

25 February 2007

NSW Office of Liquor, Gaming and Racing  
GPO Box 7060  
Sydney NSW 2001

AND

Australian Securities and Investments Commission  
Level 8, 55 Market Street  
Sydney NSW 2000

PRIVATE AND CONFIDENTIAL

Dear Sirs,

### **Complaint regarding South Sydney Leagues' Club Ltd**

I wish to bring to your attention a matter involving the management of South Sydney Leagues' Club Limited (ACN 000 250 528) (**SSLC**) which dates back to 2002, which I believe involves serious breaches of SSLC's constitution, the Registered Clubs Act and the Corporations Law. I also believe the directors breached their fiduciary duty to act in the best interests of members. There is also the distinct possibility of improper dealing or fraud involving two directors of SSLC - Mr George Piggins and Mr James Hatfield.

### **Background Facts**

During 2002, SSLC sold land which it owned at 249-263 Chalmers St, and which was used as an open car park for SSLC members and guests (*Car Park Sale*). The car park was sold in a private sale to a company called Colomex Pty Ltd (ACN 079 929 007), a company controlled by Mr Lewis Yazbek, a neighbour of then SSLC Chairman Mr George Piggins. The sale price was \$7,176,000 and these funds were applied by SSLC to repay a debt owed to AMP Ltd. There are a number of irregularities regarding this sale which are extremely disturbing.

Colomex bought the car park and used the land for its project "Red Rising", a 104-apartment residential development.

The Car Park Sale was conditional however on SSLC committing to purchase 10 units in Red Rising off the plan for a total of purchase price of \$4.2 mil (*Unit Purchase*). As SSLC could not obtain finance in its own right from a lender to finance this purchase, due to its extremely poor financial health and performance, Mr George Piggins arranged to borrow the necessary money from a bank via his company, G & N Piggins & Co Pty Ltd (ACN 001 534 961). G & N Piggins & Co Pty Ltd then on-lent these funds to SSLC. As security for his loan, G & N Piggins & Co Pty Ltd obtained a first registered mortgage over the 10 units owned by SSLC.

In addition, 2 directors also acquired units in the Red Rising development in their personal capacities:

- George Piggins and Nolene Piggins acquired Lot 99 (Title Search attached);
- James Lawler Hatfield and Josephine Hatfield acquired Lot 95 (Title Search attached).

### **SSLC Constitution**

Clause 22 of the Articles of Association of SSLC lists the powers of directors of SSLC and paragraph (l) provides as follows:

“(l) To sell exchange or otherwise dispose of any furniture, fittings, equipment, plant or other goods or chattels belonging to the Club, and to let any property of the Club **and with the sanction of a General Meeting of the Club to lease, demise, exchange, or sell all or any of the lands and buildings** or other property or rights to which the Club may be entitled from time to time PROVIDED THAT the power to lease shall not be exercised with respect to any part of the Club’s premises which may be registered under the provisions of the Liquor Act 1912 as amended without the Licensing Court being obtained”.

### **SSLC board at the time of the Car Park Sale**

The following persons were directors of SSLC at the time of the Car Park Sale:

- Mr George Piggins (Chairman);
- Mr Bernie O’Neill (Deputy Chairman);
- Mr Chris Wilson;
- Mr Denis Morrissey;
- Mr David Wilson;
- Mr Bill Hartup;
- Mr James Hatfield;
- Mr Tony Henderson;
- Mr Wayne Black.

### **Breach of SSLC Constitution**

The Car Park Sale breached SSLC’s Constitution, as this transaction was not approved or sanctioned by a General Meeting of SSLC Members. This transaction was never put to members. This is a clear breach of Clause 22(l).

### **Breach of Corporations Law**

This sale also constituted a breach of the Corporations Act, and breach by the directors of their fiduciary duty to act in the best interests of members. By selling an asset of SSLC without obtaining a valuation or performing any due diligence, or advertising the sale or putting it to open tender, thereby potentially selling it for less than market value, each director breached his fiduciary duty.

## **Breach of Registered Clubs Act**

Section 41J of the Registered Clubs Act, provides as follows:

“(1) A registered club must not dispose of any land of the club unless:

(a) the disposal has first been approved at a general meeting of the ordinary members of the club at which a majority of the votes cast supported the approval; and

(b) the disposal is by way of public auction or open tender conducted by an independent real estate agent or auctioneer (subject to the requirements of any other Act or law); and

(c) in the case of a sale of land, the club has first obtained a valuation of the land from an independent registered real estate valuer within the meaning of the Valuers Registration Act 1975”.

The Car Park Sale certainly breached paragraphs (a) and (b) of section 41J(1). It is likely also that it breached paragraph (c).

## **Breach by Mr George Piggins of his fiduciary duties**

Mr George Piggins breached his fiduciary duties to members as a result of the following:

- By lending money (approx \$3.2 mil) in his personal capacity (via his company G & N Piggins & Co Pty Ltd) to SSLC, a club of which he was Chairman. For instance what interest rate did Mr Piggins charge SSLC? Was this a market rate?

## **Breach by Mr George Piggins and Mr James Hatfield of their fiduciary duties**

Mr George Piggins and Mr James Hatfield breached their fiduciary duties to members as a result of their acquiring units in Red Rising in their personal capacities. The following questions spring to mind:

- Did the directors of SSLC commit the SSLC to purchasing the 10 units in Red Rising off the plan for above market values (\$4.2 mil) in return for being able to buy a unit personally at less than market rates?
- What prices did Mr Piggins and Mr Hatfield pay for their respective units? Were these fair market prices?

## Other Irregularities

Both the Car Park Sale and the Unit Purchase not only involved serious breaches of the above laws, they also exhibited extremely poor or non-existent corporate governance on the part of these directors.

The following questions must be asked of the above directors:

- Was a formal valuation obtained prior to the Car Park Sale? On what basis was \$7,176,000 deemed to be fair market value?
- What due diligence was done by the board regarding the investment of some \$4.2 mil to purchase the 10 units in Red Rising?
- Why was the Car Park Sale conditional on the Unit Purchase?
- Why was the Car Park Sale not advertised or placed out to tender in an attempt to maximise the sale price?
- Why instead was the land sold to a company controlled by Mr Lewis Yazbek, a neighbour of Mr Piggins in Liguria Street, South Coogee?

In these circumstances, as your Office is responsible for implementing and enforcing the laws relating to registered clubs in NSW, as outlined in the Registered Clubs Act 1976, I request that you conduct a further investigation into the above transactions.

I would also request that the Australian Securities and Investments Commission consider issuing orders that Mr. George Piggins and Mr. James Hatfield not be allowed to act in the role of a company director for a period of 5 years.

Yours faithfully,

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Member of South Sydney Leagues' Club Ltd