

Peter M.H. Holmes à Court

17 November, 2005

Mr Nicholas Pappas
Chairman
SSDRLFC ("Football Club")
23 Hunter Street
SYDNEY NSW 2000

Mr George Piggins
President
South Sydney Leagues Club ("Seniors")
235 Chalmers Street
REDFERN NSW 2016

VIA FAX

Dear Nicholas and George,

I am writing to seek your assistance in a restructuring of the South Sydney Leagues Club and the South Sydney Football Club that, if it gets the support of the South Sydney Juniors, is designed to ensure the Rabbitohs remain in South Sydney and become a winning club.

Three things are necessary for that to happen: **money, a home** and **fan support**. Importantly, all three are needed, as even two out of three will be insufficient.

Money: the Football Club needs greater financial resources each year if it is going to field a consistently competitive team. Abundant passion and the best history of any professional team in Australian sport are important elements. However, they can not fully compensate for the fact that the Rabbitohs receive no grants from their Leagues Club yet compete against teams that, on average, receive annual propagation payments in excess of \$2 million dollars.

A home: the Football Club needs modern, high quality training facilities to help bridge the financial gap between the Rabbitohs and other football clubs.

These facilities should be in South Sydney. If we collectively work towards a re-development of Redfern Oval that contractually guarantees the Football Club long-term use of the oval for training and sufficient space to rent in the new grandstand (for a gymnasium, change rooms, hydrotherapy pools, secure storage and meeting areas), the Football Club will be able to build a permanent base in its historic heartland.

Adjacent to the Oval, in the Chalmers Street building that is currently only partially occupied by the Seniors Leagues Club, facilities could be added to make it the best training complex in Rugby League. The redevelopment could include a public gymnasium, medical and physiotherapy suites, Rabbitohs management offices, membership services and even a museum to include items from the Club's rich history.

Parts of both facilities could be made available to the public, providing the benefits of access to new fitness and rehabilitation services to the local community.

You will both know better than I that if prospective players could be shown through a Rabbitohs Hall of Fame, professional management offices and a state-of-the-art training centre, the Football Club would stand a very good chance of luring the best talent.

As I stated in my letter of November 4 to Keith McCraw, President of South Sydney Juniors, I am prepared to support the redevelopment of the Seniors Leagues Club to 1) enable the Football Club to benefit from the Chalmers Street real estate income, and 2) give the Juniors the economic benefits of operating a licensed club on the premises if a professional feasibility study concludes such a club could be financially viable.

I am prepared, under sensible terms, to underwrite the Senior Leagues Club's \$7.5 million debt, to facilitate an amalgamation of the Seniors Club with the Juniors.

Furthermore, on the same basis, I would provide the financing for the renovations, estimated at \$3 million, to maximize the revenue from the Chalmers Street building. The net rental income paid by commercial tenants would greatly assist the Football Club, albeit not enough to make up even half of the propagation payment gap between the Rabbitohs and the average NRL club.

Structurally, all that is necessary to do this is to amalgamate the Seniors Club with the Juniors, and then the Juniors Club could grant the net real estate revenue to the Football Club annually.

If this happens, then I would be prepared to make a further investment in the Football Club through a restructure proposal along the following general lines:

Step 1: The Football Club Members would be asked to agree to change the Football Club from a company limited by guarantee to a regular limited liability company, called the "New South Sydney Football Club";

Step 2: The Members would be asked to agree to investors acquiring 75% of the shares in the New South Sydney Football Club for \$3 million (paid into the Football Club and in addition to underwriting the Senior Leagues Club's \$7.5 million debt and \$3 million renovation costs);

Step 3: Members' interests would be rolled into a new company, perhaps called "The Heritage Committee", which would own 25% of the ordinary shares in The New South Sydney Football Club and 100% of the special voting shares which give the Heritage Committee veto power on issues relating to the team's colours, logo and location, if outside South Sydney—in other words, no owner could ever move the team out of South Sydney without Members' approval; and

Step 4: A new Football Club Board would be formed, with seven members, comprising four from the investors group (potentially including other business leaders), two from the Heritage Committee and one from the Juniors Leagues Club.

As the Heritage Committee would be a company limited by guarantee, it would not be able to distribute profits to its owners (i.e. Members). However, I have discussed with the NRL the possibility that the profits it receives from the Football Club be distributed to

former players of the Rabbitohs to assist them in their post football professional development, through training grants, paid internships and educational grants.

In addition, we propose to establish a Mentors Panel made up of business, sporting and community leaders, who would work alongside the Heritage Committee in allocating funds and assisting former Rabbitohs in their post rugby league careers.

Fan support: the final and absolutely essential element for the future success of the Rabbitohs is fan support for the team. Consistent on-field success and the ongoing financial strength of the Club are dependent upon lifting average crowd numbers to around 20,000 per match in five years time—and this will not be possible unless Rabbitoh fans can be united to enthusiastically support the proposed restructure.

If the Members and fans accept the proposals, we will work to do whatever is necessary to make the Football Club successful again. Russell and I will use every contact we can draw upon to lift sponsorship revenue, every bit of creativity to support Management's marketing efforts and our personal time to encourage and assist players.

I understand from media reports that a special working group of the Football Club Board and the South Sydney Leagues Club Board was established last week to continue discussions with me. I have not been contacted by any such working group since that announcement.

If the contents of this letter represent an opportunity you believe should be put to your Members, I am willing to meet at your earliest convenience to progress these discussions.

Yours sincerely,

Peter Holmes à Court

cc:
Russell I. Crowe
Keith McCraw