four key senior executives of Racing Queensland who now all believe that if there is a change of Government that their employment will be terminated in very public circumstances

and that their reputations within the racing industry and within the broader business community will then be adversely affected.

So the Board now has a serious dilemma in that four of the key members of its senior management team¹ are now both unsettled and distracted by the recent public discussion. At the same time, Racing Queensland has a very significant workload with which to cope over the next two to three years and the Board believes that keeping the four senior executives is critical to the future success of Racing Queensland. Unless the Board now takes some clear mitigating steps, there is a risk that one or more of those executives will commence looking for alternative employment to avoid the ignominy of the termination of their employment being played out in the public arena if there is a change of Government. The only countervailing factor seems to be that under their respective employment contracts, the four senior executives are required on resignation to give either six or seven weeks notice (depending on their age and period of service) and their entitlements in the event of a voluntary resignation are minimal.

Having regard to these matters, we note that the Board, at its meeting on 20 July 2011, considered these issues and decided for each of the four executives to:

- (a) Increase the TRV of each executive by 30% as from 1 July 2011. This increase is to be payable immediately on an ongoing basis throughout the balance of the current term of their employment contracts;
- (b) That the existing redundancy triggers set out in clause 15.3 of their current employment contracts i.e. if Racing Queensland ceases to be the approved Control Body, be expanded to include other "material adverse changes" such as a change in the State Government, a significant change in the make up of the Racing Queensland Board, a significant change in the reporting line for the relevant senior executive or a significant organisational restructure; and
- (c) That the obligation on Racing Queensland to renegotiate their respective employment contracts be moved from June 2012 to December 2012.

¹ The four senior executives are the Chief Executive Officer, Malcolm Tuttle, the Director Integrity Operations, Jamie Orchard, the Director Product Development, Paul Brennan and the Senior Corporate Counsel/Company Secretary, Shara Murray.

In the circumstances, it is probably best that we examine each of these proposed changes to the employment contracts of the four senior executives and that we then express our opinion on the risks that face the Board in relation to each of those changes.

2.0 Proposed 30% Increase in Salary

As we have previously indicated, even within Government circles, there are precedents for employees to be paid retention bonuses of between 20% and 25% to reflect either market demand for particular employment skills and specialties or when senior executives have been sought to be retained by a Government entity that is the subject of an ongoing privatisation process. In this latter instance, these retention payments have been made to keep the relevant executive management team in place until the new owners of the privatised body have taken control.

Therefore, we believe that the 30% uplift in salary as a concept is not an unreasonable approach. However, as we have previously advised, making these retention payments after certain timelines or milestones have been met by the employees would give rise in an overall sense to a lower risk profile from the Board's perspective.

One point about the proposed 30% increase is that it will apply for the remainder of the balance term of the employment contracts of the four senior executives. This increase in TRV will also then flow through into the calculation of any "redundancy payment" under the expanded version of clause 15.3 of the employment contracts.

So, our view on this aspect of the proposed employment contract variation is:

- (d) That the payment of a 30% salary retention increase conceptually is reasonable in the current circumstances; and
- (e) That the Board in the current circumstances needs to be satisfied that the overall increase in salary for each of the four senior executives together with the associated increase in the entitlements regarding relevant total termination payments under clause 15.3 of their employment contracts and under any general redundancy scheme is, when one weighs up all of the relevant factors, both reasonable and in the best interests of Racing Queensland. We would note in this regard from the spreadsheet that was included with the Board papers that if all four senior executives activated their redundancy entitlements in February 2012 that the extra termination payments

(for the four senior executives) will in total amount to an additional \$677,000 liability for the company. We presume that this figure has been calculated and reflects the flow through of both the 30% increase in their individual TRVs together with the effect of any further payments that will be made under the proposed general Racing Queensland wide redundancy scheme.

Of course, under the relevant employment contracts of each of the four senior executives the actual size of any termination payment will depend on when the material adverse change occurs and then whether the individual executives trigger their termination rights under clause 15.3 of their respective employment contract. For example, if there is a change of Government at the State Government level and Racing Queensland is restructured and/or fundamentally reformed in April 2012 by the new Government, the four executives (if they were all to terminate their employment at that time) would be entitled to approximately 14 months pay together with any additional general redundancy payments. However, if it took the new Government until December 2012 to implement any restructuring process, the payments under the expanded clause 15.3 of the respective employment contracts would then only be seven months salary plus any additional general redundancy payment.

One other area of difficulty is that we cannot be sure when the State election may be held and so there is considerable uncertainty about when a triggering event may actually occur under clause 15.3 of the relevant employment contracts. Under the constitutional and electoral framework in Queensland, the next State election can be held as late as mid June 2012. On the other hand, it is generally accepted that the Governor will grant an early State election if the request is made by the Premier within the last six months of the 3 year Parliamentary term.

On this basis the Premier could ask for a State election to be held as early as September/October 2011. Our concern is that if the election is held very early, e.g. October 2011 and this then led to an activation of one of the clause 15.3 triggers, that the four executives would then be entitled to a termination payment of 20 months (at the increased 30% level) which, in terms of their current salary would be the equivalent of a 26 month payment. As that trigger would occur in circumstances where the employees were only effectively retained for 3 months from the date of incentive, it is our opinion that such a windfall outcome may be difficult for the Board to justify.

To mitigate this risk, we suggest that there be a form of cap (in terms of the number of months) on the amount that can be paid under the revised clause 15.3. This is an amount for the Board to determine but we would suggest that a range of between 12 and 14 months might be considered.

3.0 Broadening of the Redundancy Triggers set out in Clause 15.3 of the Employment Contracts

As we have already advised, we have serious reservations whether an employee triggered termination under clause 15.3 of the current employment contracts would give rise to a genuine redundancy situation. This is because the focus of the clause is on the termination of individual employment arrangements rather than the redundancy of the relevant positions i.e. on the basis that they will then not be required as part of the ongoing structure of Racing Queensland. It is incomprehensible that the current duties undertaken by the four senior executives will in any future management structure of Racing Queensland all cease to exist or, in that sense, become redundant in terms of the ongoing operation and management of Racing Queensland.

In our view, however the proposed broadening of the trigger events as set out in clause 15.3 of the relevant employment contracts would not necessarily be unreasonable. One observation would be that the trigger ought to have a significant impact in the role or duties of each of the four senior executives. We would not recommend a trigger that is activated by a change in the State Government alone as that event may or may not have implications for the employment of the four senior executives.

We also suggest that to the extent that changes in reporting lines for the relevant senior executives or operational structures are added in any trigger points, that it should be made very plain that only significant or substantial changes will operate as a relevant trigger. It would not be in the interests of Racing Queensland to allow the four senior executives to seek a termination payment for what might only be a minor change in their reporting arrangements or a minor variation in the structure of Racing Queensland. This is primarily a drafting issue which can be addressed in the new expanded clause 15.3 as it is being developed.

4.0 Variation of the Employment Contract Renegotiation Date

This proposal is that the obligation on Racing Queensland to renegotiate the respective employment contracts be moved from a nominated date of June 2012 to December 2012. This suggested change is made to allow sufficient time for an assessment to be made of the potential

Mr Bob Bentley, Racing Queensland Limited

1 August 2011

effect of any structural reforms of Racing Queensland both on the role and the employment terms and conditions of the four senior executives.

We do not see that this change has any financial impact on Racing Queensland and it seems to us to be a reasonable variation in all of the circumstances.

If you have any questions in relation to our advice, do not hesitate to contact us.

Yours sincerely



Barry Dunphy, Partner
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3 August 2011

Email: smurray@racingqueensland.com.au

Private & Confidential

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The Chairman
Racing Queensland Limited
c/o Ms Shara Murray
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Dear Mr Bentley

Executive retention strategy

We refer to our previous advice dated 20 July 2011 and the advice of Clayton Utz dated 1 August 2011 in relation to a retention strategy for Racing Queensland Limited's (RQL) senior executives, Mr Malcolm Tuttle, Mr Jamie Orchard, Mr Paul Brennan and Ms Shara Murray (Executives).

1 Further instructions

1.1 You have requested our response to the following concerns raised by Clayton Utz:

- (1) that an early State Government election may have the effect that the termination payments under the proposed material adverse change clause are unreasonable; and
- (2) that a change in the State Government alone may not be sufficient to act as a trigger in relation to a material adverse change clause.

1.2 Our advice is set out below.

2 Summary

2.1 In our view, in the event of an early election the potential increase to the termination payment under the proposed material adverse change clause is defensible for the following reasons:

- (1) there is a commercial need for RQL to retain the Executives in context of the current industry environment; and
- (2) for this reason, it is in the interests of RQL to reach an agreement satisfactory to the Executives in order to retain their employment.

2.2 If the Executives agree to the inclusion of a cap on the termination payment under the material adverse change clause, then this will satisfy RQL's commercial need to retain the Executives.

2.3 However, in the event that the Executives do not agree to the proposed cap, we consider that it remains in the best interests of RQL to reach an agreement without the inclusion of the cap in order to retain the Executives.

APAC-#11026355-v1

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- 2.4 In order to adequately address the current concerns of the Executives, we also consider that it is necessary to include, effectively, a change in State Government as a trigger in the proposed material adverse change clause.
- 3 **Impact of early State election**
 - 3.1 In their letter, Clayton Utz have raised the possibility of an early State Government election and recommended to the Board of RQL that it carefully considers the flow on effects.
 - 3.2 In particular, the proposed increase to each Executive's TRV of 30% would increase the amount of the termination payments that the Executive would receive if they choose to rely on the proposed material adverse change clause.
 - 3.3 Clayton Utz has suggested mitigating the risk by placing a cap on the amount that can be paid under the material adverse change clause of between 12 and 14 months.
 - 3.4 Ultimately, we consider that whether a cap is included is a matter for agreement between RQL and the Executives.
 - 3.5 The Executives have raised their concerns with you in their letter dated 5 July 2011 indicating that this speculation is having a destabilising effect and that they need security in their employment leading up to and subsequent to the upcoming State election.
 - 3.6 It is apparent that if this security regarding the Executives' ongoing employment is not provided, the Executives may resign from their employment with RQL. In the event that the Executives resigned, it would have a significant negative impact on RQL and, in the current industry environment, the likelihood of replacing the Executives would be limited.
 - 3.7 The Executives have indicated that they would be satisfied with a commercial agreement that involves an increase of 30% to each of their TRV's and related entitlements and the inclusion of termination rights entitling them to resign and receive payment of their TRV to the end of the term in the event of a material adverse change.
 - 3.8 On this basis, we consider that it is in the interests of RQL to put in place appropriate measures to retain the Executives.
 - 3.9 If you are able to reach a commercial agreement with the Executives to continue their employment with a cap in place then we consider that this will increase the defensibility of changes to their employment arrangements (particularly in response to negative publicity).
 - 3.10 However, we consider that in circumstances where RQL faces potentially losing its senior Executives, and where these Executives would be difficult to replace due to the industry speculation regarding a restructure to RQL, the increase to the termination payment is defensible without the cap.
- 4 **Redundancy triggers**
 - 4.1 The key concern of the Executives is that if the Liberal National Party (LNP) is successful at the next State election, the LNP will move to alter the make up of RQL including, possibly, terminating their employment.
 - 4.2 This concern is based on the stated policy of the LNP to remove the Board of RQL and significant speculation in the industry regarding the Executives.
 - 4.3 In our view, unless the effect of the LNP taking control of the Queensland Legislative Assembly is included as a trigger in the proposed material adverse change clause, the Executives' concerns will not be adequately addressed. Therefore, we recommend that this be maintained in the proposed material adverse change clause.

3 August 2011

NORTON ROSE

- 4.4 As to the inclusion of other triggers, we agree with Clayton Utz that any triggers in relation to reporting lines for the Executives or organisational structure be limited to significant or substantial changes. This will in our view avoid any possibility that the Executives will seek to rely on the proposed material adverse change clause without a reasonable basis for doing so.

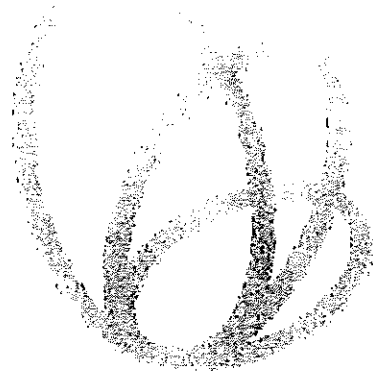
We are currently in the process of drafting amendments to the Executives' employment agreements in accordance with your previous instructions and consistent with our advice above. If you would like us to include a cap on termination payments under the material adverse change clause, please let us know.

Please contact me if you have any queries. Alternatively, please contact Kristin Gamble on (07) 3414 2876.

Yours faithfully



Murray Procter
Partner
Norton Rose Australia
Contact: Kristin Gamble



RACING QUEENSLAND

REDUNDANCY POLICY

Authorised By:	Racing Queensland Limited Board	Date of Authorisation:	5 August 2011
Last Amendment Date:	5 August 2011		
Review Due Date:	4 August 2012		
Policy Owner:	Chief Financial Officer		
Related Documents:	• Fair Work Act 2009 (Cth)		

Any person who requires assistance in understanding this document should contact their manager.

OBJECTIVES

The purpose of this Policy is to make clear the obligation of both Racing Queensland Limited (RQL) and its employees where the decision has been made to initiate a redundancy process.

PART 1 INTRODUCTION

This document sets out the redundancy Policy that shall apply in respect of RQL.

1.1 TO WHOM DOES THIS POLICY APPLY?

This Policy applies to all RQL employees, other than employees of RQL who:

- a. are employed as temporary, casual or replacement employees;
- a. terminate their employment of their own accord prior to receiving formal written notice of redundancy;
- a. are provided with suitable alternative employment by RQL, whether this position is taken up by the employee or not; or
- a. are terminated for any reason other than as set out in this Policy.

1.2 WHEN DOES THIS POLICY APPLY?

This Policy will apply where RQL has made a definite decision that it no longer requires the role an employee has been performing to be done by anyone, and that decision leads to the dismissal of the employee by RQL.

PART 2 ROLES AND RESPONSIBILITIES

2.1 ROLE OF RACING QUEENSLAND LIMITED

Managers of RQL will endeavour to:

- a. develop selection criteria, and undertake an assessment of which positions should be considered for redundancy;
- a. explore appropriate alternatives to redundancy, including redeployment across RQL's operations generally;
- a. ensure that they follow due process in undertaking the redundancy process and encourage open communication with the employees concerned;
- a. complete all required documentation to ensure RQL's employees receive all the correct entitlements as soon as possible after the redundancy has taken place; and
- a. account for all property of RQL at the time of redundancy.

2.2 ROLE OF EMPLOYEES

Employees should ensure that they:

- a. give full consideration to any options or alternatives that are provided to them;
- a. ask their manager or supervisor any question they may have about the redundancy process; and

- o perform work to the standard expected by RQL during the selection and redundancy process and notice period, if applicable.

PART 3 REDUNDANCY PROCESS

3.1 DISCUSSION

Where a definite decision has been made by RQL to initiate redundancies, discussion shall take place with affected employees regarding the application of this Policy.

Whilst not always possible, RQL will endeavour to give the employees likely to be affected by redundancy as much notification as is practicable after the definite decision had been made.

RQL will endeavour to provide the relevant employees with all relevant information about the changes including the nature of the changes proposed, the expected effects of the changes on employees and any other matters likely to affect employees, unless that information is confidential.

3.2 REDEPLOYMENT

In order to reduce the effect of redundancies, RQL may consider in its discretion whether alternative positions or suitable alternative employment is available that could be offered to affected employees, or whether use of annual leave or other viable options could be utilised.

Employees will be provided with adequate time to consider any available options and to respond accordingly.

3.4 NOTIFICATION AND COMMUNICATION OF DECISION

RQL will communicate the decision to those employees selected for redundancy. This decision will be confirmed in writing to the employee.

The letter notifying of the redundancy will act as notice of termination to the employees selected for redundancy. The date the redundancy will take effect will be confirmed, together with an outline of all entitlements to be received.

PART 4 REDUNDANCY ENTITLEMENTS

4.1 NOTICE OF TERMINATION

On termination for redundancy, an employee will be entitled to notice in accordance with their written contract of employment or the notice contained in the National Employment Standards contained in the *Fair Work Act 2009* (Cth), whichever is greater.

4.2 SEVERANCE PAY

Upon redundancy, an employee will be entitled to receive severance pay calculated in accordance with the following table:

Period of continuous service with Racing Queensland	Severance pay
At least 1 year but less than 2 years	4 weeks
At least 2 years but less than 3 years	6 weeks
At least 3 years but less than 4 years	7 weeks
At least 4 years but less than 5 years	8 weeks
At least 5 years but less than 6 years	10 weeks
At least 6 years but less than 7 years	11 weeks
At least 7 years but less than 8 years	13 weeks
At least 8 years but less than 9 years	14 weeks
At least 9 years but less than 10 years	16 weeks
At least 10 years	12 weeks

Payment of severance pay will be based on the employee's Ordinary Pay.

4.3 LIMITATIONS ON SEVERANCE PAY

There will be no entitlement to severance pay in the following circumstances:

- » where RQL obtains or facilitates for the employee an offer of employment on terms and conditions substantially similar to and, considered on an overall basis, no less favourable than, the employee's terms of conditions immediately before the redundancy (even if the employee rejects the offer); or
- » where the employee resigns prior to the advised termination date without RQL's written agreement.

4.4 GENERAL

Any payment in lieu of notice of termination of severance payment paid to the employee under this Policy, is in satisfaction of (either wholly or in part), and may be off-set against, any legislative severance entitlement the employee might have, to pay in lieu of notice of termination or redundancy pay.

4.5 DEFINITIONS

- » **Ordinary Pay** means the remuneration for the employee's normal weekly salary (excluding overtime and penalty rates, bonuses and allowances) applicable at the time notice is received by the employee.

REVISION HISTORY

Revision	Date	Description of Changes	Author
01.00	04/08/2011	New policy	Norton Rose Australia

Friday, 5 August 2011

Board Room, Racing Queensland
Racecourse Road, Deagon

Meeting Commenced at 9:00 am
Meeting Concluded at 2:10 pm

Board Directors Present:	Bob Bentley Tony Hanmer Bob Lette Bill Ludwig Wayne Milner Bradley Ryan	- Chairman - Deputy Chairman
In attendance:	Malcolm Tuttle Adam Carter Shara Murray Jamie Orchard Paul Brennan Ron Mathofer David Rowan	- Chief Executive Officer - Chief Financial Officer - Senior Corporate Counsel/Company Secretary - Director, Integrity Operations - Director, Product Development - Business Analyst - IT & Communications Manager
Item 2.3	Mr Robert McNaulty Mr Satiu Perese	-via telephone
Minutes:	Debbie Toohey	- Board Secretary

The Chairman opened the Meeting at 9:00am.

1.1 Apologies

Nil.

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.

There were no other additional Declarations of Conflicts of Interest. (See Attachment "A")

1.3 Confirmation of Minutes of RQL Board meeting of 8 July 2011

The Board made the following changes:

Page three, second paragraph change the word "copy" to "budget".

2.6 First paragraph to now read "Ms Murray updated the Board in relation....."

The Board **RESOLVED** that the RQL Board Meeting Minutes of 8 July 2011 be received and confirmed.

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

Motion carried

Confirmation of Minutes of RQL Board meeting of 20 July 2011

The Board **RESOLVED** that the RQL Board Meeting Minutes of 20 July 2011 be received and confirmed.

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

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 correspondence/matters:

Media Releases

- TAB revenue distribution clarified 8 June 2011
- Brisbane City Council backing the wrong horse 20 June 2011
- Capalaba Greyhounds return to racing 28 June 2011
- Toowoomba Turf Club investigation 19 July 2011

Letters

- Letter to Mr Malcolm Tuttle from Mr Mike Kelly, Office of Racing
re: \$700,000 (ex GST) – Minimum Venue and Equipment
Standards Funding 13 July 2011
 - Letter to Mr Malcolm Tuttle from Mr Mike Kelly, Office of Racing
re: \$200,000 (ex GST) – Non-Strategic Non-TAB Clubs
impacted by Flood & Cyclone damage - Minimum Venue and
Equipment Standards Funding 14 July 2011
 - Letter to Mr Stephen Ferguson from Mr Malcolm Tuttle
Re: Sale of Residential Properties 15 July 2011
 - Letter to Mr Bob Bentley from Mr Tim Mulherin, MP re: approval
of Infrastructure Plan and extension of the wagering tax sharing
arrangements 19 July 2011
-
- Letter to Mr Malcolm Tuttle from Mr Mike Kelly, Office of Racing
re: \$1.45M (ex GST) – TAB & Strategic Non-TAB Clubs
assistance with meeting Flood & Cyclone Yasi Remediation
Costs 25 July 2011

1.6 Confirmation of Flying Minutes

There are **NOTED** the following Flying Minutes:

- RISA Resolution – Proposed amendments to the RISA and TTSC Constitution 11 July 2011
- Resolution to approve the Sale of Investment Land by the BRC 14 July 2011
- Resolution that the time for submissions in response to the notice served upon Mr McNulty under AR179A on 11 July 2011 be extended from 25 July 2011 to 1 August 2011 14 July 2011

The above Flying Minutes were **CONFIRMED** by the Board.

2.1 Draft 2011/12 Business Plan

To be discussed at the next Board Meeting. The Board requested that Mr Malcolm Tuttle develop performance measures for the Company's four (4) key executives, these being:

- (a) Mr Tuttle
- (b) Mr Orchard
- (c) Mr Brennan, and
- (d) Ms Murray.

2.2 Rules Amendments

Mr Jamie Orchard sought the Board's approval to adopt the following Local Rules (All Codes) 1 and to seek the confirmation of recent changes to Australian Rules of Racing and the Australian Harness Racing Rules:

"Local Rule (All Codes) 1

- (23) *An appellant appearing before a First Level Appeal Committee may be represented by a legal practitioner or, in exceptional circumstances, by another person whom the First Level Appeal Committee consider to be an appropriate person to represent the appellant. An appellant must advise the appeals secretary at least 2 business days prior to the appeal of any intention to be so represented.*
- (24) *Notwithstanding Sub Rule (23), an apprentice jockey or any other person under the age of 18 years is entitled to be represented by his/her master at an appeal or, with the permission of the First Level Appeal Committee, such other person as a First Level Appeal Committee considers to be an appropriate person to represent the appellant."*

The Local Rules (All Codes) was **APPROVED** by the Board.

The National Rule changes and the Harness Racing Australia Rule were confirmed by the Board.

MOVED by Mr Wayne Milner **SECONDED** by Mr Bob Lette

Motion carried

2.3 New Zealand Judicial Committee – Robert McNulty

Mr Orchard addressed the Board on procedure: *the Board is to consider whether they are satisfied that there are "exceptional circumstances" in this case to not apply the rule in Queensland.*

Mr Robert McNulty joined the Board meeting at 11:00am with Mr Satiu Simativa Perese, Barrister via telephone.

The Chairman handed the meeting over to Mr Jamie Orchard to conduct the inquiry.

On 29 April 2011 the New Zealand Judicial Committee handed down a decision in the matter of NZTR v Robert McNulty. McNulty was disqualified for a period of 11 months (from 29 April 2011), fined \$6000 and ordered to pay costs totaling \$17500. The penalties were imposed on the basis on a finding that Mr McNulty was guilty of misconduct in using foul, insulting and offensive words directed to Mr Michael Stiasny, Chairman of the New Zealand Racing Board and that he committed a serious racing offence by way of voicemail messages he uttered foul, insulting and offensive words directed towards Chief Stipendiary Steward Cameron George.

The decision was served on each Principal Racing Authority by the New Zealand Racing Integrity Unit. Australian Rule of Racing 179A provides a scheme for the consideration of the application of international penalties. Once one jurisdiction in Australia has either applied the decision in their jurisdiction or otherwise declared the decision will not be applied, the decision of that PRA is immediately applied in every jurisdiction in Australia.

On 1 August 2011, Mr McNulty, through his counsel, made submissions to the effect that the penalty should not be applied in Australia.

Mr McNulty (in person) and Mr Perese (by telephone) both orally presented Mr McNulty's submission to the Board.

Mr McNulty and Mr Perese left the meeting at 11:35am.

The Board confirmed that it was satisfied that there were no exceptional circumstances in this case to amend the penalty and therefore, Mr McNulty's penalty should be applied in Australia.

Mr Orchard to formally notify Mr McNulty of the Board's decision.

At the conclusion of this matter, the Chairman asked Mr McNulty if he was satisfied that the Board had given him adequate time for explanation of his issues. Mr McNulty personally thanked the Board for their time, thanked them for the length of time they had spent on this issue and also confirmed his appreciation that the matter had been dealt with fully and to his satisfaction.

2.4 QTIS 600 Payment and Refunds

Mr Brennan sought the Boards approval in relation to the following two queries regarding payments and refunds for the QTIS 600 Scheme.

1. Mr Rob Heathcote is seeking a refund from RQL in relation to Horse – "Outback Prince" – Bashaer yearling) as the horse has been diagnosed with an injury and as a result will "unlikely to become an athlete". This injury was diagnosed 5 days after the QTIS 600 Scheme deadline.

2. Mr Murray Murdoch (Jet Spur – Star of Asia Yearling) – Mr David Chester was advised by Mr Murray Murdoch during the April QTIS 600 sale to deduct proceeds and pay up for the race series. RQL has never received the registration for this horse and has not been included in the QTIS 600 Scheme.

The Board **RESOLVED** not to:

1. Provide a refund of \$3,300 (inc GST) refund to Mr Heathcote for the Outback Prince yearling, and
2. Enable entry into the QTIS 600 scheme for the Jet Spur yearling of Mr Murdoch's.

2.5 Employment Agreements/Redundancy Policy

Further to the Chairman's Report of 20 July 2011, concerning Employment Agreements/Redundancy Policy the Board **RESOLVED**:

1. Board Minute of 6 May 2011 to be Rescinded

The Board to rescind the Board Resolution of 6 May 2011 Board Meeting, which reads:

Remuneration & Nominations Committee Meeting Minutes and Recommendations

The Board today noted the draft minutes of the April 14, 2011, meeting of the Remuneration & Nominations Committee.

The Chairman advised Board Directors that he and Mr Ludwig had considered the situation and the amount of work that the executive staff will have to do between now and 2014 with the changing wagering landscape and the approach to the end of the exclusivity of the TattsBet license.

RQL will be required to commence negotiations of a Product Fee with TattsBet post 2014 and the Board needs to understand that key staff will be integral to a successful outcome.

These key executive staff need security of tenure as well as their assistants so as to not be distracted by innuendo and rumour about the period between now and 2014. Board members unanimously agreed with the recommendation with the Remuneration and Nominations committee.

In addition, the Board considered a recommendation from the Remuneration & Nominations Committee, which led to the following resolution:

*The Board **RESOLVED** that:*

- (a) *The existing employment agreements be extended by 12 months up to and including June 30, 2014, for the following employees:*

- *Malcolm Tuttle*
- *Adam Carter*
- *Jamie Orchard*
- *Paul Brennan*
- *Shara Murray*
- *David Rowan*
- *Peter Smith*
- *Col Truscott, and*
- *Warren Williams.*

- (b) *Wade Birch be offered an employment agreement to expire on June 30, 2014.*
- (c) *Employment agreements be offered to the following employees to expire on June 30, 2013:*
- *Wendy Thomas*
 - *Kearra Christensen*
 - *Toni Fenwick*
 - *Ali Wade*
 - *Debbie Toohey*
 - *Jaime Knight*
- (d) *The Chairman to approve the terms relevant to the agreements and the extension of the agreements.*
- (e) *Ms Murray to draft Employment Agreements for the Executive Assistants to expire 30 June 2013.*
- (f) *Ms Murray to draft an Employment Agreement for Mr Wade Birch to expire 30 June 2014.*

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

Motion carried

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

MOVED by Mr Tony Hanmer **SECONDED** by Mr Bradley Ryan

Motion carried

2. Variation to Employment Contracts

The Board confirmed that they had received and read the following legal advice:

- (a) Norton Rose – 20 July 2011
- (b) Clayton Utz – 1 August 2011, and
- (c) Norton Rose – 3 August 2011.

Please see **attached** legal advice (see Attachment 'A')

The Board **NOTED** that the only amendments to the employment agreements of the following Company executives were as per 2.1 (i) – (vi) below. The balance of the terms and conditions of the employment agreements remained the same.

2.1 That the employment agreements for the following Company executives:

- (a) Malcolm Tuttle;
- (b) Jamie Orchard;
- (c) Paul Brennan; and
- (d) Shara Murray,

are varied to include:

- i. A 30% increase to each executive's TRV, effective from 1 July 2011;
- ii. The inclusion of a material adverse change clause with a trigger that includes a change in the Queensland State Government, RQL ceasing to be the approved Control Body under the *Racing Act 2002* (Qld), a material adverse change in the make-up of the RQL Board of directors, or your reporting lines, or an organisational restructure that materially impacts on the Executives role at RQL in a manner adverse to the Executive;
- iii. A payment of a sum equivalent to the TRV the Executive would have been entitled to receive had they remained employed until the end of the term of their contract, however not exceeding a sum equivalent to 14 months of their TRV;
- iv. A severance payment calculated in accordance with the relevant scale contained in any redundancy policy of RQL;
- v. Any accrued but unpaid entitlements; and
- vi. Retention of the current 3 year term with an obligation on RQL to renegotiate before 31 December 2012.

Mr Bob Lette requested that Mr Tuttle develop performance measures for the above listed four (4) key executives.

2.2 The employment agreements for Adam Carter, David Rowan, Peter Smith, Col Truscott and Warren Williams be styled and formatted in accordance with any recommendations from Clayton Utz on the basis that there is no change to the existing terms and conditions of their current employment agreements.

2.3 Wade Birch to be offered an employment agreement with a term until 30 June 2013 based on his current terms and conditions with the agreement to be styled and formatted in accordance with any recommendations from Clayton Utz.

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

MOVED by Mr Tony Hanmer **SECONDED** by Mr Bradley Ryan

Motion carried

3. Introduction of Company Redundancy Policy

That a Redundancy Policy is introduced for all employees of the Company.

This was **APPROVED** by the Board.

MOVED by Mr Tony Hanmer **SECONDED** by Mr Bradley Ryan

Motion carried

3.1 2010/11 Business Plan

Mr Tuttle presented to the Board the 2010/11 Business Plan.

The Board **NOTED** the 2011/11 Business Plan.

3.2 Remuneration & Nomination Committee Minutes

Mr Tuttle distributed the draft Minutes of the Remuneration and Nomination Committee of Wednesday, 3 August 2011.

This was **NOTED** by the Board.

3.3 Greyhounds Australasia National Data Repository Development Update

Mr. David Rowan updated the Board in relation to the development of the Greyhounds Australasia National Data Repository System.

This was **NOTED** by the Board.

4.1 CEO's Report

Industry Infrastructure Plan

The Industry Infrastructure Plan Control Group is currently looking at resources and the delivery of the Plan. A regular monthly report will be presented to the Board.

Single National System – RISA

RISA has now received approval to proceed with the Single National System Project from all Principal Racing Authorities. RISA is in the process of providing a new Service Level Agreement to each PRA to commence from 1 August 2012.

Trots TV

Mr Blair Odgers will be reviewing the Trots TV initiative and will report back to the CEO with a summary report.

Queensland Race Information

Ms Shara Murray updated the Board in relation to the actions and initiatives being undertaken by the Queensland Race Information Committee.

- Mr Jamie Nettleton will be attending RQL to give a half day training session on wagering/race information in August 2011. Mr Nettleton has confirmed that he holds no Conflict of Interest, and as such, is in a position to respond to the Tabcorp Holdings and Tabcorp Limited on behalf of RQL.
- The Committee will be writing to the top 20+ interstate bookmakers who exceeded the \$5M turnover to request retrospectivity.
- Ms Murray to draft Deeds to send to a number of Corporates in the next 7 -10 days.

The Board **NOTED** the CEO's Report.

4.2 Legal & Compliance Report

First Level Appeals

There has been one (1) First Level Appeal for the month of July 2011.

Anti- Discrimination Commission matters

- Bobby Chrystal – this matter has been referred to QCAT. A hearing date has not been set as yet.

- Heather Warland – RQL has responded to the allegations. No response has yet been received from ADCQ.

Australian Human Rights Commission matter

- Alisha Winfield – A conciliation conference has been scheduled for Wednesday, 14 September 2011.

Litigation matters

- Qld Harness Racing Limited v RQL & Anor – other clubs have now joined the action.
- McHarg & Rolfe v RQL – this matter is now closed.
- Gold Coast Greyhound Racing Club Inc. (**GCGRC**) v Greyhounds Qld Ltd (**GQL**) & RQL – this matter is now closed, however, RQL received correspondence from GCGRC advising that they believe that RQL is liable to pay the ongoing commitment of \$2,000 per month made to GCGRC by GQL prior to 1 July 2010. GCGRC have been advised that the Deed of Settlement was signed and finalised which included full and final settlement of this matter.

Other matters

- Ms Murray met with HRBS concerning RQL taking action against Ms Jeannette Hannah. HRBS informed Ms Murray that RQL cannot prove any fraudulent matters. This matter is now closed.
- Ms Murray is finalising one clause with AON concerning the Director's D & O Insurance. Once finalised, Ms Murray to distribute the policy wording to the Board for their consideration and review.

The Board **NOTED** the Legal & Compliance Report.

4.3 Finance Report

Mr Adam Carter updated the Board in relation to the management accounts for the month ended 30 June 2011.

Key highlights for FY2011:

- Revenue down \$7.2M on budget and down \$3.1M (2%) on prior year.
- Product and Program Fee – finished \$2.6M (1%) down on RY0910 result and \$1.7M (2%) down on budget YTD.
- Race Information Fees are \$2.3M (29%) below budget.
- Expenditure down \$4.3M (3%) on budget and down \$548K (0.5%) on prior year.
- Prizemoney is \$5.1M (5%) below budget for FY1011. This is a result of unexpended prizemoney of \$3.2M on thoroughbred races, \$408K on harness races and additional prizemoney expended of \$133K on greyhound races.
- Legal fees are \$978K (188%) above budget.

Mr Carter informed the Board that the Auditors were due on 22 August 2011.

Mr Carter tabled a proposed schedule for FY11/12 for the Audit, Finance and Risk Committee.

The Board **NOTED** the Finance Report.

4.4 Product Development Report**New QTIS Scheme**

RQL has reached agreement with the Thoroughbred Breeders' Queensland Association after consultation with the Australian Trainers' Association, Queensland Racehorse Owners' Association and the Thoroughbred Breeders' Queensland Association on the new QTIS scheme from 1 August 2012. This new scheme will deliver a saving of \$1m to RQL.

Flood, Cyclone and WH&S Funding

Mr Brennan informed the Board that there has been a lack of response from Clubs and only a few have applied for funding from RQL. Mr Brennan to keep the Board updated.

Deagon Trainers

Mr Brennan has met with Mr Pat Duff and Mr Jim Murdoch who represent the Deagon Thoroughbred Trainers to discuss the closure of the Deagon facility as a thoroughbred training complex. Discussions are still ongoing with Mr Brennan to draft correspondence to be sent to both Mr Duff and Mr Murdoch concerning alternate stabling and the consideration of the suggestion from the representatives on a 1000m sand training track proposed at Deagon.

Australian Pattern Committee

Mr Brennan informed the Board that the Toowoomba Cup had been downgraded due to poor performances over the past three years. However, the BJ McLachlan Plate held at Doomben had been upgraded.

Mr Ron Mathofer updated the Board in relation to the 2010/11 Wagering Report.

The Board **NOTED** the Product Development Report.

4.5 Integrity Services Report**QCAT matters**

Mr Orchard updated the Board in relation to the matters that have been before QCAT for the month of July 2011.

Bookmakers Audit

Inquiries will commence into the breach of rules concerning bookmakers, Bob McHarg, Vince Aspinall and Pat Kynoch next week.

Odds Fluctuation Monitoring Application

The development of a real time betting surveillance tool is continuing with the software developer working closely with RQL's IT and Integrity Departments.

Toowoomba Turf Club

The investigation by Ms April Freeman is commencing on Friday, 5 August 2011 and should be finalised by the end of next week.

The Board **NOTED** the Integrity Services Report.

Other Matters**RQL website**

The Board has requested Mr Rowan to update the Board at the September 2011 Board meeting with a budget and timeframe for the development of a new RQL website.

Mr Tuttle to contact Mr Myles Foreman, CEO of RISA on the issue of coordinating stewards reports in a timely manner to be available on the RQL website after a race.

Queensland Racehorse Owners' Association (QROA)

Mr Milner updated the Board in relation to the background of the assistance provided to the QROA, which included the provision of an administration resource for two days per week and the use of all RQL equipment, stationary etc. Following the discontinuation of the Owner's Card earlier in the year Mr Milner had previously sort the approval of the Board to revise this agreement and cap the contribution at \$100,000 per annum for administration costs and promotional activities to be undertaken by the QROA. This proposal was conveyed to the Chairman of the QROA in February 2011, at which time he has requested to provide a business plan outlining the manner in which the QROA proposed to expend the \$100,000. Mr Milner confirmed that the business plan has not been forthcoming and that it is not RQL's obligation to chase the QROA if they did not have sufficient appetite to act on this request during the previous six months.

Mr Milner proposed to the Board to terminate the agreement with QROA and relocate the Administration Assistant to the RQL Finance Department.

Mr Milner to inform QROA at his earliest convenience that RQL will be providing a \$25,000 grant to the QROA from 1 October 2011, and that they would be required to provide their own resources from this date.

This was **APPROVED** by the Board

MOVED by Mr Tony Hanmer **SECONDED** by Mr Bradley Ryan

Motion carried

Confirmed as a true record.



R G Bentley
Chairman

Dated...../...../2011

Mr Bob Bentley

Director of Tatts Group
Director/Chairman of Sunshine Coast Racing Pty Ltd
Director/Chairman of Australian Racing Board

Mr Tony Hanmer

Member of the Sunshine Coast Turf Club Inc.

Mr Bob Lette

Life Member Albion Park Harness Racing Club Inc.
Member of Brisbane Racing Club
Consultant to Mullins Lawyers
Non Executive Director Watpac Limited

Mr Bill Ludwig

Secretary of the Australian Workers' Union (including signing of all correspondence and Industrial Instruments)
Board Member of WorkCover Queensland
Member of Brisbane Racing Club

Mr Bradley Ryan

Member of 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 Consultant