

Detailed Summary of the Memorandum of Understanding dated 1 February 2007

Sky Channel Pty Limited ("Sky"), Tabcorp Holdings Limited ("Tabcorp") and ThoroughVision Pty Limited ("TVN") (collectively "Parties") have entered into a binding Memorandum of Understanding ("MOU") which outlines the essential terms of the commercial arrangement between them for the purpose of sharing content, resources and the settlement of existing litigation between them.

The following is a summary of the MOU between the Parties dated 1 February 2007. The summary does not contain material confidential to any of the Parties and may be used by the Australian Competition and Consumer Commission ("Commission") in undertaking market enquiries.

Certain aspects of the MOU are effective now ("Extended Interim Arrangements") with the remainder of the arrangements becoming binding 30 days after the grant of authorisation by the Commission ("Effective Date"), if granted. These are referred to as "Long Term Arrangements".

Interim arrangements ending split vision and Extended Interim Arrangements

1. On 15 May 2006 Tabcorp, Sky, TVN and TVN's shareholders entered into a binding Heads of Agreement and Term Sheet. Aspects of the Heads of Agreement and Term Sheet came into effect immediately ("Interim Arrangements"). The remainder ("Long Term Arrangements") were subject to conditions precedent, including the Commission giving informal clearance to, or otherwise not objecting to, the Long Term Arrangements. The Commission declined to give informal clearance to the Long Term Arrangements.
2. Under the Interim Arrangements:
 - (a) TVN, AJC and STC agreed to make coverage of Sydney and Victorian thoroughbred races available to Sky for broadcast on its existing Sky Channel services to pubs, clubs, TAB outlets, on-course and on pay TV to residential premises;
 - (b) Sky agreed to make coverage of premium non-TVN thoroughbred races to which it had rights available to TVN for broadcast on its existing TVN channel service (subject to consultation with, and where necessary consent from, the relevant race clubs that have licensed to Sky the right to broadcast coverage of their races); and
 - (c) the Parties agreed to a stay of all litigation between the Parties (and the discontinuance and full release of litigation upon the Long Term Arrangements coming into effect).
3. The Interim Arrangements originally contained within the Heads of Agreement have been, in essence, extended pursuant with the MOU's Extended Interim Arrangements. In addition, pursuant to the Extended Interim Arrangements Tabcorp has made certain payments to TVN. The existing litigation remains stayed until 31 January 2008, pending authorisation. If authorisation is granted, the Parties agree to the settlement and release of all litigation, claims and cross-claims in the proceedings.

Summary of Long Term Arrangements subject to ACCC authorisation

Sky Channel to grant a sub-licence to TVN

4. Subject to Sky's consultation with (and, where necessary, the approval of) the relevant race clubs, Sky grants TVN a non-exclusive licence to broadcast on the TVN Channel certain non-TVN shareholder premium thoroughbred race meetings from the rights which Sky holds (including rights Sky acquires during the Term of the MOU).

5. Sky must use its reasonable endeavours to secure the right to sub-license the audio-visual coverage to TVN.
6. TVN is not permitted to broadcast any visual coverage of Sky-provided races in conjunction with either TVN or third party generated audio, provided that the visual coverage is made available to TVN in conjunction with audio of an appropriate quality. The rights that Sky grants TVN in relation to non-TVN races are only for use on the TVN Channel for broadcast on pay TV to residential premises and commercial subscription television via satellite to commercial outlets in Australia.
7. Wagering operators controlled by Tabcorp must provide to TVN any Tabcorp group wagering information required by TVN for broadcast on the TVN Channel. Tabcorp is also required to provide to TVN certain wagering information relating to international races.
8. Sky acquires the option to place up to two hours of Approved Content¹ on the TVN Channel per day at certain times of the day.
9. TVN owns the TVN Channel, the TVN brand and TVN Shareholder race and non-race footage and TVN Shareholder archival material produced exclusively for the TVN Channel. Sky owns the intellectual property rights in the Sky magazine shows. TVN does not own non-TVN shareholder archival material.

TVN to grant a pay TV licence to Sky

10. Without limiting TVN's rights to broadcast the coverage on the TVN Channel, TVN grants Sky an exclusive licence to broadcast and sub-license to pay TV operators the audio-visual coverage of TVN shareholder races, Darwin Turf Club and Alice Springs Turf Club races and any other thoroughbred races to which TVN held the rights as at 15 May 2006.
11. Sky pays rights fees to TVN for the grant of the licence.
12. TVN and individual race clubs are not restricted from negotiating exclusive deals with free to air commercial television stations to broadcast live certain excluded events to the domestic market and non-exclusive deals with free to air commercial television stations to broadcast live certain other excluded events to the domestic market.
13. The licence does not permit Sky to broadcast any visual coverage of TVN races in conjunction with either Sky or third party generated audio, provided that the visual coverage is made available to Sky in conjunction with audio of an appropriate quality.
14. The MOU also provides for TVN to license to Sky on a non-exclusive basis rights acquired by TVN on or at any time after 16 May 2006 to broadcast coverage of non-TVN shareholder premium thoroughbred racing during the Term ("**New Rights**") In relation to the price to be paid for such a license, if Sky and TVN fail to reach agreement within 21 days, then Sky can request that the fair market value of the non-exclusive licence of the New Rights be determined by a valuer ("**Expert**") in accordance with the following:

¹ 'Approved Content' means content that:

- is not coverage of harness racing or greyhound racing;
- is not content which might offend the sensibilities of viewers; or
- is not content which TVN, acting reasonably, considers might adversely impact on a material basis the branding of TVN, the TVN Channel or thoroughbred racing.

- (a) the Expert is to be appointed by agreement between Sky and TVN, or in default of agreement within 15 business days of a request by Sky to have an Expert appointed, Sky may request the President of the Institute of Chartered Accountants in Australia to appoint the Expert;
 - (b) each of Sky and TVN may make submissions and provide relevant information and material to the Expert;
 - (c) the determination of the Expert must be in writing and provided to the Parties within 30 business days from the acceptance by the Expert of the appointment and, in relation to domestic premium thoroughbred racing only, will be final and binding on the Parties;
 - (d) in relation to international premium thoroughbred racing, the determination of the Expert must be in writing and provided to the Parties within 30 business days from the acceptance by the Expert of the appointment and will be final and binding on the Parties if Sky confirms it wishes to acquire the New Rights at the fee determined by the Expert; and
 - (e) TVN must use reasonable efforts to secure the right to sub-license any New Rights to Sky, but TVN has no obligation to pay any additional rights, fees or costs to permit the broadcast of the relevant races on Sky Channel as well as the TVN Channel unless reimbursed by Sky.
15. TVN must use its best endeavours (not involving the payment of money) to procure that Sky has the right to broadcast racing information concerning TVN shareholder races and other races included in the coverage licensed to Sky at no cost. TVN must also use its best endeavours to procure that each TVN shareholder race club uses its best endeavours to make available its racing information for use by Sky in connection with the broadcast of their races internationally.
16. TVN must procure that each TVN shareholder will ensure that Sky is granted non-exclusive race track access rights to its race tracks for quality control purposes.

TVN to grant a commercial licence to Sky

17. Without limiting TVN's rights to broadcast the coverage on the TVN Channel, TVN grants Sky an exclusive licence to broadcast live on subscription television services into commercial outlets the audio-visual coverage of TVN shareholder races, Darwin Turf Club and Alice Springs Turf Club races and any other thoroughbred races to which TVN held the rights as at 15 May 2006.
18. Sky pays rights fees to TVN for the grant of the licence.
19. TVN and individual clubs are not restricted from negotiating exclusive deals with free to air commercial television stations to broadcast live certain excluded events to the domestic market and non-exclusive deals with free to air commercial television stations to broadcast live certain other excluded events to the domestic market.
20. The licence does not permit Sky to broadcast any visual coverage of TVN races in conjunction with either Sky or third party generated audio, provided that the visual coverage is made available to Sky in conjunction with audio of an appropriate quality.
21. The MOU also provides for TVN to license to Sky on a non-exclusive basis certain rights acquired by TVN on or at any time after 16 May 2006 to broadcast coverage of non-TVN shareholder premium thoroughbred racing during the Term ("**New Rights**"). In relation to the price to be paid for such a license, if Sky and TVN fail to reach agreement on the price, the same Expert determination process described above will apply.

22. As outlined above, TVN must use its best endeavours to procure that Sky has rights to broadcast its racing information.
23. As outlined above, TVN must procure that each TVN shareholder ensures that Sky is granted non-exclusive race track access rights to its race tracks for quality control purposes.

Distribution of the TVN Channel

24. Tabcorp is granted a non-exclusive right to distribute (and to sub-license any other Tabcorp group company to distribute) the TVN Channel under the names or branding "TVN" or "ThoroughVision" to certain hotels, clubs, other commercial outlets with a liquor licence, other commercial outlets with a wagering facility and racecourses. It may retain all associated revenues from doing so other than advertising revenues. Tabcorp pays distribution rights fees to TVN.
25. Sky also agrees to provide Sky Channel and TVN Channel, to the physical betting rings at which totalizators can be accessed and administration offices on TVN shareholder racecourses, certain other public areas of TVN shareholder racecourses, and on-course clubs owned by TVN shareholders. On race days at the relevant racecourse, Sky is to provide the TVN Channel to any other areas of TVN shareholder racecourses requested by TVN.
26. An additional fee is payable in relation to the provision of Sky Channel on TVN shareholder racecourses to corporate bookmaker headquarters or betting auditoriums used primarily by wagering operators other than licensed totalizator operators.

Production of the TVN Channel

27. Sky agrees to produce the TVN Channel for TVN in accordance with agreed production requirements. Sky must provide facilities, infrastructure and staff for the preparation and production of the TVN Channel.
28. Sky also agrees to cover the cost of the production of the TVN Channel up to a specified amount as part of the consideration for the rights granted by TVN to Sky under the pay TV licence. Any additional costs or expenses required to be incurred in the production, operation or any other aspect of the TVN Channel is paid by TVN.
29. Both Sky Channel and TVN Channel use elements of the raw race feed coverage. TVN is responsible for paying certain third party service providers and suppliers used to produce and broadcast the TVN Channel.
30. TVN agrees to employ and incur the cost of its talent. The talent is to be deployed in producing the TVN Channel. TVN must ensure its talent co-operates with Sky, observes Sky's reasonable safety and other requirements and, if the talent prevents or delays Sky's performance of its obligations, Sky is not liable to TVN.
31. TVN's executive producer determines the content or "look" (graphics, logos, wagering overlays, sets or wardrobe) of the TVN Channel and no changes can occur without prior approval of TVN. TVN is responsible for sourcing all advertising for the TVN Channel and retains associated gross advertising revenues.
32. Sky provides facilities for the preparation and production for TVN of TVN existing magazine programs. Production of these programs is at TVN's cost.

Free to air promotion

33. The MOU provides for a promotional arrangement pursuant to which Tabcorp pays TVN a commission fee for certain additional "Category 2" races sold to, and screened live by, a main free to air television station, where those races were not shown live on free to air television during the 12 month period prior to the Effective Date.

34. Category 2 races include Australia Cup Day, Ascot Vale Stakes Day, Turnbull Stakes Day, Caulfield Cup Day, Caulfield Guineas Day, Thousand Guineas Day, Blue Diamond Stakes Day, Sandown Classic Day, Cox Plate Date, Golden Slipper Day, AJC Derby Day, AJC Metropolitan Day, AJC Sydney Cup Day, AJC Oaks Day, AJC Doncaster Day, AJC Epsom Day, Manikato Stakes Day, Australia Stakes Day, Rosehill Guineas Day, Coolmore Classic Day and Golden Rose Day.

Archival Material

35. Where it has the rights to do so and subject to consultations with the relevant clubs, Sky grants TVN a licence to broadcast non-TVN premium Australian thoroughbred race archival material on the TVN Channel.
36. In consideration of a once-off licence fee paid by Sky to TVN, Sky is granted the right to use TVN shareholder racecourse feed archival material on pay TV, and in connection with any magazine show or advertisement broadcast on pay TV. Sky does not own the intellectual property rights in the TVN shareholder racecourse archival footage which may be included in the Sky magazine shows and any broadcasts or other transmissions of TVN race or non-race footage which may be included in the Sky magazine shows.
37. In consideration of a once-off licence fee paid by Sky to TVN, Sky is also granted the right to use TVN shareholder racecourse feed archival material on subscription television services into commercial outlets (including at racecourses), and in connection with any magazine show or advertisement broadcast on Sky Channel.

Obligation of Sky to third party Victorian wagering licensee

38. Within 30 days of the date on which the Government of Victoria announces the identity of a third party Victorian licensee (that is, a licensee who is not Tabcorp or any of its related bodies corporate), Sky must offer to supply the racing and wagering channel (not being the TVN Channel) distributed by Sky to the commercial venues which include coverage of Victorian and Sydney Metropolitan thoroughbred racing to the third party Victorian licensee for the period between 16 August 2012 and 31 December 2012 on reasonable commercial terms.
39. If the third party Victorian licensee wishes to enter into an agreement with Sky for the distribution of the Commercial Channel, Sky must negotiate in good faith with the third party Victorian licensee in order to reach agreement on the licence fee for the Commercial Channel.
40. If Sky and the third party Victorian licensee are unable to agree on the licence fee by 1 January 2012, the matter is to be referred for decision to an independent expert.
41. The independent expert is to be appointed by agreement between Sky and the third party Victorian licensee, or, in default of agreement, within 15 business days, Sky or the third party Victorian licensee may request the President of the Institute of Chartered Accountants in Australia to appoint the independent expert.
42. All costs incurred by the independent expert must be borne by Sky and the third party Victorian licensee in equal shares.
43. For the period between 16 August 2012 and 31 December 2012, Sky must not, except in circumstances where the third party Victorian licensee is permitted to sub-license the Commercial Channel in accordance with the terms of the agreement between Sky and the third party Victorian licensee, refuse to supply the Commercial Channel to any of:
- (a) hotels;
 - (b) clubs;
 - (c) other commercial outlets with a liquor licence;

- (d) other commercial outlets with wagering facilities; and
- (e) race courses,

(each a “**Commercial Operator**”) within Victoria by reason that the Commercial Operator has entered into a commercial arrangement with a third party Victorian licensee. Such Commercial Operator will be supplied with the Commercial Channel on their existing terms of supply or, if they have not previously received the Commercial Channel, on the standard terms and conditions for the supply of the Commercial Channel applicable in Victoria immediately prior to 15 August 2012.