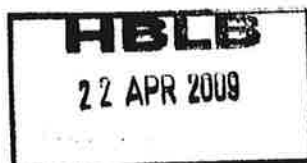




Waterfront, Hammersmith Embankment
Chancellors Road (access on Winslow Road)
London, W6 9HP, UK

T +44 (0)20 8834 8000 info@betfair.com
F +44 (0)20 8834 8001 www.betfair.com

Douglas Erskine-Crum Esq.
Chief Executive
HBLB
Parnell House
25 Wilton Road
London
SW1V 1LW



Martin Cruddace
Legal Director & Company Secretary

Direct line:
+44 20 8834 8220

Fax:
+44 20 8834 8010

Email:
martin.cruddace@betfair.com

21st April 2009

BY POST

Dear Douglas,

I refer to your letter dated 7 April 2009.

Let me re-state up-front that we agree whole-heartedly with the Levy Board that those who manage their bookmaking-business positions through any platform additional to their primary platform, should account for any profit that they make when calculating their Levy payment.

The position of 'Racing' in the BHA's submission to DCMS of November 2007 was that gamblers making lay bets on betting exchanges were bookmaking. In November 2008 (as per a submission from the BHA to Sir Philip Otton) this position had changed and Racing was claiming that it was in fact exchange 'traders' who were bookmaking. Given your position is so closely aligned to that of Racing (as evidenced in your letter dated 2 October 2008 to Paul Bolt at DCMS), are we to understand that Racing's position (and your position) has reverted to that of November 2007 and that exchange 'traders' are no longer considered to be bookmaking?

It is difficult to understand on what basis you seem to be pursuing the notion, rejected in multiple independent enquiries, that some of Betfair's customers, in isolation, should be liable for Levy as if they were bookmaking. Aside from the obvious conclusion which might be reached by most reasonable observers that the target is actually 'anyone we can persuade someone we might get money from', in neither instance is Betfair aware of anything in law that equates what its customers can do, with bookmaking.

Indeed, as regards the making of a lay bet (i.e. betting against an outcome), the Government's response in June 2004 to the recommendations of the parliamentary Joint Scrutiny Committee, included a statement that: "*Any such distinction [between backing and laying] would, in the Government's view, be arbitrary and introduce unnecessary and unwise regulatory loopholes.*".

Betfair has pioneered the sharing of information with sporting regulators. We also shared an enormous quantity of data with HM Treasury during their review into the taxation treatment of 'betting exchanges and their clients'. Our transparent approach to the sharing of information which has been justifiably requested and is not discriminatorily targeted, is therefore well established.

However, there seems to be no attempt by the HBLB to consider whether any customers of traditional bookmakers, spread firms etc may be betting in the course of business, despite the fact that, as a keen reader of the *Racing Post* who will therefore be well aware of the recent publication of the book, *Public Enemy Number One*, you will obviously accept that profitable punters with a range of betting behaviours exist right the way across the betting world as a whole.

Please be aware that we will resist, to the fullest extent possible, any attempt to single out a class of Betfair customers for discriminatory licensing, taxation, or Levy treatment.

Yours sincerely,



PP Martin Cruddace
Legal Director & Company Secretary

cc: Paul Bolt Esq., Director of Sports & Leisure, DCMS
Jenny Williams, Chief Executive, The Gambling Commission

Martin Cruddace Esq
Company Secretary and Legal Director
Betfair plc
Waterfront
Hammersmith Embankment
Chancellors Road
London W6 9HP

7th April 2009

Betting Exchanges and the Levy

I wanted to update you on a matter which you are aware that the Levy Board is considering.

As you know, concerns have been expressed that some people laying bets through the exchanges are, in fact, acting as bookmakers and hence should be paying the levy based on the definition of "bookmaker" in section 55 of the Betting, Gaming and Lotteries Act 1963. Once information has been received, we will consider the best way of addressing it, and we anticipate involving DCMS and, in particular, the Gambling Commission in view of its statutory duties and powers. Indeed, DCMS and the Gambling Commission are, of course, already considering the issue.

As you will appreciate, in view of our statutory role in relation to the levy, we take very seriously any concern that there may be individuals who should be paying the levy but are not doing so.

Yours sincerely

Douglas Erskine-Crum
Chief Executive

Copies: Paul Bolt, Esq, Director, Sports & Leisure, DCMS
Mrs Jenny Williams, Chief Executive, Gambling Commission



Parnell House 25 Wilton Road London SW1V 1LW
Telephone: +44 (0)20 7333 0043 Facsimile: +44 (0)20 7333 0041
e-mail: hblb@hblb.org.uk

Martin Cruddace Esq
Company Secretary and Legal Director
Betfair Limited
Waterfront
Hammersmith Embankment
Chancellors Road
London W6 9HP

28th April 2009

Dear Martin,

Betting Exchanges and the Levy

Thank you for your letter dated 21st April 2009.

I set out the Levy Board's position in my letter of 7th April 2009. The concern is any suggestion that there are people laying bets through betting exchanges who are, in fact, acting as bookmakers, according to the definition of "bookmaker" in section 55 of the Betting, Gaming and Lotteries Act 1963 (the 1963 Act).

As you will know, that definition reads:

"bookmaker" means any person ... who – a) ... carries on, whether occasionally or regularly, the business of receiving or negotiating bets or conducting pool betting operations; or b) by way of business in any manner holds himself out, or permits himself to be held out, as a person who receives or negotiates bets or conducts such operations ..."

Where any person is so acting by laying bets on a betting exchange (and that bookmaker is carrying on on his own account a business which includes the effecting of betting transactions on horse races, pursuant to section 27(1) of the 1963 Act), the Levy Board is bound by its statutory role to seek to impose levy in respect of such activity. That is why it is considering this issue and why DCMS and the Gambling Commission are also considering this issue.

Any distinction between "exchange 'traders'" and "gamblers making lay bets on betting exchanges" is not relevant since it is the statutory regime which sets out the relevant basis on which the Levy Board may collect the levy. It is not a question therefore of choosing between the positions you claim the BHA advocated in November 2007 or November 2008. In any event, the Levy Board strongly disputes your baseless assertion that the Levy Board is aligned with the BHA or 'Racing'.

Are you seeking to suggest that none of your customers who lay bets could fall within the statutory definition of a "bookmaker"?

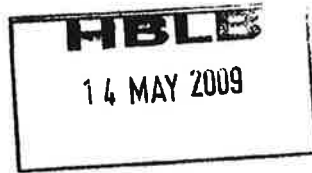
If customers of traditional bookmakers and spread betting firms are acting as "bookmakers" under the 1963 Act such that they therefore ought to be paying levy, the Levy Board would of course consider how to address this concern. Are you suggesting that customers of traditional bookmakers are acting as "bookmakers", in accordance with the definition of that term in section 55 of the 1963 Act? If so, please could you explain the legal basis for that view.

Finally, the Levy Board is therefore not, as you imply, seeking to single out a class of Betfair customers. Rather, its focus remains ensuring that those people who are acting as bookmakers and ought to pay the levy, do so.

*Yours sincerely,
Douglas*

Douglas Erskine-Crum
Chief Executive

Copies: Paul Bolt, Esq, Director, Sports & Leisure, DCMS
Mrs Jenny Williams, Chief Executive, Gambling Commission



12 May 2009

Douglas Erskine-Crum Esq.
Chief Executive
HBLB
Parnell House
25 Wilton Road
London
SW1V 1LW

Martin Cruddace
Legal Director & Company Secretary

Direct line:
+44 20 8834 8220

Fax:
+44 20 8834 8010

Email:
martin.cruddace@betfair.com

Dear Douglas,

I refer to your letter dated 28 April 2009.

Your letter does not address the central premise of my prior letter to you dated 21 April 2009, or the similar points raised in my letter to Mr Hughes of 22 September 2008. If HBLB (contrary to all independent enquiries to date) believes that some Betfair customers betting against outcomes (i.e. making lay bets) are, by virtue of that activity alone, engaging in bookmaking, what is the clear basis for this belief?

You cite the definition of 'bookmaker' under the 1963 Act, yet there appears to us, and to our advisers, to be nothing in this definition lending support to a claim that betting against an outcome on a betting exchange is closer to bookmaking than any other form of betting. Is there anything specifically within the statutory definition of 'bookmaker' that HBLB believes captures betting against an outcome on a betting exchange, but does not capture betting for an outcome (whether on an exchange or elsewhere)?

You asked in your letter whether Betfair is suggesting that none of its customers making lay bets could fall within the statutory definition of 'bookmaker'. In response, please consider the following:

First, Betfair customers making lay bets, unlike Betfair itself or Ladbrokes, Barry Dennis or any other licensed betting operator, are responsible for none of the following: advertising to prospective customers; holding stakes; determining which markets to offer; ensuring that minors do not use the platform and that responsible gambling measures are in place; preventing money laundering and keeping the platform free of crime; the framing of rules and regulations for bets and markets; bet settlement and paying out; resolving disputes etc. In other words, a Betfair customer making a lay bet is in the same position as a Betfair customer making a back bet, or any customer of any other licensed betting operator.

Second, HM Treasury determined after a review that you yourself referred to in your letter to Paul Bolt of 2 October 2008 as: "a prolonged and very detailed investigation", that no Betfair customers (whether making back or lay bets or both) should be subject to betting duty based on their Betfair betting activity, as if they were betting in business.

In the context of the above we believe that the conclusion of any reasonable person would be that none of Betfair's customers, by virtue of their betting activity on Betfair alone, are 'bookmaking'.

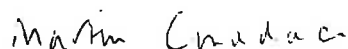
However, the onus is not on Betfair to demonstrate the status of its customers. HBLB is alleging that some customers of Betfair may be engaging in criminal activity by evading Levy. The burden must fall squarely on HBLB to justify such a serious claim.

Thus far, the only basis provided to us for this serious allegation is the unspecified 'concerns' of persons unknown, expressed in your letter to me dated 7 April 2009. Please either provide evidence to support the allegation, or withdraw it. If the persons expressing these concerns are Betfair's commercial competitors or constituents of 'Racing', their vested interests in this matter are very well established and should be discounted. In this context, noteworthy in your 7 April letter is your suggestion that HBLB will consider what action to take: "once information has been received." This raises further serious concerns that HBLB is acting on anecdotal claims from vested interest groups and consequently about the basis for and motives behind the exercise you appear to be undertaking. HBLB, as a public body established by statute, has a duty to act rationally and without bias.

In our view it is of potential legal consequence that the Board has not produced any evidence whatsoever to suggest that the Government is wrong in how it has dealt with this issue in the Gambling Act or through the Treasury Review and that the Board continues to act in an arbitrary and discriminatory manner.

Finally, you also asked in your letter whether I was suggesting that customers of traditional bookmakers might be bookmaking by virtue of their betting activity. This was in response to me asking you in my 21 April letter, whether HBLB had considered the status of these gamblers. For the avoidance of doubt, Betfair has never suggested that customers of any licensed operator are bookmaking. I raised the topic of non-exchange gamblers because I feared that the current exercise has only ever been targeted at exchange customers. Your failure to answer my question suggests that my fears are well founded.

Yours sincerely,



Martin Cruddace

Legal Director & Company Secretary

Cc: Paul Bolt Esq., Director of Sports & Leisure, DCMS
Jenny Williams, Chief Executive, The Gambling Commission