

Subject to Legal Professional Privilege - Bonus Jackpots

From: Joshua Preston <Personal Information>
To: Glen Ward <Personal Information>
Date: Wed, 17 Oct 2018 20:49:47 +1100

Afternoon Glen,

Further to our previous discussions including our more recent discussion earlier today, I confirm that I would like to obtain your advices relating to the interpretation of "Bonus Jackpots" against the practices that have been adopted by Crown Melbourne over several years in using "Bonus Jackpots".

By way of background:

- the concept of Bonus Jackpots (and Bonusing generally) is that they are used as deductibles for the purpose of calculating gross gaming revenue. The concept of Bonusing and/or Jackpots has, as I understand it, been in place since Crown Melbourne commenced operating in approximately 1997. Subsequent to that, the concept of "Bonus Jackpots" was developed and an initial approval was sought and obtained from the VCGR (as it was then known) regarding the specific concept of "Welcome Back Bonuses";
- in simple terms, Bonus Jackpots are issued against individual Gaming Machines by the approved Electronic Gaming Machine Management System (DACOM) once the configured point threshold is reached by the patron, at this point the bonus jackpot's status is issued. Once the bonus jackpot is redeemed by the patron the bonus jackpot status changes to redeemed and the amount is deducted as per the approved Gaming Machine Revenue calculation against the individual Gaming Machine.
- the evolution of variable bonuses have continued to be developed by Crown and have continued to form part of the deductions for the purpose of calculating gross gaming revenue;
- in 2012 a concept was considered regarding adding what was referred to at the time as the "Food Program Initiative" into the Bonus Jackpot field. In short, this equated to people who obtained food benefits or parking benefits being deemed a bonus jackpot and accordingly deducted from gross gaming revenue;
- although the Welcome Back Bonus was specifically considered by the VCGR, the Food Program Initiative was not raised with the regulator for consideration;
- the Regulator regularly receives revenue reporting from Crown which includes the method of calculating gross gaming revenue whereby it has the all sums received minus sums paid out which, as I understand it, includes a reference to Bonusing and Bonus Jackpots.

To assist, the below documents will follow in a separate email:

- memo from Deb Tegoni to Peter Herring dated 28 March 2012 (Confidential and Legally Privileged Memorandum) (attachment 1);
- email from Pete Herring to myself dated 5 June 2018 describing the various "Bonusing" and "Bonus Jackpot" options (attachment 2);
- PowerPoint presentation titled "Gaming Machines Food Program Initiative" dated March 2012 (attachment 3);
- Crown Rewards brochure titled "Pokie Credit Rewards" (attachment 4);
- letter from the VCGLR to Matt Asher dated 2 July 2012 attached a BMM recommendation dated 21 July 2012 (attachment 5);
- memorandum from Edwin Aquino – Revenue Audit Manager to Peter Herring dated 22 March 2012 (attachment 6);
- F13 Business Plan Gaming Machines dated March 2012 (attachment 7);
- F14 Business Plan Gaming Machines dated March 2013 (attachment 8);
- letter from VCGR to Lonnie Bossi dated 6 November 2006 regarding "Changes to Welcome Back Bonus Jackpot" (attachment 9);

- various copies of meeting invites indicating who was involved in the consideration of the Food Program Initiative (attachment 10);

As discussed, it would be appreciated if you could provide as soon as possible your preliminary views on whether there are any issues for us to consider relating to the treatment of the Food Program Initiatives (or any of the other bonusing categories) in the context of calculating gross gaming revenue.

I would expect that there will be a range of questions that you have once you have perused the materials, please feel free to email them to me or call me to discuss so I can get the relevant answers from the technical and other experts.

Many thanks in advance and I look forward to hearing from you shortly.

Cheers
Josh

Joshua Preston
Chief Legal Officer – Australian Resorts



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