

MINUTES OF MEETING OF CREDITORS OF SPORTS ALIVE PTY LTD (IN LIQUIDATION)
ACN 069 087 332 - ABN 49 069 087 332 HELD AT SEASONS BOTANIC GARDENS
MELBOURNE, 348 ST KILDA ROAD, MELBOURNE VIC 3004 ON THE 13TH SEPTEMBER
2011 AT 10:30AM

PRESENT: Creditors as per attached attendance register.

ALSO PRESENT: Mr Stephen Francis Chant - Director,
Mr Hamish Alan MacKinnon - Liquidator, and
Mr Michael Quin - Bent & Cogle Pty Ltd.

OPENING OF MEETING:

Mr MacKinnon opened the meeting and said the meeting had been convened by a notice dated the 5th September 2011 and by an advertisement which appeared in The Australian newspaper on the 6th September 2011, he believed proper notice of the meeting had been given and the meeting was competent to proceed and consider the items on the agenda.

Mr MacKinnon said there had been a meeting of the members of the company held on the 26th August 2011 where the following resolution had been passed:-

"THAT the company be wound up voluntarily in accordance with the Corporations Act 2001 relating to a Creditors' Voluntary Winding Up and that Mr Keith Sutherland and Mr Hamish MacKinnon, Chartered Accountants of 332 St Kilda Road, Melbourne be appointed joint and several Liquidators".

Mr MacKinnon then tabled the attendance register which listed the names of the creditors present and represented at the meeting.

Before proceeding further Mr MacKinnon said that he wished to make it clear that neither he nor his firm had acted for the director or the company in any way prior to being consulted to assist in the winding up of the company. As a result, the Liquidator's knowledge of the background of the company and its dealings at this stage was limited and questions on such matters may need to be taken on notice.

ELECTION OF CHAIRPERSON:

Mr MacKinnon noted that there were no other nominations for Chairperson of the meeting, and advised that pursuant to Regulation 5.6.17(1)(a) of the Corporations Regulations he would act as Chairperson.

TIME AND PLACE OF MEETING:

Mr MacKinnon said the Chairperson had the responsibility to determine whether the meeting was being held at a date, time and place convenient to the majority of creditors. He believed that the meeting was being held at a date, time and place convenient to the majority of creditors and would record such in the minutes of meeting.

**REPORT AS TO
AFFAIRS:**

The Report as to Affairs ("RATA") signed by the director, Mr Stephen Chant, was tabled and copies made available to the creditors. Mr MacKinnon explained that the RATA sets out the assets and liabilities of the company, he summarised its contents and noted that the net deficiency was \$7,126,172.38. Mr MacKinnon noted that the RATA was to the director's best knowledge and belief however he expected that it would not be perfect. Mr MacKinnon further explained the following:

Debtors (Page 5)

The largest debtor is Bet Worldwide Pty Ltd as trustee for Bet World Wide Unit Trust (BWW) for \$2,552,676.00. BWW is the holding company of Sports Alive Pty Ltd (In Liquidation) (SA). Mr Chant has advised that BWW's only asset is the shares it holds in SA. Mr MacKinnon advised that he would investigate the claim and he may need to seek to apply for a liquidator to be appointed to the company to enable proper investigations to be carried out.

Mr MacKinnon also noted that he was reviewing claims against account holders who were given credit by the company and would be pursuing those claims on behalf of creditors.

Mr MacKinnon also advised that Gerard Daffy was assisting him in the recovery of any winning bet backs SA had with other bookmakers.

Assets Subject to Specific Charges (Page 7)

Mr MacKinnon explained that the company had three Term Deposit accounts. Mr MacKinnon noted that the ACT Racing & Gaming Commission (RCG) considered these to be segregated accounts. Mr MacKinnon provided the following summary:

National Australia Bank Ltd (NAB) Term Deposit:

- Value \$250,000.00. The NAB has advised that it is claiming a set-off of any claims it receives from its credit card facilities. Mr MacKinnon has advised that two letters have been sent to the NAB seeking the basis to which the NAB considers it is entitled to the set-off, but no reply has been received to date.

Bank of Queensland (BOQ) Term Deposit:

- Value \$316,419.78. BOQ has a loan facility for \$300,000.00 and has advised that it will be setting the debt off against the Term Deposit.
- Value \$253,384.25. BOQ have advised that if the GRC call upon the bank guarantee then the BOQ will seek to set-off this liability against this Term Deposit.

Mr MacKinnon advised that a letter has been sent to BOQ advising that these term deposits were identified as segregated accounts by the GRC, and he has requested details as to the basis on which BOQ claim the right of set-off.

Mr MacKinnon noted that if any of these monies were recovered he would then need to consider how these funds would be distributed. Mr MacKinnon noted that if they were considered to be trust monies then they would be distributed pari passu to Account Holders.

Employees

- SA had at the date of liquidation 46 employees owed superannuation, wages, annual leave and redundancy. The RATA has them listed as being owed \$506,856.66. Mr MacKinnon advised that this amount would increase once all entitlements are calculated.

Mr MacKinnon advised that employees had been provided with details for seeking compensation through GEERS. Mr MacKinnon was collecting further information to determine claims up to the date of liquidation. Once received he will be providing the information to employees.

Unsecured Creditors

- The RATA discloses 76 unsecured creditors and Account Holders owed \$8,565,660.94. The major creditors are as follows:

Bet Options	\$237,695
Bet247	\$546,454
Davambros Pty Ltd	\$2,520,796
Punt Club Pty Ltd	\$75,000
Sunnygray	\$274,394
Tote Tasmania	\$510,000

The Account Holder balances maybe summarised as follows:

Account Balances	\$2,677,264.30
Open Bets	549,541.49
Withdrawn funds not paid	<u>447,208.23</u>
	<u>\$3,674,014.00</u>

Mr MacKinnon noted that if segregated monies are recovered he will need to obtain legal advice as to if and how these monies will be paid to Account Holders.

Contingent Assets

The RATA discloses contingent assets including the Account Holder Database with an estimated value of \$1.00 and a GST refund of \$346,518.

Mr MacKinnon noted the ATO currently have a claim of approximately \$370,000.00, plus the SGC claim. Mr MacKinnon advised that SA lodged a BAS return for the June quarter claiming a refund of approximately \$710,000.00. The reason for this is a recent GST case regarding GST charged on international wagering. Mr MacKinnon advised that he would be seeking the recovery of those funds from the ATO.

Mr MacKinnon also advised that the database has been sold for \$120,000.00 plus GST, which he will discuss later.

Contingent Liabilities

Wincel Pty Ltd as the landlord for South Melbourne premises may have a claim under the lease.

Plant & Equipment

All plant & equipment has been collected and will be sold in due course. The values in the RATA were based on an auctioneer's valuation.

Debenture Holders

There are four debenture charges registered against the company. Mr MacKinnon advised that the National Australia Bank Limited has a fixed charge which the director believes has been paid out.

The next two charges were charges granted to Daniel Finley and Coda & Co Pty Ltd, a company of which Mr Finley is a director. These charges were registered in May 2010. Based on company records the amounts owed under these charges are \$2,395,337.00 and \$1,500,000.00. Mr MacKinnon further noted that these charges were assigned to Morlend Finance Corporation Pty Ltd on the 30th August 2011.

Bank of Queensland also has a fixed and floating charge over the company in regards to a debt of \$300,000.00, that was previously discussed.

Share Capital

The company had issued capital of \$7,000,000. Mr MacKinnon noted these shares were owned by BWW and that he understood the money advanced by Tote Tasmania (to acquire 25% of SA) was in regards to the acquisition of units in BWW.

History

Mr MacKinnon advised that at the date of liquidation Mr Stephen Chant was the sole director and secretary of SA. Mr MacKinnon noted that Colin Hiles and Daniel Finley resigned two days prior to liquidation.

Mr MacKinnon advised that SA operated as a sports bookmaker from leased premises at Level 1, 522 City Road, South Melbourne, VIC and Level 1, Thoroughbred Park Canberra Racecourse, Randwick Road, Lyneham, ACT.

The company ceased operating on the 25th August 2011.

The company was licensed as a Sports bookmaker under the Australian Capital Territory Race and Sports Bookmaking Act 2001. As a licensed sports bookmaker it is regulated by the GRC. Mr MacKinnon explained he understood that SA's licence was cancelled on the 26th August 2011 due to the liquidation of SA in accordance with the ACT Race and Sports Bookmaking Act 2001. Mr MacKinnon noted that the GRC considers the licence not cancelled however it has not provided any legal grounds for that view.

SA had the following white label partners:

- Bet247
- Punt Club Pty Ltd
- Bet Sports
- Bet Fair

Mr MacKinnon believed that clients who are customers of Bet Fair will not be affected by the liquidation of SA.

A number of account holders had open bets on the 26th August 2011. Mr MacKinnon advised that he is currently of the view that as SA's licence was cancelled upon liquidation these bets should be cancelled. Therefore, the value of the bet will need to be added back to each account holder's balance. Mr MacKinnon advised that if funds become available for account holders then he will further consider whether his current view is his final determination.

Mr MacKinnon stated he had been advised by an account holder that a Deed Administrator of a Western Australian sports bookmaker allowed the bets to continue and therefore that is the amount they were allowed to claim for under that company's Deed of Company Arrangement. Mr MacKinnon advised that he had left a message with that Deed Administrator to discuss the matter of open bets.

If the segregated account monies do not become available, account holders will be unsecured creditors in the liquidation. Therefore, funds will only be available for account holders and other unsecured creditors once the costs of the liquidation, priority employee claims and secured creditors are paid.

Sale of SA's database

Mr MacKinnon advised that on Friday, 2nd September 2011 a sale of SA's client database was completed to Tom Waterhouse N.T. Pty Ltd ACN 99 142 687 876 (Waterhouse). Waterhouse will be in contact with account holders in due course. No arrangements were made in respect of account holders' credit balances. Mr MacKinnon further advised that Waterhouse has advised this morning that they will be announcing this week that up to \$1 million of account holder balances will be covered.

Bet247 has come to an arrangement with Waterhouse in regards to Bet247 clients. Mr MacKinnon advised that he was not privy to the arrangement. Mr MacKinnon further advised that he is of the view that Bet247 Account Holders owed money by SA will still be unsecured creditors in the liquidation unless they have assigned their debt to Bet247.

Investigations

Mr MacKinnon advised that as liquidator he has the responsibility to investigate SA's affairs and to recover all assets for the benefit of all creditors. Mr MacKinnon will be investigating the prospect of recovering funds pursuant to the provisions of the Corporations Act relating to the following:

- Unfair preference payments
- Unfair loans
- Uncommercial transactions
- Unreasonable director related transactions, and
- Insolvent trading.

In addition to the above his investigations will also be in relation to the following matters:

- the proposed acquisition by Tote Tasmania,
- term deposit accounts,
- auditor,
- director's duties,
- claim against BWW,
- bet back accounts,
- recovery of funds from account holders with credit balances,
- sale of software developed by the company, and
- any other matters that come to his attention through his investigations.

Mr MacKinnon will also be reporting any offences that may have been committed by the director or former directors to the Australian Securities and Investments Commission.

As SA had minimal cash at bank it appears that it had not complied with the Australian Capital Territory Race and Sports Bookmaking Act 2001 in regards to maintaining segregated bank accounts. Mr MacKinnon advised that where he is able he will also assist the GRC if it requests his assistance.

Mr MacKinnon advised that he has reviewed the profit and loss statements for the years ended 30th June 2008 to 30th June 2010, which were audited and the management accounts for year ended 30th June 2011.

A summary of those accounts were provided as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Gross Profit	3,273,144	3,910,471	5,049,669	2,123,298	2,356,199
Expenses	(3,108,064)	(3,616,449)	(4,517,637)	(3,417,606)	(5,688,571)
Other	(810,601)	(629,638)	(777,401)	(840,851)	(619,447)
Net Profit/(Loss)	<u>(645,521)</u>	<u>(335,616)</u>	<u>(245,369)</u>	<u>(2,135,159)</u>	<u>(3,951,819)</u>

Therefore in the last five years the company had reported a total loss of \$7,093,484.00.

Based on the company's audited accounts for the years ended 2008 through to 2010, it had significant deficiencies in cash versus account holder balances, as disclosed below:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cash & Equivalent	1,014,630	1,281,264	1,193,557
Bank overdrafts	<u>348,242</u>	<u>415,440</u>	<u>300,000</u>
	666,388	865,824	893,557
Customer balances & unsettled bets	<u>1,582,318</u>	<u>1,638,551</u>	<u>1,146,840</u>
Shortfall	<u>(\$915,930)</u>	<u>(\$772,727)</u>	<u>(\$253,283)</u>
% of Cash v Account Holder Balances	42%	53%	78%

Mr MacKinnon advised that he has not had the opportunity to verify the above figures, however he noted that the accounts were audited as a requirement of the company's licence.

Mr MacKinnon believed that based on the above the company has been insolvent from at least 2008.

Mr MacKinnon called for questions or comments from creditors however there were none forthcoming.

**DIRECTOR'S
STATEMENT:**

Mr MacKinnon then called upon Mr Stephen Francis Chant, to explain to the meeting the circumstances leading up to the winding up.

Mr Stephen Chant then read from the attached written statement, a copy of which is attached.

**QUESTIONS/
COMMENTS FROM
CREDITORS:**

Mr MacKinnon called for questions or comments from creditors.

Mr Dennis Tuan-Mu then advised that he had been contacted by 75 other account holders and represented many of them at the meeting, and as a result he had a number of questions to put to the meeting.

Mr Tuan-Mu then advised that it appeared the segregated accounts held by the company were deficient from 2008 onwards. He advised that under the legislation, the funds into and out of the segregated accounts should be documented. He asked where the money has gone. Mr MacKinnon advised that the financial accounts indicate that the company has made substantial losses, and that these losses appear to have been funded in part by account holder monies.

Mr Ian Tripp then noted that the company appears to have been insolvent for three years, and asked what the GRC had been doing with regards to regulating the company's operations. Mr MacKinnon advised that he has been trying to speak to or meet with representatives of the GRC, and stated that he has been provided with monthly accounts submitted by the company to the GRC which show account balances and amounts owing to account holders. He advised that Mr Chant has explained that there were computer issues which resulted in the monthly accounts not generating the correct customer balances.

Mr Cameron Taggart then asked whether the account holders were going to get any of their money back. Mr MacKinnon advised that Tom Waterhouse NT Pty Ltd ("Waterhouse") had advised prior to the meeting that it would be honouring account balances up to a total of \$1 million. He added that he was not sure how Waterhouse would be allocating these monies, as it was a matter for Waterhouse. Mr MacKinnon added that if the segregated account monies were recovered, there may be a distribution of these monies to account holders.

Mr Jason Neave then referred to the sale of the company's database for \$120,000.00, and commented that the sale price appears to be too low. He asked what advice Mr MacKinnon received with regards to a realistic valuation and what conditions there were on the sale of the database. Mr MacKinnon advised that the offer received was by far the best offer received from a number of betting agencies. He added that no arrangements had been made with regards to account holders' balances, however Waterhouse gave the best indication out of the interested parties

that balances may be honoured. Mr MacKinnon noted that now that Waterhouse has had time to consider the account balances, Waterhouse has advised that it would be honouring balances up to a total of \$1million.

Mr Tuan-Mu then noted that the company's betting licence had not been cancelled, and asked why the sale of the database had been so quick, and why there were no conditions attached to the sale. Mr MacKinnon advised that a sale with conditions would be difficult to structure. He added that the database's value reduced each day, and it was therefore important to finalise a sale quickly. Mr MacKinnon advised that he had contacted a number of betting agencies, and provided them with company information, and the best offer received was from Waterhouse. Mr MacKinnon added that he obtained the secured creditor's approval to the sale. Mr MacKinnon re-iterated that the sale to Waterhouse was the best offer and gave the best indication of account holders getting some benefit.

A creditor then asked whether it was up to Waterhouse as to which account holders were paid and how much, to which Mr MacKinnon said that it was.

Mr Taggart then asked what personal information was provided to Waterhouse. Mr MacKinnon advised that personal information and account balances were provided, but no banking information or betting history were provided. Mr Tuan-Mu then asked Mr MacKinnon to advise exactly what information was provided. Mr MacKinnon advised that names, addresses, and other contact information were provided, along with account balances, details of open bets and outstanding withdrawals.

Mr Tuan-Mu noted that with regards to the purchase of Bet247's database, Waterhouse had advised that balances would be met, but then advised that some balances would not be met. Mr MacKinnon advised that he was not a party to that sale agreement, and was not aware of what arrangements were made.

Mr Neave then asked whether Mr MacKinnon was entitled to sell account holders' personal details under the Privacy Act. Mr MacKinnon advised that he was of the view that he could sell the database, and had received legal advice to this effect. He advised that he took the commercial view that he should sell the database. Mr Neave advised that account holders would be in favour of a sale if their account balances were honoured, but not otherwise. Mr MacKinnon advised that he believes he made the right decision.

Mr Ilia Fisher then asked whether the GRC investigated the segregated account balances, and whether the Liquidator has copies of what was provided to the GRC. Mr MacKinnon advised that he understands that a number of account holders have made complaints to the GRC regarding the segregated accounts, and advised that he had been provided with copies of monthly reports provided to the GRC, and that he was waiting for further information from the GRC.

Mr Tuan-Mu then asked about the transfer of the secured creditors' charges. Mr MacKinnon advised that he would need to consider the secured creditors' claims and the assignment of the charges further, in the event that he was paying a dividend. Mr Tuan-Mu advised that the secured creditors' claims affect the outcome of any vote at the meeting. Mr MacKinnon advised that he would be allowing the secured creditors to vote for the full amount of their claims, less the estimated value of their

security.

Mr Tuan-Mu then referred to the open bets and noted that in a similar external administration, BettingWest Pty Ltd, the account holders were considered partly secured creditors because of the segregated accounts. He asked why account holders were not treated as partly secured creditors. Mr MacKinnon advised that as he had explained previously, he will consider the account holders' claims further in the event that monies are recovered from the segregated accounts.

Mr Tuan-Mu then asked about the \$250,000.00 bond held by the GRC. Mr MacKinnon advised that it was a matter for the GRC as to whether they call upon these monies and up to them as to how the monies will be divided up amongst the account holders. He added that as Liquidator of the company, he will be treating account holders as unsecured creditors until any monies are recovered from the segregated accounts.

Mr Jason Neave then stated the he believes that the monies in the segregated accounts should be set aside for the account holders. Mr MacKinnon advised that if the National Australia Bank was to send \$250,000.00 to the company, he would seek legal advice as to how the monies should be treated, and added that until monies are recovered he would not be considering the account holders' claims to the segregated accounts. Mr Neave stated that it would not be a waste of the Liquidator's time if he were able to provide account holders with an assurance as to how their claims would be treated. Mr MacKinnon advised that if account holders were willing to fund legal advice on the issue, he would be prepared to obtain legal advice, however he advised that at this stage he did not have sufficient funds to obtain the legal advice. Mr Tuan-Mu then noted that if account holders were given some assurance, they may be more willing to provide funding to obtain the legal advice.

Mr MacKinnon then advised that the segregated accounts were reported as such to the GRC, however the account names did not include any reference to the monies being held on trust, or any notes that the monies were held as segregated accounts. Mr Tuan-Mu asked Mr MacKinnon to confirm that he had not seen any reference to trust or segregated accounts in the company's bank accounts, to which Mr MacKinnon replied that he had not.

Mr Ian Tripp then advised that in some instances account holders had requested withdrawals of monies from their account, in which case the withdrawals were reflected in the account balances, however the monies were never paid. Mr MacKinnon advised that he was aware of the issue, and that he had details of the outstanding withdrawals. Mr MacKinnon advised that these details have been provided to Bet247 and Waterhouse.

Mr Tripp asked Mr MacKinnon to advise how long the company had been insolvent for. Mr MacKinnon advised that in his preliminary view, the company was insolvent since 2008, however he added that further investigations were required. Mr Tripp then asked whether Tote Tasmania and the GRC should have been aware of the company's insolvency. Mr Tripp added that it appears that account holders were not going to receive any monies in the liquidation, and the only prospect of a recovery is through a claim against Tote Tasmania or the GRC for a breach of their duties. Mr MacKinnon stated that he was bemused that Tote Tasmania and the GRC were not aware of the company's financial position, but added that he as Liquidator or the company may not have a claim against

the regulators.

Mr Kevin Leong asked whether creditors could pursue the company's directors for insolvent trading. Mr MacKinnon advised that creditors could pursue the directors personally, but only in the event that a Liquidator is not pursuing the directors.

Mr Robert MacMillan then noted that Mr MacKinnon advised that he had reviewed two sets of audited accounts. Mr MacKinnon advised that he had reviewed three audited accounts, for the 2008, 2009 and 2010 financial years. Mr MacMillan then asked whether the auditor should be held accountable for the company's position. Mr MacKinnon advised that there may be a claim against the auditor, however he advised that the auditor had noted his concerns with regards to the company's solvency and its ability to continue as a going concern in the audit report.

Mr Neave asked Mr MacKinnon whether he had seen any sign of fraudulent activity, given the account holders' balances appear to have been recorded or reported incorrectly. Mr MacKinnon advised that he had not at this stage. He advised that with regards to the outstanding withdrawals, it appears that the company's system would note the withdrawn amounts as soon as they were requested by the account holder to avoid account holders being able to continue to use the funds to place bets, however there was a delay in processing and paying the withdrawals. Mr MacKinnon advised that in the period prior to liquidation, the company appears to have paid some withdrawals but not others. Mr MacKinnon was then asked whether this action might be considered fraudulent, given that there was an intent to conceal the true position of the company, to which Mr MacKinnon advised that he did not believe the action was fraudulent.

Mr Michael Johns then referred to the amount of \$2.5million owing to the company from Bet World Wide Pty Ltd, and asked how the debt arose and what the monies were used for. Mr MacKinnon advised that he has not considered this claim in any detail, however Mr Chant had advised him that the debt has been in the company's accounts for some time and came about after refinancing several years ago. Mr MacKinnon advised that it appears that Bet World Wide had no assets, and that he may seek to wind up the company so that it can be properly investigated by a liquidator.

Mr Gary Walsh then advised that he had invested \$500,000.00 into Bet World Wide in October 2008, and had never received any profit and loss reports or any accounting from the company. He advised that he believed his monies were used by the company to pay debts.

Mr Neave then noted that the company had \$7million in paid-up share capital, and asked where this money had gone. Mr MacKinnon advised that \$5.5 million was invested by Tote Tasmania and Mr Walsh into Bet World Wide, and that this money appears to have been paid into SA and used to repay old debts and in funding the day-to-day operations of the business.

Mr Fisher then asked when superannuation was last paid. Mr MacKinnon advised that he believed the last payment was made in late 2009.

Mr Mark Garner then asked whether account holders would have access to their transaction history. Mr MacKinnon advised that he would not be providing access at this stage given the time and costs involved, however

he intends to consider and deal with the account balances over the next few weeks.

Mr Chris Klingsporn, a former employee, then noted that Mr Chant explained that Tote Tasmania was going to invest in the company in order to keep it going, and asked what happened to Tote Tasmania's investment. Mr MacKinnon advised that Tote Tasmania appears to have had concerns about its investment in early 2011, and arranged for Ferrier Hodgson to prepare a report on the company's viability. Mr MacKinnon advised that Tote Tasmania appears to have then decided not to invest any further monies into the company, however he noted that discussions continued between the company and Tote Tasmania until the week prior to the liquidation.

Mr Michael Johns then referred to the term deposits held by the company, and added that they were not noted as segregated accounts. He asked how the term deposits were charged to the banks. Mr MacKinnon advised that the company obtained a loan from BOQ for \$300,000.00 to be placed into a term deposit account. He advised that \$250,000.00 securing the bank guarantee appears to have come from company monies, as BOQ would have required security before issuing the bank guarantee. Mr Fisher then asked whether there was any commercial reason as to why the company would have borrowed \$300,000.00 from BOQ, only to place it into a term deposit, other than to satisfy the regulator. Mr MacKinnon advised that there was probably not.

Mr Tuan-Mu then stated that in his opinion, the conduct of the company with regards to the monies held in term deposit was clearly fraudulent. Mr MacKinnon advised that with regards to the \$250,000.00 bank guarantee in favour of the GRC, if the GRC was to call on the bank guarantee, the BOQ would need monies to secure the bank guarantee. Mr Tuan-Mu then stated that the monies securing the bank guarantee should have sat separately to the segregated accounts.

Mr Tuan-Mu then asked who the related creditors were, and whether there were any monies paid to the related creditors prior to the liquidation. Mr MacKinnon advised that the related creditors noted on the list of creditors were Colin Hiles & Associates, SMC, Sunnygray, and the secured creditors, Daniel Finley and Coda & Co Pty Ltd. He advised that Davambros Pty Ltd was related to Peter Sidwell, which had a claim for \$2million, plus interest, and this debt was not related. Mr Tuan-Mu then asked whether the \$2million was paid to the company, to which Mr MacKinnon replied that it was.

Mr Michael Johns then referred to the secured claims previously owing to Daniel Finley and Coda & Co Pty Ltd, and asked whether the monies comprising their claims had been paid to the company. Mr MacKinnon advised that he was satisfied that the debts were owing. Mr Johns asked whether he was satisfied the charges had been properly assigned. Mr Michael Landy then stated that the charges had been assigned to Morlend Finance Corporation Ltd and that the assignment was not relevant to the creditors' meeting.

Mr Fisher then asked where the secured creditors' claims were noted in the RATA. Mr MacKinnon noted that the claims were listed on the back page of the RATA, and that they were inadvertently not listed on the summary pages. He advised that the total secured claims of \$3,895,337.67 should have been noted at Section 3.4 of the summary

pages which would increase the total deficiency. He advised that he would be amending the RATA prior to lodging it with ASIC, and would also post an amended RATA to the Bent & Cogle website.

Mr Shaun Corcoran, a former employee, then asked where employees stand with regards to outstanding superannuation, in particular with regards to monies held in the segregated or non-segregated accounts. Mr Corcoran also noted that Morlend Finance Corporation's charges were assigned to it after the date of liquidation. Mr MacKinnon advised that the charges were registered in 2010, and the fact that they had now been assigned to Morlend Finance Corporation was irrelevant to the employees' position. He advised that with regards to outstanding superannuation, it would only be paid if sufficient monies were realised from the sale of the floating charged assets, and noted that floating charge assets generally comprise debtors, cash at bank and other readily changeable assets, as opposed to fixed charge assets which included plant & equipment. He advised that monies realised from the sale of the floating charge assets would be paid to employees prior to being available for distribution to the secured and unsecured creditors.

Mr Corcoran then asked about creditors taking their own action against the directors, and asked whether employees could also pursue directors. Mr MacKinnon advised that an employee could pursue the directors in the event that a liquidator does not. Mr MacKinnon added that if recoveries were made from an insolvent trading claim, these monies would be available to the employees, and then the unsecured creditors, and the secured creditors would have no claim to these monies, other than to claim as an unsecured creditor.

Mr Tuan-Mu then asked whether the company had made any significant payments to related parties in the 3 to 6 months prior to the liquidation. Mr MacKinnon advised that his preliminary view is that the company has not, and that Mr Chant has advised that no large payments were made to related parties in recent months. Mr Tuan-Mu then asked about the Liquidator's right to claw back payments made prior to liquidation. Mr MacKinnon advised that he could claw back payments made to unrelated creditors in the six months prior to the winding up, whereas he could claw back payments made to related parties in 2 years prior to the winding up, or longer periods in certain circumstances.

Mr Gary Benson then asked whether there were any qualifications expressed by the auditor in the audited accounts. Mr MacKinnon advised that the auditor had noted concerns with regards to the company's financial position and solvency in the 2009 and 2010 accounts.

A creditor then asked whether representatives of the GRC attending the meeting of creditors had any comments to make. Mr Mick Hines, representing the GRC, then stated that he was not authorised to make any comment to the meeting, except to say that the GRC was conducting investigations, and that these were ongoing investigations, and that he was not able to comment any further.

Mr Tuan-Mu then asked whether the directors had given any personal guarantees to creditors. Mr MacKinnon advised that he did not know as it was not relevant to the liquidation, and added that he does not act for the director or former directors.

Mr Tuan-Mu then asked whether the company's premises was owned or

leased. Mr MacKinnon advised that the premises were leased from Wincel Pty Ltd.

Mr Fisher then asked whether Tote Tasmania had appointed any directors to the company, and if so who and for what period. Mr MacKinnon advised that Craig Coleman of Tote Tasmania was appointed on 10 December 2009 until he resigned on 14 April 2011.

Mr Gary Benson then asked whether the GRC could give any indication as to how the \$250,000.00 would be treated. Mr Hines advised that he was not authorised to make any comment. Mr Neave then advised that the GRC CEO had commented previously that the \$250,000.00 would be available for account holders and not a penny more.

Mr Benson then asked whether a Liquidator could pursue Tote Tasmania for breach of agreement. Mr MacKinnon advised that he has not considered a potential claim, but added that Mr Chant was providing him with a detailed report with regards to Tote Tasmania.

Mr Neave then asked whether the deficiency noted in the RATA would increase by the amount of the secured creditors' claims. Mr MacKinnon advised that it would, and that the total deficiency should be approximately \$12million. He added that he would be amending the RATA prior to lodging it with ASIC as the summary page did not match the schedules.

Mr Tuan-Mu then asked which law firm was advising the liquidator. Mr MacKinnon advised that Madgwicks was advising him.

**DECLARATION
OF INDEPENDENCE,
RELEVANT
RELATIONSHIPS
AND
INDEMNITIES:**

Mr MacKinnon tabled a copy of the Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") signed by the Liquidator. Mr MacKinnon explained the contents of the DIRRI and noted that the DIRRI sent to all creditors has since been amended because the indemnity from Mr Chant has now been withdrawn, and the indemnity provided by Morlend Finance Corporation Pty Ltd ("Morlend") was now a written indemnity, capped at \$100,000.00, plus GST.

Mr MacKinnon called for questions or comments from creditors.

Mr Neave asked when Morlend approached Mr MacKinnon. Mr MacKinnon advised that Michael Landy of Morlend had called him one day prior to the liquidation to arrange for him to speak with Mr Chant. Mr Neave asked whether Mr Landy had concerns about the company's position. Mr MacKinnon advised that Mr Chant sought advice from Mr Landy with regards to the company's position, and that Mr Landy had referred Mr Chant to him.

A creditor then asked Mr MacKinnon to clarify that Morlend had advised Mr Chant to contact Mr MacKinnon, that Mr MacKinnon had sold the company's database for \$120,000, and that Morlend had subsequently provided Mr MacKinnon with an indemnity of up to \$100,000.00. Mr MacKinnon advised that the written indemnity was provided at the time of the sale of the database in order to effect a partial release of Morlend's

charge.

Mr Tuan-Mu then asked whether the Liquidator's fees would come out of the \$120,000.00 received from the sale of the database. Mr MacKinnon advised that Morlend had agreed that \$100,000.00 from the sale of the company's fixed charge assets could be applied in the first instance to the Liquidators' fees and expenses, before a distribution is made to Morlend under its charge. He added that he had not yet formed a view as to whether the database was a fixed or floating charge asset.

Mr Neave then asked if Mr MacKinnon had obtained legal advice with regards to the segregated accounts. Mr MacKinnon advised that he had sought preliminary advice, and his preliminary view was that if the funds held in term deposit constituted segregated funds, then they should be for the benefit of the account holders. He added that other classes of creditor also had competing claims in respect of the monies held.

APPOINTMENT OF LIQUIDATOR:

Mr MacKinnon then noted that creditors have the right to appoint their own liquidator, and he noted that he had received a Consent to Act from Mr M Carrafa, Mr D Lofthouse and Mr P Sweeney of SV Partners to be appointed as alternate liquidators.

Mr Landy then asked that the motion be put to a poll. Mr MacKinnon advised that he would provide creditors with details which the alternate liquidators had provided him with. Mr Tuan-Mu noted that the alternate liquidators had provided a consent to act, a Declaration of Independence and a fee schedule.

Mr MacKinnon then advised the meeting that Keith Sutherland and he would continue to act independently and carry out their duties as liquidators. Mr MacKinnon advised that he was of the view that a change of liquidators would not improve the return to creditors, would increase the costs of the liquidation, and the secured creditor may consider whether he appoints a Receiver and Manager.

Mr Tuan-Mu then addressed the meeting. He advised that he was seeking the removal of the current liquidators in order to ensure that the account holders would be properly represented in the liquidation. He noted that Mr MacKinnon and Bent & Cogle had done a good job so far, but he believes a different liquidator would be able to conduct more due diligence on particular areas of interest. He advised that the alternate liquidators have no affiliations with the company or any of the directors, former directors or secured creditors. He added that his main area of concern was for the company to be investigated properly.

Mr Tuan-Mu then advised that a number of account holders had an issue with the sale of the database for \$120,000.00, and noted that a group of account holders were considering whether to purchase the company and its licence. He noted that a number of betting agencies had been bought and sold in recent times, and he questioned whether the sale of the database was at fair value, especially given that the purchaser gave no assurance as to the account holders' balances.

Mr Tuan-Mu advised that another area of concern was with regards to insolvent trading claims against the director and former directors. He advised that account holders were prepared to fund the alternate

liquidators to investigate and pursue possible claims. When asked, Mr Tuan-Mu stated that he was unsure whether the account holders would fund the current liquidators to investigate and pursue the claims.

Mr Landy then called for the matter to be put to a vote.

Mr MacKinnon then advised that he and his staff have worked particularly hard to get to where they are with regards to the liquidation of the company. He advised that his fees to date were in the vicinity of \$60,000.00 to \$65,000.00 which represented substantial work undertaken to date. Mr MacKinnon noted that his hourly rates were lower than the rates of the alternate liquidators. Mr MacKinnon also advised that Morlend has stated that it would consider appointing a Receiver and Manager in the event that new liquidators are appointed.

Mr Landy then noted that he holds proxies totalling \$6.4 million and requested that the matter be put to a vote.

Mr MacKinnon then stated that voting slips would be distributed to all creditors present. He advised that for the resolution to be carried, it must be passed by a majority in number and a majority in value of creditors voting on the resolution. He added that based on the creditor claims he was aware of, it appears that the resolution would not be carried, but noted that Mr Tuan-Mu has requested that the matter be put to a vote.

Mr Fisher then asked what Mr MacKinnon's relationship with Morlend was. Mr MacKinnon advised that Mr Landy had referred matters to him previously. Mr Tuan-Mu then queried Mr Landy's right to vote in respect of the proxies held by him. Mr MacKinnon advised that he would allow Mr Landy to vote in respect of the proxies held by him.

Mr Tripp then asked whether it was the role of the liquidators to recommend whether criminal charges should be brought against the company's directors. Mr MacKinnon advised that he is required to report to ASIC, and bring any breaches of law to ASIC's attention.

The following resolution was then considered:

"THAT Mr Hamish MacKinnon and Mr Keith Sutherland be removed as joint and several liquidators and be replaced by Mr M Carrafa, Mr D Lofthouse and Mr P Sweeney as joint and several liquidators of the company."

*Moved By: Dennis Tuan-Mu
Seconded by: Punt Club Pty Ltd*

Mr MacKinnon then noted the results of the poll as follows:

In favour:	61 creditors with claims totalling \$661,614.96
Against:	30 creditors with claims totalling \$7,593,637.85
Abstain:	5 creditors

Mr MacKinnon advised that as a majority in number, but not a majority in value had voted in favour of the resolution, the resolution was not carried. Mr MacKinnon advised that he would not be exercising his casting vote as he had a perceived financial interest in the outcome of the vote. Mr MacKinnon further noted that for the reasons already provided to

creditors, if he did exercise his casting vote it would be to vote against the resolution.

Mr MacKinnon declared that the resolution was not carried.

**LIQUIDATORS'
REMUNERATION:**

Mr MacKinnon then referred creditors to the Remuneration Report contained in the Circular to Creditors dated the 5th September 2011. The following resolution was then put to creditors after explanation from Mr MacKinnon:-

"THAT the remuneration of the Liquidators be fixed in respect of themselves and employees of Bent & Cogle Pty Ltd at the hourly rates applicable to the grades or classifications set out in the Bent & Cogle Pty Ltd Scale of Hourly Rates adjusted from time to time for CPI, up to a limit of \$200,000.00 plus GST".

*Moved by: Robert MacMillan
Seconded by: Michael Landy*

Mr MacKinnon and Mr Tuan-Mu abstained from voting in respect of the proxies held by them. All other creditors voted in favour of the resolution, and none against. Mr MacKinnon declared that the resolution was carried.

**COMMITTEE OF
INSPECTION:**

Mr MacKinnon explained to creditors the purpose of a Committee of Inspection. Nominations for a Committee of Inspection were received and the following resolution was then put to creditors:-

"THAT a Committee of Inspection be appointed comprising the following members:-

- *Michael Landy,*
- *Dennis Tuan-Mu,*
- *Bet247 Pty Ltd,*
- *Gary Walsh,*
- *Ian Tripp,*
- *Punt Club Pty Ltd, and*
- *Chris Klingsporn.*

*Moved by: Robert MacMillan
Seconded by: Michael Landy*

All creditors voted in favour of the resolution, and none against. Mr MacKinnon declared that the resolution was carried.

**DESTRUCTION
OF BOOKS AND
RECORDS:**

Mr MacKinnon explained to the meeting the purpose of having creditors consider a resolution that the Liquidator be authorised to destroy the books of the company within a period of five (5) years after dissolution of the company. Mr Hines advised that the GRC considers it important that the records are not destroyed. Mr MacKinnon noted the GRC's concerns

and advised that he would not be seeking the proposed resolution at the meeting, but would consider obtaining approval from the Committee of Inspection at a later date.

GENERAL:

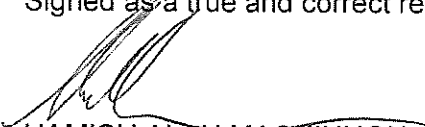
Mr MacKinnon advised that he would be sending out a circular and posting it to the website advising that there may be a return to creditors depending on recoveries.

Mr MacKinnon further advised that he would continue his investigations and report to ASIC as required by the Corporations Act 2001.

Mr MacKinnon asked if there were any final questions or comments from creditors however there were none forthcoming.

There being no further business Mr MacKinnon thanked creditors for attending the meeting and declared the meeting closed at 1.15pm.

Signed as a true and correct record of proceedings this 12th day of October 2011.



HAMISH ALAN MACKINNON
CHAIRPERSON

Encl

Draft Statement by Director for Creditors Meeting

1. A core group of the current owners of Sports Alive purchased the business during 2003.
2. The directors of Sports Alive were comfortable with the direction of the business in its early stages.
3. In December 2009 Tote Tasmania took an equity interest in Sports Alive and the company expanded.
4. The reason we are here today is because we believe Sports Alive has been badly let down by Tote Tasmania.
5. Tote Tasmania made certain undertakings and promises to the board of Sports Alive – which upon their reliance Sports Alive expanded the business – Tote Tasmania did not come good on their undertakings and promises.
6. It is regrettable and I am deeply sorry that it has ended up the way it has.
7. There are still many issues to be resolved, many of which I cannot discuss at this stage, but these will become apparent in due course.
8. To kill rumour mongering - to the best of my knowledge no director has absconded or cheated the company of its funds - in fact some of the directors have lost substantial amounts of money.
9. To those suppliers, customers, employees and partners of the business – I would like to thank you all for the support over years – and once again I am sorry it has ended up this way.