

Recd 20/2/06

MEMORANDUM

STRICTLY CONFIDENTIAL

TO THE ACTING VICE CHANCELLOR, ROBIN POLLARD ONLY

I refer to your email of 17 February 2006. In that email you asked me to provide a comprehensive report on all the facts and the events up to the present time in relation to the Chancellor acquiring a personal interest in Tattersalls Hotel. My reply below is based on what I know or have heard. I do not have records of Services UNE Ltd, except for documents relating to it being set up. Some material here is supplied as background information.

1. On 11 May 2005 Stephen Hall was appointed Receiver and Manager of UNE Union. Hall was also appointed Administrator of UNE Union Ltd pursuant to a resolution of that company.
- 2.1 On 2 June 2005 Hall issued a Report to UNE on UNE Union and UNE Union Limited. The report inter alia referred to the businesses operated by UNE Union under the following headings:
 - Belgrave Twin Cinema
 - Tattersalls Hotel
 - Retail
 - Food & Beverage and
 - Sleek Hair Studies (P3 & 4 of the Report).
- 2.2 Hall in the Report made the following recommendations amongst others (p.15):
 - (a) A new entity, controlled by the University, be established for the purposes of entering into a Deed of Arrangement to transfer the existing assets and liabilities of the UNE Union to that entity.
 - (b) The controlled entity be incorporated.
 - (c) UNE Union Ltd seek approval from creditors to enter into a Deed of Company Arrangement as follows:
 - Tattersalls Hotel to be sold;
 - Leases and hire purchase agreements be assigned to the new company.
 - Upon the Deed being fully effectuated, UNE Union Ltd be placed into liquidation with any surplus funds to be distributed to its shareholder UNE Union.

- Upon the controlled entity being established and all assets and liabilities transferred, the new Board to give consideration to engaging a consultant who with the CEO would review each of the businesses.
- 2.3 In his report Hall outlined the reasons why Tattersalls Hotel should be sold (p.16). He was concerned to retire debt and to provide adequate working capital for the new entity, particularly I think against the backdrop of VSU.
 - 2.4 Hall was also concerned about stamp duty implications in relation to the hotel if the hotel was transferred to the new entity as distinct from being sold.
 - 2.5 The Report of 2 June 2005 contained a valuation of Tattersalls Hotel from Manenti, Quinlan. The Hotel was valued at \$2,350,000.
 - 2.6 The report was made available on a confidential basis to at least the Chancellor, John Cassidy, Graeme Dennehy (Executive Director Business and Administration) and Sue Paini (CEO of UNE Union). It was not made available on a wider scale because of the significant information it contained, particularly, the valuation of the Hotel.
- 3 On 7th July 2005 there was a meeting between Hall, his solicitor Chris Zucker, myself and I think Sue Paini. During that meeting a proposal was discussed where UNE Union Limited would change its constitution and become Services UNE Limited. There were concerns at that time in relation to stamp duty that may be payable on such a restructure.
 - 4 On 20 July 2005 a meeting was held between the Chancellor, Graeme Dennehy, Stephen Hall, Helen Arthurson and myself. Sue Paini was called to the meeting during its progress. There are minutes of this meeting taken by Helen Arthurson (a copy is attached). The minutes have not been confirmed as far as I am aware.
 - 4.1 At the meeting the sale of Tattersalls was discussed as was the liquor licences and the stamp duty issue.
 - 4.2 At the meeting after discussion of the liquor licence issues, and stamp duty, it was decided that the sale should not go ahead for "political reasons".
 - 4.3 The stamp duty issue was to be resolved following an approach by Mr R Torbay MP to the NSW Government. If stamp duty could not be resolved favourably then the issue of the sale would be re-examined.
 - 4.4 At that time there was talk of approaches being made to Hall in respect of selling the hotel. I cannot recall whether an offer had been made by the time of the meeting. Shortly afterwards an offer of \$3,000,000 was made subject to a due diligence.
 - 5 A favourable reply was received on the issue of stamp duty in that a draft ruling was received from the Office of State Revenue which indicated a lower amount of stamp duty would be payable. The sale of the Hotel therefore did not go ahead.

- 6 In September 2005 Services UNE Limited was established. UNE Union assets were transferred to Services UNE.
- 7 I do not know when tenders for sale were opened or the circumstances leading up to that. Services UNE Ltd was dealing with that issue.
- 8 On 25 November 2005 tenders for the purchase of Tattersalls closed.
 - 8.1 I understand that at the end of November 2005 there was a Board meeting of members of Services UNE. I also understand that the Chancellor attended that meeting. At the meeting tenders were opened. One of the tenders (ultimately the winning tenderer) I understand put in a conditional tender of \$3,000,000 saying the figure was not yet confirmed, as it was subject to due diligence.
 - 8.2 The conditional tender was accepted by the Board provided the final tender was lodged within a certain period. That tender apparently was revised downwards by several hundred thousand dollars but remained the highest tender by approximately \$150,000. The revised tender was accepted by the Board.
- 9 I understand that in early December 2005 a statement was made at a Board Meeting of Services UNE to the effect that the Chancellor had a past business connection with the highest tenderer, Darrell Hendry.
- 10 Throughout December 2005 to January 2006 I noticed gossip at UNE and in Armidale to the effect that the Chancellor was involved in the purchase of Tattersalls, or that a business partner of his had bought the hotel.
- 11 That gossip may have been fuelled by an article in the Armidale Independent on 14 December 2005 identifying Mr Hendry as the purchaser of Tattersalls. In the article there was an apparent quote from Mr Hendry:

"With the assistance of a local manager and, potentially a local investor, I am committed to continuing to run the Tattersalls as one of the premier hotels in Armidale."
- 12 On 9 January 2006 I received an email with links to a Google search. The links were to articles indicating that the Chancellor and Hendry had held a substantial shareholding in Abigroup through a company known as Vercot Pty Ltd. The Chancellor and Mr Hendry are directors of that company.
- 13 In early February 2006 the sale of Tattersalls was completed.
- 14 I understand that on 10 February 2006 the Audit and Compliance Committee of Council was informed that the Chancellor had become an investor in Tattersalls Hotel from 19 January 2006.

Dated: 19 February 2006
Anthony Fox, University Lawyer

