

VIP Review Work Streams – Meeting 24 October 2013

Area	Description / Update	Follow Up Items
1) Winning New Business of Key Junket Operators	<p>Analysis presented for Workshop #3 highlighted key junkets to focus on, that appear to have capacity as Neptune, SunCity, Tak Chun.</p> <p>Update 24 Oct:</p> <p>Sun City:</p> <ol style="list-style-type: none"> 1. SC new marketing magazine: Involved in planning for their first edition 2. SC loyalty redemption programme: Progressing contract. Meeting in Macau next week. Go live date target Mid December. SC need to resolve language issues in order to install hardware and software here. 3. SC exclusive Aust. tactical marketing to their customers: Spring promo in market now for some time. Little response so far. 4. Crown assisting SC locate permanent resources here; fixed room model): SC planning to visit in November to inspect facilities. <p>Neptune:</p> <ul style="list-style-type: none"> • Produced \$185m turnover in Perth in September. Continuing to negotiate for a bigger deal (asks: increased credit, payment of individual winners, managing differentials, guaranteed Tier 1, priority Sky Salon access). Continuing to represent that they are putting a group together but so far results are mixed. <p>Tak Chun:</p> <ul style="list-style-type: none"> • “familiarisation trip” planned for November at Crown Melbourne and Crown Perth with key management. (DH, 22/10) 	<ul style="list-style-type: none"> • Update on feedback post mid-Nov trip. • MC to provide latest bridge from current turnover levels to budgeted turnover levels by junket. Also to produce document for direct premium customers (top 50 FY13 and status FY14 and new players). • Update on Sun City status and work streams: (1) SC new marketing magazine; (2) SC loyalty redemption programme; (3) SC exclusive Aust. tactical marketing to their customers; (4) Crown assisting SC locate permanent resources here; fixed room model); (5) deals (Spring Promotion). • Update on Neptune, including status / progress of agreement on deal terms. • Update on Tak Chun progress. • Update re Jack Lam engagement / deal. (JO to consider continued Perth deal and to look at the numbers for a potential Melb deal). • Update on Song Junket. <ul style="list-style-type: none"> ○ Perth status? ○ Update re Crown taking credit risk on specific Song Junket customers with security over commercial property / non-primary residence. • Update re other key junket developments

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	<p>Song Junket</p> <ul style="list-style-type: none"> • Up to \$1.2bn YTD with their expectations of \$4/5bn this year • Looking at Perth feasibility (lawyers meeting 24 Oct). • Crown taking risk/security: DH met again with ZPL and indicated that Crown potentially offer a secured credit line to a Song Junket customer at up to 90% LVR (dependant on property specifics). Subsequently ZPL introduced the property developer of land in Mornington Peninsula and asked Crown to consider this property for potential secured credit line. Crown is still waiting for more detailed information on this property in order to evaluate it for potential suitability. (DH, 22/10) 	<ul style="list-style-type: none"> ○ Patrick Lam contacts
<p>2) Key Junket Operators - Rate Card</p>	<p>Produce 'Rate Card' for top 10 junket operators (including matrix of revenue share and commission combination alternatives).</p>	<p>No further action required.</p>
<p>3) Strategy for 2nd Tier Junket Operators</p>	<p>Investigate the merits of partnering with an up and coming tier 2 junket in Macau (ie. identify who will be in the top 6 in the future and partner with them now). Consider ways that we could partner with these operators to provide capital and other support in return for sending volume to Melbourne and Perth.</p> <p>12 prospective 2nd tier junkets identified. From the list of 12, the following 5 junkets have expressed most interest about potentially working with Crown: Heng Sheng Group; Lucky Star Group; lao Kun VIP Club; Meng Mun Club; Goldmoon International.</p> <p>Most promising 2nd-tier junket is Jing City backed by Goldmoon. Principal of Jing City is young 35-year old aggressive entrepreneur. Has</p>	<ul style="list-style-type: none"> • Provide status update re Jing City backed by Goldmoon (turnover levels, looking to hire people to put in Perth). • Provide status update re Meng Mun/Lucky Star discussions (corporate golf tournament in Perth in December?). • MC and sales team to continue discussions / follow up with Heng Sheng Group; lao Kun VIP Club; Goldmoon International. • RT to progress credit assessment of each of the prospective 2nd tier junkets identified, including obtaining a COD credit team investigations report. Meng Mun Club

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	<p>established travel agency in Singapore to support sending clients to offshore gaming locations. Committed to Australia.</p> <p>A Junket Evaluation and Risk Assessment matrix has been developed to evaluate and score junkets on a range of key criteria including size, growth outlook, relationship potential with Crown, debt levels as % of annual turnover, payment history and sponsor interest. Detailed assessment has been prepared so far on Goldmoon.</p> <p>Update 24 Oct:</p> <ul style="list-style-type: none"> • Jing City: Constant play throughout last 2 months, but at low levels. Large group set for Perth baccarat tournament. • Meng Mun/Lucky Star discussions: Negotiating to hold Meng Mun corporate golf tournament in Perth in December • Credit assessment of each of the prospective 2nd tier junkets: Reports have been received for certain individuals involved in 4 of the 5 junkets expressing the most interest (Heng Sheng Group; Lucky Star Group; lao Kun VIP Club; Goldmoon International). Still waiting for report for Meng Mun Club. 	<p>outstanding.</p>
<p>4) Premium Direct Strategy</p>	<p>Strategy presented (separate handout provided) and agreed at Workshop #3 focussing on enhanced customer experience while keeping core published rates the same to give the super junket Rate Card strategy an opportunity to take hold. Strategy centres on:</p> <ul style="list-style-type: none"> • Eliminating current LTI and BBLM incentives and redeploying funds. • Offering lucky money STI's to \$1m and up customers equating to 0.03% of t/o effective rate in Perth and 0.02% in Melbourne (effectively a rate increase). 	<ul style="list-style-type: none"> • MC to produce document for direct premium customers with top 50 FY13 and status FY14, and new players. • Update of other key players activity in Melb and Perth. • Provide update on: <ul style="list-style-type: none"> ○ what and who the 0.07% has been used for so far; ○ how successful it has been; and

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	<ul style="list-style-type: none"> Creation of a marketing fund to give the sales team budget to make the guest feel like h/she is better cared for by Crown than any other casino resort in the world. Fund would be 0.07% of overall t/o, with tiered %'s for individuals depending on their level of t/o. <p>Update 24 Oct:</p> <ul style="list-style-type: none"> For the traditional "off-peak" period of post Spring Racing (2nd week of Nov) and (late January) pre Chinese New Year, additional incentives of up to 0.08% of t/o for premium players and 0.025% of t/o for junkets will be provided to targeted customers. Over 80 customer "deal" proposals have been submitted from Sales team and reviewed by VIP Commercial. Over 50 deals have been presented to customers with positive initial feedback. M Chen visited once since being presented the deal (\$25m credit line). T/O \$263m and lost \$16m. Offer presented to A Wong by BF. Little progress. Agreed to meet in Macau on next visit. 	<ul style="list-style-type: none"> who is in the pipeline that we are putting up proposals for. Update re [REDACTED]
5) Other Junket/Direct Strategies – "equity" scheme	Development of some sort of "equity" scheme for the junkets that allows them to feel like they are "owners" thereby giving them greater incentive to support Crown versus other competitors (several junkets have asked MC about this)	<ul style="list-style-type: none"> To be discussed at next VIP meeting.
6) Other Junket/Direct Strategies - Significant	Development of a specialized Significant Investor Visa product that includes both the investment vehicle and the ancillary services to support a patron's migration. CPH to look at the development of the vehicle (potentially using Capital Golf)	<ul style="list-style-type: none"> MJ/BK to investigate.

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Investor Visa		
7) Marketing	VIP marketing strategy (brand awareness and direct customer communication) in Macau to boost profile and attractiveness of Crown/Australia as a destination – engage marketing agency in Macau/China/HK	<ul style="list-style-type: none"> • JO/BF to meet with Karl to discuss VIP marketing in Macau to boost profile and attractiveness of Crown/Australia as a destination – strategy to engage marketing agency in Macau/China/HK (brand awareness and direct customer communication). • Marketing support to develop pipeline of "experiences/products" for the sales force to sell that are unique reasons to visit Australia (eg shark-cage diving, etc).
8) Becoming a Junket Operator	<p>Investigate feasibility and merits of becoming an approved junket operator in Macau (COD) and other jurisdictions (eg Singapore, Vegas) to leverage off existing customers, sales team, >15 years operating history and reputation to get people to play with us in other locations increasing the % of their total business done (share of wallet) with us. Macau is the main prize here. Other jurisdictions (Vegas, Singapore etc) to be considered at another time.</p> <p>Initial paper on the opportunity presented at Workshop #3. Risks outlined highlighted strategy most likely to be feasible if it is about capturing a greater share of Crown existing customer wallet by have outlets in other locations, as opposed to becoming a large junket operator more generally.</p> <p>Crockfords junket at COD performs satisfactorily. It is also used to deposit funds / chips for customers to visit other properties in the Genting group.</p>	<ul style="list-style-type: none"> • BF/JO/MC to speak to RC to decide if this is worth pursuing vis a vis Lawrence before spending more time on getting to the bottom of the legal position (licensing in Macau; Australian considerations).

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	<p>COD view was that they are established elsewhere in Macau anyway (MGM), so they might as well allow them to establish at COD.</p> <p>No Update 24 Oct.</p>	
<p>9) Sales Team Review</p>	<p>Sales force review prepared and distributed outlining talent search and progress, as well as a review of where existing resources are located and a review of key markets to determine strategic addition and placement of new resources (deeper penetration into China and select SEA markets).</p> <p>Restructured China team into 7 regions compared to 3 previously.</p> <p>Key "heavy hitters" being considered: [REDACTED]</p> <p>A broad based recruitment campaign was launched in late July to identify potential suitable candidates to join the Crown VIP International Sales & Marketing team from ASM to VP level. Campaign is mainly internet based and focusing on key Asia regions where Crown conducts marketing activities.</p> <p>Update 24 Oct:</p> <ul style="list-style-type: none"> • Discussions with [REDACTED] remain open at this time. • No further discussions have been held with [REDACTED] at this time. • 2 further potential recruits have been identified. [REDACTED] from Venetian Macau will work the Juangsu region. [REDACTED] from MBS will work the Xian region at Director level. Search continues 	<ul style="list-style-type: none"> • BF/MC/JO/MJ to meet with [REDACTED] when she comes to Australia in November. • Implement Plan B if [REDACTED] is not successfully recruited. (Ping to set up a relative here that she can refer people to Crown through until her contract ends bolstered by targeting top VP level staff from competitors). • If unsuccessful re [REDACTED] approach [REDACTED] with concept to have him on property/living in Australia part of the year – "super host" concept where he is paid in an advisory board capacity (incentive based: base + % of T/O). Heavily incentive based 1-2 years including knowledge transfer. <ul style="list-style-type: none"> ○ MC to keep warm in the interim. • Provide update on broader VIP Sales Team recruitment strategy. • Discuss strategy for sales team training.

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	with support from corporate HR and in market agency.	
10) Sales Team	Devise a remuneration strategy for the sales team that includes Bactrac win rate as a criteria. Bactrac rate already in place for F13 for SVP and above. Propose status quo for F14 (consider going deeper in future years).	No further action at present.
11) Credit - extended "financing and collateral" capability	Development of an extended "financing and collateral" capability to enable Crown to reduce exposure and get more aggressive with credit in a controlled way.	<ul style="list-style-type: none"> • Tony Tong will provide us with a proposal week commencing 25 November and will work with SB as the key point person.
12) Credit – Macau Strategy	<p>Several options have been considered (including relocating part of the credit function to Macau) and the following preferred option (supported by CFO of COD) is being executed: a) Incorporating approx. 3 Crown staff into the COD team (1 collections and 2 investigations); and b) Utilising the services of the COD Credit team more frequently to prepare detailed customer "Investigations Screening Reports".</p> <p>COD have identified a dedicated Crown employee as part of their credit and collections team and dedicated investigations resource for Crown (at Crown's expense).</p> <p>MCE to provide management oversight and charge based on collection success (collection by COD in each case at Crown discretion) – 0% for a debt less than 90 days and up to 40% for a debt older than 4 years based on the age of the debt on the collection date (collection rate only paid where staff other than the 2 Crown funded staff above are involved).</p> <p>Update 24 Oct:</p>	<ul style="list-style-type: none"> • Update on whether any success / traction from COD? • Update on other alternatives for 3rd party debt collection? • Update on MC discussions re Huang Bing Kuan group debt.

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	<ul style="list-style-type: none"> • COD are yet to provide final agreement. Mark Gibbons has not yet met HBK since the last meeting. • Not getting good traction from COD on this as they are too busy elsewhere. • We are going to look to do a deal with someone else to collect debts. • MC has a line of communication open with HBK and so can progress HBK directly. 	
13) Credit – On-selling old debts	<p>Looked into alternatives for on-selling debts that have been outstanding for extended periods and assessed as highly unlikely to be able to be</p> <p><small>REDACTED - PRIVILEGE</small></p>	No further action required.
14) Credit - Information	<p>Spoke to banks (ICBC, BC) to see if they can assist with information to assist in assessment of quality of credit/risk. Length of time taken to get reports from Transunion / PBC and customers sensitivities to telling banks they are going to casino means unlikely to be feasible.</p>	No further action required.
15) Credit – Legal Regime (ways to bring debts into the Macau / Hong Kong legal regime)	<p>Various alternatives have been considered and one option, personal cheques, has been found to be feasible. Key competitors in Macau (COD, MGM, LVS, Wynn) and Singapore (MBS) require signed personal cheques at buy in (in Macau & HK it is a criminal offence having a cheque bounce).</p> <p>We have now implemented this practice effective from 20 May. Exceptions are made for existing customers with good payment records.</p> <p>Update 24 Oct:</p> <ul style="list-style-type: none"> • Michael Chen has a contact with ICBC who said he will open an account for us. Phil Geappen also provided us with 2 ICBC 	<ul style="list-style-type: none"> • RT to approach MC's contact at ICBC to establish a bank account.

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	contacts. We will pursue Michael's contact first.	
16) Credit – MCE vs Crown	Detailed review of MCE & Crown to identify any substantial departures in standard operating procedures for credit. RT circulated by email summary of key differences on 3 July 2013 and concluded that differences are minor and that apart from areas already identified and implemented pursuant to other Work Streams, further changes are not considered necessary.	No further action required.
17) Foreign Currency - CUP	<p>Look into whether there is an opportunity for customers to use China Union Pay and Global Cash Access.</p> <p>Progressed discussions with mobile payment solutions providers Telebite/PayEco, Regal Crown and Everforex. Unlikely to provide a solution for Crown - seem to circumvent regulations.</p> <p>Crown is currently accepting China Union Pay debit cards for chip voucher purchase transactions via the hotel through NAB. Internal legal has reviewed and comfortable with the way Crown is accepting China Union Pay debit cards. So far have had c. 30 customers use for up to \$200k at a time (Crown limit).</p> <p>Meeting was held with Global Cash Access however they do not yet have a licence in Australia to conduct cash facilitation business. They are not currently in a position to offer any solution regarding cash access to VIP customers.</p> <p>Update 24 Oct:</p> <ul style="list-style-type: none"> • DH met with Toh Yiu Joe (EVP Genting HK) to discuss and better understand their use of Regal Crown. On back of this JO will meet 	<ul style="list-style-type: none"> • JO'C will meet with Gordon MacIntosh (of Regal Crown) when their agendas allow to further the discussion and assess potential use by Crown on back of DH Genting discussion.

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18) Foreign Currency – Strategic Partners	Consideration of potential strategic partners (long hard currency, short RMB). Yet to be pursued.	No further action required at present.
19) Tax	Analysis of alternative gaming tax regimes in the region and impact of tax rates on relative competitiveness. Paper was distributed at Workshop #2 Agreed that: <ul style="list-style-type: none"> Approach WA Govt first to re-engage on a 9% rate 	<ul style="list-style-type: none"> WA Gaming Tax working group progressing.
20) Front money thresholds concept	Preliminary analysis to quantify an opportunity to request change to reduce requirement for \$10k front money to qualify for the lower program play rate for international players. Initial analysis indicates that there is potential gaming tax saving in Melbourne of circa \$5m- \$10m across Main Floor Table Games and EGM's assuming that gaming revenue from holders of foreign passports (who also reside abroad) could be taxed at a VIP International 10% tax rate with no super tax.	<ul style="list-style-type: none"> No further action required at present. Revisit this idea in the event that there is a change to Super Tax.
21) Tie Baccarat	Consideration of introduction of Tie Baccarat in Melbourne – lower commission expense payable compared to traditional Baccarat due to reduced house edge.	<ul style="list-style-type: none"> No further action required at present.
22) Phone Betting	Phone Betting	<ul style="list-style-type: none"> No further action required at present.
23) Other	Consideration of policy proposals to raise with Government.	<ul style="list-style-type: none"> No further action required at present.

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Regulatory	<p>Update 24 Oct:</p> <ul style="list-style-type: none"> • Maria Jockel has provided Crown with a general written update on the Australian visa application process. No change to Crown's existing approach to customer visa applications is required. • The change in Government is yet to result in any change to visa policy 	
24) Next Meeting		Confirmed for 1pm on 2 December 2013.

Names Key: Michael Johnston (MJ), Barry Felstead (BF), Ken Barton (KB), Jason O'Connor (JO), Richard Longhurst (RL), Roland Theiler (RT), Brad Kady (BK), Michael Chen (MC), Darren Harding (DH)