

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE RACING INDUSTRY
AND
THE GAUTENG PROVINCIAL GOVERNMENT**



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Parties

The parties to this memorandum of understanding are:

- (a) The Gauteng Provincial Government, duly represented by the MEC: Finance & Economic Affairs.
- (b) The Horse Racing industry in Gauteng, including the three Gauteng clubs, duly represented by Brian Mehl, Peter Jaeger and Derrick Wiid.

Preamble

Whereas the parties are desirous of restructuring the Horse Racing Industry in Gauteng;

and Whereas the parties have considered the process and its effects ;

Be witnessed as follows :

The racing industry in Gauteng and the Gauteng Provincial Government have agreed to re-organise and restructure the business of the Racing Industry into a single corporate structure which will be listed on the Johannesburg Stock Exchange as soon as practically possible. This new company will have a broad base of shareholders with specific emphasis on previously disadvantaged communities.

Principles

To give effect to this agreement the following key principles have been agreed and accepted by both parties:

1) Structure:

The assets of the Totalisator Agency Board (TAB), the Highveld Racing Authority (HRA) and the existing clubs will be incorporated into a new company.

For the purposes of listing, the shareholders of the new company shall comprise the following :

• Racing Trust	30%
• Black Economic Empowerment Groups	22,5%
• Strategic Investor(s) Management	20%
• Employee Share Program	2,5%
• General Public	15%
• Racing Public	10%

The terms of the Charter of the Racing Trust, including the closure clause, will be drafted by the Interim Board and approved by the parties to this memorandum of understanding.

A Racing Association comprising the owners, club members and other persons or groups of persons that the Interim Board may agree upon, representing racing in Gauteng, make available the image of racing to this new company in terms of a laid-down stakes policy.

2) Implementation

2.1. An interim board comprising six (6) members ; three appointed by the Racing Industry and three appointed by the Provincial Government.

2.2. The interim board will draft an implementation plan within two months of the signing of this memorandum of understanding. The implementation plan will cover issues including selection of the black empowerment groups; strategic investor(s) and/or management groups; compiling the racing trust's charter; ensuring the incorporation of racing assets into the new company; preparing the new company for hand-over to the new Board elected by the new shareholders; and dealing with all other related issues.

2.3. Approval of the plan by the parties will take place before 15th August 1997.

2.4. Once approved, the interim board will ensure that the plan is implemented.

Both the Provincial Government and the Racing Trust will be equitably compensated for the assets that are transferred to the new company.

3) Taxation

It is the prerogative of Government to decide on the level of taxation it will impose on the new company. It is accepted that, once listing has occurred, the rate of totalisator tax will be 5% (five percent) on turnover and that the tax will be applied on a basis consistent and equitable with that imposed on other forms of gambling.

It is agreed that a 5% (three percent) levy on bookmakers, being 50% (fifty percent) of the current 6% (six percent) levy on bets, would be passed on to the new company.

4) Licences

In order to provide for protection to this new company it was agreed to investigate the possibility of providing an initial exclusive totalisator licence to the new company for a period of up to 10 (ten) years.

It is recognised that the new company will be eligible to apply for gambling / gaming licences in accordance with the Gauteng Gambling and Betting Act and policy provisions.

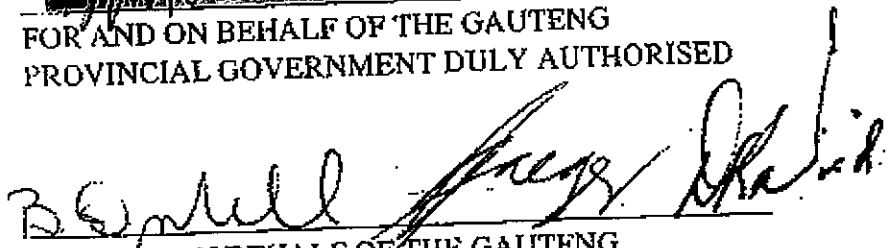
General

2) If necessary, legislation will be introduced to the Gauteng Provincial Legislature to give effect to this memorandum of understanding.

Thus done and witnessed at Johannesburg on this the 30th Day of JUNE 1997;



FOR AND ON BEHALF OF THE GAUTENG
PROVINCIAL GOVERNMENT DULY AUTHORISED



FOR AND ON BEHALF OF THE GAUTENG
HORSE RACING INDUSTRY DULY AUTHORISED

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PART 1

i) Fairview racecourse

the farm The Apex No. 12 and the Remainder of the Farm Progress No. 13, both in the division of Port Elizabeth; and

Remainder of the Farm Progress South No. 406 and Remainder of the Farm Progress North No. 405, both in the division of Uitenhage.

ii) Arlington racecourse

Erf 4195, Walmer and Erf 6882 (Portion of Erf 2000), Walmer, both in the district of Port Elizabeth.

PART 2

i) Vaal racecourse

Subdivision 15 of the Farm Rietfontein No. 152, district of Heilbron;

ii) Bloemfontein racecourse

Subdivision 13 of the Farm Sunnyside, Erf 2620, district of Bloemfontein.

PART 3

i) **Newmarket racecourse**

Remaining extent of portion 466 of the farm Elandsfontein 108, Registration Division I.R., Province of Gauteng.

Portion 429, (a portion of portion 171) of the farm Elandsfontein 108, Registration Division I.R., Province of Gauteng.

Portion 1 of Erf 920 New Redruth.

Portion 1 of Erf 921 New Redruth.

Portion 1 of Erf 922 New Redruth.

Erf 1005 New Redruth.

Portion of portion 377 of the farm Elandsfontein 108, Registration Division I.R.

ii) **Turffontein racecourse**

Turffontein extension 2 township (consisting of Erven 1732 and 1733 Turffontein extension 2 and the remaining extent of Turffontein extension 2).

iii) **Gosforth Park racecourse**

Portion 97 of the farm Elandsfontein 108, Registration Division I.R., Province of Gauteng.

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PART 4

Kimberley racecourse

Remaining Extent of the Farm Jockey, Erf 78, district of Kimberley.

