

MEMBERS' NEWSLETTER



Dear Fellow Member,

PROPOSED LIFE MEMBERS

The Board is submitting the names of three Members to the Annual General Meeting for consideration as Life Members.

They are Sharon Forrester-Jones, Dr Sam Barnett and Bill Clarke.

Sharon served nine years on the Board, and during very tumultuous times allied herself with the Bill Spear position.

Dr Barnett has given about 29 years service as a Club Doctor, for a very small weekly stipend (as opposed to a recent situation where a Doctor sought a continuing \$1500 weekly payment.)

Bill Clarke, is a 50 year long Member, and is a former leading Adelaide jeweller who successfully raced many horses, with the best being Red Handed which won the 1967 Melbourne Cup when trained by the great Bart Cummings.

2011 and Future Board Elections

Sharon Forrester-Jones, after nine years service on the SAJC Board, resigned her position in early 2011.

The Club's Constitution requires that there must be a minimum of 7 and not more than 9 Board Members.

Rather than meet the significant cost of, in effect, a by-election, the Board decided to proceed with 8 Board Members until Sharon's position would be filled by an election in November 2011, and complying with the wishes of Members at last year's Annual General Meeting to always fill a Board vacancy by an election process.

- i. Deputy Vice Chairman Tony Newman and I had volunteered to stand for re-election in November 2011 as it was thought that helped bring about a rotational system of three Board Members retiring each year.
- ii. Five of the current Board Members (being David Peacock, Bill Spear, Bob Robertson, Tony Newman and Chris Sargent) are eligible for re-election in 2013.
- iii. The 3 Board Members elected last year (being Steve Kelton, Bodelle Francis-Lee, and Allan Burchard) are eligible for re-election in 2014.
- iv. Under the then prevailing Constitution, Board Members were elected for a four-year term ending at the Annual General Meeting of the relevant year.
- v. Tony and I thought that a more structured and non "all in election" process was a better course open to the Club and its members.
- vi. Members last year at the 2010 Annual General Meeting accepted and adopted a reduction in the term of office for each Board member to a reduced three year term.

The Board discussed an appropriate succession plan to achieve a balanced approach for the future.

Legal advice from Mr. John Ferguson, our Solicitor with Duncan Basheer Hannon, was to the effect that the problem would not be solved.

The suggested course of action outlined by Mr. Ferguson is as follows:

1. That necessary changes be made to the Club's Constitution to ensure that over a period of time a 3 Member/3 year rotation of Board Members is achieved.
2. That rather than rush through such changes for this year's Annual General Meeting they are to be circularised to Members and discussed at a Members' Forum.
3. If the feeling is that the Constitution be so amended then the resolutions will be put for a vote at the 2012 Annual General Meeting, and if passed, come into effect for the purposes of the elections to be held in 2013.
4. That the changes will make provision for a "phase in" period to arrive at the 3 Member/3 year rotation. This would have the added advantage of these changes coming into effect at the time of the retirement of the Board Members who were elected for the then 4 year term in 2009.

I have always advised Members, and this remains irrevocable, that I would, and will, retire from Board duties at the conclusion of the 2013 Annual General Meeting.

Subject to continuing good health Bill Spear also wishes to retire from the Board at the same time as me in November 2013.

Thus, in November 2013 the resignations by Bill and me will bring about 2 vacancies to be filled by election processes available to Members. Bob Robertson, Tony Newman and Chris Sargent will be eligible to be re-elected if that is their then intention.

Then, in November 2014, Steve Kelton, Bodelle Francis-Lee and Allan Burchard will be eligible to be re-elected if that is their then intention.

This is all very involved, and the complexities of trying to synchronise the "3 member/3 years" rotation can only be successfully accomplished in the way suggested by Mr. Ferguson. These amendments will be drafted by Mr. Ferguson to achieve the "3 member/3 year" rotation which is a quite normal and a widely accepted commercial-corporate practice. There is an obvious need for care and diligence in the drafting and construction of the Constitutional amendments, and they will be a major focus of the Members' Forum which will be held on 16th February 2012 along with other important topics.

We as a Board believe that there should be a potential of open discussion between Board and Members at a Members' Forums. This enables Members the opportunity to air and discuss their views on matters, and for the Board to obtain the feelings, listen to and consider the views of its Members.

After the first Members' Forum meeting the resolutions will be put for the Members to vote upon at the 2012 Annual General Meeting and to come into effect for any elections held in 2013.

As stated previously Sharon's former Board position is to be filled via this year's election.

The Member candidates, as drawn by Jim Watters and Nick Redin (both of TRSA) are:

- Kerry O'Brien
- David Bridgland, and
- Greg Stewart

The election votes will be carefully counted and monitored by our three Returning Officers (as was the case in 2010):

- John Sawley,
- Maurie Howard, and
- Ray Bradmore

The election results will be known only to the Returning Officers until Mr. Sawley announces them at the Annual General Meeting.

I extend to the three candidates and the three Returning Officers my thanks for their commitment to the Club.

I urge all Members to vote in this and all future elections. We only have to cast our minds back a few years to vividly remind ourselves just why we should always cast our democratic vote. The Club stands or falls on this very important principle.

FINANCIAL MATTERS

SAJC Payments to Thoroughbred Racing SA Stakemonies

The Club, in accordance with the 2010 Heads of Agreement signed with Thoroughbred Racing has already paid:

in 2008/9	\$1,000,000,
in 2009/10	\$ 900,000,
in 2010/11	\$ 450,000 (paid 31 st July 2011).

On 31st October 2011 a further \$450,000 was paid to TRSA with two further quarterly payments each in the sum of \$450,000 to be paid in January and April 2012 to make up a figure of \$1.35 million being the balance of the 2010/2011 stakemoney of \$1.8m unpaid at 31st July 2011. By April 2012 a total amount of \$3.7 million will have been paid by the SAJC to TRSA as part of the agreed contributions towards stakemonies.

The Club's contributions come from its investment returns from the Cheltenham sale proceeds and the stake money contributions are paid monthly, nine months in arrears on a quarterly basis.

Cheltenham Monies

Urban Pacific and Jennings Ltd. paid to the Club the due third tranche payment of \$15 million in March 2011.

The fourth and fifth tranche payments of \$15 million each are due on the 11th day of July in each of 2012 and 2013.

Since 11th August 2011 the Club has been earning, and will continue to earn, interest on the outstanding \$30 million until full payment has been made.

The Club holds the agreed Bank Guarantees provided by the Joint Developers, and these Bank Guarantees secure the still to-be-paid \$30 million.

Investments

After an exhausting process three financial institutions were selected to invest the Club's surplus funds.

Currently \$5 million is invested with RBS Morgan, \$5 million is invested with Perpetual Ltd and \$1.5 million with BlackRock International (a total of \$11.5million.)

The majority of the funds have been invested for about three months, and the most recent monies for

about a three week period.

The Chairman of the Finance Committee closely monitors these investments and will be available to provide information to Members at the AGM, although the investments are still fairly youthful.

WORKS PROGRAMMES

The Panasonic Kitchen has been completed on time and on budget. Brenton Wilkinson recently gave me a tour of the facilities. They are very impressive indeed.

I have suggested to Brenton that we organise a Members' Cocktail party and show off the new kitchen facilities. As soon as the arrangements are to hand, Members will be advised.

The new entrance booths and covered walkways are now in the last phase of construction. Similarly, the realigned and rubber walkways in the Parade Ring, and its strong white fencing are nearing completion.

Penny Thomson, our Head Gardener, has planted 150 red roses to enhance and beautify this area.

The 31-year-old air conditioning system failed badly for several hours on the recent Cox Plate Day at Morphettville. The entire system for the grandstand is to be replaced. The cost is estimated at \$1.1 million.

The current inefficient system is to be replaced immediately after 2012's Adelaide Cup Day, and already the two custom-made boilers and two custom-made chillers have been ordered. The lead time for delivery of these items is some 12 weeks, hence the delay in installation.

The new air-conditioning system will take about 4 weeks to install, inclusive of all components and associated structural works, and will be undertaken by O'Connors. It can be safely observed that this work has been long overdue.

I, on behalf of the Club, gratefully acknowledge and thank TRSA which made a Club Capital Grant of \$250,000 to the SAJC, and which was used for the upgrading of the raceday horse stalls. Our raceday horse stalls are now much more conducive and amenable to the comfort of the horses that have to be stabled for quite long times on their racing days, and strappers and trainers have been pleased with the final product.

As set out in my previous April 2011 letter, the painting of the grandstand has gone well. The Parks track has really settled down and developed in the last few months. Understandably the course proper will, after Melbourne Cup Day at Morphettville, benefit from a renovation designed to remove thatch and improve soil quality. This will reinvigorate our premier surface and should all take about eight weeks without disruption to racing.

One thing we could have done without was the imposition of an increase in our electrical supply tariff of \$77,000 by ETSA as Morphettville is deemed under the relevant Act's provisions to be a "major consumer". We have had preliminary discussions about solar power at Morphettville, and it would seem that there are few significant Government incentives available for the Club, and the initially suggested cost for a 100% self-sufficient system was at \$5 million. However, our consultations continue to have a commercial and far more realistic result.

Following is a summary of just what has happened to the monies so far received from the Cheltenham sale proceeds (and there is still \$30 million to be paid):

Received / Receivable from Developer	\$85,000,000
Retirement of CBA Loan	\$18,972,569

Retirement of CBA Overdraft	500,000	
Purchase of additional Cheltenham land	321,200	
Panasonic Kitchen	1,650,000	
Victoria Park Insurance	1,350,000	
Victoria Park clean up	1,200,000	
Morphettville Junction Gaming Renovation	1,060,000	
Panasonic Pavilion	1,000,000	
Cabling – Audio/Video	760,000	
Second Track	1,329,000	
Cheltenham Rates and Taxes	700,000	
Entry Renovations	<u>660,000</u>	\$31,073,769
 Total estimated funds available	 \$53,926,231	

DINING FACILITIES

The Club continues to do well from its catering and allied facilities.

Melbourne Cup Day 2011 at Morphettville saw 4,020 people seated for food and drink hospitality packages which ranged from \$115 in the Playground area, to \$250 in Chairman's Room and at \$240 in the Winning Post area on the second floor of the grandstand.

Figures for the Panasonic Pavilion show you that from November 2009 to October 2011 that profits in the venue alone came to \$429,972.27.

A Member recently asked me if we could restrict the Winning Post Restaurant to a Members Only area, and at the very least to try and improve the dress of non-Members using the facilities. Members always have preference and priority to any facilities at the Club, but it would be unfeasible to restrict the Winning Post restaurant as requested as it is too good a source of revenue. I've asked Brenton to also look at the dress standards to see what can be done to improve that situation.

The one kitchen and its overworked facilities in the grandstand are now augmented by the Panasonic kitchen, and that should make for a good presentation for all our dining customers. To have had only one kitchen was inviting inevitable trouble, rather akin to army lines being outstretched.

We are keen to ensure that Members and the public receive good quality enjoyable food at Morphettville and at the Morphettville Junction. Our staff are constantly trying to improve our product. Whenever things do go wrong, they are closely examined and solutions put in place so as to not again occur.

Overwhelmingly I usually skip lunch at Morphettville as I am out and about, as I should be, amongst the Members and owners - but most people tell me that the food and service are of high quality and consistency. There can be, however, no room for complacency nor smugness because we are only as good as the last meal and just simply have to keep on doing well.

Our catering and dining staff really do a magnificent job for us all. We do not kid ourselves that there are not mistakes and problems occasionally, but please let staff know your views and wishes on these matters.

I was very touched by a recent letter sent to the Club by Nikki Egerton who held her 50th birthday cocktail party in the Tapestry Pavilion for 145 guests. She is a delightful lady who further advised me (when I telephoned her) that she was deeply impressed that prior to her function there had been a dinner for 300 people earlier on the raceday, and that the SAJC staff in effecting a turnaround for her cocktail party in just 2 hours was simply brilliant.

Nikky runs her own Events Management business, and over the years, has attended many business and social functions. Her letter shows how thrilled she was with her party.

Similarly, as I previously advised, my niece Karina held her wedding reception in the Tapestry Pavilion on 4th December 2010. It was a simply magnificent event, and my niece, a hard marker, was really delighted and impressed with how well the reception was handled by the SAJC staff. Nothing was too much trouble, and a really happy time was had by all - and something which will always be happily remembered."

LEGAL MATTERS

The action brought by previous Board Member Alistair McFarlane remains unresolved, despite efforts to achieve a settlement. The Club is preparing to defend the litigation claim as it believes that no obligation exists, and the action will be vigorously defended if necessary.

As with all legal claims the Court itself will make available and use its Case Management Systems to achieve a settlement if at all possible and the Club will adopt that approach.

MAJOR RESOLUTION AT 2011 AGM

For the 2011 Annual General Meeting Members will consider a recommendation from the Board that SAJC Members approve an amount of \$1.1m being provided to Thoroughbred Racing SA for race stakemonies.

I explain as follows:

1. Following the sale of the Cheltenham Racecourse, in 2008 the then previous SAJC Board agreed to provide stakemoney contributions of \$10.25m over a 5 year period from 2008/2009 to 2012/2013. Five varying amounts were specified in the agreement as to the annual payments to be made.
2. Due to delays from the Cheltenham Park Residents' Association actions and subsequent Global Financial Crisis, the Cheltenham Joint Developers sought a delayed schedule of payments to be made to the SAJC.
3. The Members at the Club's 2009 Annual General Meeting agreed to the delayed schedule of payments and passed the Resolution to that effect.
4. In 2010 new discussions took place between the SAJC and TRSA, subsequent to the Club's decision to accept a variation in the payment terms from the purchaser. Several meetings were held in April/May 2010 to discuss possible variations to the stakemoney contribution payment structure and the Club's proposed Capital Expenditure.
5. Because of those discussion the SAJC and TRSA concluded a new agreement with regards the payment structure with respect the stakemoney contributions which:
 - provided for the payments to be made over 6 years instead of 5 years
 - varied the previously agreed annual payment schedule to better suit the SAJC's revised position in terms of the receipts/payments from the Joint Venturers
6. The SAJC Board agreed that in acknowledging that TRSA, on behalf of the thoroughbred racing industry, was agreeing to extend by 12 months the payment by the SAJC of the previously agreed \$10.25m stakemoney contribution, with reduced payments in some years and to extend payment timelines without any interest being charged to the SAJC, that it would recommend to Members that they provide an additional \$1.1m in prizemoney contributions in 2013/2014.
7. The agreement reached and executed by the SAJC and TRSA on this matter in 2010, allowed TRSA to bring forward stakemoney increases at the Metropolitan race meetings, earlier than would otherwise have been done.
8. The stakemoney increases which have been made since 2010 have been made in anticipation that the SAJC Members would support the **recommendation** their Board had agreed to place before them for approval. Without the approval of the additional \$1.1m in prizemoney contributions from the SAJC it is likely that stakemoney cuts will be necessary to "re-balance" TRSA's 5 year budget.

9. As you can see, both the SAJC and TRSA have been as business-like and as accommodating as possible.
10. Put simply, the SAJC has, in times of difficulties beyond its control obtained a delayed payment regime, without loss or interest being paid to TRSA, and to the overall benefit of race stakemoney so obviously needed to keep racing solvent.
11. At the time I was telephoned by the Advertiser for the Club's comments and position. I said: "The SAJC's position is quite clear. The SAJC does not renege on its promises."
12. My position remains unchanged. The Club, as an honest broker, keeps its word. It's word is its bond. I ask Members to support the Board's recommendation (approved by all but the last three elected Board Members).

I ask Members to accept the Board's recommendation as a contribution to race stakemonies and confirm the \$1.1m be paid as a contribution to race prizemonies.

Horses

I'm Discreet is now enjoying a well earned spell. Nehru, her so far disappointing half brother, and on his last chance, is now in training with Phillip Stokes.

You're Discreet, a 2 year old full sister (by Sepoy's sire Elusive Quality) to I'm Discreet, is now in training with Richard Jolly.

Buxom, an Al Maher 2 year old filly, raced with friends is now in training with Michael Hickmott. Soon to enter stables are Just Discreet which has thickened up and grown during her spell, and a new two-year-old filly by Shamardal and named Maybe Discreet.

It will now be very much either boom or bust with these horses, but at the very least it will be exciting to see the all lime green colours going around.

Kind regards,

David Peacock

DAVID PEACOCK
Chairman

3rd November 2011